



**APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020
(PREVIOUS CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2019)**

RESULTS FOR ANNOUNCEMENT TO MARKET

		FY2020	FY2019
		\$'000	\$'000
Revenue	up 1%	321,820	317,649
(Loss) / profit after tax	down 211%	(19,397)	17,517
(Loss) / profit after tax attributable to members	down 211%	(19,397)	17,517
Net (loss) / profit for the period attributable to members	down 211%	(19,397)	17,517

Dividends Paid (Ordinary Shares)	Amount Per Security	Franked Amount Per Security
Final dividend:		
- current reporting period	-	-
- previous reporting period	8 cents	8 cents
Interim dividend:		
- current reporting period	-	-
- previous reporting period	4 cents	4 cents

(Loss) / earnings per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic (loss) / earnings	(17.8) cents	16.1 cents
Diluted (loss) / earnings	(17.8) cents	16.1 cents
Net Tangible Asset Backing Per Ordinary Security	\$1.59	\$1.86

The Financial Year (FY) 2020 saw the Group report an after tax loss of \$19.4M. This deterioration from the Half Year FY20, where the Group reported after tax profits of \$6.9M, was attributable to reduced passenger revenue (less \$65 M) following the COVID-19 pandemic, mark to market of fuel hedges not utilised because of fewer flights and impairments to non-financial assets.

The Group's underlying Profit Before Tax was \$0.25M after excluding impairments of \$62.1M, grant from the Regional Airline Funding Assistance programme of \$37.8M and ineffective fuel hedge mark-to-market adjustments of \$3.4M.

Capacity on Rex's Regular Passenger Transport (RPT) network was reduced by over 80% in April 20 following the onslaught of the pandemic. Both the Federal and State governments immediately stepped in and underwrote a minimum essential service to every regional port on Rex's network and continues to do so at the date of this report.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 \$'000	2019 \$'000
Passenger revenue	213,156	278,433
Freight revenue	1,326	1,505
Charter revenue	29,721	28,515
Other passenger services and amenities	1,188	1,279
Government grants and subsidies	62,095	-
Other revenue	14,334	7,917
Total revenue	321,820	317,649
Finance income	556	895
Other (losses) / gains	(824)	1,111
Flight and port operation costs (excluding fuel)	(49,373)	(57,829)
Fuel costs	(35,801)	(42,508)
Salaries and employee-related costs	(103,938)	(112,238)
Selling and marketing costs	(6,686)	(8,797)
Engineering and maintenance costs	(56,233)	(46,110)
Office and general administration costs	(8,684)	(7,838)
Finance costs	(850)	(1,956)
Depreciation and amortisation	(21,932)	(17,178)
Asset impairment	(62,084)	-
Fair value on fuel swaps	(3,387)	-
Total costs and expenses	(348,968)	(294,454)
(Loss) / profit before tax	(27,416)	25,201
Tax benefit / (expense)	8,019	(7,684)
(Loss) / profit after tax	(19,397)	17,517
(Loss) / profit attributable to Members of the parent	(19,397)	17,517
	(19,397)	17,517



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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	2020 \$'000	2019 \$'000
(Loss) / profit after tax	(19,397)	17,517
Other comprehensive (loss) / income		
Hedge reserve		
Revaluation of cash flow hedges	(2,307)	360
Income tax effect	692	(108)
Other comprehensive (loss) / income, net of tax	(1,615)	252
Total comprehensive (loss) / income	(21,012)	17,769

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	2020 \$'000	2019 \$'000
Current assets		
Cash and bank balances	11,198	21,727
Trade and other receivables	18,353	16,674
Inventories	8,410	13,439
Other financial assets	-	360
Total current assets	37,961	52,200
Non-current assets		
Other receivables	7,114	6,679
Inventories	11,303	8,055
Investments – fair value through equity	9	9
Deferred tax assets	21,676	1,897
Property, plant and equipment		
Aircraft	92,272	89,178
Other property, plant and equipment	80,145	114,100
Right-of-use assets	1,283	-
Goodwill and other intangible assets	181	731
Total non-current assets	213,983	220,649
Total assets	251,944	272,849
Current liabilities		
Trade and other payables	19,483	20,939
Unearned revenue	16,027	24,502
Borrowings	14,220	3,852
Lease liabilities	130	-
Provisions	8,117	9,217
Current tax payable	7,689	2,452
Other financial liabilities	5,334	-
Total current liabilities	71,000	60,962
Non-current liabilities		
Borrowings	-	4,220
Lease liabilities	2,329	-
Provisions	2,949	2,248
Total non-current liabilities	5,278	6,468
Total liabilities	76,278	67,430
Net assets	175,666	205,419
Equity		
Issued capital	72,024	72,024
Reserved shares	(628)	(1,163)
Retained earnings	102,660	131,165
Share-based payments reserve	1,383	1,551
Other reserves	227	1,842
Total equity	175,666	205,419



