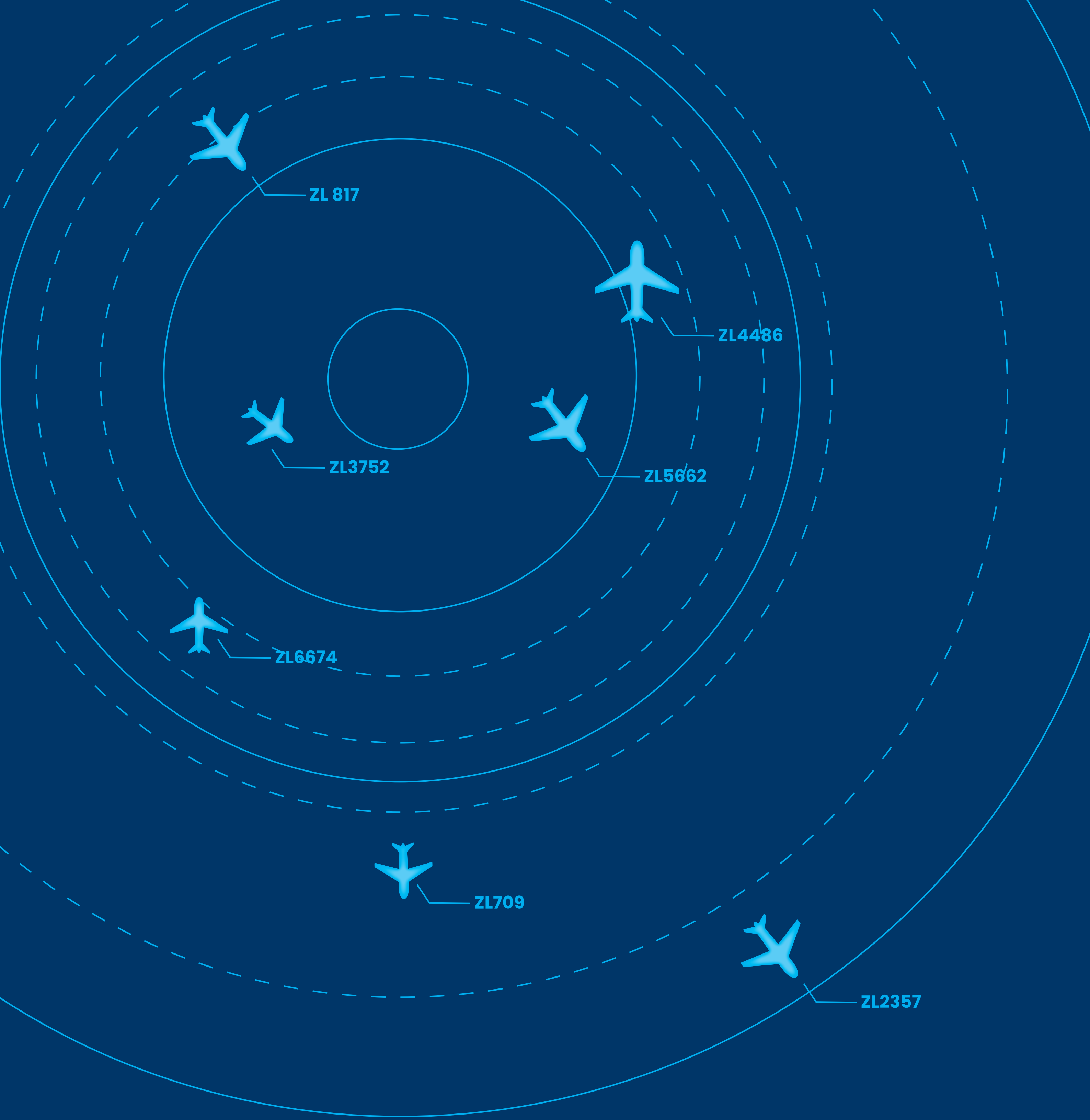

CHALLENGES AFTER COVID

Annual Report

For the Financial Year ended 30 June 2023
Regional Express Holdings Limited

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Rex Value Statement

What does it profit a company if it gains the whole world and loses its soul?

Customer

- We are committed to providing our customers with safe and reliable air travel with heartfelt hospitality.
- We constantly strive to keep fares low through our commitment to simplicity, efficiency and good value.
- We are committed to treating our customers as individuals and will endeavour to respond to all their comments and complaints.

Company

Staff members are part of the Rex family. This comes with both privileges and responsibilities.

We expect every staff member to take ownership of issues encountered:

- Ownership means that if something is wrong then it is everyone's job to fix it.
- Matters that cannot be handled by the staff member ought to be pursued further with senior management.
- We accept that sometimes staff may make mistakes while trying to act in the best interest of the Company.

We strive to be a learning organisation where we actively seek to identify systemic issues no matter how small in order to continually transform ourselves to a better organisation:

- This entails a culture where issues are highlighted as learning experiences, even though they may place our colleagues in a bad light.
- An excellent airline is one that is outstanding in a thousand small ways.

We believe that we can only count on ourselves for our continued success:

- All staff members must embrace the 'can do' and 'will do' spirit that has been the defining characteristic of our initial success. Past experiences, while helpful, must not limit or define the future.
- Hard work is the cornerstone of our work ethic - all staff share in the profits and so all staff are expected to contribute their fair share. Slackers that do not contribute their fair share not only rob the Company but also their co-workers.

We value open communication and will strive to create an environment that removes silo mentalities by embracing full transparency:

- Staff members have a right to be heard regardless of their position.
- Staff members are encouraged to contact directly the members of the Management Committee and Board if they feel their immediate supervisors are being a barrier.

We respect the dignity of each staff member and will treat each other with respect and fairness:

- The customer does not always come first and we will stand by our staff member if the customer is unreasonable.
- We will focus on the issue and not the person.
- We accept that staff members may have different talents and capabilities and will strive to fit the job to the person rather than the other way around.
- Important decisions concerning staff matters are always referred to the Management Committee to ensure transparency, fairness, and consistency.

We are committed to standing behind our staff members and their families and will do all we can to help them in their times of special need:

- We believe in the value of the family and will strive to create a working environment that is supportive of the family.
- All staff members have the right to seek the support of Rex Management Committee if special assistance or consideration is needed.

Contractors

- We believe that our suppliers are partners in our business.
- In all our dealings with suppliers we will seek to be fair, reasonable and honest and will strive to work only with like-minded suppliers.

Community and the Environment

- Rex is mindful of the tremendous social and economic impact its services have on regional communities and works in partnership with these communities to balance their needs against our commercial imperatives.
- We are also committed to giving back by supporting worthwhile charitable causes which are focused on helping the less fortunate, supporting natural disaster recovery or supporting development of regional communities.
- We are committed to preserving the environment to the measure of our capabilities.

Capital

- Rex believes that its shareholders' interest is best served by pursuing a path of steady but sustainable growth of its earnings.
- We believe that maximizing shareholders' returns in the long term is not incompatible with our duties and responsibilities towards our other stakeholders outlined above.

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Foreword

As we embarked on Financial Year 23, there was a great sense of anticipation at Rex. After two and a half years of COVID restrictions, we were hoping to resume normal operations and recover lost ground. Never would we have imagined that FY23 would prove in fact more challenging than the COVID years, and perhaps the most challenging we have ever encountered.

Rex's financial misfortune was largely the result of Qantas' illegal anti-competitive behavior in the prior years when the latter dumped excess capacity on Rex's regional routes in the hope of damaging us so much that our nascent domestic operations would not be able to succeed and grow. As could have been predicted, this has resulted in Rex's regional business (excluding regulated routes) suffering a loss before tax of $26m in the period under review compared to profits of $5m prior to COVID.

So while Qantas announced with great fanfare a record profit of Underlying Profit Before Tax of $2.47 billion, Rex reported one of its worst ever performances with a Group operating loss of over $30m. It is most disheartening to see the wicked prosper. However, in this darkest of hour, I am reminded of, and draw strength from, Rex's guiding principle that headlines Rex's Value Statement published in every single annual report since 2005:

"What does it profit a Company if it gains the whole world and loses its own soul."

So while we have suffered a significant setback, we are proud that during COVID we did not de-staff our call centre in a disingenuous attempt to discourage requests for refunds. In fact, we did the opposite and created a special App so that passengers could be automatically refunded without having to contact the call centre. We even sent out six reminders to travel agents asking them to initiate the refund process (since Rex could not do it directly) for passengers who booked directly through them. The end result is that we refunded every passenger who requested a COVID-related refund.

We are also proud of the fact that we did not sell tickets for phantom flights in an illicit bid to enhance cash flow. We did not retrench a single staff member and every cent of the JobKeeper subsidy was distributed back to our staff. We do not deliberately gouge our passengers even on routes where we are the sole operator and we do not squat on valuable airport slots by gaming the system.

So does it still matter in the business world today to have real integrity instead of just window-dressing integrity? The jury is still out as we see large powerful corporations continuing to prosper and getting away with deceptive, unconscionable and even illegal activities. But for Rex and its subsidiaries, we have chosen to follow our moral compass even as we strive to improve investor returns. This is who we are and what we stand for. And for the record, we have not been cowed by Qantas in giving up our domestic operations. We have added two Boeing 737-800NG jets in recent weeks and intend to add 2 more before the end of the FY. We believe Australians now know which is the only Australian carrier that delivers reliable and affordable services with true integrity and heartfelt country hospitality.

Lim Kim Hai
Executive Chairman
29 September 2023

Corporate

This annual report covers both Regional Express Holdings Limited as an individual entity and the consolidated entity comprising Regional Express Holdings Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

Directors
Lim Kim Hai
The Hon. John Sharp AM
Lee Thian Soo
Neville Howell
Chris Hine
Jim Davis
Prof. Ron Bartsch AM
Lincoln Pan
Sid Khotkar

Company Secretaries
Irwin Tan
Benjamin Ng
Richard Kwan

Registered Office
81-83 Baxter Road
Mascot, NSW 2020
Telephone: 02 9023 3555
Facsimile: 02 9023 3599

Share Registry
Automic Group
Level 5, 126 Phillip Street
Sydney, NSW 2000

Solicitor
Baker McKenzie
Level 46, Tower One
International Towers Sydney
100 Barangaroo Avenue
Barangaroo, NSW 2000

Banker
Westpac Banking Corporation

Auditor
BDO Audit Pty Ltd

Contents

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DIRECTOR'S REPORT

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1 Board of Directors

In compliance with the provisions of the *Corporations Act 2001*, the directors of Regional Express Holdings Limited ('Rex') submit herewith the annual report for Rex and its consolidated entities (the 'Group') for the Financial Year ended 30 June 2023 (FY23).

The names and particulars of the directors of Rex during or since the end of the FY are:

Lim Kim Hai
Executive Chairman
Appointed 27 June 2003.

Mr Lim started his career as a Defence Engineer specialising in underwater warfare. After ten years he left to start his own business. Currently, he has a portfolio of investment and business interests in diverse sectors and countries. He is also the Chairman of a biomedical company in Singapore, Lynk Biotechnologies Pte Ltd.

Mr Lim obtained his Masters in Electronics Engineering from the prestigious 'Grande Ecoles' engineering colleges in France under a French Government scholarship. He later returned to France to complete a Masters of Public Administration at the elite Ecole Nationale d'Administration in Paris on a Singapore Government scholarship. Mr Lim also holds a Masters of Business Administration from the National University of Singapore.

Mr Lim was one of the founding shareholders and directors of Rex in August 2002. He has been the Executive Chairman of the Rex Group of companies since June 2003.

The Hon. John Sharp AM
Deputy Chairman & Independent Director
Appointed 14 April 2005.

The Honourable John Sharp AM is an aviator, having been a licenced pilot of both fixed-wing and rotary-wing aircraft. Mr Sharp was a member of the House of Representatives of the Commonwealth Parliament for 14 years (1984 – 1998). He retired from the House of Representatives in 1998 and established his own high-level aviation and transport consulting company. He was Honorary Federal Treasurer of the National Party of Australia from 1999 to 2017.

Mr Sharp is Chairman of Pel-Air Aviation Pty Ltd and serves as a director on the boards of Power and Data Corporation Pty Limited; Luerssen Australia; Australian Maritime Shipbuilding Export Group; the Tudor House Foundation, and the Foundation for Rural and Regional Renewal, as well as a Trustee and Board Member of John McKeown House. He is also a director of the Bundanon Trust.

Mr Sharp is a former Chairman of the Aviation Safety Foundation of Australia, Winifred West Schools Foundation, and the Parsons Brinkerhoff Advisory Board, an engineering and design company operating throughout Australia and the region. He has previously served as a director of Airbus Group Australia Pacific and has been a member of the University of Wollongong Vice Chancellor's Advisory Board. He has been a director of the French-Australian Chamber of Commerce and Industry, and Co-Chair of the Cancer Council of NSW Southern Highlands Branch. He was previously a member of the Climate Change Authority, on which he served for six years.

Mr Sharp was also previously appointed a director of the Flight Safety Foundation following his receipt of the Foundation's Presidential Citation for Aviation Safety, the first Australian to receive this award.

He is involved in a number of voluntary and community organisations and was named a Member of the Order of Australia for significant service to the people and Parliament of Australia, to the aviation industry, and the community. In addition to his other accomplishments, Mr. Sharp also operates a farm breeding cattle and horses.

Mr Sharp's extensive experience in aviation, regional air services and as the former Federal Minister for Transport and Regional Development in the Federal Government, adds significantly to the expertise and standing of the Board.

Lee Thian Soo
Non-Executive Director
Appointed 27 June 2003.

Mr Lee has extensive international business experience and currently is the Chairman and owner of a company supplying specialty medical devices, systems and drugs to healthcare institutions in the ASEAN region.

Mr Lee was one of the founding shareholders and directors of Rex in August 2002.

1 Board of Directors cont.

Neville Howell
Executive Director & Chief Operating Officer
Appointed 1 July 2014.

Mr Howell has over 42 years of aviation experience and has been with the Company since its inception in August 2002.

He operated the Saab 340 as a First Officer and Captain for over 18 years for both Hazelton Airlines and Rex, before becoming Manager Training & Checking and Deputy Chief Pilot, before being appointed General Manager Flight Operations (GMFO) and Chief Pilot. As GMFO Mr Howell was responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

Mr Howell became Chief Operating Officer in July 2014. As Chief Operating Officer he is responsible for Rex operations including flight operations, continuing airworthiness, maintenance control, airport operations and the human factors group.

Mr Howell is an extensively qualified and experienced simulator and aircraft instructor and was the Chief Flying Instructor and Chief Pilot for the first integrated pilot training academy in Australia and has provided cadet pilot training for both domestic and international carriers.

He is a qualified lecturer in several aviation subjects and has a Diploma of Aviation. He has held many Civil Aviation Safety Authority (CASA) delegations since 1984.

Mr Howell is the Accountable Manager for the Rex Air Operator's Certificate (AOC).

Chris Hine
Executive Director; Executive Chairman, Australian Airline Pilot Academy and Managing Director National Jet Express
Appointed 1 March 2011 as Executive Director; 1 July 2014 as Non-Executive Director; 18 May 2015 as Executive Director

Mr Hine has over 30 years of aviation experience, including 15 years as a First Officer and Captain of Metroliner and Saab 340 aircraft and is a well-accomplished and knowledgeable instructor. He has been with the Company since its inception in August 2002 and is Executive Chairman of the Australian Airline Pilot Academy Pty Ltd (Wagga Wagga, New South Wales and Ballarat, Victoria) and Managing Director of National Jet Express.

Preceding his current role, he was the Chief Operating Officer and General Manager Flight Operations and Chief Pilot. As Chief Operating Officer he was responsible for the Company's operations including flight operations, maintenance control, airport operations and the human factors group. Prior to Rex he worked for Kendell Airlines from 1995, during which time he held various Check and Training Captain positions.

Mr Hine has also had experience as a lecturer in Cockpit Systems Management for the Bachelor of Applied Science (Civil Aviation) degree at the University of South Australia.

Jim Davis
Independent Director
Appointed 26 August 2004 as Executive Director; 27 May 2008 as Managing Director & retired 1 July 2011; 23 November 2011 as Independent Director.

Mr Davis has a degree in Aeronautical Engineering and commenced his aviation career with the Civil Aviation Safety Authority (CASA) before obtaining his Air Transport Pilot Licence. He subsequently flew with airlines in Australia and overseas for 26 years, accumulating some 12,500 flying hours. Mr Davis joined Hazelton Airlines in 1999 as Flight Operations and Standards Manager and later became Chief Pilot. He has been with Rex since its inception in 2002, occupying the positions of Executive General Manager Operations, Managing Director Operations, Chief of Staff of the Chairman's Office and Managing Director.

Mr Davis is a former Chairman of Rex Group company, the Australian Airline Pilot Academy Pty Ltd (AAPA), a former Director of Rex Group company Pel-Air Aviation Pty Ltd, and a former Chairman of the Regional Aviation Association of Australia (RAAA). He currently sits on the boards of Airports Coordination Australia (ACA) Pty Ltd and the Regional Aviation Association of Australia (RAAA).

Prof. Ron Bartsch AM
Independent Director
Appointed 23 November 2010.

Professor Bartsch has over 40 years' experience in the aviation industry in a variety of senior operational, safety and regulatory roles. He was head of safety and regulatory compliance for Qantas Airways Limited's AOC and manager of the Civil Aviation Safety Authority (CASA) Sydney Airline Transport Field Office.

Professor Bartsch is an experienced pilot and has extensive legal and regulatory experience. He has formal qualifications in law, education, philosophy and science, and is the author of the definitive legal publication on aviation law. Professor Bartsch is an international aviation safety consultant and visiting Professor of International Aviation Law at the University of the South Pacific and the College of Law at the Australian National University and a Senior Visiting Fellow with the School of Aviation at the University of New South Wales. He is a former aviation specialist and Presiding Member of the Administrative Appeals Tribunal and author of several publications including *Aviation Law in Australia, International Aviation Law* and *Drones in Society* and contributing aviation author for *The Laws of Australia* and *Halsbury's Laws of Australia*. Professor Bartsch's latest publication, T*he Corona Dilemma: 20-20 Thinking for the Next Normal*, was released in 2020.

Professor Bartsch was appointed a Member of the Order of Australia at the Australia Day Honours in 2021 for his significant service to aviation law, and to safety and compliance.

Lincoln Pan
Non-Executive Director
Appointed 15 March 2021.

Lincoln Pan is a Partner and Co-leads the PAG Private Equity platform with a focus on broader pan Asia investing. Prior to joining PAG in 2015, Mr Pan was the CEO of Greater China for Willis Towers Watson. Prior to that Mr Pan served as Principal at Advantage Partners and worked at GE Capital, McKinsey & Company and Simpson Thacher & Bartlett. Mr Pan serves on the Board of Directors of Cushman & Wakefield, Lexmark, Food Union, The Cheesecake Shop, Omnis China, Joyson Safety Systems, Craveable Brands, Nuvama Wealth Management, Gamot API, Unispace, Regional Express, NMS Group, The Cordina Group, and Patties Food Group. Mr Pan holds a JD from Harvard Law School and a BA from Williams College.

Sid Khotkar
Non-Executive Director
Appointed 15 March 2021.

Sid Khotkar is a Managing Director and Head of PAG Private Equity in Australia and New Zealand, based in Melbourne. Prior to joining PAG in 2020, Mr Khotkar was an interim Director in the private equity team at The Future Fund (Australia's sovereign wealth fund). Prior to that Mr Khotkar was a Principal at TPG Capital for over 10 years and before that was at Goldman Sachs JBWere for three years, all in Melbourne. Mr Khotkar serves on the Board of Directors of Craveable Brands, Unispace, Regional Express, The Cordina Group and Patties Food Group. Mr Khotkar holds an MBA from Harvard Business School and a Bcom in Finance from The University of Melbourne.

2 Senior Management Executives

The names and particulars of the senior management executives of Rex during or since the end of the FY are:

Neville Howell
Executive Director & Chief Operating Officer

Mr Howell is a member of the Rex Management Committee. A description of his qualifications, skills and experience is included on page 12.

Warrick Lodge
General Manager, Network Strategy

Mr Lodge manages the team responsible for scheduling, pricing, revenue management, and commercial analysis. His duties include the monitoring of network performance and analysis of both existing and new market opportunities for the Rex domestic and regional operations. Mr Lodge has more than 30 years of airline experience in the specialised areas of scheduling, pricing and revenue management and held the position of Manager Network Planning with Kendell Airlines, having joined that company in 1992. Mr Lodge has been with Rex since its inception in 2002 and is also a member of the Rex Management Committee.

Irwin Tan
General Manager, Corporate Services

Mr Tan's background was originally in genetic research after graduating with first-class honours in biotechnology from the University of New South Wales in Sydney. Mr Tan left the field of genetic research when he joined Morrison Express Logistics in 1999 and then Singapore Airlines in 2001. He was later transferred to Singapore Airlines Cargo as an executive where he took on various appointments in product development, advertising, sales and airline alliances before taking on the role of Regional Marketing Manager for the South-West Pacific region in 2003. Mr Tan joined Rex in July 2005 and was appointed the Company Secretary and GM Corporate Services on 7 September 2005. Mr Tan is also a member of the Rex Management Committee.

Mayooran Thanabalasingam
General Manager, Information Technology and Communications

Mr Thanabalasingam leads a team of Information Technology (IT) professionals responsible for ensuring day-to-day operations of the airline. With over 20 years of experience and an extensive background in information technology, he has managed a range of IT projects and initiatives for Rex including the Internet Booking Engine, the Amend Booking Engine, Web Check-in and numerous Mobile/ iPad applications.

Mr Thanabalasingam has a Masters of Business Administration (Computing) from Charles Sturt University. He also has a Graduate Certificate in Management (Information Technology) as well as an Associate Diploma of Electrical Engineering/ Computer Engineering. He commenced with Rex in April 2004. Mr Thanabalasingam is a member of the Rex Management Committee and a Director of the Australian Airline Pilot Academy (AAPA).

David Brooksby
National Airports Manager

Mr Brooksby commenced the role of National Airports Manager for Rex in 2010. Mr Brooksby has held previous senior roles in a management and operational capacity at each of Rex's major airports including Adelaide, Sydney, Brisbane and Melbourne since joining the Company in April 2006. Mr Brooksby also held the role of Chief Operating Officer of former subsidiary Air Link Airlines from 2012 until it was sold in 2018. Prior to commencing employment with Rex, Mr Brooksby worked as a contracted outport agent with his family's business at Mount Gambier airport where his father is the Company's longest-standing contracted ground handling agent, having been contracted by Rex/Kendell to provide ground handling services since 1982. Mr Brooksby graduated from the University of South Australia with a Bachelor of Management in 2003. Mr Brooksby is also a member of the Rex Management Committee.

Paul Fisher
General Manager, Flight Operations and Chief Pilot

Mr Fisher has over 30 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 aircraft as a First Officer and Captain for over 20 years with both Hazelton Airlines and Rex. Prior to his role as General Manager Flight Operations (GMFO) and Chief Pilot, Mr Fisher served in various roles within the Training & Checking department including the Adelaide Flight Operations Manager, Flight Standards Manager and the Training & Checking Manager/Deputy Chief Pilot. He holds several Civil Aviation Safety Authority (CASA) delegations. As GMFO he is responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations. On 1 June 2023, Mr Fisher was appointed to the Rex Management Committee.

