

REGIONAL EXPRESS HOLDINGS LIMITED
APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(PREVIOUS CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2021)

RESULTS FOR ANNOUNCEMENT TO MARKET

			FY2022 \$'000	FY2021 \$'000
Revenue	Up	25%	319,242	256,152
Loss before tax	Up	847%	(68,316)	(7,217)
Loss after tax	Up	1096%	(46,141)	(3,859)
Loss after tax attributable to members	Up	1096%	(46,141)	(3,859)

Dividends Paid Per Ordinary Share

\$ per security

\$ per security

Final / Interim dividend:

Amount

-

-

Franked Amount

-

-

Earnings Per

Ordinary Fully Paid Share (EPS)

cents per security

cents per security

Basic loss

(41.5)

(3.5)

Diluted loss

(41.5)

(3.5)

Net Tangible Asset (NTA)

NTA Backing Per Ordinary Security

\$1.36

\$1.58

The Financial Year (FY) 2022 saw the Group report a statutory after tax loss of \$46.1M.

This loss was mainly attributable to the grounding of the B737 fleet for almost 4 months due to COVID related Border closures. During this period the Group did not make any staff redundant as a result of reduced activity and continued to wear costs associated with B737 aircraft leases.

As reported in the profit guidance of 2 August 2022, the Group recorded strong revenue and passenger numbers on the Company's B737 (Domestic) operations in July with load factors at 86%. In July 2022 revenue and passenger numbers of the Regional operations were almost identical to that of July 2019, the latest comparative month before the COVID pandemic, despite 4% less flying, resulting in an improvement in revenue per flight and load factor by 8% and 7% respectively.

In FY2020, the Group impaired assets related to regional operations as a result of reduced passenger numbers due to the COVID pandemic. This impairment was reversed given regional passenger numbers having recovered to pre-pandemic levels as set out in the profit guidance.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	2022	2021
	\$'000	\$'000
Passenger revenue	230,549	125,172
Freight revenue	1,565	1,114
Charter revenue	47,056	30,944
Other passenger services and amenities	348	116
Other revenue	7,653	11,380
Revenue from contracts with customers	287,171	168,726
Government grants and subsidies	32,071	87,426
Total revenue, government grants and subsidies	319,242	256,152
Finance income	354	163
Other gains / (losses)	3,206	14,251
Flight and port operation costs	(78,020)	(47,634)
Fuel costs	(65,373)	(24,762)
De-recognition of fuel hedges	-	(3,474)
Salaries and employee-related costs	(149,370)	(108,004)
Selling and marketing costs	(11,940)	(6,340)
Engineering and maintenance costs	(63,005)	(45,948)
General administration costs	(12,926)	(11,697)
Finance costs	(7,914)	(2,411)
Depreciation and amortisation	(35,319)	(20,783)
Imputed facility fee amortisation	(7,994)	(3,329)
Asset impairment reversal / (expense)	40,743	(3,401)
Total costs and expenses	(391,118)	(277,783)
Loss before tax	(68,316)	(7,217)
Tax benefit	22,175	3,358
Loss after tax	(46,141)	(3,859)
Loss attributable to		
Members of the parent	(46,141)	(3,859)
	(46,141)	(3,859)

