HALF YEAR FINANCIAL REPORT

31 DECEMBER 2009

10

REGIONAL EXPRESS HOLDINGS LIMITED ACN 099 547 270 (ASX CODE: REX)

rex. Regional Express

REGIONAL EXPRESS HOLDINGS LIMITED

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Appendix 4D: Results For Announcement To The Market
& Half-Year Financial Report
For The Half-Year Ended 31 December 2009

All amounts are presented in Australian dollars, unless otherwise noted.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2009 $M	31 Dec 2008 $M	Change $M	Change %
Revenue	117.8	135.8	-18.0	-13.3
Profit from ordinary activities after tax attributable to members	9.6	10.5	-0.9	-8.6
Net profit for the period attributable to members	9.6	10.5	-0.9	-8.6

	Amount per share	Franked amount per share
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements	NA	NA

	31 Dec 2009 $	31 Dec 2008 $	Change %
Net tangible assets per ordinary share	1.13	0.93	21.5

EXPLANATION OF RESULTS

The first half of the financial year saw a reduction in Available Seat Kilometres (ASKs) by 3.6% as frequency reductions introduced in the previous financial year to counter reduced demand for regional travel brought about by the global financial crisis were largely kept in place. However, the scaling back of capacity was insufficient to meet ailing demand, which saw passenger numbers decline by 8.8% on the prior corresponding period. Lower passenger numbers and greatly reduced freight activity, stemming from the restructure of Pel-Air, resulted in the Group's revenue declining by 13.3% to $117.8M.

Total costs over this period reduced to $104.9M. This was mainly due to lower fuel and engineering costs and favourable foreign exchange gains, all of which totalled $14.5M.

The Group's profit after tax for the period reduced by $0.9M (8.6%) to $9.6M in line with lower revenue and partly due to the absence of aircraft sales, which contributed $0.44M in the prior corresponding period.

Review of operations

The period started with the abolishment of the fuel levy and its incorporation into the standard fare structure on 1 July 2009.

October 2009 saw the resumption of the Melbourne – Griffith route and the introduction of a new Townsville - Mackay daily service. However, the Mackay service ceased on 31 December 2009.

Rex entered into a lease agreement for the lease of two SAAB 340B aircraft to Siam General Aviation Company Ltd (SGA) in December 2009. SGA is a domestic Thai carrier and works closely with Nok Air, the regional and low-cost subsidiary of Thai Airways. The aircraft will initially be operating on two routes (Chiang Mai to Mae Hong Son and Chiang Mai to Udon Thani). This will commence from 1 January 2010.

November 2009 saw the ditching of VH-NGA, a Westwind medivac aircraft belonging to subsidiary Pel-Air, off the coast of Norfolk Island. Investigations by the Civil Aviation Safety Authority (CASA) and the Australian Transport Safety Bureau (ATSB) are continuing but the ATSB has already published an interim report.

CONTENT

The directors of Regional Express Holdings ('Rex') Limited submit herewith the financial report for the half-year ended 31 December 2009.

The names and details of the Company's directors in office during the half-year and until the date of this report are as below:

Name	Title
Lim Kim Hai	Executive Chairman
The Hon. John Sharp	Deputy Chairman and Independent Director
James Davis	Managing Director
Russell Hodge	Independent Director
David Miller	Director and Chief Executive Officer, Air Link Pty Ltd
Lee Thian Soo	Non-Executive Director

REVIEW OF OPERATIONS

Summary Review

The global financial crisis continued to affect the period with activity slowly stabilizing and passenger numbers toward the end of the period becoming comparable with those of the previous year. Overall capacity was reduced by 3.6% in response to the lower demand. Revenue was reduced by overall weaker demand giving a drop in revenue per ASK of 8.7%. However this was offset by a reduction in cost per ASK of 9.3% due to the drop in the price of fuel and the Company's continuing focus on productivity. The passenger operations saw an improvement in PAT of 11.3% but the Group's PAT reduced by 8.6% due to the restructuring of its subsidiaries particularly Pel-Air.