Png Yeow Tat
Former General Manager, Engineering
Retired 28 April 2023

Mr Png has been in aviation engineering for more than 40 years and has many years of experience in various senior management positions. He graduated with an Honours Degree in Electrical and Electronic Engineering from the UK. Mr Png joined Rex in June 2007 as the Logistics Advisor and subsequently as the Engineering Advisor in the Chairman's Office. He became the Deputy General Manager and Part 145 Alternate Accountable Manager for the Rex Approved Maintenance Organisation (AMO) in June 2013.

Mr Png was then appointed General Manager for the Rex Engineering Group in January 2016 and is also the Rex Part 145 AMO Accountable Manager.

He is a member of the Rex Engineering Management Committee and a member of the Rex Management Committee. Mr Png retired on 28 April 2023.

Dale Hall
Rex Group Director of Engineering
Appointed 1 June 2023

Mr Hall has been involved in aviation engineering for more than 40 years and has many years of experience in various senior management and regulatory positions.

He is a Licensed Aircraft Maintenance Engineer and qualified aviation auditor. Mr Hall returned to Rex as the Engineering Advisor to the Chairman's Office in 2021, prior to his return he had previously held a number of roles in Rex Group Engineering over a 15 year period including Continuing Airworthiness Manager, Part 145 Accountable Manager and as the General Manager of Engineering. Mr. Hall has also held senior regulatory/management positions in Jetstar and Sikorsky - Lockheed Martin Australia.

He is responsible for Rex group engineering including the subsidiary companies, is a member of the Rex Engineering Management Committee and a member of the Rex Management Committee.

Mark Burgess
Deputy General Manager Engineering
to 31 May 2023
General Manager Engineering – 145 Accountable Manager
Appointed 1 June 2023

Mr Burgess is a Licensed Aircraft Maintenance Engineer with over 30 years' experience and has been with the Company since its inception in 2002.

Mr Burgess' career began as an apprentice in the British Armed Forces where he maintained helicopters for 12 years and left as a Senior Rank. He continued his career in the oil and gas industry in Aberdeen, Scotland with CHC Scotia which also included Line support for British Midland Regional aircraft. He migrated to Australia in 2001 to work for Kendell Airlines in Wagga Wagga and became Production Leader coordinating maintenance and manpower on heavy checks for Saab 340 aircraft.

In 2008 Mr Burgess moved to Adelaide as the Line Maintenance Supervisor and oversaw the expansion of Rex maintenance activities from line to heavy maintenance.

Following seven years serving as Deputy General Manager, Engineering and Rex Part 145 AMO Alternate Accountable Manager, on 1 June 2023, Mr Burgess was appointed General Manager, Engineering, and Accountable Manager for the Part 145; at which time he was also appointed to the Rex Management Committee. Mr Burgess is also a member of the Rex Engineering Management Committee.

3 Directorships of Other Listed Companies

During the year under review, no directors appointed as at 30 June 2023 served as a director with any other company listed on the ASX.

4 Directors' Shareholdings

The following table sets out each director's relevant interest in shares and options of Rex as at the date of this report. No debentures or rights exist.

Directors	Fully paid ordinary shares direct interest	Fully paid ordinary shares indirect interest	Share options
Lim Kim Hai	18,998,346	5,755,513	-
John Sharp	50,000	275,032	-
Lee Thian Soo	7,722,181	3,727,181	-
Neville Howell	40,641	-	-
Chris Hine	88,448	-	-
Jim Davis	200,866	-	-
Ron Bartsch	-	-	-
Lincoln Pan	-	-	-
Sid Khotkar	-	-	-

5 Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the Financial Year (FY) and the number of meetings attended by each director (while they were a director or committee member). During the FY, 10 Board meetings; two Audit and Corporate Governance Committee meetings and four Safety and Risk Management Committee meetings were held. No Remuneration, Nominations and Disciplinary Committee meetings here held in FY23.

Directors	Board	Audit & Governance Corporate Committee	Safety and Risk Management Committee	Remunerations, Nominations and Disciplinary Committee
No. of Meetings Held:	10	2	4	-
Attendance:				
Lim Kim Hai	5			
John Sharp	10	2		
Lee Thian Soo	4			
Neville Howell	10		4	
Chris Hine	10		4	
Jim Davis	10			
Ron Bartsch	10		4	
Lincoln Pan	5	2		
Sid Khotkar	4			

6 Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 29 to 35.

7 Former Partners of the Audit Firm

No directors or officers in Rex or the Group have been a partner or director of BDO Audit Pty Ltd, the Group's auditor.

8 Company Secretaries

Mr Irwin Tan holds the position of Rex Company Secretary. A description of his qualifications, skills and experience is included on page 14.

Mr Benjamin Ng, having completed his Bachelor of Science followed by an MBA in the UK, started his career with the German multi-national chemical company, Henkel in Malaysia. In his eight years with Henkel/Cognis, he held various positions ranging from sales, marketing, business analysis and cost controlling. In 2001, he was posted to headquarters in Germany for just over a year where he was the cost controller for the Asia Pacific Region. Upon his return to Malaysia, he oversaw the controlling department of Cognis for three years. Mr Ng joined Rex in May 2006 and was appointed Company Secretary on 10 October 2007.

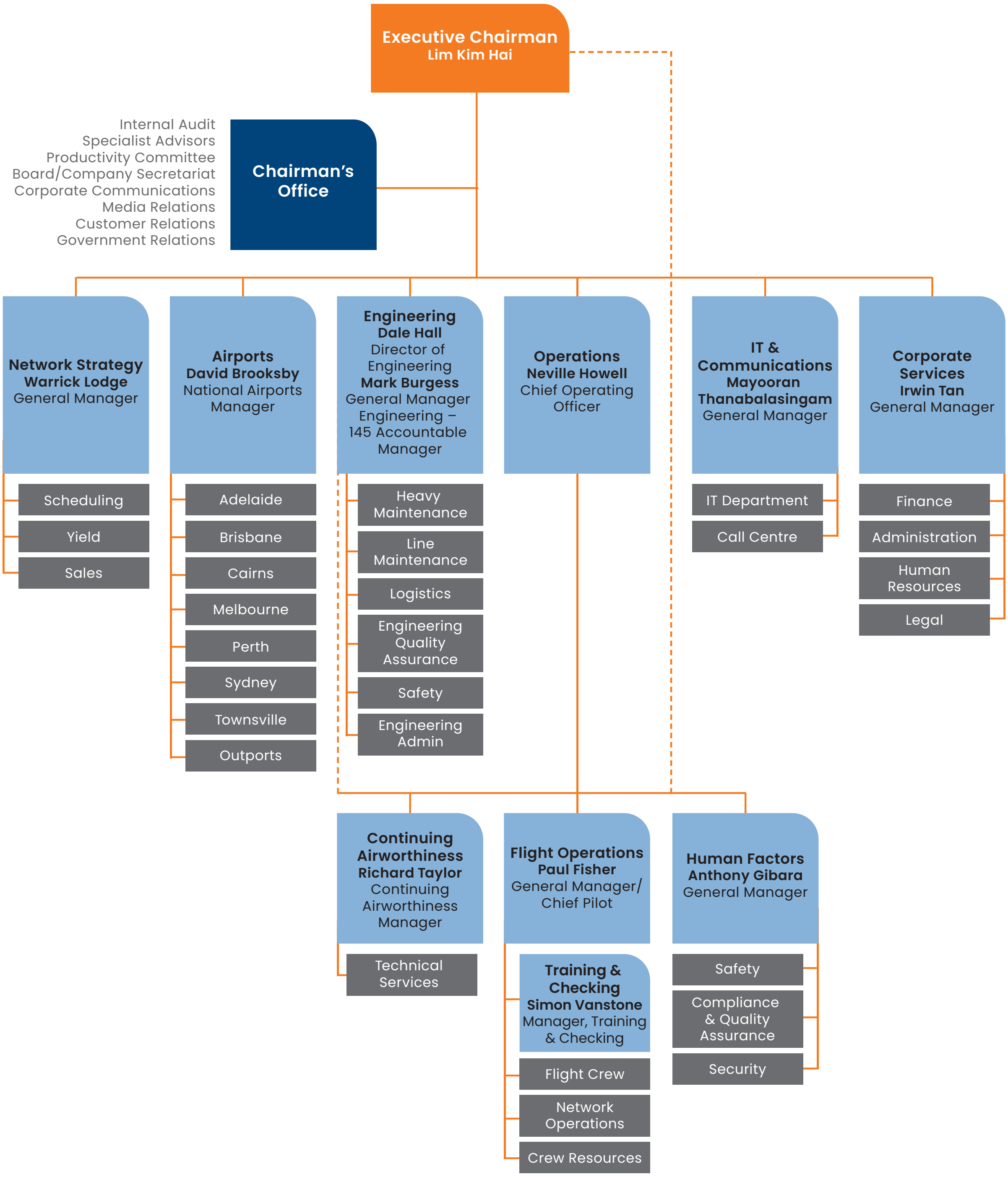
Mr Richard Kwan started his career with Rex after graduating with a Bachelor of Aviation (Hons) from the University of New South Wales (UNSW) in 2010. He has held various roles within the Corporate Services and Network Strategy departments. Specifically, Mr Kwan focuses on analysis, project and contract management within the Rex Group of companies, including the Queensland and Western Australia regulated routes and Pel-Air contracts. He has subsequently obtained a Master of Commerce from UNSW. Mr Kwan was appointed Company Secretary on 26 September 2016.

9 Principal Activities

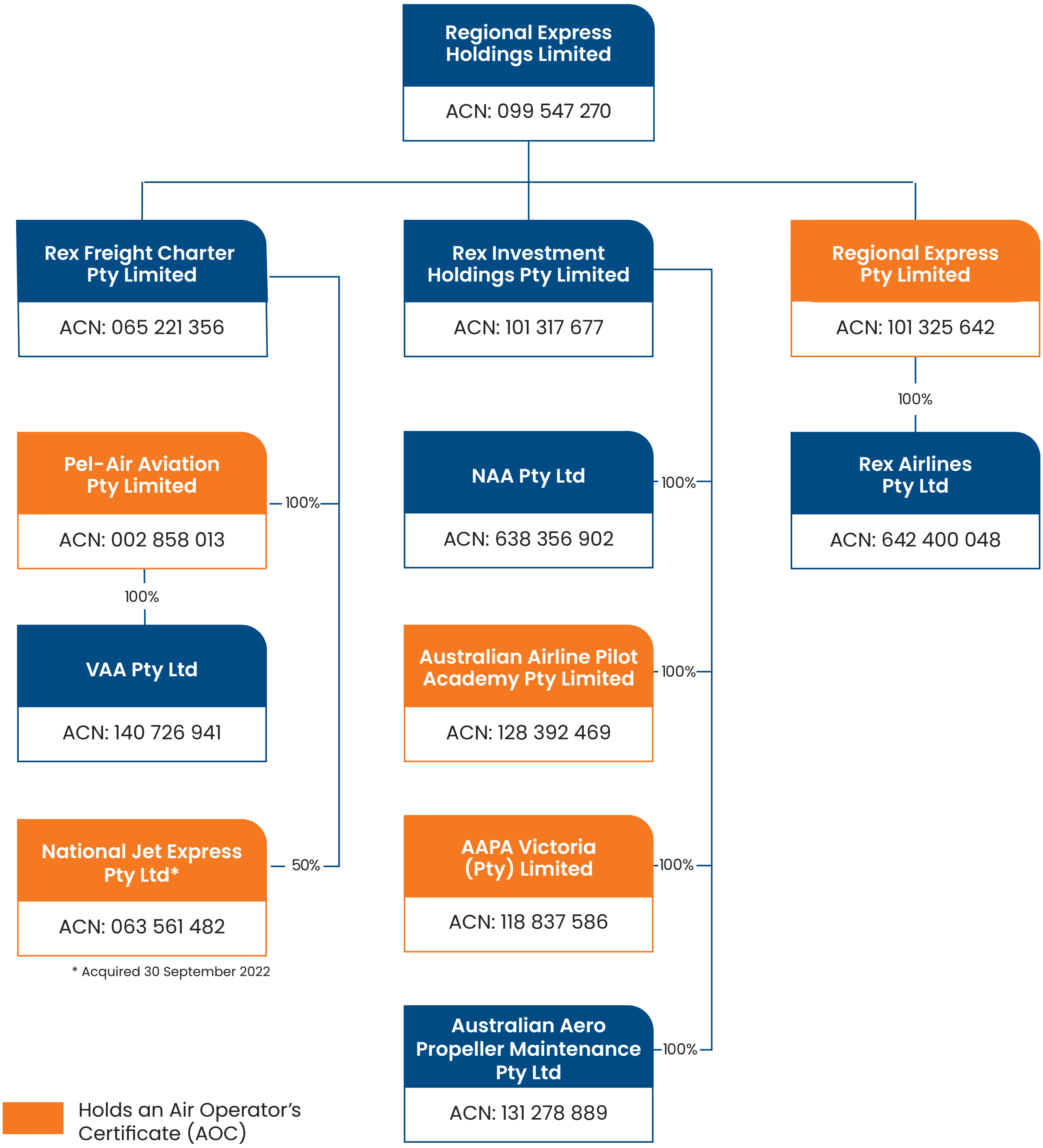
The Group's main activity during the FY was the provision of air services principally for the transportation of passengers and freight.

10 Organisation & Group Structures

Rex Airlines Organisation Structure



Rex Group Holdings Structure



11 Review of Operations

Summary

The Rex Group displayed resilience in response to ongoing challenges stemming from the effects of COVID-19 on the aviation industry.

Rex commenced Financial Year 2023 (FY23) with a regular public transport (RPT) network servicing 57 airports, including seven domestic routes: Melbourne to Sydney, Adelaide, Canberra, Brisbane and the Gold Coast; and Sydney to Brisbane and the Gold Coast.

During the reporting period, Rex withdrew from the Sydney to Ballina route.

In FY23, Rex launched a new regional route from Melbourne to Devonport with the Saab 340 aircraft; and a new domestic trunk route from Adelaide to Sydney with its Boeing 737-800NG (Boeing 737) aircraft.

This period did not include any Federal Government COVID-19 funding support, as the Regional Airline Network Support (RANS) grant ceased on 30 June 2022.

Route and Network Development

In the challenging post COVID-19 environment, Rex needed to be agile in the face of fluctuating demand, cost of living pressures on consumers and market competition.

Rex had withdrawn from a number of regional routes prior to the reporting period FY23, such as Melbourne to Albury; Sydney to Bathurst, Grafton/Lismore, and Adelaide to Kangaroo Island, due to anti-competitive practices by Qantas. Despite the lack of passenger demand and thin passenger volumes on these marginal regional routes, Qantas entered these routes to undermine Rex's viability.

Rex also ceased operations on the Sydney-Canberra and Sydney-Cooma routes prior to the commencement of FY23 because they were not economically viable. Rex had commenced the Sydney to Canberra route with the Saab 340 aircraft to bring much needed competition to the Qantas sole-operated route, however the return of Virgin Australia made the Sydney/Canberra route unviable.

With the exception of the Melbourne to Albury route (which ceased on 29 May 2022), Rex withdrew from the routes on 30 June 2022, coinciding with the end of the Federal Government's Regional Airline Support (RANS) funding program.

FY23 began with the cessation of the Sydney-Ballina route, with the final service operating on 2 July 2022.

In response to strong demand, weekday return services on Sydney to Albury, Broken Hill, Coffs Harbour, Dubbo, Orange, Griffith, Merimbula, Moruya, Port Macquarie, Wagga Wagga, Melbourne-Mildura and Adelaide-Port Lincoln routes increased by up to 67% from 4 July 2022. The additional seats exceeded pre-COVID capacity.

In July, Rex released a statement urging the Australian Competition and Consumer Commission (ACCC) to reopen investigations into Qantas' conduct in the market. This followed Qantas' announcements on 20 and 22 July 2022 that it would suspend and cancel operations on the Melbourne-Wagga Wagga and Melbourne-Mount Gambier routes respectively due to lack of patronage. Qantas had entered these markets intending to flood the market with excess capacity in order to weaken Rex. The announcement came just 16 months after Qantas launched both routes.

Multiple agreements with major travel agency groups came into effect in FY23, including Flight Centre, Helloworld Travel, Webjet, Consolidated Travel, and Corporate Travel Management. Significantly, Rex entered into a landmark 10-year agreement with Flight Centre, cementing Rex as Flight Centre's partner of choice for the next decade.

Rex celebrated its 20th anniversary on 2 August 2022. As part of the celebrations, a special ceremony was held in Wagga Wagga to commemorate the airline's first flight.

Max Hazelton joins Deputy Chairman Hon John Sharp AM to cut the cake at Rex's 20th anniversary celebrations. Max was a Rex ambassador and founded Hazelton Airlines, one of the two airlines which eventually merged to become Rex after the Ansett collapse. Max passed away aged 95 on 9 April 2023.

To coincide with its anniversary, Rex also announced a stellar start to the financial year with record passenger numbers for its domestic and regional networks for July 2022. Travel agency partnerships and corporate business accounts were key contributors to the result, as was the increasing appetite to travel.

On 19 August 2022, Rex launched its new Melbourne-Devonport route. The inaugural flight was welcomed to Devonport by the Tasmanian Premier, Jeremy Rockliff; Chief Executive Officer of TasPorts, Anthony Donald; Devonport Mayor, Annette Rockliff, and Latrobe Mayor, Peter Freshney.

On 30 September 2022 Rex announced it had finalised its investment in National Jet Express (NJE), the Regional Services arm of Cobham Aviation Services Australia. Rex detailed ambitious plans to grow and transform NJE into Australia's premier Fly-In-Fly-Out operator, including expansion into Queensland and the Northern Territory.

In October 2022, the reach of Rex's network increased with the launch of a new partnership between Rex and Delta Air Lines with the establishment of an interline service agreement. The new arrangement created a streamlined travel experience for passengers flying between Australia and mainland America.

On 19 January 2023, Acting Queensland Premier Steven Miles and Assistant Tourism Minister and Member for Cairns Michael Healy MP, announced additional Rex flights to the remote Far North Queensland communities of Normanton and Mornington Island from Cairns. Rex has operated the Gulf services in partnership with Queensland Government since January 2015 and had record passenger numbers in 2022.

In light of the residual effects of COVID-19 on supply chains and the shortage of aviation professionals, particularly pilots and engineers, Rex announced the suspension of the Mildura-Adelaide route and reduced flights on nine routes, and amended the flight schedule for four others, with effect from 1 May 2023.

Rex announces new flights from Hobart.

Hon John Sharp AM and Adelaide Airport Managing Director Brenton Cox cut the cake to celebrate Rex's inaugural Adelaide-Sydney service.

Rex's first flight lands into Devonport from Melbourne.

Rex finalised its investment in National Jet Express on 30 September 2022.

The routes impacted were Cairns-Bamaga, Sydney-Broken Hill, Adelaide-Broken Hill, Sydney-Wagga Wagga, Melbourne-Wagga Wagga, Melbourne-Mount Gambier, Adelaide-Whyalla, Adelaide-Port Lincoln and Adelaide-Ceduna.

On 18 May 2023, Rex announced the exit of the Whyalla to Adelaide route from 1 July 2023.

The decision came as Whyalla City Council unilaterally decided to impose passenger and baggage security screening, and applicable charges, which would have slugged Rex about $45 for each departing passenger.

Under existing Federal Government regulations, security screening of flights is governed by the size of the aircraft and the Saab 340 aircraft operated by Rex is under the required threshold, meaning that passenger and baggage screening is not legally required.

As a consequence of the significant increase in security costs per departing passenger, the already marginal Whyalla to Adelaide route would not have been viable for Rex to continue.

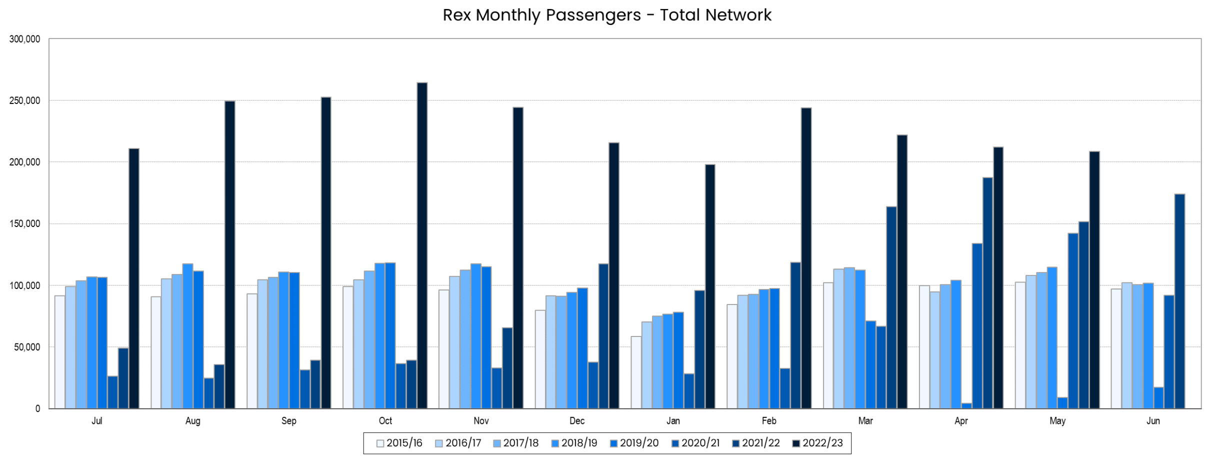
At a media conference at Hobart Airport on 8 June 2023, Rex announced it would launch daily Melbourne to Hobart flights with Boeing 737s from 17 August 2023.

Hobart is Rex's fourth Tasmanian destination, with Rex already operating regular flights to the North West Tasmanian cities of Burnie and Devonport as well as King Island.

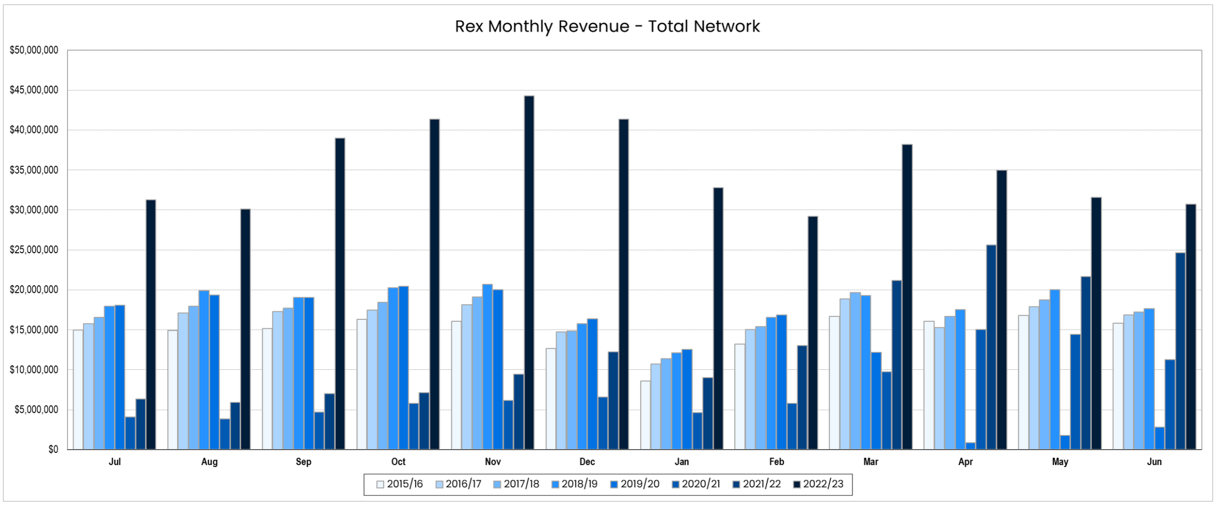
On 29 June 2023, Rex launched its eighth domestic route, with its inaugural Boeing 737 flight between Adelaide and Sydney. The flights commenced in time for the July school holiday peak, with the new route proving popular with consumers.