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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	2022 \$'000	2021 \$'000
Loss after tax	(46,141)	(3,859)
Other comprehensive income		
Revaluation of cash flow hedges	21,951	4,809
Revaluation of financial instruments	5,695	-
Income tax effect	(6,581)	(1,442)
Other comprehensive income, net of tax	21,065	3,367
Total comprehensive income / (loss) for the year	(25,076)	(492)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	2022 \$'000	2021 \$'000
Current assets		
Cash and bank balances	42,224	30,112
Receivables	25,252	17,391
Inventories	9,468	11,590
Income tax receivable	11,197	9,114
Other financial assets	15,318	7,994
Total current assets	103,459	76,201
Non-current assets		
Receivables	8,138	9,926
Inventories	2,235	8,658
Investments – fair value through equity	9	9
Deferred tax assets	21,785	18,535
Other financial assets	19,295	13,279
Property, plant and equipment		
Aircraft	165,639	139,650
Other property, plant and equipment	113,680	82,512
Right-of-use assets	60,438	65,386
Other intangible assets	906	791
Total non-current assets	392,125	338,746
Total assets	495,584	414,947
Current liabilities		
Payables	52,704	26,792
Unearned revenue	45,029	30,279
Interest bearing liabilities	18,867	10,228
Lease liabilities	12,742	8,156
Provisions	14,277	12,014
Other financial liabilities	-	627
Total current liabilities	143,619	88,096
Non-current liabilities		
Interest bearing liabilities	125,154	72,733
Lease liabilities	60,954	61,609
Provisions	2,889	3,022
Other financial liabilities	10,819	15,079
Total non-current liabilities	199,816	152,443
Total liabilities	343,435	240,539
Net assets	152,149	174,408
Equity		
Issued capital	73,689	72,024
Reserved shares	(57)	188
Retained earnings	52,660	98,801
Share-based payments reserve	3,206	1,809
Other reserves	22,651	1,586
Total equity	152,149	174,408

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	2022 \$'000	2021 \$'000
Receipts from customers	322,010	201,834
Proceeds from government grants and subsidies	34,910	83,593
Payments to suppliers, employees and others	(369,867)	(254,098)
Interest paid	(4,942)	(1,393)
Income tax received / (paid)	10,420	(10,885)
Net cash flows (used in) / from operating activities, government grants and subsidies	(7,469)	19,051
Interest received	354	163
Payments for acquisition of business	(646)	-
Payments for aircraft under construction	(18,627)	(59,036)
Payments for property, plant and equipment - aircraft and other	(21,824)	(12,954)
Payments for property, plant and equipment - software	(358)	(768)
Net cash flows used in investing activities	(41,101)	(72,595)
Shares purchased as reserve shares	-	(446)
Salary sacrifice - payment for shares	-	4
Lease liabilities paid	(12,398)	(1,431)
Proceeds from interest bearing liabilities - non-related parties	83,245	93,346
Repayment of interest bearing liabilities - non-related parties	(10,164)	(19,015)
Net cash flows from financing activities	60,682	72,458
Net increase in cash held	12,112	18,914
Cash at the beginning of the year	30,112	11,198
Cash at the end of the year	42,224	30,112

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Attributable to equity holders of the Company						
	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Revaluation reserve	General reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2020	72,024	(628)	102,660	1,383	(3,371)	1,590	173,658
Loss for the year	-	-	(3,859)	-	-	-	(3,859)
Other comprehensive gain, net of tax	-	-	-	-	3,367	-	3,367
Total comprehensive income / (loss) for the year	-	-	(3,859)	-	3,367	-	(492)
Shares purchased as reserve shares	-	(446)	-	-	-	-	(446)
Share gift issued - gift	-	1,262	-	(1,262)	-	-	-
Share gift issued - salary sacrifice	-	-	-	4	-	-	4
Share gift plan provision	-	-	-	1,502	-	-	1,502
Share options provision	-	-	-	182	-	-	182
At 30 June 2021	72,024	188	98,801	1,809	(4)	1,590	174,408
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 gain, 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
Shares purchased as reserve shares	-	(1,665)	-	-	-	-	(1,665)
Share gift issued - gift	-	1,420	-	(1,420)	-	-	-
Share gift plan provision	-	-	-	1,639	-	-	1,639
Share options provision	-	-	-	1,178	-	-	1,178
At 30 June 2022	73,689	(57)	52,660	3,206	21,061	1,590	152,149

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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 (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:

	Regular Public transport \$'000	Charter \$'000	Training \$'000	Central administration \$'000	Intersegment eliminations \$'000	Consolidated \$'000
2022						
Total revenue	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 & amortisation	(25,612)	(8,263)	(1,444)	-	-	(35,319)
Asset impairment reversal	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)