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	2020 \$'000	2019 \$'000
Receipts from customers	275,594	344,970
Proceeds from government grants and subsidies	64,318	-
Payments to suppliers, employees and others	(292,909)	(299,417)
Interest paid	(850)	(1,056)
Income tax paid	(5,311)	(11,456)
Net cash flows from operating activities	40,842	33,041
Interest received	556	895
Proceeds from disposal of property, plant and equipment	27	2,403
Payments for acquisition / proceeds from disposal of business	(8,650)	908
Payments for aircraft for tendered contract	(21,845)	-
Payments for property, plant and equipment - aircraft and other	(17,747)	(18,002)
Payments for property, plant and equipment - software	(127)	(28)
Net cash flows used in investing activities	(47,786)	(13,824)
Dividends paid	(8,725)	(13,027)
Shares purchased as reserve shares	(623)	-
Lease liabilities paid	(385)	-
Repayment of borrowings – non-related parties	(20,375)	(8,482)
Proceeds from borrowings	26,523	-
Net cash flows used in financing activities	(3,585)	(21,509)
Net decrease in cash held	(10,529)	(2,292)
Cash at the beginning of the financial year	21,727	24,019
Cash at the end of the financial year	11,198	21,727

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Attributable to equity holders of the Company						
	Issued capital \$'000	Reserved shares \$'000	Retained earnings \$'000	Share-based payments reserve \$'000	Cash flow hedge reserve \$'000	General reserve \$'000	Total equity \$'000
At 1 July 2018	72,024	(2,256)	126,521	1,605	-	1,590	199,484
Adjustment on adoption of AASB 15 Revenue	-	-	154	-	-	-	154
Restated balance at 1 July 2018	72,024	(2,256)	126,675	1,605	-	1,590	199,638
Profit for the year	-	-	17,517	-	-	-	17,517
Other comprehensive income, net of tax	-	-	-	-	252	-	252
Total comprehensive income	-	-	17,517	-	252	-	17,769
Dividends paid	-	-	(13,027)	-	-	-	(13,027)
Share gift issued – gift	-	1,093	-	(1,093)	-	-	-
Share gift plan provision transfer	-	-	-	(277)	-	-	(277)
Share gift plan provision	-	-	-	1,316	-	-	1,316
At 30 June 2019	72,024	(1,163)	131,165	1,551	252	1,590	205,419
At 1 July 2019	72,024	(1,163)	131,165	1,551	252	1,590	205,419
Adjustment on adoption of AASB 16 Leases	-	-	(383)	-	-	-	(383)
Restated balance at 1 July 2019	72,024	(1,163)	130,782	1,551	252	1,590	205,036
Loss for the year	-	-	(19,397)	-	-	-	(19,397)
Other comprehensive loss, net of tax	-	-	-	-	(1,615)	-	(1,615)
Total comprehensive loss	-	-	(19,397)	-	(1,615)	-	(21,012)
Dividends paid	-	-	(8,725)	-	-	-	(8,725)
Shares purchased as reserve shares	-	(623)	-	-	-	-	(623)
Share gift issued – gift	-	1,158	-	(1,158)	-	-	-
Share gift plan provision	-	-	-	990	-	-	990
At 30 June 2020	72,024	(628)	102,660	1,383	(1,363)	1,590	175,666



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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 in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer 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

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:

	Revenue		Segment result	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Continuing operations				
Regular public transport	292,099	289,134	(16,928)	27,945
Charter	29,721	28,515	(686)	5,044
	321,820	317,649	(17,614)	32,989
Finance income			556	895
Other (losses) / gains			(824)	1,111
Central administration costs and directors' salaries			(8,684)	(7,838)
Finance costs			(850)	(1,956)
(Loss) / profit before tax			(27,416)	25,201
Tax benefit / (expense)			8,019	(7,684)
Consolidated segment revenue and (loss) / profit	321,820	317,649	(19,397)	17,517

The revenue reported above represents revenue generated from external customers and government grants and subsidies. There were no intersegment sales.