The graphs below set out the evolution in monthly passenger carriage and monthly passenger revenue over the last eight FYs:

Monthly Passengers - Total Network



Monthly Revenue - Total Network



Fleet Changes

Rex took delivery of a Saab 340B plus turboprop aircraft in July 2022, bringing the total number of Saab aircraft in the Group fleet to 61.

A month later in August 2022, Rex welcomed its seventh Boeing 737. The additional aircraft enabled increased capacity on the ‘Golden Triangle’ between Sydney, Brisbane and Melbourne.

Pel-Air Aviation, a subsidiary of Rex, has been operating the fixed-wing air ambulance services for Ambulance Victoria since 2011. Pel-Air was re-awarded the Ambulance Victoria contract and as part of the new contract will be introducing four new aircraft which will replace the current fleet on January 1, 2024. Two Beechcraft King Air 260 and two Beechcraft King Air 360 aircraft arrived in country between August and November 2022 for subsequent aeromedical fit out modifications.

Two new Pilatus PC-24 jets, which will replace two Beechcraft King Air 350C aircraft in FY24 as part of Pel-Air’s NSW Ambulance contract were delivered into Australia in March 2023. The Pilatus PC-24 jet aircraft is one of the world’s most sophisticated air ambulances

VH-MFM, Rex’s seventh Boeing 737 arrives into Brisbane.

which will revolutionise aeromedical transport in Australia. The jets are able to travel long distances at very high speed and land on narrow, unpaved runways. The PC-24 jets are airworthy and have been registered with the Civil Aviation Safety Authority since March 2023.

Also in December 2022, the Australian Airline Pilot Academy, a Rex subsidiary, acquired another Piper Seminole.

On 30 September 2022, Rex finalized its joint venture investment in National Jet Express, (formerly the Regional Services arm of Cobham Aviation Services Australia). NJE's fleet included eight Dash 8-400NG aircraft, six Embraer 190s, both of which are leased; as well as four BAe 146 freighters and three Dash 8 100 aircraft (which are owned). During FY23, one surplus BAe Avro RJ100 was subsequently sold in May 2023 (with another then sold in September 2023). In June 2023, NJE signed a contract extension with Embraer for the Pool Program, to support its six E190 jets.

In June 2023, Pel-Air sold three Saab 340A freighters, reducing the Rex Group fleet of Saab 340 aircraft to 58.

Pel-Air's Pilatus PC-24 Jet which will enter service for New South Wales Ambulance in 3QFY24.

Flight Operations Review

A shortage of pilots and engineers continues to ravage the airline industry in the post COVID era. However, as Rex is the only Australian airline that operates its own pilot training academy Rex is better placed than most to meet this challenge.

Rex has prioritized and continues to invest heavily in its subsidiary company, the Australian Airline Pilot Academy (AAPA) which will continue to provide a pipeline of Rex First Officers well into the future.

In May 2023, Rex honoured two graduating classes from AAPA at a special ceremony in Sydney.

Both the Federal Assistant Minister for Infrastructure and Transport, Senator the Hon Carol Brown and the NSW Minister for Regional Transport and Roads, the Hon Jenny Aitchison MP, addressed the graduates, applauding their important career milestone.

Senator the Hon Carol Brown; The Hon Jenny Aitchison MP, Rex 26 cadets and Chris Hine, Executive Chairman, Australian Airline Pilot Academy.

Rex congratulated Luke Kelly and Luke Morris, the inaugural recipients of the Max Hazelton Award for the most outstanding Cadet Pilot. They were presented with their awards by Toby Hazelton, the son of the legendary aviator and one of the founding fathers of Rex who passed away in April 2023 aged 94.

The graduates have now joined as First Officers on the Saab 340 turboprop aircraft.

Rex continues to focus on training and career progression for pilots. Seven graduate cadets from our airline cadetship program were elevated to the captain's seat during FY23.

Customer, Community and Service Standards

For residents from regional Western Australia travelling to Perth and back, a capped flexible airfares initiative was released in July 2022 thanks to a joint initiative between the Western Australia Government and Rex.

Under the Regional Airfare Zone Cap scheme, eligible WA residents can travel from Carnarvon, Monkey Mia, Albany and Esperance for no more than $199 one way (excluding booking and payment surcharges).

A strategic partnership between Rex and Dovetail Electric Aviation (Dovetail) was announced on 21 July 2022 to convert turbine-powered aircraft to electric, emission-free power.

On April 14 2023, Rex announced a further milestone in the partnership, taking a 20 percent equity stake in Dovetail. Prof Ron Bartsch AM was also appointed to the Board of Dovetail at the same time.

In September 2022, Rex's resilience, innovation and growth was recognised when Rex received the 'Airline of the Year' Award at the inaugural Australian Aviation Awards for 2022. Rex was recognised for keeping regional towns and major cities connected during a time of unprecedented adversity in aviation, and its customer-focused hospitality and industry-leading on-time performance were strong points of difference during the post-pandemic travel boom.

A business class upgrade program on Rex's domestic Boeing 737 flights was introduced in October 2022. The program, Rex Bid Up, which has proven highly successful, also includes an Australian-first real-time bidding feature to allow participants to adjust their bids if outbid, thus improving their chances of securing an upgrade.

The interline agreement between Rex and Delta Air Lines also commenced in October 2022. The agreement means Rex passengers can easily connect with Delta's daily non-stop flights from Sydney to Los Angeles – with seamless onward connectivity to nearly 50 cities in the U.S. and Latin America. Similarly, Delta passengers from the U.S., Canada and Mexico can easily discover Australia on Rex's vast domestic and regional network.

In June 2023, Rex was named 2023 Best Regional Airline Australia & Pacific at the prestigious World Airline Awards hosted by Skytrax.

The award was accepted by Executive Chairman, Lim Kim Hai (pictured right).

The World Airline Awards are known as the 'Oscars' of the airline industry.

They are decided by a global survey of passengers and are regarded as a global benchmark of airline excellence. The awards are not based on random algorithms of customer reviews, but on a global, multi-language, extensively marketed customer 'free vote' system.

In FY23, more than 145,000 passengers flew on the regional network on Community Fares.

In partnership with Rex, regional communities can benefit from the Community Fare Scheme by accessing affordable air travel. Early-bird sales of Community Fares on participating routes are available until 30 days before departure (subject to availability), with all remaining unsold seats released as Community Fares within 24 hours of departure.

Community Fares enable discounted travel for Australians residing in regional and remote areas, as well as promoting tourist visitation to regional destinations, providing much-needed economic support for regional economies during the continued COVID-19 recovery.

In FY23, Rex again dominated the punctuality charts.

Operational on-time departure and cancellation data is sourced from the Bureau of Infrastructure, Transport and Regional Economics (BITRE).

Rex achieved the lowest cancellation rate, an impressive 1.9%. This outstanding performance secured Rex the top spot for lowest cancellation rate among all carriers in Australia, including both major and regional airlines. The Virgin Australia Group claimed second, recording a cancellation rate of 3.5%, followed by the Qantas Group (4.3%).

In addition, Rex ended FY23 ranked number one for on-time departure performance with 74.7% of flights departing on-time, ahead of the Qantas Group (69.1%) and the Virgin Group (67.4%).

Rex's track record of getting people where they need to go on time, every time, was a major drawcard for new customers.

Airline	On Time Departure FY23	Cancellation Rate (%) FY23
Rex (incl. regional and domestic)	1st (74.7%)	1.9%
Qantas Group	2nd (69.1%)	4.3%
Virgin Group	3rd (67.4%)	3.5%

Material Risk and Risk Management

The business of running an airline is a complex one with challenges in multiple areas and not confined to simply being able to fill seats.

Like all Australian airlines, the Company is subject to economic risks. The Company identifies the following main risks that could adversely affect the entity's prospects for future FYs (ASX Recommendation 7.1) along with measures taken to mitigate those risks where possible:

1. Staffing Risk

The industry has seen a marked shortage of skilled workers. Where this poses the greatest risk is when those workers require a significant amount of time to train and build up experience. In Rex, it is the shortage of pilots, especially captains' and engineers that pose a risk to the business. Rex has taken a number of measures to mitigate this risk. Rex has an established pilot cadet training program at its Australian Airline Pilot Academy in Wagga Wagga, which ensures a steady stream of pilots to backfill vacant positions as well as to allow for network expansion. The program provides some certainty as to the tenure of each pilot in both their initial role as first officers and later as captains.

Rex also continuously recruits experienced Engineers and direct entry captains both locally and overseas. This is aided by the Labor Agreement Rex has signed with the Federal Government which facilitates the entry and employment of skilled workers into Australia.

2. Geopolitical Risk

The impact of geopolitical situations, like the war in Ukraine, to supply chains is a notable risk to Rex. Rex sources and repairs aircraft parts mainly from Europe and in the last year has seen a lengthening of the time it takes for a part to be repaired and returned. This is due to a number of factors like shortage of manpower, subcomponents and even raw materials required for repairs. Fortunately Rex has stockpiled parts for the Saab 340B aircraft over the years which has mitigated the risk of part availability. In terms of repairs, where possible, Rex has sent parts like engines for repairs or overhauls to more than one authorized repair facility.

3. Risk of Increasing Fuel Costs

Fuel costs will affect the entire Australian aviation industry and as such will be recovered through increased ticket prices without competitive disadvantage.

The Group does not have any fuel hedges at the date of this report. The Group continues to closely monitor Brent Crude prices.

4. Foreign Exchange Rates

The Group's main financial risk is its exposure to the US dollar, and hence, its main objective is to minimise the impact of USD fluctuation on its operations. The Group will monitor the exchange rate closely and will hedge whenever the rates are favourable.

5. Interest Rate Risk

Interest rate fluctuations are not a material risk for the Rex Group. Apart from the PAG facility which has a fixed interest rate and facilities that support the NSW and Victorian Air Ambulance contracts, Rex has no other interest bearing debt. The NSW and Victorian Air Ambulance facilities have fixed interest rates, through interest rate swaps, for the life of the both contracts. Any new loan facility that Rex may enter into in the future will be for specific government contracts like the one being put out for tender by the Australian Antarctic Division. These will be structured similarly to the Air Ambulance ones and have a fixed interest rate that is fully recovered in contract revenues.

6. Climate Change and ESG Risk

The aviation industry is and will likely continue to be one of the largest carbon emitting industries. Rex recognises that it has a responsibility to conduct its activities in an environmentally responsible manner.

Rex has a well-established and active Group Environmental Management Plan (GEMP) that governs the operations of the Company. Rex is aware of its responsibility to meet community expectations and legislative requirements in respect to Environmental and Social responsibility. The Company plans and manages activities so that their effect on the environment will be minimised to ensure all operations are in line with shareholder expectations.

Rex has invested in research to potentially operate its Saab aircraft with a combination of hydrogen and battery powered engines. This, however, will take a number of years before it becomes a reality. It is expected that any costs that are incurred due to ESG or government climate change policies will impact the entire Australian aviation industry. As such costs will be able to be passed on to the fare paying passenger without competitive disadvantage.

7. Risk of Inflation

Like all other businesses, inflationary pressures pose a risk to the business. Rising inflation, and thus increased fares - since airlines will have to pass on costs to remain viable - will lead a reduction of discretionary travellers. However, Rex provides an essential service to regional communities and as such a portion of its revenue does stem from travel that is non-discretionary. This was exemplified during COVID-19 when the Federal Government paid for Rex to operate two to three times a week to regional towns to enable critical travel.

Other risks not mentioned above are deemed to be of a lower materiality to Rex.

Enterprise Agreements (EA)

In September 2022, Rex announced that the Domestic Boeing 737 Flight Attendant and Saab 340 Aircraft Engineer Enterprise Agreements (EA) were overwhelmingly endorsed, with majorities of 75% and 92% respectively.

In November 2022, 86% of Rex regional pilots overwhelmingly endorsed a new industrial agreement with the airline.

This was followed by the Rex Domestic Pilots' Enterprise Agreement, which was successfully endorsed in mid-June 2023, with almost three quarters of the pilot body supporting it.

12 Changes in State of Affairs

Regional Express Holdings announced on 15 July 2022 that it had signed a Sale and Purchase Agreement to purchase National Jet Express Pty Ltd (NJE), trading as the Regional Services arm of Cobham Aviation Services, a leading provider of Fly-In Fly-Out (FIFO) services in Western Australia and South Australia, freight services from Sydney to Adelaide, Brisbane, Melbourne and the Gold Coast, as well as air charter services in Papua New Guinea.

The acquisition was approved by the Australian Competition and Consumer Commission (ACCC) on 26 July 2022, and the Foreign Investment Review Board (FIRB) on 15 September 2022.

The deal was completed on September 30, 2022. It included the formation of a Joint Venture between Rex Freight and Charter Pty Ltd (RFC) and private parties, resulting in RFC holding a 50% stake in NJE.

NJE has a fleet of 21 aircraft, of which 14 are leased and seven are owned. Its fleet includes eight De Havilland 8-400NG and six Embraer 190. Both these aircraft types are fuel efficient, have enhanced operational reliability and low carbon emissions.

The acquisition of NJE is a significant development for the Australian FIFO/charter industry – with the Rex Group signalling plans to become a major player in the market.

13 Subsequent Events

On 1 July 2023, Rex Airlines exited the Adelaide-Whyalla route after Whyalla City Council's decision to impose passenger security screening charges on to Rex's services that are not legally required to be screened.

Rex's joint venture investment National Jet Express (NJE) commenced operations for the first time in Queensland, after establishing a base in Brisbane.

Flight NC344 departed Brisbane on 3 July 2023 for Moranbah after NJE was successful in winning a long-term contract to provide air services for BHP Mitsubishi Alliance (BMA).

On 11 July 2023, the Rex Group revealed that it intended to be the next aerial operator of the Australian Antarctic Program, having submitted a response to the Request for Information issued by the Australian Antarctic Division (AAD).

The Program is the most ambitious in the Australian Antarctic Division's history and looks to consolidate the various highly specialised aerial operations under one operator, including intercontinental, intracontinental, and helicopter capability, plus a significant scaling up of Uncrewed Aerial System (UAS) capability.

Rex has assembled an Antarctic Advisory Panel (AAP) comprising the foremost experts in this field with in-depth and practical knowledge of actual aerial operations to the Antarctic as well as design expertise on adapting aerial platforms with skis suitable for landing on unprepared terrain on the Antarctic Continent.

National Jet Express departs from its new base in Brisbane for the first time.

Rex will serve as the prime contractor with teaming agreements having been subsequently signed with both a helicopter partner (Helicopter Resources Pty Ltd) and a provider of twin-engine turboprop aircraft capable of intracontinental flight operations on both ski and wheel landing gear (Enterprise Aviation Group).

Rex announced that it had signed leases for an additional two additional Boeing 737s, the airline's eighth and ninth of these aircraft types.

Subsequently, the eighth arrived on 28 July 2023, registration VH-8KH, and the ninth aircraft, VH-8JS arrived on 22 September 2023.

The additional aircraft reinforce Rex's existing network and support Rex's continued network expansion following the start of services between Sydney and Adelaide on 29 June 2023, the Melbourne-Hobart route which commenced on 17 August 2023, and a new Adelaide-Brisbane route which Rex announced on 1 September 2023 and commences in Q2 FY24.

A number of dignitaries joined the celebrations at Hobart Airport for the launch of services between Hobart and Melbourne on 17 August, including Tasmanian Premier and Minister for Tourism, the Hon Jeremy Rockliff MP, Rex Deputy Chairman, the Hon John Sharp AM, Hobart Airport Chief Executive Officer, Norris Carter and Tourism Tasmania Chief Executive Officer, Sarah Clark. The new route connects the Apple Isle to the mainland and provides an additional 128,000 seats a year between Melbourne and Hobart.

AAPAV, one of the two pilot academies of the Rex Group, announced it had restarted training Chinese cadets at its academy in Ballarat, Victoria, for the first time since COVID restrictions ended.

Sixty cadets arrived in Ballarat to commence a 15-month training program to graduate with a Commercial Pilot Licence (CPL) with Multi Engine Instrument Rating (MEIR) and High Performance Aircraft Training (HPAT).

Rex announced on 15 August 2023 that it had been re-awarded three regulated routes in Western Australia, Perth-Albany, Perth-Esperance, and Perth-Carnarvon-Monkey Mia through a competitive tender process. The new contracts commence on 2nd October 2023 and last until 2nd July 2028.

In August, the Boeing 737 Full Flight Simulator (B737 FFS) that Rex had acquired from Boeing US Training & Flight Services L.L.C in FY21 had begun relocation from Ansett Aviation Training in Brisbane. It will now be located at Rex's Simulator Centre at its Corporate HQ in Mascot, Sydney and begin operations in 2HFY24.

On 29 August 2023, National Jet Express announced that its ninth De Havilland Dash 8-400NG 'Next Generation' was due for delivery and would enter service at NJE's new Brisbane base from in Q2 FY24.

The NJE Logistics Enterprise Agreement was also endorsed by 100% of employees during August. The agreement represented the first since Rex purchased NJE in September last year.

Pel-Air signed an extension agreement to provide air charter services to Iluka Resources in South Australia.

On 31 August 2023, Rex was named Airline of the Year and Safety Innovator of the Year at the prestigious Australian Aviation Awards for 2023, organised in partnership with UNSW.

This is the second consecutive year that the airline clinched the Airline of the Year award.

Rex's flying school, the Australian Airline Pilot Academy took home the trophy for Flight Training Business of the Year.

Our partners at Dovetail Electric Aviation, who are pioneering the conversion of turbine powered aircraft to electric, emission-free propulsion, took out the Start-up of the Year award.

On 22 September 2023, Rex announced further reductions to its regional network as the major carriers, particularly the Qantas Group, relentlessly pillaged Rex's pilot group.

The reductions, effective from 30 October 2023, all involve the regional routes serviced by Rex's fleet of Saab 340 turboprop aircraft. The routes affected are Sydney to Albury, Coffs Harbour, Griffith, Narrandera, Orange, Parkes, and Port Macquarie.

Rex will also suspend services between Sydney and Armidale until at least March 30 2024 and withdraw from the Cairns-Bamaga route in Far North Queensland.

Service reductions on seven other regional routes announced on 21 April, 2023 will continue for at least another five months as will the suspension of flights between Adelaide and Mildura.

14 Future Events

Rex is continuing to invest in growth to support its expanding business.

This includes continued construction of the new Sydney Hangar and expanded or new lounges in Sydney, Melbourne, Adelaide and Brisbane.

The 3000 square metre Code C Hangar at Sydney Airport is nearing completion, and work is now underway to complete a five storey car park on the same precinct. The hangar and car park will be completed in FY24.

The Antarctic Advisory Panel continues to prepare the optimal solution to meet the aviation needs of the Australian Antarctic Program ahead of the Request for Tender expected in November this year.

Following Rex being re-awarded the contract for the WA regulated routes of Esperance, Albany and Carnarvon/Monkey Mia, the contract will commence on 2 October 2023 for a term of five years.

The new agreement includes additional services that represent a 38% increase in seats for the Perth-Carnarvon/Monkey Mia route and a 22% increase for the Perth-Esperance route compared to the current contract. Similarly the Perth-Albany seat capacity increases by 4%.

Rex will launch Adelaide-Brisbane flights on 30 October 2023. Rex continues to assess network capacity opportunities particularly with the arrival of another two Boeing 737s in 1HFY24 to build depth and added resilience to our domestic operations.

Pel-Air remains on track to start the new Ambulance Victoria contract in January 2024, as well as the induction of two Pilatus PC24 jets into the NSW Ambulance contract by 3QFY24. The PC24s are currently doing test runs.

With the Australian Airline Pilot Academy accredited by five civil aviation regulators across the globe - Australia, Vietnam, Singapore, China and the Gulf States, the booming worldwide demand for pilot training will see it having a record intake by the end of the FY.

From 30 October 2023 Rex will reduce frequency on selected regional routes due to the pilot shortage The routes affected are Sydney to Albury, Coffs Harbour, Griffith, Narrandera, Orange, Parkes and Port Macquarie.

The Sydney and Armidale route will also be suspended between 30 October 2023 until at least March 30, 2024 and Rex will withdraw from the Cairns-Bamaga route in Far North Queensland, operating its last service between Cairns and Bamaga on Monday 30 October 2023.

15 Environmental Developments

Rex continued to explore the application of fossil fuel alternatives using batteries, biofuel or hydrogen to greatly reduce its carbon footprint in the years ahead.

In FY23 Rex and Dovetail Electric Aviation (Dovetail) agreed to jointly pioneer the conversion of turbine powered aircraft to electric propulsion.

The partnership, which will operate under the Dovetail brand, will develop and certify the retrofitting of electric engines onto legacy aircraft, initially for regional and general aviation aircraft.

Rex will provide an aircraft to be used as a test bed for the project along with a raft of support facilities including engineering expertise, technical assistance, maintenance, repair and overhaul (MRO) support as well as storage facilities and workforce accommodation.

Dovetail also announced in June 2023 that Hyundai Motor Group's HTWO would supply Dovetail with a hydrogen fuel cell system for initial electric aviation testing in Australia. HTWO is a fuel cell system-based hydrogen business brand of Hyundai Motor Group.

Rex registered for the National Greenhouse Energy Reporting Act 2007 (NGER) program on 25 February 2009 and will submit its 14th NGER report to the Clean Energy Regulator in October 2023.

16 Dividends

No Final Dividend will be paid for FY23 in light of an operating loss in the FY.

17 Indemnification of Officers and Auditors

During the FY, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretaries (as named above), and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the FY, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

18 Remuneration Report

Remunerations, Nominations and Disciplinary Committee

Rex's board of directors has established a Remunerations, Nominations and Disciplinary Committee for the purpose of determining and reviewing compensation arrangements for the directors and the senior management executives of the Group. This committee has a process for performance evaluation of the board, its committees and key executives of Rex. The committee's role is to assess the appropriateness of the nature and amount of remuneration of directors and senior management executives on a periodic basis.

Remuneration Policy

Remuneration levels are set to enable Rex and its subsidiaries to attract and retain appropriately qualified and experienced directors and senior management executives, who will create sustainable value for shareholders and other stakeholders. They also fairly and responsibly reward directors and senior management, having regard to the performance of the Group, the performance of the individual and the external compensation environment.