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	Regular Public transport \$'000	Charter \$'000	Training \$'000	Central administration \$'000	Intersegment eliminations \$'000	Consolidated \$'000
2021						
Total revenue	140,907	34,025	10,375	-	(16,581)	168,726
Government grants and subsidies	87,168	68	190	-	-	87,426
Total revenue, government grants and subsidies	228,075	34,093	10,565	-	(16,581)	256,152
Other gains / (losses)	(148)	(113)	19	-	-	(242)
Fair value gain on convertible notes, warrants	14,493	-	-	-	-	14,493
Central administration costs	-	-	-	(11,769)	72	(11,697)
EBITDA	26,119	9,891	(1,697)	(11,769)	-	22,544
Finance income	264	3	(104)	-	-	163
Finance costs	(1,609)	(802)	-	-	-	(2,411)
Depreciation & amortisation	(16,103)	(3,332)	(1,348)	-	-	(20,783)
Asset impairment	-	-	(3,401)	-	-	(3,401)
Facility fee amortisation	(3,329)	-	-	-	-	(3,329)
Profit / (loss) before tax	5,342	5,760	(6,550)	(11,769)	-	(7,217)

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Continuing operations				
Regular public transport	357,581	296,826	201,392	118,131
Charter and other	121,353	103,714	112,531	96,598
Training	16,650	14,407	29,512	25,810
Total assets and liabilities	495,584	414,947	343,435	240,539

**REVENUES AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	2022	2021
	\$'000	\$'000
Other revenue		
Training income	3,366	10,071
Rental income (equipment)	2,110	-
Rental income (premises)	340	269
Insurance claim	844	450
Training subsidy	207	47
Engineering services	260	-
Sales of engineering parts	71	127
Other income	455	416
	7,653	11,380
Finance income		
Interest	354	163
	354	163
Other gains / (losses)		
Fair value gain on convertible notes, warrants	10,587	14,493
Unrealised foreign currency loss	(5,815)	(577)
Realised foreign currency gain / (loss)	(1,548)	241
Gain / (loss) on disposal of property, plant and equipment	(18)	94
	3,206	14,251
Salaries and employee-related costs		
Wages and salaries	(135,071)	(98,493)
Superannuation costs - defined contribution plan	(10,537)	(7,271)
Expense of share-based payments	(2,817)	(1,684)
Workers' compensation costs	(945)	(556)
	(149,370)	(108,004)
General administrative costs		
Bad debts written-off	(11)	(114)
	(11)	(114)
Finance costs		
Interest on bank borrowings	(4,942)	(1,393)
Interest on AASB16 leases	(2,972)	(1,018)
	(7,914)	(2,411)
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment	(23,331)	(16,544)
Depreciation of right-of-use assets	(11,744)	(4,127)
Amortisation of software	(244)	(112)
	(35,319)	(20,783)
Amortisation of imputed facility fee	(7,994)	(3,329)
	(43,313)	(24,112)
Impairment		
Asset impairment reversal / (expense)		
Property, plant and equipment – aircraft	18,996	(3,401)
Property, plant and equipment – other	21,460	-
Right-of-use assets	286	-
	40,743	(3,401)

CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
Cash and bank balances	14,404	2,312
Term deposits	27,820	27,800
	42,224	30,112

DIVIDENDS

The directors have recommended no dividends to be paid for the financial year ended 30 June 2022.

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.

SUBSEQUENT EVENT

On the 15 July 2022, the Group announced that it has signed an agreement to purchase National Jet Express Pty Ltd (NJE). NJE is a leading provider of Fly-In Fly-Out (FIFO) services in Western Australia and South Australia. In addition, it operates freight services from Sydney to Adelaide, Brisbane, Melbourne and the Gold Coast (Coolangatta), as well as air charter services in Papua New Guinea. Revenue for NJE in the calendar year 2021 was \$142m. Completion of this acquisition is subject to regulatory approval. On 26 July 2022, the Group received a pre-assessment clearance from the Australian Competition and Consumer Commission for the acquisition. As at the date of this report, the purchase application is being reviewed by the Foreign Investment Review Board (FIRB).

AUDIT STATUS

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

REPORT DATE: 24 August 2022

END OF REPORT

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