The overall weaker demand across the Rex network saw a 5.0 percentage point reduction in the average load factor to 63.1% which is still deemed reasonable for a regional airline operation. The Load Factor was also affected by the start up route in Queensland between Townsville and Mackay which saw particularly low numbers and was discontinued on 31 December 2009 after only three months. The Mackay route suffered due to extremely aggressive pricing and capacity moves by QantasLink and as a result was not sustainable. Fuel costs stabilised over the period and when combined with the strong Australian dollar saw fuel as a percentage of total costs fall by 6.2 percentage points to 14.6%.

Key Performance Indicators Table

	1H FY10	1H FY09	Change
Passengers	641,552	703,725	-8.8%
ASK	375 M	389 M	-3.6%
Load Factor	63.1%	68.1%	-5.0% pts
Passenger Revenue/ASK	26.4c	28.9c	-8.7%
Total pax cost/ASK	24.3c	26.8c	-9.3%
Fuel % Total Cost	14.6%	20.8%	-6.2% pts

The continuing weak market was reflected in the wider industry and one benefit of this was that the demand for pilots from the larger airlines remained low with an attrition rate of only 5.0% in Rex. Notwithstanding the reduced attrition Rex continued its pilot cadet scheme and by the end of the period some 65 cadets in total had enrolled in the programme with 45 of them having graduated and commenced flying with the airline. Almost 20% of the airline's pilots are now graduates from the cadet programme and this will steadily increase during the remainder of the year.

The restructuring of Pel-Air's freight operations was completed and the period saw the grounding of eight Metro freighters to be replaced by three SAAB 340 freighters. This saw greatly reduced freight activity which coincided with a world wide reduction in freight volumes.

The period however saw increasing activity and profitability in mining charters and an additional Fly In/Fly Out contract with Iluka Resources of South Australia. Combined with the existing contract with Barrick Gold at Osborne Mine in Queensland, Pel-Air now has a strong foundation in mining charter work which is expected to increase as the world wide resources demand picks up again.

Medivac operations suffered with the decision to undertake an extensive avionics modernisation programme within the Westwind jet fleet resulting in some aircraft being taken out of service for the modifications. The upgrade programme will continue through to the end of the current financial year and will favourably position Pel-Air to continue the expansion of its medivac operations overseas. Westwind operations were also adversely affected by the loss of an aircraft off Norfolk Island in November 2009 and the subsequent internal audit of all jet operations which lasted for over a month.

REVIEW OF OPERATIONS (CONTINUED)

Summary Review (Continued)

The period saw Pel-Air making significant inroads into government contracts. In a first for Pel-Air, it was appointed to the Commonwealth Air Transport Deed of Standing Offer Panel, providing access to Australian Defence Force charter work. Additionally Pel-Air was awarded the 10-year Ambulance Victoria fixed wing contract which is due to commence on 1 July 2011 and will provide a significant long term boost to the Company's activity in this area.

The SAAB fleet continued to grow with four SAAB 340 B-Plus aircraft added to the fleet during the period. Only one of the earlier generation SAAB 340 A aircraft now remains in airline service and is largely used as a back up aircraft. In December 2009 Rex announced that it had been awarded contracts with the Queensland Government for the provision of air services to six towns in outback Queensland from 1 February 2010. It also announced the commencement of direct Townsville - Mount Isa services from the same date which will mean an overall increase in SAAB operations in Queensland, notwithstanding the withdrawal from the Townsville - Mackay route. Operations were also re-commenced between Griffith and Melbourne in October 2009.

Rex also finalised the lease of two SAAB 340 B aircraft to Siam General Aviation (SGA) of Thailand in December 2009. These aircraft are to be based in Chiang Mai in the country's north and the lease deal included extra assistance for this SAAB start up operator with pilot training, operational and engineering support being provided. The aircraft are painted in the colourful livery of Nok Air (the low cost wing of Thai Airways) with which SGA is associated. This will be effective from 1 January 2010.