Remuneration Structure

In accordance with best practice corporate governance, a distinction has been drawn between the remuneration structure of Rex's non-executive directors and that of its senior management executives. This enables Rex to maintain the independence of non-executive directors and reward senior management executives for their performance of duties and their dedication.

Rex has set in place a remuneration model for all staff, which calls for staff accepting a lower fixed annual salary increase in exchange for a profit share and a share plan.

Profit Share Incentive Plan

The profit share incentive scheme, established in FY06, continues to award eligible employees a share of Rex's profit before tax (PBT) based on an agreed percentage (excluding contributions from subsidiaries and associates) for the FY immediately preceding the award. Profit share is allocated on an equal share basis meaning all eligible staff receive the same profit share amount per full time equivalent regardless of position held within the Company. Permanent part-time employees receive an amount proportional to their employment hours.

Share Gift Plan

Rex established the share gift plan (effective from FY06) for its executive directors and eligible employees. The plan is offered to EA groups that opt for the plan and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures (other than eligibility for non-EA employees). The plan was established to show its recognition of employees' contribution to Rex by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders. As such, the share gift plan entitles eligible employees to a fixed value of shares equivalent to a percentage of their base salaries. There are no vesting conditions attached to the share gift.

Management Incentive Scheme

In 2021, Rex established the Management Incentive Scheme ('MIS') for executive directors, key management personnel and eligible employees. The scheme was granted to these employees contingent upon approval by the Remunerations, Nominations and Disciplinary Committee ('RemCom'), and subject to a shareholder vote during the January 2021 AGM. The Scheme is based on an ongoing profit before tax (PBT) hurdle and is assessed each year for seven years to determine if the vesting condition has been satisfied.

The MIS was introduced to promote the long-term success of Rex and to establish a shared goal between Rex and all eligible participants to align the interests of Rex employees and shareholders.

In line with the above, one Performance Right under MIS ("Performance Right" or "Right") grants the participant entitlement to one ordinary Rex share upon satisfaction of the vesting condition.

Director and Senior Management Details

The following persons acted as directors of the Company during or since the end of the FY:

Lim Kim Hai (Chairman)

The Hon. John Sharp AM (Deputy Chairman)

Lee Thian Soo

Neville Howell

Chris Hine

Jim Davis

Prof. Ron Bartsch AM

Lincoln Pan

Sid Khotkar

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the FY and since the end of the FY:

Neville Howell (Chief Operating Officer)

Warrick Lodge (General Manager, Network Strategy)

Irwin Tan (General Manager, Corporate Services/Company Secretary)

Mayooran Thanabalasingam (General Manager, Information Technology & Communications)

Png Yeow Tat (General Manager, Engineering until 31 May 2023)

Mark Burgess (Deputy General Manager, Engineering until 31 May 2023, and then General Manager Engineering – REX Accountable Manager 145 from 1 June 2023)

Paul Fisher (General Manager, Flight Operations & Chief Pilot)

David Brooksby (National Airports Manager)

Dale Hall (Rex Group Director of Engineering from 1 June 2023)

Remuneration of Directors and Senior Management

The directors and other nominated key management personnel received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

	Fixed remuneration				Variable remuneration		Total	% Remuneration		
		Post employment benefits			Short-term benefits	Long-term benefits				
	Cash salary & fees $	Pension & superannuation $	Long service leave $	Share gift issued $	Cash profit sharing $	Performance rights [1] $	$	Fixed benefits %	Short-term benefits %	Long-term benefits %
EXECUTIVE DIRECTORS										
LIM KIM HAI, Executive Chairman										
2023	-	-	-	-	-	-	-	0%	0%	0%
2022	-	-	-	-	-	-	-	0%	0%	0%
CHRIS HINE, Executive Director & Group Flight Operations Advisor										
2023	264,090	24,857	5,200	4,000	-	(19,532)	278,615	107%	0%	(7%)
2022	235,000	22,630	5,000	4,000	-	46,166	312,796	85%	0%	15%
NEVILLE HOWELL, Executive Director & Chief Operating Officer										
2023	333,308	25,292	5,196	6,000	-	(48,831)	320,965	115%	0%	(15%)
2022	325,000	23,568	4,996	6,000	-	115,414	474,978	76%	0%	24%
NON-EXECUTIVE DIRECTORS										
JOHN SHARP, Deputy Chairman										
2023	140,000	14,700	-	-	-	(78,130)	76,570	202%	0%	(102%)
2022	140,000	14,000	-	-	-	184,662	338,662	45%	0%	55%
LEE THIAN SOO, Non-Executive Director										
2023	40,000	-	-	-	-	0	40,000	100%	0%	0%
2022	40,000	-	-	-	-	0	40,000	100%	0%	0%
RON BARTSCH, Non-Executive Director										
2023	40,000	4,200	-	-	-	(19,532)	24,668	179%	0%	(79%)
2022	40,000	4,000	-	-	-	46,166	90,166	49%	0%	51%
JIM DAVIS, Non-Executive Director										
2023	50,000	5,250	-	-	-	(19,532)	35,718	155%	0%	(55%)
2022	50,000	5,000	-	-	-	46,166	101,166	54%	0%	46%
LINCOLN PAN, Non-Executive Director										
2023	-	-	-	-	-	-	-	0%	0%	0%
2022	-	-	-	-	-	-	-	0%	0%	0%
SID KHOTKAR, Non-Executive Director										
2023	-	-	-	-	-	-	-	0%	0%	0%
2022	-	-	-	-	-	-	-	0%	0%	0%

	Fixed remuneration				Variable remuneration		Total	% Remuneration		
		Post employment benefits			Short-term benefits	Long-term benefits				
	Cash salary & fees $	Pension & superannuation $	Long service leave $	Share gift issued $	Cash profit sharing $	Performance rights [1] $	$	Fixed benefits %	Short-term benefits %	Long-term benefits %
SENIOR MANAGEMENT EXECUTIVES										
WARRICK LODGE, GM, Network Strategy										
2023	256,923	25,206	4,330	5,000	-	(39,065)	252,394	115%	0%	(15%)
2022	250,000	23,322	4,163	5,000	-	92,331	374,816	75%	0%	25%
IRWIN TAN, GM, Corporate Services										
2023	276,010	25,292	4,330	5,000	-	(39,065)	271,567	114%	0%	(14%)
2022	265,000	23,568	4,163	5,000	-	92,331	390,062	76%	0%	24%
MAYOORAN THANABALASINGHAM, GM, IT & Communications										
2023	263,923	25,292	4,330	5,000	-	(39,065)	259,480	115%	0%	(15%)
2022	257,000	23,568	4,163	5,000	-	92,331	382,062	76%	0%	24%
PAUL FISHER GM, Flight Operations & Chief Pilot										
2023	287,868	25,292	7,280	5,600	-	(14,649)	311,391	105%	0%	(5%)
2022	280,000	23,568	7,000	5,600	-	34,624	350,792	90%	0%	10%
PNG YEOW TAT, GM, Engineering (Retired 28 April 2023)										
2023	281,799	21,531	-	5,000	-	(39,065)	269,265	115%	0%	(15%)
2022	260,000	23,322	4,163	5,000	-	92,331	384,816	76%	0%	24%
DALE HALL, Group Director of Engineering (Appointed 1 June 2023)										
2023	13,838	1,453	320	-	-	-	15,610	100%	0%	0%
2022	-	-	-	-	-	-	-	-	-	-
MARK BURGESS, GM, Engineering										
2023	223,674	21,372	5,500	3,600	-	(14,649)	239,497	106%	0%	(6%)
2022	185,000	18,500	4,500	3,600	-	34,624	246,224	86%	0%	14%
DAVID BROOKSBY, National Airports Manager										
2023	248,067	24,686	3,984	4,600	-	(39,065)	242,272	116%	0%	(16%)
2022	240,000	22,861	3,830	4,600	-	92,331	363,622	75%	0%	25%
TOTAL										
2023	**2,719,500**	**244,423**	**40,470**	**43,800**	-	**(410,180)**	**2,638,012**	**116%**	**0%**	**(16%)**
2022	**2,567,000**	**227,907**	**41,978**	**43,800**	**-**	**969,477**	**3,850,162**	**75%**	**0%**	**25%**

[1] At each reporting end the number of performance rights that will eventually vest are estimated and revised if required. For FY23 this resulted into a negative share based payment expense of $410 thousand.

Relationship Between the Remuneration Policy and Company Performance

In addition to the profit share and share gift schemes that apply to all non-EA staff, a Key Manager bonus, fixed by the Remunerations, Nominations and Disciplinary Committee, was given to selected members of executive management based on an assessment of the recipient's performance during the year.

Management Incentive Scheme

The Management Incentive Scheme also draws on Rex's financial performance regarding profit before tax (PBT). The vesting conditions of the MIS plan include a service condition and a performance condition:

Service Condition

An eligible participant must remain employed as either an employee or director as applicable for the duration of the Performance Rights up to the vesting date.

Performance Condition

The number of Performance Rights that vest will be determined by the RemCom based on participant performance relative to the following Profits Before Tax (PBT) hurdles:

- If the group reaches PBT of $50m in a full financial year, 10% of the Performance Rights vest
- If the group reaches PBT of $100m in a full financial year, a further 30% of the Performance Rights vest
- If the group reaches PBT of $150m in a full financial year, a further 30% of the Performance Rights vest
- If the group reaches PBT of $200m in a full financial year, a further 30% of the Performance Rights vest

These hurdles can each only be achieved once, i.e. if PBT is $50m in Year 1 and $100m in Year 2, then 10% of the total available Performance Rights vest in Year 1, and a further 30% of the total available Performance Rights vest in Year 2. If more than one vesting condition is achieved in any Financial Year, then the Performance Rights available to be vested will be the accumulation of the Performance Rights for each relevant vesting condition that is satisfied at each reporting end the number of performance rights that will eventually vest are estimated and revised if required..

The tables below set out summary information about the Group's results and movements in shareholder wealth for the five years to June 2023, including PBT performance and whether or not an MIS vesting hurdle was achieved. The MIS vesting hurdle was not achieved in the FY23.

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000
Revenue	642,787	319,242	256,152	321,820	317,649
Net profit / (loss) before tax	12,815	(68,316)	(7,217)	(27,416)	25,201
Net profit / (loss) after tax and share of results of joint venture	14,362	(46,141)	(3,859)	(19,397)	17,517

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Share price at end of year	$1.03	$1.06	$1.19	$1.19	$1.42
Interim dividend	-	-	-	-	$0.04
Final dividend [1, 2]	-	-	-	-	$0.08
Basic earnings / (loss) per share	12.8 cps	(41.5 cps)	(3.5 cps)	(17.8 cps)	16.1 cps
Diluted earnings / (loss) per share	6.5 cps	(41.5 cps)	(3.5 cps)	(17.8 cps)	16.1 cps

[1] The final dividend is per share fully franked and after corporate tax of 30%.
[2] Declared after the balance date and reflected in the financial statements of the year of payment.

Analysis of Management Incentive Scheme Rights

The below table details the allocation of MIS Performance Rights to each recipient as determined by the Remunerations, Nominations and Disciplinary Committee under the 2021 plan.

(i) % Forfeit represents the granted Rights lapsing due to contract termination

(ii) For further information regarding the valuation methodology for the MIS rights refer to note 24. The MIS rights have been accounted for in accordance with the requirements of AASB 2 *Share-based payment.*

Recipient	Number of Shares offered	Fair value per Right	Total value	Vested %	Forfeit %	At-risk %
EXECUTIVE DIRECTORS						
Lim Kim Hai, Executive Chairman	-	-	-	-	-	-
Chris Hine, Executive Director & Group Flight Operations Advisor	400,000	$0.65	$260,800	0%	0%	0%
Neville Howell, Executive Director & Chief Operating Officer	1,000,000	$0.65	$652,000	0%	0%	0%
NON-EXECUTIVE DIRECTORS						
John Sharp, Deputy Chairman	1,600,000	$0.65	$1,043,200	0%	0%	0%
Ron Bartsch, Non-Executive Director	400,000	$0.65	$260,800	0%	0%	0%
Jim Davis, Non-Executive Director	400,000	$0.65	$260,800	0%	0%	0%
Lincoln Pan, Non-Executive Director	-	-	-	-	-	-
Sid Khotkar, Non-Executive Director	-	-	-	-	-	-
SENIOR MANAGEMENT EXECUTIVES						
Warrick Lodge, GM, Network Strategy	800,000	$0.65	$521,600	0%	0%	0%
Irwin Tan, GM, Corporate Services	800,000	$0.65	$521,600	0%	0%	0%
Mayooran Thanabalasingam, GM, IT and Communications	800,000	$0.65	$521,600	0%	0%	0%
Paul Fisher, GM, Flight Operations & Chief Pilot	300,000	$0.65	$195,600	0%	0%	0%
Png Yeow Tat, GM, Engineering (Retired 29 April 2023)	800,000	$0.65	$521,600	0%	0%	0%
Dale Hall, Rex Group Director of Engineering						
Mark Burgess, General Manager Engineering – 145 Accountable Manager	300,000	$0.65	$195,600	0%	0%	0%
David Brooksby, National Airports Manager	800,000	$0.65	$521,600	0%	0%	0%
Total	**8,400,000**		**$5,476,800**	0%	0%	0%

Shares Under Performance Rights

There were no issued or unissued Performance Rights at the start of the year. The following table sets out the details of unissued shares or interests under Performance Rights as at 30 June 2023.

Issuing Entity	Number of shares under Performance Rights	Class of shares	Exercise price of Performance Rights	Expected exercise date
Regional Express Holdings Limited	8,400,000	Ordinary	Nil	06 May 2028

Transactions with KMP from Shares Under MIS

No Performance Rights issued under the MIS have vested this year up until the date of this report, therefore there have been no exercised Performance Rights.

Key Terms of Employment Contracts

Employment contracts between the senior management executives and the Group do not have a specified duration. A notice of four weeks must be given for senior management executives to terminate their contract. There are no extraordinary termination payments set out in the contracts of the senior management executives of the Group.

Key Management Personnel Equity Holdings

The following table details the shareholdings (total of direct and indirect shareholdings) of directors and key management personnel in the Group

	Balance at 1 July 2022	Increase / (Decrease) during the year	Balance at 30 June 2023
Directors:			
Lim Kim Hai	24,753,859	-	24,753,859
John Sharp	325,032	-	325,032
Lee Thian Soo	11,449,362	-	11,449,362
Neville Howell	35,034	5,607	40,641
Chris Hine	84,710	3,738	88,448
Jim Davis	200,866	-	200,866
Ron Bartsch	-	-	-
Lincoln Pan	-	-	-
Sid Khotkar	-	-	-
Key management personnel:			
Warrick Lodge	170,789	4,673	175,462
Irwin Tan	46,503	4,673	51,176
Mayooran Thanabalasingam	99,151	4,673	103,824
Paul Fisher	57,446	5,234	62,680
Dale Hall	-	3,472	3,472
Mark Burgess	31,034	3,364	34,398
David Brooksby	32,324	4,299	36,623

This concludes the remuneration report which has been audited.

Updates Concerning Rex’s Annual General Meeting

Rex’s AGM, held on 29 January 2021, brought forward the structure and outline of the MIS. At the meeting, shareholders voted either in support or rejection of the scheme for each plan participant. All proposed grants were approved as a result of the poll.

19 Proceedings on Behalf of the Company

No proceedings have been brought on behalf of the Group, nor has any application been made in respect of the Group under s.237 of the *Corporations Act 2001.*

20 Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

21 Rounding Off Amounts

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements, amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Legislative instrument, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors,

Neville Howell
Chief Operating Officer
Sydney, 29 September 2023

Auditor's Independence Declaration

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF REGIONAL EXPRESS HOLDINGS LIMITED

As lead auditor of Regional Express Holdings Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regional Express Holdings Limited and the entities it controlled during the year.

John Bresolin
Director

BDO Audit Pty Ltd

Sydney, 29 September 2023

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CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

The Board is committed to sound corporate governance to ensure shareholder expectations are met and that Regional Express Holdings (the Company) is in compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations).

As required by the ASX Listing Rules this statement sets out the extent to which the Company has complied with the ASX Recommendations during the FY to 30 June 2023 and identifies any of the ASX Recommendations not followed and the reason why the Company has not adopted the ASX Recommendations. This statement adopts the ordering and numbering of the ASX Recommendations. The Board acknowledges the revised ASX Recommendations set out in the 4th Edition of the Corporate Governance Principles and Recommendations in February 2019; the revised ASX Recommendations has been fully effective in FY23.

Principle 1: Lay Solid Foundations for Management and Oversight

The Board has adopted a charter that details the roles and responsibilities of the Board and those of the Management Committee to achieve the objectives of delivering shareholder value. The Board regularly reviews the division of functions between the Board and management to ensure that it continues to be appropriate to the needs of the Company (ASX Recommendation 1.1). The Remunerations, Nominations and Disciplinary Committee undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. The biography of each director standing for election or re-election is expressly mentioned in the Notice of Meeting of the Company's AGM (ASX Recommendation 1.2). The Directors and Management Committee have a clear understanding of their roles and responsibilities and of the Company's expectations of them as set out in their employment contracts (ASX Recommendation 1.3). The Company Secretaries are integral in advising the Board and its committees on governance matters, ensuring that board and committee policy and procedures are followed, and helping to organise and minuting discussions of board and committee meetings (ASX Recommendation 1.4).

The performance of each Management Committee member is evaluated against goals and objectives set out in the Charter with the assistance of the Remunerations, Nominations and Disciplinary Committee. The performance of the Management Committee was reviewed in FY22 (ASX Recommendation 1.7). The performance of the Directors and Board Committees are reviewed periodically with the assistance of the Remunerations, Nominations and Disciplinary Commit- tee. The performance and the composition of the Board Committees were reviewed in FY22 against objectives set out in the relevant Board Charters (ASX Recommendation 1.6). The Board's Charter, Board Committee Charters, Share Trading Policy, Continuous Disclosure Policy and Code of Conduct are available for access by shareholders and the general public in the corporate governance section of the Company's website (ASX Recommendation 3.5).

Principle 2: Structure the Board to Add Value

The Remunerations, Nominations and Disciplinary Committee has been established by the Board of the Company (ASX Recommendation 2.1) and applies to the Company and its subsidiaries to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by endeavouring to ensure that:

- the directors and senior management of the Group are remunerated fairly and appropriately;
- the Group's remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long-term benefits of their energy and loyalty;
- the human resources policies and practices are consistent with and complementary to the strategic direction and objectives of the Company as determined by the Board;
- it reviews and advises the Board on the composition of the Board and its Committees;
- it reviews the performance of the Board, the chairman of the Board, the executive and non-executive directors, and other individual members of the Board; and
- proper succession plans are in place for consideration by the Board.

This Committee is chaired by Jim Davis and has one other member, Neville Howell. The Committee had no meetings during the FY attended by all members of the Committee. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report.

The Board acknowledges the ASX Recommendations to have the Committee composed of a majority of independent directors and have at least three members. The Committee is currently chaired by an independent director. The Board feels at this stage that two members are sufficient for the Remunerations, Nominations and Disciplinary Committee given the size of the Company and Board.

The Remunerations, Nominations and Disciplinary Committee has a formal charter which is available on the Company's website.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are set out in the Directors' Report. The Board has adequate professional skills in each of the respected areas and a review has been conducted in FY21 and agreed no further professional training is required at this stage. In addition, Baker McKenzie conducted refresher training on the Company's continuous disclosure obligations in FY21 (ASX Recommendation 2.6).

Below is the Rex Board skills matrix outlining the list of skills that the board currently has (ASX Recommendation 2.2):

		Lim Kim Hai	John Sharp	Lee Thian Soo	Sid Khotkar	Lincoln Pan	Ron Bartsch	Jim Davis	Chris Hine	Neville Howell
Business / Entrepreneurial Experience			X	X	X	X	X	X		
Political Experience			X							
Corporate Governance		X	X	X	X	X	X			
Safety and Risk Management							X	X	X	X
Finance		X			X	X				
Legal						X	X			
Industry Experience	Regulatory Knowledge & Experience						X	X	X	X
	Pilot		X				X	X	X	X
	Engineering Knowledge		X					X		

The membership of the Board during the year ended 30 June 2022, including independence status, was as follows (ASX Recommendation 2.3):

Director	Status	Date of Appointment
Lim Kim Hai	Executive Chairman	Appointed 27 June 2003.
The Hon. John Sharp AM	Deputy Chairman & Independent Director	Appointed 14 April 2005.
Lee Thian Soo	Non-Executive Director	Appointed 27 June 2003.
Lincoln Pan	Non-Executive Director	Appointed 15 March 2021.
Sid Khotkar	Non-Executive Director	Appointed 15 March 2021.
Neville Howell	Chief Operating Officer & Executive Director	Appointed 1 July 2014.
Chris Hine	Executive Director & Group Flight Operations Advisor	Appointed 1 March 2011 as Executive Director. Appointed 1 July 2014 as Non-Executive Director. Appointed 18 May 2015 as Executive Director.
Jim Davis	Independent Director	Appointed 26 August 2004 as Executive Director; Appointed 27 May 2008 as Managing Director and retired 1 July 2011. Appointed 23 November 2011 as an Independent Director.
Prof Ron Bartsch AM	Independent Director	Appointed 23 November 2010.

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors (ASX Recommendation 2.4). Although the Board has only three directors out of nine who qualify as independent non-executive directors, Lee Thian Soo is only considered non-independent by virtue of his share ownership and is considered by the Board to be effectively an Independent Director. Lincoln Pan and Sid Khotkar were appointed as Non-Executive Directors in accordance with the requirements under the PAG Transaction. The Board believes that every director on the current Board will make decisions in the best interests of all shareholders and in accordance with their duties as directors.

The Board also acknowledges that it is desirable that the Chairman be an independent director and for his role to be segregated from that of the Chief Executive Officer (ASX Recommendations 2.5). However, the Board views the Chairman's history of leadership of the Company as an advantage, both at the management level and at the Board level. This has resulted in performance that matches the best airlines in the world. The Board acknowledges that if the Chair is not an independent director, the Deputy Chairman should be an independent director, which is the case.

The Board is responsible for the management of the affairs of the Company and its subsidiaries (the Group), including:

(A) Strategic and Financial Performance

- Developing and approving the corporate strategy.
- Evaluating, approving and monitoring the strategic and financial plans and objectives of the Group.
- Evaluating, approving and monitoring the annual budgets and business plans.

- Determining the Company's dividend policy, the operation of the Company's dividend re-investment plan (if any), and the amount and timing of all dividends.
- Evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities of the Company.
- Approving all accounting policies, financial reports and material reporting and external communications by the Group.
- Appointment of the Chairman of the Company

(B) Executive Management

- Appointing, monitoring and managing the performance of the Chief Operating Officer or Managing Director and other executive directors.
- Managing succession planning for the executive directors and such other key management positions which may be identified from time to time.
- Appointing the Company Secretary.
- With the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, reviewing and approving the performance and remuneration of the individual Board members and policies with respect to the remuneration of any employees.

(C) Audit

- Upon the recommendation of the Audit and Corporate Governance Committee, appointing the external auditor and determining its remuneration and terms of appointment.
- Ensuring that effective audit and regulatory compliance programmes are in place to protect the Group's assets and shareholder value.
- Approving and monitoring the Group's audit framework. Approving and, with the assistance and advice of the Audit and Governance Committee, monitoring compliance with the Group's audit policies and protocol.
- Monitoring the Group's operations in relation to, and compliance with relevant regulatory and legal requirements.