Segment result represents the profit earned by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.



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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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Continuing operations				
Regular public transport	215,654	220,967	51,041	46,034
Charter	36,290	51,882	25,237	21,396
Total assets / liabilities	251,944	272,849	76,278	67,430

Other segment information for the year is as follows:

	Depreciation and amortisation		Additions to non-current assets	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Continuing operations				
Regular public transport	16,575	12,708	27,890	17,920
Charter	5,357	4,470	21,853	110
	21,932	17,178	49,743	18,030

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**REVENUES AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	2020 \$'000	2019 \$'000
Other revenue		
Training income	12,032	4,621
Net sales proceeds (engineering parts)	1,402	1,599
Rental income	264	254
Insurance claim	-	727
Training subsidy	38	30
Engineering services	-	104
Other income	598	582
	14,334	7,917
Finance income		
Interest	556	895
	556	895
Other (losses) / gains		
Net foreign currency (loss) / gain	(1,083)	372
Gain on acquisition / disposal of business	257	808
Gain / (loss) on disposal of property, plant and equipment	2	(69)
	(824)	1,111
Salaries and employee-related costs		
Wages and salaries	(94,710)	(102,881)
Superannuation costs - defined contribution plan	(6,764)	(7,051)
Expense of share-based payments	(990)	(1,316)
Workers' compensation costs	(1,474)	(990)
	(103,938)	(112,238)
Finance costs		
Interest on bank borrowings and finance leases	(850)	(1,956)
Interest expense	(850)	(1,956)
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment	(21,453)	(17,057)
Depreciation of right-of-use assets	(358)	-
Amortisation of development costs and software	(121)	(121)
	(21,932)	(17,178)
Impairment		
Asset impairment	(61,566)	-
Goodwill impairment	(518)	-
	(62,084)	-



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INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2020	2019
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	10,732	8,180
Deferred tax expense relating to the origination and reversal of temporary differences	(18,751)	(496)
Total tax expense	(8,019)	7,684
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
(Loss) / profit before tax from operations	(27,416)	25,201
Tax (benefit) / expense calculated at 30%	(8,225)	7,560
Tax on non-deductible expenses	206	124
Tax (benefit) / expense	(8,019)	7,684
Effective tax rates	(29.2%)	30.5%

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.

CASH AND CASH EQUIVALENTS

	2020	2019
	\$'000	\$'000
Cash and bank balances	11,198	16,727
Short term deposits	-	5,000
	11,198	21,727

DIVIDENDS

In respect of results for FY2019, the Group paid 8 cents per share of fully franked dividend to holders of fully paid ordinary shares, amounting to \$8,812 thousand, on 16 October 2019. \$87 thousand of these dividends related to reserve shares held by the Group (2019: \$192 thousand).

In respect of results for FY2020, the directors have recommended no dividends to be paid out given the uncertain and challenging conditions arising from the COVID-19 crisis.

GOING CONCERN

The preliminary final report has been prepared on a going concern basis. In preparing the preliminary final report the directors note that the Group is 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 as well as the impact of COVID-19. The directors are of the opinion that the Group will have sufficient cash available to meet all commitments and working capital requirements for a period not less than 12 months from the date of this report. The directors are satisfied that the going concern basis of preparation is appropriate.



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DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

In November 2019, the Group acquired Aviation Training Academy Australia Pty Ltd ("ATAA") business through the purchase of shares in ATAA and related aircraft for a total consideration of \$9,425 thousand. ATAA through its wholly owned subsidiary AAPA Victoria Pty Ltd operates a pilot training academy.

AUDIT STATUS

This report is based on financial statements which are in the process of being audited.

REPORT DATE: 31 August 2020

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