Route Network Developments

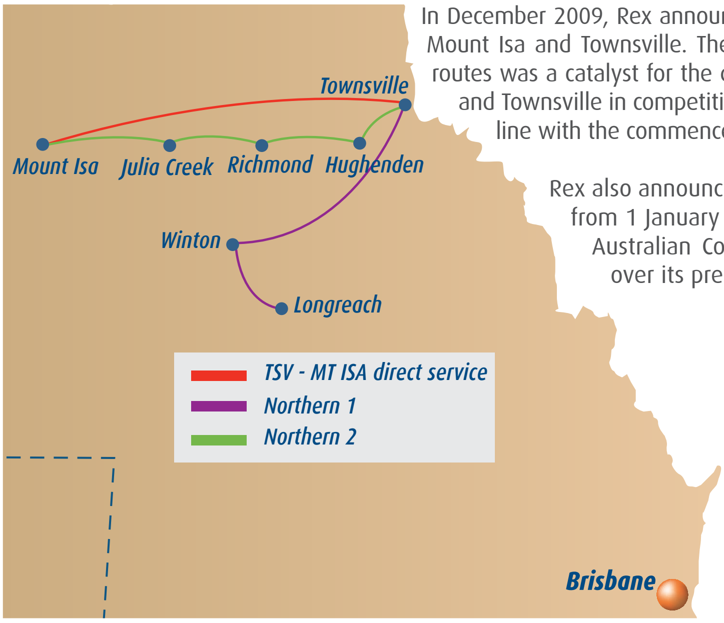
Rex commenced FY 2010 with consolidated network capacity that was largely a continuation of capacity levels experienced in 2H of FY 2009. FY 2009 capacity was influenced by falling demand associated with the global financial crisis and prior to that the global pilot shortage in FY 2008. In 1H FY 2010 capacity as expressed by ASKs fell by 3.6% largely due to comparing pre and post global financial collapse reporting periods.

In August 2009, Rex announced that the commencement of services between Townsville and Mackay from 1 October 2009 in competition with QantasLink. The Group, through its subsidiary company Pel-Air has been successfully operating specialist charter services for Barrick Gold between Townsville Airport and Osborne Mine, near Cloncurry, since February 2009 so the new Townsville to Mackay service provided a platform for Rex to establish itself in Townsville with regular passenger services. The collapse of North Queensland based regional airline MacAir back in February 2009, who also operated the SAAB 340, has presented new opportunities for Rex to explore in North Queensland. During Q2 of FY 2010 the Rex Group was operating three SAAB 340 B-Plus aircraft based from Townsville.

In September 2009, Rex announced the resumption of services between Griffith and Melbourne from 9 October 2009. Rex had initially opened up the Griffith - Melbourne route back in July 2007. However, it was forced to suspend the service in February 2008 due to the global pilot shortage. The service was reintroduced with strong support from the Griffith City Council and a renewed five-year partnership agreement between Rex and council. The service commenced with a prudent single return flight on all days except for Saturday, therefore incrementally utilising existing aircraft and flight crew resources from within the existing Melbourne network.

In early December 2009, Rex was awarded two regulated and subsidised routes by the Queensland State Government following a thorough tender evaluation process. The "Northern 1" route services the communities of Winton and Longreach while the "Northern 2" route services the communities of Hughenden, Richmond, Julia Creek and Mount Isa. Both routes are based out of Townsville and both routes will commence operations in Q3 which resulted in a 4th SAAB 340 B-Plus aircraft being deployed to Townsville.

Route Network Developments (Continued)



In December 2009, Rex announced the commencement of a new non-stop air service between Mount Isa and Townsville. The awarding of the regulated and subsidised "Northern 1 and 2" routes was a catalyst for the decision to mount the new non-stop services between Mount Isa and Townsville in competition with QantasLink. This new service will also commence in Q3 in line with the commencement of the "Northern 1 and 2" regulated and subsidised routes.