(D) Corporate Governance

At least once every two years the Board will, with the assistance and advice of the Audit and Corporate Governance Committee, review the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amend those policies and procedures as necessary.

The Board will review and approve all disclosures related to any departures from the ASX Principles of Good Corporate Governance.

- The Board will review and approve the public disclosure of any of the Group's policies and procedures.
- The Board will supervise the public disclosure of all matters that the law and ASX Listing Rules require to be publicly disclosed, consistent with the Continuous Disclosure Compliance Policy approved by the Board.
- The Board will approve the appointment of directors to committees established by the Board.
- The Board will approve and monitor delegations of authority.

(E) Risk Management

The Company recognises that the management of business and economic risk is an integral part of its operations and has for many years integrated risk management processes into its operations to ensure continuity of the business and to minimise any impact on its performance. The Board has established a sound system of risk oversight and management and internal control which involve the Safety and Risk Management Committee and the Audit and Corporate Governance Committee.

- Ensuring that effective risk management programmes are in place to protect the Group's assets and shareholder value.
- Approving and monitoring the Group's risk framework, including (but not limited to) systems of risk management and internal control.
- Approving and, with the assistance and advice of the Risk Management Committee, monitoring compliance with the Group's risk.

The Charters of both committees are available on the Company's website.

(F) Strategic Planning

- The Board will be actively and regularly involved in strategic planning.
- Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing.
- The Board will, on an ongoing basis, review how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.

(G) Performance Evaluation

At least once per year the Board will, with the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, review and evaluate the performance of the Board, each Board Committee, and each individual director against the relevant Charters, corporate governance policies, and agreed goals and objectives (ASX Recommendation 2.5).

- Following each review and evaluation the Board will consider how to improve its performance.
- The Board will agree and set the goals and objectives for the Board and its Committees each year, and if necessary, amend the relevant Charters and policies.
- With the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, the Board will review and approve the remuneration of the Company's executive and non-executive directors.

The evaluation of the Board, its committees and directors was carried out during the FY as set out above.

A Director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board Charter.

The Board believes that its members have the appropriate skillset and knowledge to effectively perform their roles as directors without requiring further professional development. Our board members have a vast wealth of experience in the aviation industry and beyond as a majority of them have aircraft pilot qualifications.

The Company has a program for inducting new Directors.

Principle 3: Promote Ethical and Responsible Decision Making

Directors and the Management Committee are required to maintain the highest legal, moral and ethical standards of conduct. The Board has adopted the Code of Conduct which provides guidance to all staff on compliance with legal and other obligations (ASX Recommendation 3.1).

The Company has established a Share Trading Policy (ASX Recommendation 1.3). Under this policy, Directors and Management Committee are prohibited from trading in securities of the Company without prior approval from the Board.

The Company employs all staff on their merits and is committed to recognising and valuing the contributions of staff from diverse backgrounds. The Company has established a Diversity Policy (ASX Recommendation 1.5).

The Company does not believe in an affirmative action policy and setting of artificial targets for staff of various backgrounds (gender, religious, cultural, racial etc.) but rather in ensuring that all staff are able to develop to the full extent of their capabilities and contributions.

In accordance with the requirements of the *Workplace Gender Equality Act 2012 (Act)*, Regional Express Holdings Limited lodged its annual public report and was compliant.

As at the end of the reporting period, the proportion of female employees in the Company was 37.99%. There were 19 women holding management positions.

To access a copy of the report, refer to the Rex website under Corporate and Social Responsibilities. Details on the reporting process can be located at the Workplace Gender Equality Website: www.wgea.gov.au.

The Code of Conduct, Share Trading Policy and Diversity Policy are available on the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

The Audit and Corporate Governance Committee has been established by the Board of the Company (ASX Recommendation 4.1) to assist the Board in fulfilling its commitment to ensure the integrity of the Company's financial reports and Corporate Governance policies:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Group's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct;
- advising the Board on good governance standards and appropriate corporate governance policies for the Group; and
- critically reviewing the Group's performance against its corporate governance policies.

In FY23, this Committee was chaired by the Hon. John Sharp AM and Lincoln Pan. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report. The Committee had two meetings during FY23 attended by all members of the Committee.

The Board acknowledges the ASX Recommendations to have the Committee composed of a majority of independent directors, chaired by an independent director and have at least three members (ASX Recommendation 4.1).

The Committee is currently made up of two non-executive directors. The Board feels that the directors in the audit committee will make decisions that are in the best interests of the shareholders in their duties as audit committee members and directors of the Company. The Board also feels at this stage that two members are sufficient for the audit committee given the size of the Company and Board.

The Audit and Corporate Governance Committee has a formal Charter which is available on the Company's website (ASX Recommendation 4.1).

The Chief Operating Officer and the General Manager (GM) Corporate Services who oversees the finance department, provide written assurance to the Board as to the integrity of the financial statements and that they are founded on a sound system of risk management and internal controls which are operating effectively and efficiently (ASX Recommendation 4.2).

The Board acknowledges the ASX Recommendation to have the Chief Executive Officer and Chief Financial Officer provide this statement to the Board. The Board believes that it is appropriate for Chief Operating Officer and GM Corporate Services to provide the statement.

The directors have ensured that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon (ASX Recommendation 4.3).

Principle 5: Make Timely and Balanced Disclosure

The Company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company secretaries for review (ASX Recommendation 5.1, 5.2 and 5.3). The Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the Right of Shareholders

It is the Company's policy that the principal communication with shareholders apart from the Company website is the provision of the Annual Report, including the Financial Statements, half-yearly investor briefings and the Annual General Meeting (and any extraordinary meetings held by the Company). Shareholders are encouraged to participate in half-yearly investor briefings either by attendance or by joining through the Company's videoconferencing facilities and are invited to put questions to the Chairman of the Board in that forum (ASX Recommendation 6.3). The Company's website provides additional information and greater detail about the Company, including ASX and media releases and access to statements regarding corporate governance related matters (ASX Recommendation 6.1).

The Board acknowledges the ASX Recommendation of facilitating effective two-way communication with investors. Shareholders are able to contact the Company through the Company secretaries (ASX Recommendation 6.2).

The Company acknowledges that some security holders prefer the speed, convenience and environmental friendliness of electronic communications over more traditional methods of communication. To this end, the Company provides its security holders with the option of receiving either a hard or soft copy of its annual report and notice of meeting for its Annual General Meeting (ASX Recommendation 6.5).

The Board acknowledges that all substantive resolutions at a meeting of securities holders are decided by the total number of eligible votes. It is noted that the *Corporations Amendment (Meetings and Documents) Bill 2021* (Cth) was passed in February 2022 that specifies that votes on resolutions which are set out in the notice of a meeting of members of a listed company or listed registered scheme must be decided on by poll, hence all resolutions will be conducted via a poll. (ASX Recommendation 6.4).

Principle 7: Recognise and Manage Risk

The Company has integrated risk management processes into its operations to ensure continuity of the business and to minimise any impact on its performance.

The Board has established policies for a sound system of risk oversight and management and internal control which involve the Safety and Risk Management Committee (Recommendation 7.1).

The Safety and Risk Management Committee has been established by the Board of the Company and applies to the Company and its subsidiaries to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by:

- assisting the Board in fulfilling its development, oversight and review responsibilities for the safety culture and safety management processes as defined by the separate safety policies published for each Air Operator's Certificate holder within the Group; and
- implementing and supervising the Group's operational risk assessment framework.

The Board acknowledges the ASX Recommendation to have the Committee composed of a majority of independent directors and chaired by an independent director and have at least three members (ASX Recommendation 7.1).

The Committee is currently made up of one independent director. The Board feels that the directors in the Safety and Risk Management Committee will make decisions that are in the best interests of the shareholders in their duties as Safety and Risk Management Committee members and directors of the Company. The Board also feels at this stage that three members are sufficient for the Safety and Risk Management Committee given the size of the Company and Board.

The Safety and Risk Management Committee and the Audit and Corporate Governance Committee have a formal Charter which sets out the responsibilities of the Committee as well as the Company's policies on risk oversight and management. The Charters is available on the Company's website.

The Board reviews the safety and risk management report prepared by the Group's Safety Manager at each Board meeting (ASX Recommendation 7.2).

Being an airline, Rex is required by the Civil Aviation Safety Authority to have a safety and compliance department. Staffed by approximately 15 full-time equivalent employees, this department conducts internal audits of all Rex's operations including flight operations, engineering and airport operations. The head of this department, the GM Human Factors, has a direct reporting line to the Board and Chairman. The corporate services department is responsible to conduct internal audits, risk oversight and management from the corporate and business risks perspective by applying the same overall risk management framework along with the safety and compliance department. The head of this department, the GM Corporate Services, has a direct reporting line to the Board and Chairman (ASX Recommendation 7.3).

The Company has outlined its main material risk sources that could adversely affect the entity's prospects for future FYs and has explained how these risks are managed in the Directors' Report (ASX Recommendations 7.1 and 7.4).

Principle 8: Remunerate Fairly and Responsibly

The Board has established a Remunerations, Nominations and Disciplinary Committee. The membership, responsibilities and number of meetings held have been set out under Principle 2. Also set out under Principle 2 is the explanation as to why the membership of the Committee differs from the ASX Recommendations (ASX Recommendation 8.1).

Details of the Board and Management Committee remuneration structures are contained in the Remuneration Report (ASX Recommendation 8.2 and 8.3).

FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss

For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Passenger revenue		556,169	230,549
Freight revenue		1,788	1,565
Charter revenue		68,879	47,056
Other passenger services and amenities		1,573	348
Other revenue	4	12,409	7,653
Revenue from contracts with customers		640,818	287,171
Government grants and subsidies		1,969	32,071
Total revenue, government grants and subsidies		**642,787**	**319,242**
Finance income	**4**	**1,640**	**354**
Other gains	**4**	**1,067**	**3,206**
Flight and port operation costs		(148,285)	(78,020)
Fuel costs		(135,124)	(65,373)
Salaries and employee-related costs	4	(197,354)	(149,370)
Selling and marketing costs		(35,356)	(11,940)
Engineering and maintenance costs		(77,593)	(63,005)
General administration costs		(13,534)	(12,926)
Finance costs	4	(8,703)	(7,914)
Depreciation and amortisation	4	(53,233)	(35,319)
Imputed facility fee amortisation	4	(7,994)	(7,994)
Asset impairment reversal	4	-	40,743
Fair value gain on joint venture	21	44,497	-
Total costs and expenses		**(632,679)**	**(391,118)**
Profit / (Loss) before tax		**12,815**	**(68,316)**
Tax benefit	5	7,776	22,175
Profit / (Loss) after tax		**20,591**	**(46,141)**
Share of results of joint venture	21	(6,229)	-
Profit / (Loss) attributable to			
Members of the parent		14,362	(46,141)
		14,362	**(46,141)**
Earnings per share		**cents per share**	**cents per share**
Basic profit / (loss)	16	12.8	(41.5)
Diluted profit / (loss)	16	6.5	(41.5)

The accompanying notes form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Profit / (Loss) after tax		**14,362**	**(46,141)**
Other comprehensive income			
Revaluation of cash flow hedges	15	(6,494)	21,951
Revaluation of financial instruments	15	(1,613)	5,695
Income tax effect	15	1,948	(6,581)
Other comprehensive income / (loss), net of tax		**(6,159)**	**21,065**
Total comprehensive income / (loss) for the year		**8,203**	**(25,076)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and bank balances	22 (A)	49,252	42,224
Receivables	6	30,525	25,252
Inventories	7	24,730	9,468
Income tax receivable	5	-	11,197
Other financial assets	23 (J)	9,138	15,318
Total current assets		**113,645**	**103,459**
Non-current assets			
Receivables	6	9,646	8,138
Inventories	7	2,318	2,235
Investments – fair value through equity		9	9
Investments accounted for using the equity method	21	66,875	-
Deferred tax assets	5	31,443	21,785
Other financial assets	23 (J)	11,744	19,295
Property, plant and equipment			
Aircraft	8	233,268	165,639
Other property, plant and equipment	8	108,350	113,680
Right-of-use assets	8	74,500	60,438
Other intangible assets	9	875	906
Total non-current assets		**539,028**	**392,125**
Total assets		**652,673**	**495,584**
Current liabilities			
Payables	10	75,176	52,704
Unearned revenue	11	61,883	45,029
Interest bearing liabilities	12	12,136	18,867
Lease liabilities	12	16,398	12,742
Provisions	13	15,202	14,277
Other financial liabilities	23 (J)	757	-
Total current liabilities		**181,552**	**143,619**
Non-current liabilities			
Interest bearing liabilities	12	223,172	125,154
Lease liabilities	12	74,222	60,954
Provisions	13	3,100	2,889
Other financial liabilities	23 (J)	9,173	10,819
Total non-current liabilities		**309,667**	**199,816**
Total liabilities		**491,219**	**343,435**
Net assets		**161,454**	**152,149**
Equity			
Issued capital	14	75,619	73,689
Reserved shares	14	(457)	(57)
Retained earnings		67,022	52,660
Share-based payments reserve	15	2,778	3,206
Other reserves	15	16,492	22,651
Total equity		**161,454**	**152,149**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts from customers		716,998	322,010
Proceeds from government grants and subsidies		1,102	34,910
Payments to suppliers, employees and others		(663,699)	(369,867)
Interest paid		(4,615)	(4,942)
Income tax received		11,197	10,420
Net cash flows from / (used in) operating activities, government grants and subsidies	22 (B)	**60,983**	**(7,469)**
Interest received		1,640	354
Proceeds from disposal of property, plant and equipment		1,870	-
Payments for acquisition of business	21	(16,326)	(646)
Payments for aircraft under construction		(86,152)	(18,628)
Payments for property, plant and equipment - aircraft and other		(23,525)	(21,823)
Payments for other intangible assets – software		(313)	(358)
Net cash flows used in investing activities		**(122,806)**	**(41,101)**
Lease liabilities paid		(18,945)	(12,398)
Proceeds from interest bearing liabilities - non-related parties		92,949	58,245
Proceeds from interest bearing liabilities - PAG		15,000	25,000
Repayment of interest bearing liabilities - non-related parties		(20,152)	(10,164)
Net cash flows from financing activities		**68,851**	**60,682**
Net increase in cash held		**7,028**	**12,112**
Cash at the beginning of the year		**42,224**	**30,112**
Cash at the end of the year	22 (A)	**49,252**	**42,224**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2023

	Attributable to equity holders of the Company						
	Issued capital $'000	Reserved shares $'000	Retained earnings $'000	Share-based payments reserve $'000	Revaluation reserve $'000	General reserve $'000	Total equity $'000
At 1 July 2021	**72,024**	**188**	**98,801**	**1,809**	**(4)**	**1,590**	**174,408**
Loss for the year	-	-	(46,141)	-	-	-	(46,141)
Other comprehensive income / (loss), net of tax	-	-	-	-	21,065	-	21,065
Total comprehensive income / (loss) for the year	-	-	(46,141)	-	21,065	-	(25,076)
New shares issued	1,665	-	-	-	-	-	1,665
Transfers from new shares issued	-	(1,665)	-	-	-	-	(1,665)
Share gift issued - gift	-	1,420	-	(1,420)	-	-	-
Share gift plan provision	-	-	-	1,639	-	-	1,639
Performance rights provision	-	-	-	1,178	-	-	1,178
At 30 June 2022	**73,689**	**(57)**	**52,660**	**3,206**	**21,061**	**1,590**	**152,149**
At 1 July 2022	**73,689**	**(57)**	**52,660**	**3,206**	**21,061**	**1,590**	**152,149**
Profit for the year	-	-	14,362	-	-	-	14,362
Other comprehensive income / (loss), net of tax	-	-	-	-	(6,159)	-	(6,159)
Total comprehensive income / (loss) for the year	-	-	14,362	-	(6,159)	-	8,203
New shares issued	1,930	-	-	-	-	-	1,930
Transfers from new shares issued	-	(1,930)	-	-	-	-	(1,930)
Share gift issued - gift	-	1,530	-	(1,530)	-	-	-
Share gift plan provision	-	-	-	1,600	-	-	1,600
Performance rights provision	-	-	-	(498)	-	-	(498)
At 30 June 2023	**75,619**	**(457)**	**67,022**	**2,778**	**14,902**	**1,590**	**161,454**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year Ended 30 June 2023

1 General Information

Regional Express Holdings Limited (the Company) is listed on the Australian Securities Exchange (Trading under symbol 'REX'), incorporated and operating in Australia. The Company's registered office and its principal place of business is at 81 – 83 Baxter Road, Mascot, NSW 2020, Australia. Principal activities of the Group are the provision of air services including the transportation of passengers and freight along with aeromedical services and pilot training.

2 Application of New and Revised Accounting Standards

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 30, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Judgement and Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Fair Value Calculation of Joint Venture

The Group applied a certain level of judgement within the determination of the Fair Value of the identifiable assets and liabilities of National Jet Express Pty Ltd (NJE) on 30 September 2022, consistent with the relevant accounting standards.

Favourable lease terms, Customer Contracts and Relationships and PPE are considered to be the key identifiable tangible and intangible assets of NJE. No goodwill is measured as the value of the assets acquired exceeds the consideration. The Group`s Fair Value assessment can be summarised as:

- Owned aircraft: the valuation was performed based on the Aircraft Value Analysis Company (AVAC) valuation methodology and post-acquisition, sold NJE aircraft to determine the fair value upon acquisition date.
- Right of use assets (ROU): ROU assets and liabilities were revalued as at the acquisition date per the relevant accounting standards including the fair value valuation of any favourable/unfavourable lease terms. For the determination of the market lease rates, data was obtained from the Aircraft Value Analysis Company (AVAC).
- Customer Contracts and Relationships: the accounting standards require the identification of the intangible assets acquired and the assessment of their respective fair value. The multi period excess earnings ("MPEEM") methodology was used for the valuation of these assets. This considered the cash flows attributable to existing customer contracts as of the day of acquisition and relationships over their contract period.
- All other assets and liabilities including other property, plant & equipment: It was assumed that the acquired net book value was equivalent and representative to fair value upon acquisition.

Impairment of Assets

Determining whether goodwill and property, plant and equipment and right-of-use assets are impaired requires an estimation of the value-in-use and fair value less cost to sell of the cash-generating units to which these assets relate. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The fair value less cost to sell calculation requires the entity to determine the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Further information relating to these estimates set out in Note 8.

Recoverability of Deferred Taxes

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to enable the Group to utilise those temporary differences and losses. As a result of the impairment of assets in the prior years, the Group has recognised deferred tax assets relating to temporary differences in respect of this impairment. The recoverability of these deferred tax assets is dependent on assumptions relating to future taxable profits over the remaining useful life of the assets which have been impaired. These assumptions are consistent with those used in the value-in-use calculations. Further information relating to these estimates made is set out in Note 5.

Fair Value of Derivatives and Other Financial Instruments

As described in Note 23, management uses their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

As described in Note 12 and Note 23, the Group issued convertible notes and accompanying rights to warrants which are subject to independent expert valuation.

Useful Lives of Property, Plant and Equipment

As described in Note 30 (S), the Group regularly assesses the estimated useful lives of property, plant and equipment at the end of each reporting period to determine if the useful lives correctly reflect the rate at which the assets are consumed.

Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on-cost rates
- experience of employee departures and period of service

Borrowing facilities

The bank facility relating to NSW Air Ambulance contract and Victoria Air Ambulance contract contains review event clauses, whereby a review event is triggered when the Group's EBITDA falls below 50% of the previous year.

In January 2021, the Group issued convertible notes (refer to Notes 12, 23) to PAGAC Regulus Holding Pte Ltd for a maximum draw down amount of $150 million for an initial term of 5 years from the first draw date. The first draw down date was 15 March 2021 wherein the Group drew down $50 million and $25 million in financial year 2022. During the year, the Group drew down an additional $15 million. Further information on the drawdowns is contained in Notes 12 and 23. The convertible notes and accompanying rights to warrants are measured at fair value through profit or loss as set out in Note 30. Market inputs such as share price volatility and prevailing market conditions may cause fluctuations in the fair value of these instruments between measurement dates.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business. In preparing the consolidated financial statements, the directors note that the Group is in a net current asset deficiency position of $67,907 thousand, this includes unearned revenue of $61,883 thousand (FY2022: $40,160 thousand net deficit) the majority of which will not result in the outflow of cash. The Group has reported a profit after tax, before the share of results of joint venture, of $20,591 thousand for the year (FY2022: $46,141 thousand loss after tax), and net cash inflows from operating activities of $60,983 thousand (FY2022: $7,469 thousand net cash outflows from operating activities).

REX entered into an agreement with PAGAC Regulus Holding Pte Ltd ("PAG") which allowed it access to $150 million in funding through the issue of convertible notes. The Group drew down on $50 million in FY2021, $25 million in FY2022, $15 million in FY2023 and still had access to $60 million at the end of the reporting period.

Management have prepared financial forecasts which are consistent with those used in the valuation models for the REX and Domestic CGUs. Based on these forecasts, the Directors are confident that the Group will have sufficient cash to meet its obligations and continue as a going concern.

4 Revenues and Expenses

	2023 $'000	2022 $'000
Other revenue		
Training income	7,587	3,366
Rental income (equipment)	1,192	2,110
Rental income (premises)	468	340
Insurance claim	765	844
Training subsidy	245	207
Engineering services	833	260
Sales of engineering parts	(324)	71
Other income	1,643	455
	12,409	**7,653**
Finance income		
Interest	1,640	354
	1,640	**354**
Other gains / (losses)		
Fair value gain / (loss) on convertible notes, warrants	(232)	10,587
Unrealised foreign currency loss	(2,282)	(5,815)
Realised foreign currency loss	(966)	(1,548)
Gain / (loss) on disposal of property, plant and equipment	4,547	(18)
	1,067	**3,206**
Salaries and employee-related costs		
Wages and salaries	(181,277)	(135,071)
Superannuation costs - defined contribution plan	(13,570)	(10,537)
Expense of share-based payments	(1,102)	(2,817)
Workers' compensation costs	(1,405)	(945)
	(197,354)	**(149,370)**
General administrative costs		
Bad debts written-off	-	(11)
	-	**(11)**
Finance costs		
Interest on bank borrowings	(4,615)	(4,942)
Interest on AASB16 leases	(4,088)	(2,972)
	(8,703)	**(7,914)**
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment	(37,800)	(23,331)
Depreciation of right-of-use assets	(15,089)	(11,744)
Amortisation of software	(344)	(244)
	(53,233)	(35,319)
Amortisation of imputed facility fee	(7,994)	(7,994)
	(61,227)	**(43,313)**
Impairment		
Asset impairment reversal / (expense)		
Property, plant and equipment – aircraft	-	18,996
Property, plant and equipment – other	-	21,460
Right-of-use assets	-	286
	-	**40,743**

5 Income Tax

Income Tax Recognised in Consolidated Statement of Profit or Loss

	2023 $'000	2022 $'000
Current year tax loss carried forward	(24,608)	(23,534)
Current year tax loss carried back	-	(11,197)
Prior year under provision	(327)	(1,104)
Deferred tax expense from temporary differences	17,159	13,660
Total tax benefit	**(7,776)**	**(22,175)**
Pre-tax accounting profit / (loss) from operations reconciles to tax benefit in the financial statements as follows:		
Pre-tax accounting profit / (loss)	12,815	(68,316)
Tax at the applicable rate of 30%	3,845	(20,495)
Tax effect of (non-assessable) / non-deductible items		
Fair value gain acquisition – NJE	(13,349)	-
Fair value (gain) / loss on warrant and convertible notes	69	(3,176)
Facility fee amortisation	2,398	2,398
Others	(412)	202
Prior year under provision	(327)	(1,104)
Tax benefit	**(7,776)**	**(22,175)**
Effective tax rates	(60.7%)	32.5%

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. There are no unrecognised carried forward losses.

Current and Deferred Tax Recognised in Consolidated Statement of Financial Position

	2023 $'000	2022 $'000
Tax instalments paid	-	-
Current year tax loss carry-back	-	11,197
Income tax receivable	**-**	**11,197**
Deferred tax assets	60,458	34,751
Deferred tax liabilities	(29,015)	(12,966)
Net deferred tax assets	**31,443**	**21,785**

Net deferred tax assets of $31,443 thousand (FY2022: $21,785 thousand) relating to temporary differences have been recognised to the extent that the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences. In assessing whether the deferred tax assets are recoverable, the directors note that the estimates and assumptions relating to future taxable profits are consistent with the assumptions used in the estimation of future cash flows in the value-in-use valuation model for the Group's cash-generating units. The directors expect that the Group will generate sufficient taxable profits to utilise the deferred tax assets in the next 5 years, however actual utilisation will be dependent on the timing of tax deductions.

Taxable and deductible temporary difference and tax losses arise from the following:

	Opening balance $'000	(Charged) / credited to Profit or Loss $'000	(Under) / over provision $'000	Charged to equity $'000	Other movements $'000	Closing balance $'000
30 June 2023						
Deferred tax assets						
Tax loss carried forward	23,535	35	-	-	24,608	48,178
Provisions - employee benefits, other	6,260	303	-	-	-	6,563
Right-of-use assets / lease liabilities (net effect)	3,977	859	-	-	-	4,836
Payables	443	(43)	-	-	-	400
Amortisation of capital raising costs	190	(55)	-	-	-	135
Other items	346	-	-	-	-	346
	34,751	1,099	-	-	24,608	60,458
Deferred tax liabilities						
Other liabilities	(6,586)	-	-	1,948	-	(4,638)
Property, plant & equipment	(5,589)	(13,583)	292	-	97	(18,783)
Inventories	(796)	(4,785)	-	-	-	(5,581)
Prepayments	(4)	(18)	-	-	-	(22)
Receivables	9	-	-	-	-	9
	(12,966)	(18,386)	292	1,948	97	(29,015)
Net deferred tax	**21,785**	**(17,287)**	**292**	**1,948**	**24,705**	**31,443**
30 June 2022						
Deferred tax assets						
Tax loss carried forward	-	-	-	-	23,535	23,535
Provisions - employee benefits, other	5,152	988	-	-	120	6,260
Right-of-use assets / lease liabilities (net effect)	1,315	2,662	-	-	-	3,977
Payables	376	67	-	-	-	443
Amortisation of capital raising costs	245	(55)	-	-	-	190
Other items	346	-	-	-	-	346
	7,434	3,662	-	-	23,655	34,751
Deferred tax liabilities						
Other liabilities	2	-	-	(6,588)	-	(6,586)
Property, plant & equipment	14,336	(17,743)	(2,548)	-	366	(5,589)
Inventories	(879)	403	(320)	-	-	(796)
Prepayments	(22)	18	-	-	-	(4)
Receivables	9	-	-	-	-	9
Fair value on convertible notes, warrants	(2,345)	-	2,345	-	-	-
	11,101	(17,322)	(523)	(6,588)	366	(12,966)
Net deferred tax	**18,535**	**(13,660)**	**(523)**	**(6,588)**	**24,021**	**21,785**

6 Trade and Other Receivables

	2023 $'000	2022 $'000
Current		
Trade receivables	15,964	14,491
Loss allowance	(31)	(31)
	15,933	14,460
Term deposits	1,995	1,926
Sundry debtors and receivables	4,570	4,198
Prepayments	8,027	4,669
	30,525	**25,252**
Non-current		
Deposits	5,079	4,118
Sundry receivables	4,567	4,020
	9,646	**8,138**

Trade receivables are non-interest bearing and are generally on 30 day terms. The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Before accepting new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Majority of the Group's revenue is derived from sales made through credit cards where counterparties are either banks or credit card companies.

The current term deposits are interest-bearing deposits held under the Group's worker's compensation obligations. The amounts are restricted under these obligations.

The non-current deposits are in relation to aircraft and property leases.

	2023 $'000	2022 $'000
Ageing of past due but not impaired		
60 - 90 days	206	-
91 - 120 days or more	1,117	251
Total	**1,323**	**251**
Average age (days)	30	30
Movement in loss allowance		
Balance at the beginning of the year	(31)	(31)
Movement during the year	-	-
Balance at the end of the year	**(31)**	**(31)**
Ageing of impaired trade receivables		
120+ days	(31)	(31)
Total	**(31)**	**(31)**

7 Inventories

	2023 $'000	**2022 $'000**
Consumable spares		
Current	24,730	9,468
Non-current	2,318	2,235

8 Property, Plant and Equipment

	Opening gross carrying amount $'000	Additions $'000	Transfers from business acquired $'000	Disposals / Reclassification $'000	Closing gross carrying amount $'000
At 30 June 2023					
Aircraft	280,417	3,040	-	(5,755)	277,702
Aircraft under construction	20,231	86,152	-	-	106,383
Total aircraft	300,648	89,192	-	(5,755)	384,085
Other property, plant and equipment					
Rotable assets	81,793	8,724	-	(11,932)	78,585
Engines	22,825	-	-	-	22,825
Plant and equipment	16,134	1,177	-	(1,619)	15,692
Land and buildings	53,641	9,261	-	-	62,902
Leasehold improvements	925	536	-	-	1,461
Motor vehicles	3,111	144	-	(68)	3,187
Furniture and fittings	1,305	306	-	(66)	1,545
Computer equipment	4,268	337	-	(978)	3,627
Other property, plant and equipment	184,002	20,485	-	(14,663)	189,824
Total property, plant and equipment	**484,650**	**109,677**	**-**	**(20,418)**	**573,909**
Right-of-use assets					
Aircraft leases	65,701	21,310	-	-	87,011
Other leases	11,356	11,353	-	(5,202)	17,507
Total right-of-use assets	**77,057**	**32,663**	**-**	**(5,202)**	**104,518**
At 30 June 2022					
Aircraft	199,730	1,515	-	79,172	280,417
Aircraft under construction	80,544	18,628	-	(78,941)	20,231
Total aircraft	280,274	20,143	-	231	300,648
Other property, plant and equipment					
Rotable assets	75,929	6,925	-	(1,061)	81,793
Engines	15,213	7,612	-	-	22,825
Plant and equipment	14,809	1,198	95	32	16,134
Land and buildings	50,345	3,296	-	-	53,641
Leasehold improvements	2,062	167	29	(1,333)	925
Motor vehicles	3,017	164	-	(70)	3,111
Furniture and fittings	985	327	-	(7)	1,305
Computer equipment	3,713	619	-	(64)	4,268
Other property, plant and equipment	166,073	20,308	124	(2,503)	184,002
Total property, plant and equipment	**446,347**	**40,451**	**124**	**(2,272)**	**484,650**
Right-of-use assets					
Aircraft leases	66,659	-	-	(958)	65,701
Other leases	3,436	7,691	284	(55)	11,356
Total right-of-use assets	**70,095**	**7,691**	**284**	**(1,013)**	**77,057**

	Opening accumulated depreciation and impairment $'000	Disposals / Reclassification $'000	Transfers from business acquired $'000	Depreciation charge for the year $'000	Impairment reversal / (expense) $'000	Closing accumulated depreciation and impairment $'000
At 30 June 2023						
Aircraft	(135,009)	4,274	-	(20,082)	-	(150,817)
Total aircraft	(135,009)	4,274	-	(20,082)	-	(150,817)
Other property, plant and equipment						
Rotable assets	(35,772)	3,418	-	(10,653)	-	(43,007)
Engines	(7,671)	-	-	(2,168)	-	(9,839)
Plant and equipment	(9,104)	1,619	-	(1,568)	-	(9,053)
Land and buildings	(11,344)	-	-	(1,353)	-	(12,697)
Leasehold improvements	(853)	-	-	(336)	-	(1,189)
Motor vehicles	(2,350)	68	-	(235)	-	(2,517)
Furniture and fittings	(501)	66	-	(179)	-	(614)
Computer equipment	(2,727)	978	-	(809)	-	(2,558)
Other property, plant and equipment	(70,322)	6,149	-	(17,301)	-	(81,474)
Total property, plant and equipment	**(205,331)**	**10,423**	**-**	**(37,383)**	**-**	**(232,291)**
Right-of-use assets						
Aircraft leases	(14,099)	-	-	(12,707)	-	(26,806)
Other leases	(2,520)	1,689	-	(2,381)	-	(3,212)
Total right-of-use assets	**(16,619)**	**1,689**	**-**	**(15,088)**	**-**	**(30,018)**
At 30 June 2022						
Aircraft	(140,624)	-	-	(13,381)	18,996	(135,009)
Total aircraft	(140,624)	-	-	(13,381)	18,996	(135,009)
Other property, plant and equipment						
Rotable assets	(47,562)	96	-	(5,088)	16,782	(35,772)
Engines	(9,171)	-	-	(1,350)	2,850	(7,671)
Plant and equipment	(9,569)	(1)	(64)	(756)	1,286	(9,104)
Land and buildings	(9,995)	-	-	(1,349)	-	(11,344)
Leasehold improvements	(1,706)	1,305	(28)	(424)	-	(853)
Motor vehicles	(2,485)	64	-	(94)	165	(2,350)
Furniture and fittings	(447)	7	-	(121)	60	(501)
Computer equipment	(2,626)	64	-	(482)	317	(2,727)
Other property, plant and equipment	(83,561)	1,535	(92)	(9,664)	21,460	(70,322)
Total property, plant and equipment	**(224,185)**	**1,535**	**(92)**	**(23,045)**	**40,456**	**(205,331)**
Right-of-use assets						
Aircraft leases	(3,904)	-	-	(10,195)	-	(14,099)
Other leases	(805)	55	(221)	(1,835)	286	(2,520)
Total right-of-use assets	**(4,709)**	**55**	**(221)**	**(12,030)**	**286**	**(16,619)**

	Opening net carrying amount $'000	Closing net carrying amount $'000
At 30 June 2023		
Aircraft	145,408	126,885
Aircraft under construction	20,231	106,383
Total aircraft	165,639	233,268
Other property, plant and equipment		
Rotable assets	46,021	35,578
Engines	15,154	12,986
Plant and equipment	7,030	6,639
Land and buildings	42,297	50,205
Leasehold improvements	72	272
Motor vehicles	761	670
Furniture and fittings	804	931
Computer equipment	1,541	1,069
Other property, plant and equipment	113,680	108,350
Total property, plant and equipment	**279,319**	**341,618**
Right-of-use assets		
Aircraft leases	51,602	60,205
Other leases	8,836	14,295
Total right-of-use assets	**60,438**	**74,500**
At 30 June 2022		
Aircraft	59,106	145,408
Aircraft under construction	80,544	20,231
Total aircraft	139,650	165,639
Other property, plant and equipment		
Rotable assets	28,367	46,021
Engines	6,042	15,154
Plant and equipment	5,240	7,030
Land and buildings	40,350	42,297
Leasehold improvements	356	72
Motor vehicles	532	761
Furniture and fittings	538	804
Computer equipment	1,087	1,541
Other property, plant and equipment	82,512	113,680
Total property, plant and equipment	**222,162**	**279,319**
Right-of-use assets		
Aircraft leases	62,755	51,602
Other leases	2,631	8,836
Total right-of-use assets	**65,386**	**60,438**

Impairment of Assets

The Group's Cash Generating Units (CGUs) for assessing the carrying value of the Group's assets are as follows:

- Regional Express Holdings Limited (Rex)
- Australian Airline Pilot Academy Pty Ltd and AAPA Victoria Pty Ltd (Training)
- Rex Airlines Pty Ltd (Domestic)
- Pel-Air Aviation Pty Limited (Pel-Air)

(A) Rex CGU

The recoverable amount of the Rex CGU has been determined based on a value-in-use valuation model.

The value-in-use calculation of the Rex CGU uses cash flow projections which are based on Available Seat Kilometres (ASKs) and passenger numbers exceeding FY2019 levels by FY2024.

Key assumptions used in the valuation model are noted below:

FY2024 – FY2027	
Passenger fares	1% total real price growth over the next 18 months.
Passenger numbers	1.35 million in FY2024 increasing to 1.5 million by FY2027, after which passenger numbers are forecast to remain flat
ASK	812 million in FY2024 increasing to 874 million p.a. by FY2027
Fixed & variable costs	Costs which vary with activity are allocated on a per-ASK or per passenger basis. Fixed costs are forecast based on FY2023 actuals.
Fuel costs	Fuel costs are based on the prevailing fuel swap rates, after which they are projected using the long term brent crude curve.
Capital expenditure	Capital expenditure is based on per-ASK maintenance capex.
Subsequent to FY2027	
Revenue growth	2.50%
Passenger numbers	1.5 million
ASK	874 million pa
Fuel cost escalation	Based on forward brent crude curve
Operating cost escalation	2.50% - 4.0%
Fleet life	14.0 years from FY2024

Cash flows in the valuation model are projected for 14.0 years. Rex operates the RPT network with a fleet of 58 SAAB 340B aircraft, 57 of which are utilised within the REX CGU. Whilst these aircraft are no longer manufactured by SAAB (the OEM) they remain common in regional airline fleets around the world and the directors do not expect OEM support for the aircraft to be withdrawn for at least the next 15 years.

As a result of the reduced flying during the COVID-19 pandemic, in FY2020 the directors revised expectations for the life of the SAAB 340B fleet and considered that the expected useful life of the SAAB 340B fleet was approximately 15-20 years. The value-in-use model has included cash flows of 14.0 years from FY2024, at the lower end of the expected remaining economic life of the fleet.

No terminal value has been included in the value-in-use valuation model.

Revenue and cost growth have been projected based on growth expectations of the existing network and assume no changes to the size and scale of operations. Capital expenditure is based on maintenance capex over the forecast period excluding any expansionary capital expenditure.

Cash flows are discounted by a post-tax discount rate of 12.00% for the Rex CGU (FY2022: 12.00%).

Based on the results of the value-in-use model, there was no impairment for the Rex CGU as at 30 June 2023.

Sensitivity Analysis

The value-in-use calculation is sensitive to reasonable changes in key assumptions which would, in isolation, lead to an increase or decrease in the recoverable amount and a resulting change to impairment recognised. Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount of the CGU.

		Rex recoverable amount	
	Increase/ Decrease by	Increase $'000	Decrease $'000
Post tax discount rate %	1.0%	(8,935)	9,661
Revenue	1.0%	16,758	(16,801)
Operating cost	1.0%	(7,058)	7,049
Fuel cost	5.0%	(12,901)	12,683
Fleet life	2.5 years	n/a	(14,450)

(B) Training CGU

The recoverable value of the Training CGU at 30 June 2023 was calculated using FVLCD. This value was higher than the Training CGU carrying value and as such no impairments were deemed necessary as at 30 June 2023. The fair value was determined using the Aircraft Value Analysis Company (AVAC) value guide.

(C) Domestic CGU

The recoverable amount of the Domestic CGU has been determined based on a value-in-use valuation model.

The value-in-use calculation of the Domestic CGU uses cash flow projections based on financial budgets approved by the Board covering a 7 year forecast period. The cash flows are based on management's expectations regarding the market, fleet plans including the leasing of aircraft and operating costs. The discount rate applied reflects the weighted average cost of capital based on the risk-free rate for ten-year Australia government bonds adjusted for a risk premium to reflect the risk of the CGU.

Key Assumptions

The following key assumptions were used in determining the value-in-use valuation model for the Domestic CGU:

Discount rate	11.75% (FY2022: 11.75%)
Average fares	$161 (incl. head tax)
Load factor	75.0% - 77.5%
ASK	2,300 million p.a.
Fuel cost	Based on prevailing fuel swap rates, after which they are projected using the long term brent crude curve
Other operating costs	Costs which vary with activity are allocated based on ASKs, passenger numbers, flight time or number of aircraft.
Operating cost escalation	2.5% to 4.0%

Reasonable changes in these assumptions are not expected to result in an impairment of the Domestic CGU. There was no impairment for the Domestic CGU as at 30 June 2023.

(D) Pel-Air CGU

The recoverable value for the Pel-Air CGU was calculated using a fair value less cost of disposal model (FVLCD). This value was higher than the Pel-Air carrying value and as such no impairments were deemed necessary as at 30 June 2023. The fair value was determined using the AVAC value guide, except for newly acquired or constructed assets that have just commenced operations.

9 Other Intangible Assets

	2023 $'000	2022 $'000
Opening gross carrying amount of computer software	2,399	2,307
Additions	313	358
Disposals, reclassifications	-	(266)
Closing gross carrying amount	2,712	2,399
Accumulated depreciation and impairment		
Opening balance	(1,493)	(1,516)
Amortisation	(344)	(244)
Disposals, reclassifications	-	266
Closing balance	(1,837)	(1,493)
Closing net carrying amount	**875**	**906**

10 Payables

	Note	2023 $'000	2022 $'000
Current			
Trade payables		49,976	36,978
NJE for capital contribution	21	8,189	-
Additional liability to Cobham seller	21	2,750	-
Other payables		14,261	15,726
Total		**75,176**	**52,704**

Trade payables are non-interest bearing and are normally settled on 7 to 30-day terms. Other payables are non-interest bearing and have an average term of 7 to 30 days.

11 Unearned Revenue

	2023 $'000	2022 $'000
Current		
Unearned passenger and charter revenue	58,018	42,822
Unearned training revenue	3,865	2,207
Total	**61,883**	**45,029**

12 Interest Bearing Liabilities

	Effective interest rate %	2023 $'000	2022 $'000
Current			
Loan facility (i)	5.78%	12,136	9,368
Advance (ii)	0.15%	-	9,499
Interest bearing liabilities		**12,136**	**18,867**
Lease liabilities (iv)		16,398	12,742
		28,534	**31,609**
Non-current			
Loan facility (i)	5.78%	147,292	67,765
Convertible notes (iii)	4.00%	75,880	57,389
Interest bearing liabilities		**223,172**	**125,154**
Lease liabilities (iv)		74,222	60,954
		297,394	**186,108**
Total debts		**325,928**	**217,717**

Debt Facilities

The Group's debt facilities include the following:

	2023		2022	
	Used $'000	Limit $'000	Used $'000	Limit $'000
NSW Air Ambulance	112,000	112,000	69,924	112,000
Victoria Air Ambulance	55,823	63,400	7,209	63,400
Senior Secured Convertible Notes	90,000	150,000	75,000	150,000

(i) Loan facility as at 30 June 2023 relates to the acquisition of a number of aircraft which will be utilised for the NSW Air Ambulance and Victoria Air Ambulance operations. As the aircraft are constructed and delivered, $112,000 thousand has been draw down for NSW Air Ambulance operations and $55,823 thousand of the limit of $63,400 thousand has been draw down for Victoria Air Ambulance operations. The facility is secured by the aircraft and a guarantee by the Group.

Under the terms of the facility agreement for the NSW Air Ambulance operations, the facility is increased by $34,225 thousand for additional aircraft that would commence operations in FY2024, and the construction loan would be converted into an amortising facility which is repayable over the 10-year period of the NSW Air Ambulance contract.

Under the terms of the facility agreement for the Victoria Air Ambulance operations, when the additional aircraft commence operations in January 2024, the construction loan will be converted into an amortising facility which is repayable over the 12-year period of the Victoria Air Ambulance contract.

(ii) The advance is a short-term emergency cash flow advance provided by NSW Air Ambulance to assist the Group in meeting the capital expenditure of a number of aircraft assets for the NSW medical evacuation contract. The advance was fully repaid by December 2022.

(iii) On 29 January 2021, the Group entered into an agreement with PAGAC Regulus Holding Pte Ltd ("PAG") to issue up to $150 million first-ranking senior secured convertible notes to be used to support the launch of the Group's domestic major city jet operations. In addition to the notes, the Group has agreed to issue rights to warrants to PAG on the notes for an amount equal to the undrawn balance (refer to Note 23) three years from the first draw date of 15 March 2021.

In March 2021, PAG injected the initial tranche of $50 million. The convertible notes expire after five years (the Initial Term) and are subject to the below terms:

- The first draw date is 15 March 2021, with the final draw date being three years from this date.
- The drawdown history of the convertible notes is set out below:

	Opening Balance $'000	Drawdown amount $'000	Undrawn balance $'000
15 March 2021	150,000	50,000	100,000
30 June 2021			**100,000**
26 July 2021	100,000	9,000	91,000
26 August 2021	91,000	8,000	83,000
24 September 2021	83,000	8,000	75,000
30 June 2022			**75,000**
24 April 2023	75,000	10,000	65,000
28 June 2023	65,000	5,000	60,000
30 June 2023			**60,000**

- The loan entitles holders to 4% interest p.a. (payable quarterly in arrears) which can be capitalised against the convertible notes
- The conversion price is $1.50 per share (subject to anti-dilution adjustments)
- Each share is a fully paid ordinary share in Rex
- Either PAG or Rex may elect to extend the convertible notes by one year by giving notice at least 20 business days prior to the end of the Initial Term. The following applies in relation to the payment of interest:
  - o If PAG extends, no interest is payable by Rex for the extended term.
  - o If Rex extends, interest will continue to be payable at the existing rate (4% p.a.).
- If the Group has not utilised the entire commitment by the final draw date (three years from the first draw date), it shall issue warrants to PAG on the final draw date in an amount equal to the undrawn balance of the commitment.

The Group has classified the convertible notes entirely as a financial liability and designated the whole instrument as fair value through profit or loss. These convertible notes have been fair valued by independent valuation experts using a binomial model which forecasts Rex's share price movements to expiry date.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	2023 $'000	2022 $'000
Opening balance	57,389	44,411
Proceeds from issue of convertible notes	15,000	25,000
Fair value changes through profit or loss	1,878	(6,327)
Fair value changes through other comprehensive income	1,613	(5,695)
Closing balance	**75,880**	**57,389**

A fair value loss of $3,491 thousand has been recognized during the reporting period for the convertible notes, which is comprised of

- fair value changes through profit or loss of $1,878 thousand due to a decrease in the share price of the Group, and
- fair value changes through other comprehensive income of $1,613 due to changes in the Group's credit rating since inception.

(iv) The lease liabilities relate to a number of leases for aircraft, properties and delivery trucks used for operations, and are recorded in accordance with AASB 16 Leases.

Other facilities

These other facilities are secured by the Group's assets.