Rex also announced in December that it would exit the Mackay - Townsville route from 1 January 2010. This followed a formal complaint lodged by Rex with the Australian Competition & Consumer Commission (ACCC) against QantasLink over its predatory practices on the Mackay - Townsville route.

During the FY 2010 there was only one change to Rex's competition position. Air South ceased regular public transport operations between Adelaide and Kangaroo Island leaving Rex as the sole operator on that route. The total market demand between Adelaide and Kangaroo Island can adequately be covered by Rex and Rex is well positioned with 10 SAAB 340 aircraft based in Adelaide, to provide adhoc additional capacity to meet fluctuating seasonal demand levels.

Fleet Changes

	SAAB 340A Owned	SAAB 340A Freighters Owned	SAAB 340B Owned	SAAB 340 B and B+ Leased	Total Leased	Total Owned	Total Fleet
As at 31 Dec 09	1	3	17	26	26	21	47
As at 30 Jun 09	1	3	17	22	22	21	43

During the reporting period, an additional four leased SAAB 340B-Plus aircraft were added to the fleet, with four more SAAB 340B-Plus aircraft to be added for the remaining of the financial year.

Community, Environment and Service Standards

The continued reduction in pilot attrition has enabled Rex to stabilise its On Time Performance (OTP) and with respect to cancellations, it is now by far the industry leader with cancellation rates for the six months once again at its traditional level of around 0.2%. In fact, the cancellation rate was even lower at 0.1% for Q2.

BITRE Cancellation Rates

	Cancellation Rate (%)					
Airline	2009/10*	2008/09	2007/08	2006/07	2005/06	2004/05
rex. Regional Express	**0.2%**	**0.8%**	**1.2%**	**0.2%**	**0.2%**	**0.2%**
QantasLink	0.8%	1.1%	1.2%	0.6%	1.1%	1.0%
Qantas	0.6%	2.6%	2.3%	1.0%	1.1%	1.1%
Jet Star	1.1%	0.9%	0.9%	0.5%	0.5%	1.3%
Virgin Blue	1.6%	2.0%	1.9%	0.9%	0.8%	1.0%
Skywest	0.7%	1.4%	0.9%	3.1%	2.8%	0.4%
Tiger Airways	1.8%	0.4%	N/A	N/A	N/A	N/A

* H1 FY 2010

REVIEW OF OPERATIONS (CONTINUED)

Community, Environment and Service Standards (Continued)

Departure OTP improved from 81.3% in FY 2009 to 84.7% for the first half of FY 2010 with the increased stability in the pilot work force.

In September 2009, Rex was recognised by Forbes Asia as among the top 200 listed companies (out of 25,326 considered) in the Asia Pacific region (including economic power houses like China, Japan, Taiwan, India and Singapore) with revenue of less than USD 1 billion. No other airline was selected and only 17 Australian companies made the list. Companies were judged on profitability, growth, moderate indebtedness and future prospects.

Rex continued to play a role in the community, contributing to a variety of worthy causes. During the first half of FY 2010, Rex sponsored a total of 207 flights for various community events and charities worth a face value of $130,263.

Rex is registered under the Government's Energy Efficiency Opportunities programme and under the National Greenhouse and Energy Reporting Act. Initiatives undertaken during the period focused on reducing aircraft weight, talks with Airservices Australia to raise height restrictions for aircraft arriving and departing from Sydney and increasing cruise altitude, to reduce fuel consumption and therefore reduce the Company's carbon footprint.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 9 of the half-year report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

Jim Davis

James Davis
Managing Director
Sydney, 24 February, 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Regional Express Holdings Limited
81 – 83 Baxter Road
MASCOT NSW 2020

24 February 2010

Dear Board Members

Regional Express Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Regional Express Holdings Limited.