	2023		2022	
	Used $'000	Limit $'000	Used $'000	Limit $'000
Exposure Mitigation - Cash	-	-	-	400
Multi-option credit line	-	-	-	2,486
Standby letter of credit	2,262	2,262	-	-
Guarantee performance	12,382	12,382	8,450	8,450
Guarantee finance	507	507	558	827
Credit card	366	715	66	715
	15,517	**15,866**	**9,074**	**12,878**

13 Provisions

	2023 $'000	2022 $'000
Current		
Employee benefits		
Employees retention schemes	304	628
Annual leave and long service leave	14,898	13,649
	15,202	**14,277**
Non-current		
Employee benefits		
Employees retention schemes	1,173	1,174
Long service leave	1,927	1,715
	3,100	**2,889**
Total employee benefits provisions	**18,302**	**17,166**
Employees retention schemes		
Opening balance	1,802	2,597
Arising during the year	2,087	1,877
Utilised	(2,412)	(2,672)
Closing balance	**1,477**	**1,802**
Annual leave and long service leave		
Opening balance	15,364	12,439
Arising during the year	13,402	11,464
Utilised	(11,941)	(8,539)
Closing balance	**16,825**	**15,364**

14 Issued Capital and Reserved Shares

	2023		2022	
	No. '000	$'000	No.'000	$'000
Fully paid ordinary shares				
Opening balance	111,177	73,689	110,155	72,024
New shares issued	1,429	1,930	1,022	1,665
Closing balance	112,606	**75,619**	111,177	**73,689**
Reserved shares		**(457)**		**(57)**
Reserved shares				
Opening balance		(57)		188
Transfers from new shares issued		(1,930)		(1,665)
Shares purchased as reserved shares		-		-
Share gift issued		1,530		1,420
Closing balance		**(457)**		**(57)**

Reserved shares account represents shares owned by the Group, which are eventually granted to employees under the Employee Share Gift Scheme.

15 Share-based Payments Reserve and Other Reserves

	2023 $'000	2022 $'000
Share-based payments reserve		
Opening balance	3,206	1,809
Share gift issued	(1,530)	(1,420)
Share gift plan provision	1,600	1,639
Performance rights provision	(498)	1,178
Closing balance	**2,778**	**3,206**
Revaluation reserve		
Opening balance	21,061	(4)
Revaluation of cash flow hedges, net of tax	(4,546)	15,370
Revaluation of financial instruments	(1,613)	5,695
Closing balance	**14,902**	**21,061**
General reserve		
Opening balance	1,590	1,590
Movement during the year	-	-
Closing balance	**1,590**	**1,590**
Total other reserves	**19,270**	**25,857**

Share-based payments reserve arises on the grant of shares to executives and employees under the employee share gift plan. Amounts are transferred out of the reserve and into issued capital when the shares are issued. Rex has established the share gift plan for its executive directors and eligible employees since FY2006.

The board decided that this plan will be offered to EA groups that opt for the plan, and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures as it was established to show its recognition of employees' contribution to the Group by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders.

Eligible employees who accept an offer of shares under the share plan will be entitled to receive the equivalent of 2% of their base salary in shares each financial year. Such shares will be issued to eligible employees on the relevant award dates. Non eligible employees are given the opportunity to salary sacrifice amounts to acquire Rex shares, with allocation of shares equal to 2% of their base salary.

Performance rights provision relates to equity settled performance rights that entitle key managerial personnel (KMP) to receive shares in the Company if the defined performance conditions are achieved under the Management Incentive Scheme outlined in Note 24.

Revaluation reserve represents fair value of cash flow hedges and financial instruments recognised through other comprehensive income. The cumulative deferred gain or loss on the cash flow hedge is recognised in profit or loss when the hedged transaction impacts profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

General reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

16 Earnings Per Share

	2023 Cents per share	2022 Cents per share
Basic profit / (loss) per share	12.8	(41.5)
Diluted profit / (loss) per share	6.5	(41.5)

Earnings used in the calculation of basic and diluted earnings per share are as follows:

	2023 $'000	2022 $'000
Profit / (loss) after tax	14,362	(46,141)
Profit / (loss) after tax for the calculation of basic earnings per share	14,362	(46,141)
Profit / (loss) after tax for the calculation of diluted earnings per share	14,362	(46,141)

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2023 No. '000	2022 No. '000
For the purpose of calculating basic earnings per share	112,609	111,176
For the purpose of calculating diluted earnings per share	222,609	111,176

In FY2022, as at 30 June 2022, the performance rights and convertible notes were not considered for the diluted loss per share calculation given they would reduce the loss per share and therefore have an anti-dilutive effect.

17 Dividends

The directors have recommended no dividends to be paid for the financial year ended 30 June 2023.

The movement in the franking account balance is noted below:

	2023 $'000	2022 $'000
Opening balance	46,123	56,543
Income tax received	(11,197)	(10,420)
Closing balance	34,926	46,123
Income tax receivable as at the end of financial year	-	(11,197)
Adjusted closing franking account balance	34,926	34,926

18 Commitments for Expenditure

(A) Capital Expenditure Commitments

	2023 $'000	2022 $'000
Not later than one year	5,576	83,986
Later than one year and not later than five years	-	4,366
	5,576	**88,352**

Capital commitments relate to aircraft under construction acquired for operating the two Air Ambulance contracts

(B) Right-of-use Assets and Lease Liabilities

The Group leases aircraft, properties and delivery trucks for operations use, lease terms vary from 3 to 40 years.

	Aircraft leases $'000	Other leases $'000	Total $'000
At 1 July 2021	62,755	2,631	65,386
Additions	-	7,691	7,691
Transfers from business acquired	-	63	63
Foreign exchange rate adjustment	(958)	-	(958)
Depreciation	(10,195)	(1,835)	(12,030)
Impairment reversal	-	286	286
At 30 June 2022	**51,602**	**8,836**	**60,438**
At 1 July 2022	51,602	8,836	60,438
Additions	21,310	11,353	32,663
Disposal	-	(3,513)	(3,513)
Depreciation	(12,707)	(2,381)	(15,088)
At 30 June 2023	**60,205**	**14,295**	**74,500**

Lease liabilities are recognised in accordance with AASB 16 Leases. Minimum lease payments are as follows:

	2023 $'000	2022 $'000
Not later than one year	19,848	15,394
Later than one year and not later than five years	60,563	49,197
Later than five years	20,935	19,597
	101,346	84,189
Less future finance charges	(10,726)	(10,493)
Lease Liabilities	**90,620**	**73,696**

19 Contingent Liabilities and Contingent Assets

There are no contingent liabilities nor contingent assets as at 30 June 2023 (FY2022: nil).

20 Subsidiaries

Name of entity	Country of incorporation	Ownership Interest 2023 %	2022 %
Parent entity			
Regional Express Holdings Limited	Australia		
Subsidiaries			
Regional Express Pty Limited	Australia	100	100
Rex Freight & Charter Pty Limited	Australia	100	100
Rex Investment Holdings Pty Limited	Australia	100	100
Pel-Air Aviation Pty Limited	Australia	100	100
Australian Airline Pilot Academy Pty Limited	Australia	100	100
VAA Pty Ltd	Australia	100	100
AAPA Victoria Pty Ltd	Australia	100	100
NAA Pty Ltd	Australia	100	100
Rex Airlines Pty Ltd	Australia	100	100
Australian Aero Propeller Maintenance Pty Ltd	Australia	100	100

Regional Express Holdings Limited is the head entity within the tax-consolidated group. Subsidiary companies are members of the tax-consolidated group.

21 Investment in Joint Venture Business and Associates

Details of Associates and Joint Venture Entities	Principal place of business /Country of incorporation	Accounting method	Ownership interest June-23	June-22
Joint Venture				
National Jet Express Pty Ltd	Australia	Equity method	50%	0%
Associate				
Dovetail Electric Aviation Holdings Pty Ltd	Australia	Equity method	20%	0%

(A) National Jet Express Pty Ltd

On 30 September 2022, Rex acquired a beneficial interest of 50% of the issued share capital of National Jet Express (NJE) formerly known as Cobham Aviation Services Australia - Regional Services and a non-beneficial interest of 50% of the issued share capital in NJE that was held on behalf of related parties Lim Kim Hai (Chairman of the Rex Board of Directors and Shareholder) and Thian Song (Shareholder) for the total base consideration of $48.18M. The non-beneficial interest was held subject to an obligation to immediately transfer the shares to Lim Kim Hai and Thian Song for consideration of $24.09M. Lim Kim Hai acquired 30% of the common shares of NJE for $14.45M and Thian Song acquired 20% of the common shares of NJE for $9.64M. As at 30 June 2023, Rex has paid $35.69M as a result of working capital adjustments to the base consideration. The difference of $12.48M, between the base consideration of $48.15M and the $35.69M paid, will be contributed by Rex by means of a capital contribution into NJE of which $4.3M has been paid as at 30 June 2023. Taking into account the $24.09M paid by the Joint Venture parties this represents a net cash out flow to Rex of $15.90M excluding legal and consultancy fees. As at 30 June 2023, the final consideration increased by $5.5M to $53.68M, which relates to a cash repayment to the vendor to be made post 30 June 2023 by Rex (50%) and the Joint Venture parties (50%). As at 30 June 2023, $8.19m remains outstanding as capital contribution liability into NJE and $2.75m remains outstanding as liability against the vendors (refer to note 10).

The NJE shareholder agreement, between REX and the Joint Venture parties, requires unanimous consent of all parties on decisions about the relevant activities of NJE. Therefore, Rex has joint control and has accounted for its investment in the joint venture under the equity method. The Fair Value (FV) of net assets acquired include the FV uplifts of PPE, favourable lease terms and customer relationships.

Rex plans to grow and transform NJE into Australia's premier Fly-In-Fly-Out (FIFO) operator.

Breakdown of investment value		$'000
Purchase price / capital contribution		48,180
Additional liability - cash repayment to vendor		5,500
Total consideration (Rex & Other subscribers)		53,680
Net assets acquired [1]		77,645
Capital contribution		12,488
Fair value uplifts [3]		52,540
Net asset acquired plus FV uplifts		142,673
Fair value gain of net assets acquired		88,993
Rex's Investment (50%)		26,840
Rex's share of fair value gain (50%)		44,497
Rex's share of amortisation/depreciation of fair value uplift (50%) [3]	(4,092)	
Rex's share of NJE results (50%) [2]	(2,137)	
REX share of NJE total results		(6,229)
Legal and consultancy fee capitalised		425
Investment accounted for using the equity method		**65,533**

[1] Summarised Balance Sheet

Summarised Balance Sheet	30 Sep 2022 $'000	30 June 2023 $'000
Cash	17,646	15,425
Trade and other receivables	30,999	31,087
Inventories	10,309	12,526
Contract assets	155	1,973
Prepayments	1,700	1,696
Receivable from shareholders	-	8,189
Deferred tax asset	13,181	12,864
Intangible assets	3,340	2,603
Property Plant Equipment, Right of use assets	142,653	133,513
Total Assets	**219,983**	**219,876**
Trade and other payables	19,251	23,274
Lease liabilities	89,446	78,051
Employee benefits provision	10,207	10,332
Other provisions	14,283	14,526
Income tax payable	2,256	1,402
Contract liabilities	6,895	6,413
Total Liabilities	**142,338**	**133,998**
Net Assets before fair value uplift	**77,645**	**85,878**

[2] Share of NJE results

Summarised Profit and Loss	30 June 2023 9-Month period $'000
Revenue	160,659
Expenses	(164,554)
Loss before income tax	(3,896)
Income tax	(378)
Loss after income tax	(4,274)
Other comprehensive income	-
REX 50% share of NJE results	**(2,137)**

[3] Fair value (FV) uplift / Amortisation and Depreciation

Amortisation / Depreciation FV uplifts	FV uplift '000	Lifetime	30 June 2023 9-Month period $'000
FIFO PNG contracts	4,014	9.25 years	326
Freight contracts	16,005	3.75 years	3,201
ROU leases including favourable lease terms	29,202	5 years	4,380
PPE uplift	3,319	9 years	277
	52,540		8,183
REX 50% share of fair value uplift Amortisation and Depreciation			**4,092**

(B) Dovetail Electric Aviation Holdings Pty Ltd

Rex entered into a joint venture agreement in February 2023 to take up a 20% stake in Dovetail Electric Aviation Holdings Pty Ltd (Dovetail). In exchange for the shares in Dovetail, Rex provided Beech King Air C90 aircraft value of AUD 1,342 thousand on 27 March 2023 to be used as a test bed for the project along with a raft of support facilities including engineering expertise, technical assistance, maintenance, repair and overhaul (MRO) support as well as storage facilities and workforce accommodation.

22 Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2023 $'000	2022 $'000
Cash and bank balances	13,683	14,404
AUD Term deposits	32,552	27,820
USD Term deposits	3,016	-
	49,252	**42,224**

The term deposits of AUD32,552 thousand (FY2022: AUD27,820 thousand) and USD 2,000 thousand (FY2022: Nil) are held by Westpac as collateral under the terms of certain financing and merchant facilities. Subject to Westpac's approval to the release of this collateral, the term deposits can be cancelled within 31 days.

(B) Reconciliation of Loss for the Year to Net Cash Flows from Operating Activities

	2023 $'000	2022 $'000
Profit / (Loss) after tax for the year	20,591	(46,141)
Adjusted for non-cash items:		
Depreciation and amortisation	53,233	35,319
Asset impairment reversal	-	(40,743)
Facility fee amortisation	7,994	7,994
Fair value (gain) / loss on convertible notes, warrants	232	(10,587)
Share-based payment	1,102	2,817
Unrealised foreign exchange loss	2,282	4,772
FV gain on acquisition of joint venture	(44,497)	-
(Gain) / loss on disposal of non-current assets	(4,547)	18
Interest received	(1,640)	(354)
AASB16 Interest	4,615	-
(Increase) / decrease in assets		
Receivables	(6,781)	(6,357)
Inventories	(15,345)	8,086
Income tax receivable	11,197	(2,083)
Deferred tax assets	(9,658)	3,250
Increase / (decrease) in liabilities		
Payables	24,214	19,432
Unearned revenue	16,854	14,750
Provisions	1,136	2,358
Net cash flows from / (used in) operating activities	**60,983**	**(7,469)**

23 Financial Instruments

(A) Capital Risk Management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The Group's overall strategy remains unchanged from FY2023.

The capital structure of the Group consists of debt as disclosed in Note 12 and attributable to equity holders of the parent comprising issued capital, reserves as disclosed in Notes 14, 15 respectively, and retained earnings.

Operating cash flows are used to acquire assets required for the Group's operations, tax, dividends, share buy-backs and repayment of maturing debt. The Group's policy is to borrow centrally only if required.

Gearing Ratio

The Group's Board reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Board will balance its overall capital structure through the payment of dividends, new share issue and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's interest-bearing liabilities and other facilities are set out in Note 12.

The net debt position at the end of the financial year was as follows:

	2023 $'000	2022 $'000
Debt (i)	(325,928)	(217,717)
Cash and bank balances	49,252	42,224
Net debt	**(276,676)**	**(175,493)**
Equity (ii)	**161,454**	**152,149**
Debt to equity ratio	**171.4%**	**115.3%**

(i) Debt includes lease liabilities, short and long-term borrowings, and convertible notes issued by the Group, as detailed in Note 12.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Other Financial Assets

Imputed Facility Fee

The Group's imputed facility fee is in relation to the funding agreement with PAGAC Regulus Holding Pte Ltd ("PAG"), to issue up to $150 million first ranking senior secured convertible notes over a period of three years. $50 million was drawn on 15 March 2021, and $100 million was recognized as rights to warrants at the fair value of $23,982 thousand, resulting in a non-cash facility fee of $23,982 thousand. This imputed facility fee is amortised over the term of the warrant provision of the convertible notes wherein if the entire commitment is not drawn by three years after the first draw date, the Group shall issue PAG with rights to warrants for the undrawn amount. $7,994 thousand has been amortised during the year (FY2022: $7,994 thousand).

	2023 $'000	2022 $'000
Opening balance	12,659	20,653
Facility fee amortised through profit or loss	(7,994)	(7,994)
	4,665	12,659
Current facility fee imputed	4,665	7,994
Non-current facility fee imputed	-	4,665
Closing balance	4,665	12,659

Other Financial Liabilities

Rights to Warrants

The convertible notes issued by the Group (refer to Note 12) are accompanied by rights to warrants which entitle PAGAC Regulus Holdings Pte Ltd to notes on the undrawn convertible note loan balance. The rights to warrants and convertible notes are accounted for separately. The rights to warrants have been recognized as a derivative financial liability and are subsequently measured at fair value through profit or loss.

The rights to warrants' fair value movement during the financial year has resulted in an unrealised gain attributed to the decrease in Rex's share price as at the reporting date.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	2023 $'000	2022 $'000
Opening balance	10,819	15,079
Fair value changes through profit or loss	(1,646)	(4,260)
Closing balance	**9,173**	**10,819**

(B) Financial Risk Management Objectives

The Group is exposed to foreign exchange, fuel price, interest rate and liquidity risk. Management of these risks is governed by the Group's policy approved by the Board of Directors, which provides written principles on the management of financial risks. Compliance with policies and exposure limits is reviewed by the Audit and Corporate Governance Committee and the Board on an ongoing basis. The Group does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function, which co-ordinates the hedging of financial risks from time to time, is managed by the Group's Corporate Services Department and reports regularly to the Board and Audit and Corporate Governance Committee.

(C) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in United States Dollars (USD), hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed using forward foreign exchange contracts.

The Group is mainly exposed to foreign currencies for the following main purchases, amounts used during the period are:

- USD 56 million for aircraft and engine purchases
- USD 38 million for engineering purchases
- USD 16 million for engine care and maintenance
- USD 13 million for aircraft leases
- USD 11 million for airline reservation systems usage
- USD 5 million for aircraft insurance policies

Details of USD exposure with respect to the NSW Air Ambulance aircraft and Victoria Air Ambulance aircraft purchases is set out further below.

The Group's sensitivity to foreign currency has remained constant, with the exception of the forward foreign exchange contracts which are set out further on the following page.

Forward Foreign Exchange Contracts (FECs)

The Group enters into forward FECs to manage the risk associated with anticipated sales and purchase transactions up to twelve months and up to 100% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The Group entered into a number of FECs as part of the debt facility agreement with the financier to hedge against the movement in USD. These contracts are classified as cash flow hedges.

The undiscounted cash flows required to discharge the Group's FECs in place at the end of the period are presented below:

	2023 $'000	2022 $'000
FECs – USD		
Not later than one year	97	5,305
Later than one year and not later than five years	-	54
Later than five years	-	-
	97	5,359

(D) Fuel Price Risk Management

The Group may use jet fuel swap contracts to hedge exposure to movements in the price of aviation fuel. Jet fuel swaps are taken out from time to time to hedge exposures to a maximum of 12 months in accordance with the Group's risk management policies. The Group uses fuel swaps linked to the Platts Singapore Kerosene benchmark to hedge exposures to jet fuel. There are $757 thousand outstanding jet fuel swap hedges as at the end of the period (FY2022: nil), refer Note 23 (I).

(E) Interest Rate Risk Management

The Group's exposures to interest rates on financial assets and financial liabilities at 30 June 2023 are detailed in the liquidity risk management section of this note.

The Group has entered into a facility agreement to acquire aircraft to operate the NSW Air Ambulance contract. This facility was fully drawn as at 30 June 2023.

The Group has also entered into a facility agreement to acquire aircraft to operate the Victoria Air Ambulance contract. This facility is not fully drawn as at 30 June 2023. To hedge against exposures to interest rate risk, the Group has entered into interest rate swap contracts with the financier to fix interest rates over the facility term

The interest rate swaps comprise two contracts which align with the construction and service periods of the two Air Ambulance contracts. Under the swap contracts, the BBSY rate is swapped to fixed rates set out on the below

	Notional amount $'000	Start date	End date	Swap rate %
30 June 2023				
Construction period	7,208	1 Mar 2022	2 Apr 2024	3.91%
Service Period	63,634	2 Apr 2024	2 Jan 2036	4.59%
Construction period 2	14,062	1 Sep 2022	1 Sep 2023	3.91%
Service period 1	73,670	4 Jan 2022	31 Dec 2031	3.91%
Service period 2	31,574	1 Sep 2023	31 Dec 2031	4.43%
30 June 2022				
Construction period	63,400	1 Mar 2022	2 Apr 2024	2.02%
Service Period	63,400	2 Apr 2024	2 Jan 2036	2.78%
Construction period 2	36,867	1 Sep 2022	1 Sep 2023	0.43%
Service period 1	73,670	4 Jan 2022	31 Dec 2031	1.26%
Service period 2	31,574	1 Sep 2023	31 Dec 2031	1.98%

The carrying value of the interest rate swaps as at 30 June 2023 is $16,120 thousand classified as non-current assets. The notional amount for the service period swap reduces as repayments are made under the amortising facility. The undiscounted cash flows required to discharge the Group's interest rate swap contracts in place at the end of the period are presented below:

	2023 $'000	2022 $'000
Not later than one year	18,712	13,161
Later than one year and not later than five years	109,030	75,798
Later than five years	85,079	82,143
	212,821	**171,103**

(F) Credit Risk Management

Since enabling 3-D secure protocol in February 2023 as an additional layer of security for online credit and debit card transactions the Group has not seen material credit card chargeback amounts which are normally the result of credit card fraud

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(G) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's operating activities generate positive annual cash flow under normal circumstances. The Group tries to maintain a $10 million cash balance by the end of each financial year. As and when required, the Group uses financing facilities as detailed in Note 12.

Liquidity and Interest Risk Tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The amounts disclosed are based on the contractual undiscounted principal and interest cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	5+ years $'000
At 30 June 2023					
Non-interest bearing	75,176	-	-	-	-
Interest bearing	1,301	3,344	17,676	205,165	85,079
	76,477	**3,344**	**17,676**	**205,165**	**85,079**
At 30 June 2022					
Non-interest bearing	52,705	-	-	-	-
Interest bearing	1,001	6,733	17,937	158,919	82,143
	53,706	**6,733**	**17,937**	**158,919**	**82,143**

The interest-bearing liabilities have a weighted average effective interest rate of 5.78% per annum for the bank loan which is repayable over 10 years and 4.0% for the senior secured convertible notes.

(H) Fair Value of Financial Instruments

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at the amortised cost in the financial statements approximate their fair values.

(I) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2023				
Financial assets carried at fair value				
Derivative asset – interest rate swap	-	16,120	-	16,120
Derivative asset – FECs	-	97	-	97
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	757	-	757
Derivative liability – rights to warrants	-	9,173	-	9,173
Financial liability – convertible notes	-	75,880	-	75,880
At 30 June 2022				
Financial assets carried at fair value				
Derivative asset – interest rate swap	-	16,595	-	16,595
Derivative asset – FECs	-	5,359	-	5,359
Financial liabilities carried at fair value				
Derivative liability – rights to warrants	-	10,819	-	10,819
Financial liability – convertible notes	-	57,389	-	57,389

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Fuel swap hedging contracts, interest rate swaps and foreign exchange derivative contracts are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2 above. Future cash flows are estimated based on forward rates (from observable forward rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The convertible notes and rights to warrants have been valued based on observable market inputs as outlined in Note 12 and are also included in Level 2 above.

The Group does not have any Level 1 or Level 3 financial instruments.

(J) Other Financial Assets and Liabilities

	2023 $'000	2022 $'000
Other financial assets		
Current		
Imputed facility fee	4,665	7,994
Fair value of cash flow hedges, net of tax		
Interest rate swaps	4,376	2,019
FECs	97	5,305
	9,138	**15,318**
Non current		
Imputed facility fee	-	4,665
Fair value of cash flow hedges, net of tax		
Interest rate swaps	11,744	14,576
FECs	-	54
	11,744	**19,295**
Other financial liabilities		
Current		
Fair value of cash flow hedges, net of tax		
Fuel swaps	757	-
Non current		
Rights to warrants	9,173	10,819

24 Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2023 $	2022 $
Short-term benefits	2,719,500	2,567,000
Post-employment benefits	244,423	227,907
Other long-term benefits	40,470	41,978
Share-based benefits	(366,380)	1,013,277
	2,638,012	**3,850,162**

Management Incentive Scheme

In FY2021, the Group established the Management Incentive Scheme "MIS" to incentivise employees to generate shareholder wealth and to align the interests of the employees with those of the shareholders. The Company has granted equity settled performance rights that entitle KMP to receive shares in the Company if the defined performance conditions are achieved. Detailed remuneration disclosures, including the link between the MIS and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report. Under the MIS, the performance conditions are assessed by the Remuneration Committee each year and at the next meeting immediately after the end of the performance period. If the performance conditions are met, the employees are granted shares in the Company proportionate to the level of performance achieved. If the minimum performance hurdles are not met, no shares are granted. At each reporting end the number of performance rights that will eventually vest are estimated and revised if required. For FY2023 this resulted into a negative share based payment expense of $366 thousand.

The table below summarises the number of performance rights granted under the MIS. There was no movement during the year.

Year ending	Opening balance	Grant Date	Number of Performance Rights granted	Exercised during the year	Lapsed during the year	Closing balance
30 June 2021	-	6 May 2021	10,000,000	-	-	10,000,000
30 June 2022	10,000,000	-	-	-	-	10,000,000
30 June 2023	10,000,000	-	-	-	-	10,000,000

25 Related Party Transactions

(A) Equity Interests in Subsidiaries, Joint Ventures and Associates

Details of interests in Subsidiaries, Joint Ventures and Associates are disclosed in Note 20 and Note 21 to the consolidated financial statements.

(B) Transactions with Key Management Personnel

(i) Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in Note 24 to the consolidated financial statements.

(ii) Loans to Key Management Personnel

Loans amounting to $18,785 (FY2022: $91,799) were provided to two key management personnel, and interest paid during the year was $1,114 (FY2022: $4,335).

(C) Other Related Party Transactions

The Branksome Residences Pty Ltd (Branksome), a related entity of the Chairman, provides hotel, conference and venue hire services to the Group. Total purchases from Branksome, mainly pax meals and room hire for aircrew, were $1,732,977 during the year (FY2022: $894,068). In addition, the Group provides administrative services to Branksome and Greatland Development Pty Ltd, a related entity of the Chairman. The total income earned by the Group from these entities was $65,137 (FY2022: $63,240).

National Jet Express (NJE) is a Joint Venture with Rex 50%, the Chairman of the Rex Board of Directors 30% and Director of Rex Thian Song 20%, obtained aircraft charter services from Pel-Air Aviation Pty Ltd of $1,299,830 during the year.

26 Remuneration of Auditors

	2023 $	2022 $
Audit and review of the consolidated financial statements	537,000	420,000
Other assurance and agreed upon procedures	6,900	8,400
Other non-audit services - fringe benefit tax return	12,900	12,000
	556,800	**440,400**

The auditor of the Group is BDO Audit Pty Ltd.

27 Events After the Reporting Period

On 11 July 2023 Rex announced that it will tender to be the next aerial operator of the Australian Antarctic Divisions Australian Antarctic Program.

On 18 July 2023, Rex announced that it had entered into leases for two more B737 aircraft which will bring the total fleet to nine. The first of these two aircraft arrived on 28 July 2023.

On 27 July 2023 Rex announced that the Rex Domestic Pilots Enterprise Agreement had been voted in by its pilots and ratified by Fair Work.

On 3 August 2023 Rex announced it had entered into an exclusive teaming agreement with Helicopter Resources Pty Ltd (Heli Resources) as part of Rex's preparation for the upcoming tender by the Australian Antarctic Division.

On 8 August 2023 Rex announced that it would recommence training of Air China cadets through wholly owned subsidiary AAPA Victoria Pty Ltd.

On 14 August 2023 Rex accounted it had formed an exclusive partnership with the Enterprise Aviation Group as part of Rex's preparation for the upcoming tender by the Australian Antarctic Division.

On 15 August 2023 Rex announced it had been re-awarded three regulated routes in Western Australia through a competitive tender process. The three regulated routes are:

- Perth – Albany;
- Perth – Esperance; and
- Perth – Carnarvon – Monkey Mia.

The new contracts commence on 2 October 2023 and last until 2 July 2028.

On 17 August 2023 Rex commenced a new daily service from Melbourne to Hobart operated by B737 aircraft.

On 22 September 2023, Rex announced further reductions to its regional network as the major carriers due to pilot shortage.

The reductions affect the regional route of Sydney to Albury, Coffs Harbour, Griffith, Narrandera, Orange, Parkes, and Port Macquarie, and take effect 30 October 2023.

Rex will also suspend services between Sydney and Armidale until at least March 30 2024 and withdraw from the Cairns-Bamaga route in Far North Queensland.

Service reductions on seven other regional routes announced on 21 April, 2023 will continue for at least another five months as will the suspension of flights between Adelaide and Mildura.

28 Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman ('CODM') for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for each type of service.

The Group's reportable segments under AASB 8 are as follows:

- Regular Public transport
- Charter and other
- Training

The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review (all revenue is earned within Australia):

	Regular Public transport $'000	Charter $'000	Training $'000	Central administration $'000	Intersegment eliminations $'000	Consolidated $'000
2023						
Revenue from contracts with customers	573,960	83,917	8,283	-	(25,342)	640,818
Government grants and subsidies	1,969	-	-	-	-	1,969
Total revenue, government grants and subsidies	**575,929**	**83,917**	**8,283**	**-**	**(25,342)**	**642,787**
Other gains / (losses)	(1,847)	3,129	16	-	-	1,298
Fair value gain on convertible notes, warrants	(232)	-	-	-	-	(232)
Central administration costs	-	-	-	(13,646)	112	(13,534)
EBITDA	22,451	28,268	(465)	(13,646)	-	36,608
Finance income	2,835	(186)	(1,009)	-	-	1,640
Finance costs	(7,134)	(1,569)	-	-	-	(8,703)
Depreciation and amortisation	(39,602)	(12,224)	(1,407)	-	-	(53,233)
Fair value gain on joint venture	-	44,497	-	-	-	44,497
Facility fee amortisation	(7,994)	-	-	-	-	(7,994)
Profit / (loss) before tax	**(29,444)**	**58,786**	**(2,881)**	**(13,646)**	**-**	**12,815**

	Regular Public transport $'000	Charter $'000	Training $'000	Central administration $'000	Intersegment eliminations $'000	Consolidated $'000
2022						
Revenue from contracts with customers	250,086	56,101	3,648	-	(22,664)	287,171
Government grants and subsidies	31,792	-	279	-	-	32,071
Total revenue, government grants and subsidies	**281,878**	**56,101**	**3,927**	**-**	**(22,664)**	**319,242**
Other gains / (losses)	(7,286)	(81)	(14)	-	-	(7,381)
Fair value gain on convertible notes, warrants	10,587	-	-	-	-	10,587
Central administration costs	-	-	-	(13,000)	74	(12,926)
EBITDA	(56,195)	13,813	(2,804)	(13,000)		(58,186)
Finance income	633	(46)	(233)	-	-	354
Finance costs	(5,838)	(2,076)	-	-	-	(7,914)
Depreciation and amortisation	(25,612)	(8,263)	(1,444)	-	-	(35,319)
Asset impairment	37,342	-	3,401	-	-	40,743
Facility fee amortisation	(7,994)	-	-	-	-	(7,994)
Profit / (loss) before tax	**(57,664)**	**3,428**	**(1,080)**	**(13,000)**	**-**	**(68,316)**

Segment result represents the profit earned by each segment without allocation of central administration costs

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of the year:

	Assets		Liabilities	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Continuing operations				
Regular Public transport	393,354	357,581	234,511	201,392
Charter and other	244,426	121,353	226,343	112,531
Training	14,893	16,650	30,365	29,512
Total assets and liabilities	**652,673**	**495,584**	**491,219**	**343,435**

29 Parent Entity Disclosures

	2023 $'000	2022 $'000

(A) Financial Position

	2023 $'000	2022 $'000
Assets		
Current assets	40,877	48,005
Non-current assets	307,155	291,358
Total assets	**348,032**	**339,363**
Liabilities		
Current liabilities	73,844	72,882
Non-current liabilities	99,458	77,074
Total liabilities	**173,302**	**149,956**
Equity		
Issued capital	75,619	73,689
Retained earnings	81,697	91,697
Share-based payments reserve	2,196	2,644
Revaluation reserve	14,902	21,061
General reserve	316	316
Total equity	**174,730**	**189,407**

(B) Financial Performance

	2023 $'000	2022 $'000
Profit / (Loss) for the year	(10,000)	658
Other comprehensive (loss) / income	(6,159)	21,065
Total comprehensive (loss) / income	**(16,159)**	**21,723**

(C) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries

During FY2011, the parent entity entered into a deed of cross guarantee in relation to the debts of Pel-Air Aviation Pty Ltd, Rex Freight and Charter Pty Ltd, Rex Investment Holdings Pty Ltd, Australian Airline Pilot Academy Pty Ltd and Regional Express Pty Ltd.

Subsequently, the following subsidiaries joined the same deed of cross guarantee

- AAPA Victoria Pty Ltd, VAA Pty Ltd and NAA Pty Ltd, in FY2020
- Rex Airlines Pty Ltd, in FY2021
- Australian Aero Propeller Maintenance Pty Ltd, in FY2022

By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) and Instrument 2016/785 issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Regional Express Holdings Limited, they also represent the 'Extended Closed Group'. The financial information of the 'Extended Closed Group' is materially the same as that of the 'Consolidated Group'.

(D) Contingent Liabilities of the Parent Entity

As at 30 June 2023, no contingent liabilities or assets existed (FY2022: nil).

(E) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity

As at 30 June 2023, the parent entity has no commitment for the acquisition of property, plant and equipment..

30 Significant Accounting Policies

(A) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements include the consolidated financial statements of the Group. For the purpose of preparing the consolidated statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29 September 2023.

(B) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis. In preparing the consolidated financial statements the directors note that the Group and Company are in a net current asset deficiency position, due to the nature of the operations whereby customers make payment for booked flights prior to the flights being taken.The directors have prepared a cash flow forecast which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. Further details with respect to going concern are set out at Note 3.

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

(C) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

(D) Revenue

Regular Public Transport, Charter and Freight Revenue

The Group operates a number of air transport services:

- Regular Public transport
- Charter services
- Freight services

Revenue from these services is recognised as revenue at the point in time when the transportation service is provided.

The value of passenger revenue which has been booked and paid for but not yet flown is recorded as unearned revenue in the statement of financial position. The Group does not adjust the consideration for any effects of a significant financing component as it is expected at contract inception that the period between the transfer of goods and services and customer payments will be one year or less. Ancillary revenues which are not considered distinct from the travel component because they are not capable of being separable are recognised as part of passenger revenue.

Breakage on passenger revenue is recognised in proportion to the pattern of rights exercised by the customer as reflected by the point of flown to match the timing of revenue recognition with the underlying ticket performance obligations. This is based on historical experience. This estimation is made such that the revenue recognised from passenger ticket breakage is not expected to result in a significant reversal of cumulative revenue in the future.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, such as sales commissions. The Group recognises the incremental costs of obtaining contracts in line with the timing of the revenue to which they relate.

Training Revenue

The Group operates a pilot academy, Australian Airline Pilot Academy ("AAPA") which provides training services to the Group's cadets as well as for external customers. Training revenue from external customers is recognised over time in relation to the training services being provided.

Cadet loans are offered to the Group's cadets which defer payment of a portion of the training service fees over a period of seven years from the date of the completion of the pilot training. These loans are interest bearing and are repaid over the service period. The interest on the cadet loans is recognised as finance income in the statement of profit or loss.

(E) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(F) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

The Group holds term deposits for the purposes of meeting financial obligations for workers compensation insurance. In prior periods, these were treated as cash equivalents and reported as part of cash on the statement of financial position. The term deposits are interest bearing and have a maturity date of greater than 90 days at inception. Accordingly, these term deposits do not meet the definition of cash equivalents and have been classified as part of other receivables. Comparatives have been restated to reflect the change.

(G) Foreign Currencies

The individual financial statements of each Group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ('$'), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to Note 23).

(H) Derivative Financial Instruments

The Group enters into jet fuel swap and foreign exchange derivatives to hedge exposures to jet fuel prices and foreign exchange respectively. The Group also entered into interest rate swap derivatives to hedge exposures to interest rates with respect to the NSW Air Ambulance facility. It is the Group's policy not to enter into or hold derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in profit or loss when incurred.

Hedge Accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

(I) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(J) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income
- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial Assets at Fair Value through Other Comprehensive Income

The Group holds equity investments at fair value through other comprehensive income where an irrevocable election has been made by the Group to present subsequent changes in fair value after initial recognition in other comprehensive income. On derecognition of the investment, there is no subsequent reclassification of fair value gains and losses to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. The Group holds loans and receivables with the objective to collect contractual cash flows and therefore they are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Financial Assets at Fair Value Through Profit or Loss

Financial assets which do not meet the criteria for amortised cost or fair value through other comprehensive income are recognised at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 23.

Impairment of Financial Assets

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

Trade and other receivables are written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. Indicators that there is no reasonable expectation of recovery include, amongst others, the entry of the debtor into administration or liquidation.

Impairment losses on trade and other receivables are presented as impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Derecognition of Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(K) Financial Liabilities and Equity Instruments

Classification of Debt or Equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity Instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities at amortised cost.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial liabilities which are hybrid contracts and contain an embedded derivative can be designated at fair value through profit or loss unless one or both of the following are true:

- the embedded derivative(s) do not significantly modify the cash flows that would otherwise be received under the contract; or
- separation of the embedded derivative(s) is prohibited.

Gains or losses on a financial liability (other than a loan commitment or a financial guarantee contract) designated as at fair value through profit or loss are required to be presented as follows:

- the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability should be presented in other comprehensive income; and
- the remaining amount of the change in the fair value of the liability should be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss (in which case all gains or losses are recognised in profit or loss).

Fair value is determined in the manner described in Note 23.

Other Financial Liabilities at Amortised Cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(L) Goodwill

Goodwill acquired in a business combination is carried at cost established at date of the acquisition of the business less accumulated impairment losses if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(M) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. The grant income has been recognised in the consolidated statement of profit and loss on a gross basis with any related expenses being recognised in the applicable expense category.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(N) Impairment of Other Tangible and Intangible Assets other than Goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(O) Taxation

Income tax (benefit) / expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(P) Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite lives that are acquired separately are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses.

The policies applied to finite intangible assets are as follows:

Intangible asset:	computer software
Amortisation method used:	4 years' straight line
Impairment test / recoverable amount testing:	where an indicator of impairment exists

(Q) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale, or replacement cost price in relation to the consumables.

Consumables expected to be consumed within 12 months are classified as current, or non-current where consumption are expected in a period beyond 12 months.

(R) Leasing

The Group predominantly leases properties and aircraft and equipment.

Group as Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

a. Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
    - Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
b. The amount expected to be payable by the lessee under residual value guarantees;
c. The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
d. Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

e. The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

f. The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

g. A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

(S) Property, Plant and Equipment

Land and buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The rates applied are as follows:

Aircraft	15,000 to 60,000 hours
Building	20 to 40 years
Computer Equipment	4 to 5 years
Engines	10 to 20 years
Furniture & Fittings	8 to 10 years
Leasehold Improvements	over the unexpired lease period
Motor Vehicles	7 years
Plant & Equipment	8 years
Rotable Assets	5 to 20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising in the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(T) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(U) Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest with and corresponding to increase in equity.

Equity-settled share-based payment transactions with other parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is measured, with any changes in fair value recognised in profit or loss for the year.

Reserved share account represents on market purchase of shares by the Group which are eventually granted to executives and employees as part of their remuneration.

(V) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(W) Dividend and Interest Income

Dividend from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from or financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Directors' Declaration

In the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 30 to the consolidated financial statements;

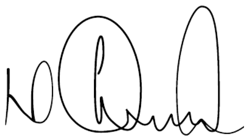
(c) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2023 and performance of the consolidated entity for the financial year ended on that date; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 29 will be able to meet the obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 29 (C).

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors.



Neville Howell
Chief Operating Officer
Sydney, 29 September 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Regional Express Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regional Express Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the investment in National Jet Express Pty Ltd

Key Audit Matter

Accounting for the investment in Joint Venture Business - National Jet Express Pty Ltd

As disclosed in Note 21 of the financial report, the company acquired a 50% joint venture stake in National Jet Express Pty Ltd *('NJE')* (an entity incorporated in Australia) resulting in a Joint-Venture investment value of $65,533 thousand as at 30 June 2023 and contributing a $44,497 thousand fair value gain upon acquisition and a total of $6,229 thousand share of result loss for the 9-month period of 1 October 2022 until 30 June 2023.

The audit of the accounting for this investment is a key audit matter due to the significant judgment and complexity involved in concluding on the technical accounting and the fair value assumptions made as well as the material nature of the investment and its impact on the financial results of the Group.

How the matter was addressed in our audit

To determine whether the investment in NJE was appropriately accounted for and disclosed within the financial statements, we undertook, amongst others, the following audit procedures:

1. **Understanding the transaction**
   - Read the purchase and sale agreements to understand the terms and conditions of the acquisition and evaluating management's application of the relevant accounting standards.
2. **Method of accounting for the investment**
   - Obtained an understanding of the shareholders' agreement between the joint venturers, including an assessment of the method of accounting for this investment. We verified compliance with the accounting standards *AASB 11 Joint Arrangements* including management's assessment of why there is joint control.
3. **Purchase price and contingent consideration**
   - Assessed and reviewed the composition of the purchase price as included in the share purchase agreement with the NJE vendors, which included the review of the existence of any contingent considerations in respect of the contractual arrangements.
4. **Identified assets and liabilities included in the transaction**
   - Compared the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information of the acquired business.
   - Involved a component auditor to perform audit procedures on the NJE statement of financial position as at 30 September 2022 and 30 June 2023 and the statement of profit and loss and other comprehensive income for the 9-month period.

5. Fair value of the assets and liabilities

- Assessed how the Group estimated the fair value of the assets and liabilities identified in the acquisition. As part of this, we reviewed the Purchase Price Allocation report as prepared by management`s independent expert.
- Evaluated the assumptions and methodology in management's determination of the fair value assets and liabilities acquired.
- For the valuation of the relevant assets and liabilities, we reviewed the statement of financial position upon acquisition to review whether any assets exceeded their net book value.
- Reviewed the fair value assumptions and judgements made for the revaluation of certain Property, Plant and Equipment *('PPE')* upon acquisition and reviewed the external support to assess any fair value uplift recognised.
- Recalculated the favourable/unfavourable lease terms through a comparison between contractual lease rates and market lease rates at acquisition date based on a review of the market rates and the external source used by management to determine and assess the lease market rates.
- For acquired customer relationships and in conjunction with management`s expert and our internal valuation specialists, we:
    - Assessed the identification of intangible assets acquired including customer contracts and relationships along with the valuation methodologies used to value those assets.
    - Challenged the associated underlying forecast cash flows for the customer relationships intangible asset valuations and compared key assumptions, including forecast growth rates applied, to historical results and business trends.
    - Evaluated discount rates used by assessing the cost of capital applied in each valuation by comparing them to market data and industry research.
    - Checked the mathematical accuracy of the cash flow models.

6. Impairment assessment

- Reviewed the cash flow forecast for the NJE operations and compared it with the carrying amount of the investment as at 30 June 2023 and the cash flows used within the valuation report as of the acquisition date.
- Developed an understanding of the Group's perspective on the future development of the businesses.
- Assessed the Group's and NJE's forecasting accuracy by comparing past forecasts with actual performance and developed an understanding of the causes of differences identified.

7. Disclosures

- Assessed the adequacy of the Group's disclosures related to the investment in NJE in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Regional Express Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

J Bresolin

John Bresolin
Director

Sydney, 29 September 2023

ASX Additional Information as at 27 September 2023

This is required by the ASX, but falls outside of the audit opinion and therefore has no impact on the audit report issued.

Number of Holders of Equity Securities

Ordinary share capital

112,608,607 fully paid ordinary shares are held by 6,281 total individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Holding distribution

	Fully Paid Ordinary Shares		
Range	Investors	Securities	Issued Capital %
above 0 up to and including 1,000	3,043	1,624,027	1.44
above 1,000 up to and including 5,000	2,278	5,765,954	5.12
above 5,000 up to and including 10,000	516	3,864,386	3.43
above 10,000 up to and including 100,000	402	9,148,297	8.12
above 100,000	42	92,205,943	81.88
Totals	**6,281**	**112,608,607**	**100.00**
Unmarketable Parcels	1,428	408,162	0.36

Substantial Shareholders

	Fully Paid	
Ordinary Shareholders	Number	Percentage
MR KIM HAI LIM	18,998,346	16.87
BNP PARIBAS NOMS PTY LTD	17,092,001	15.18
THIAN SOO LEE	7,722,181	6.86
JOO CHYE CHUA	7,454,362	6.62
CITICORP NOMINEES PTY LIMITED	6,362,967	5.65
MS HUI LING TJOA	5,755,513	5.11

Twenty Largest Holders of Quoted Equity Securities

	Fully Paid	
Ordinary Shareholders	Number	Percentage
MR KIM HAI LIM	18,998,346	16.87
BNP PARIBAS NOMS PTY LTD	17,092,001	15.18
THIAN SOO LEE	7,722,181	6.86
JOO CHYE CHUA	7,454,362	6.62
CITICORP NOMINEES PTY LIMITED	6,362,967	5.65
MS HUI LING TJOA	5,755,513	5.11
PEREA CAPITAL PARTNERS LP	4,200,000	3.73
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,852,206	3.42
LAY KHIM NG	3,727,181	3.31
REX INVESTMENT HOLDINGS PTY LIMITED	3,660,475	3.25
MING YEW SEE TOH & HUI ING TJOA"	3,254,362	2.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,877,700	1.67
MR THIAN SONG TJOA	1,171,280	1.04
GLENN HARGRAVES INVESTMENTS PTY LTD	900,000	0.80
STRATEGIC VALUE PTY LTD	812,045	0.72
BNP PARIBAS NOMINEES PTY LTD	508,958	0.45
MR BOON HUAT GOH	394,500	0.35
MR BARRY ACCOLA	387,105	0.34
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	261,035	0.23
MR SEAN DAVID CUNNINGHAM & MRS NELLY MICHELLE CUNNINGHAM	257,126	0.23
Total	**88,649,343**	**78.72**

Members of the Rex Group