As lead audit partner for the review of the financial statements of Regional Express Holdings Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the members of Regional Express Holdings Limited

We have reviewed the accompanying half-year financial report of Regional Express Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regional Express Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Regional Express Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountants
Sydney, 24 February 2010

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	HALF YEAR ENDED 31 Dec 2009 $'000	31 Dec 2008 $'000
Passenger revenue		98,780	110,869
Freight revenue		446	490
Charter revenue		14,773	19,761
Other passenger services and amenities		972	1,102
Finance revenue		214	439
Other income		2,611	3,111
Total revenue and other income		**117,796**	**135,772**
Flight and port operations costs (excluding fuel)		(25,132)	(26,190)
Fuel costs		(15,263)	(25,207)
Salaries & employee-related costs	3(a)	(40,524)	(40,822)
Selling and marketing costs		(2,779)	(3,288)
Engineering and maintenance costs		(13,258)	(16,762)
Office and general administration costs		(2,961)	(3,349)
Finance costs		(46)	(112)
Depreciation & amortization		(4,877)	(4,485)
Other expenses		(53)	(1,188)
Total costs and expenses		**(104,893)**	**(121,403)**
PROFIT BEFORE INCOME TAX		**12,903**	**14,369**
Income tax expense		(3,287)	(3,850)
Profit after tax		**9,616**	**10,519**
EARNINGS PER SHARE (CENTS PER SHARE)			
Basic earnings per share		8.20	9.25
Diluted earnings per share		8.11	9.25

Notes to the financial statements are included on pages 17 to 20.

	HALF YEAR ENDED	
	31 Dec 2009 $'000	31 Dec 2008 $'000
Profit after tax	**9,616**	**10,519**
OTHER COMPREHENSIVE INCOME		
Gain on cash flow hedges taken to equity	187	672
Income tax relating to components of other comprehensive income	(56)	(202)
Other comprehensive income for the period (net of tax)	131	470
Total comprehensive income for the period	**9,747**	**10,989**

Notes to the financial statements are included on pages 17 to 20.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	CONSOLIDATED 31 Dec 2009 $'000	30 Jun 2009 $'000
CURRENT ASSETS			
Cash and cash equivalents		6,950	15,469
Trade and other receivables		13,074	8,308
Inventories		7,592	7,488
Total current assets		**27,616**	**31,265**
Non-current assets			
Other financial assets		198	11
Other receivables		3,480	2,742
Available for sale investments carried at fair value - shares		10	10
Deferred tax assets		588	745
Property, plant and equipment			
Aircraft		76,034	80,509
Other property, plant and equipment		57,550	45,860
Goodwill and intangible assets		7,326	7,327
Total non-current assets		**145,186**	**137,204**
Total assets		**172,802**	**168,469**
CURRENT LIABILITIES			
Trade and other payables		13,606	14,883
Unearned revenue		14,287	16,202
Borrowings		773	1,657
Income tax payable		1,100	2,288
Provisions		7,393	7,534
Other liabilities		181	43
Total current liabilities		**37,340**	**42,607**
Non-current liabilities			
Provisions		294	453
Total non-current liabilities		**294**	**453**
Total liabilities		**37,634**	**43,060**
Net assets		**135,168**	**125,409**
EQUITY			
Issued capital	5	74,659	75,037
Reserved shares	5	(2,869)	(3,241)
Retained earnings		60,987	51,371
Share-based payments reserve		670	652
Other reserves		1,721	1,590
Total equity		**135,168**	**125,409**

Notes to the financial statements are included on pages 17 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	HALF YEAR ENDED	
	31 Dec 2009 $'000	31 Dec 2008 $'000
Cash flows from operating activities		
Receipts from customers	126,687	147,861
Payments to suppliers and employees	(113,126)	(126,610)
Interest and other costs of finance paid	(46)	(112)
Income tax paid	(4,374)	(5,943)
Net cash flows from operating activities	**9,141**	**15,196**
Cash flows from investing activities		
Interest received	214	439
Proceeds from sale of property, plant and equipment	1,792	1,437
Purchase of property, plant and equipment	(18,249)	(15,984)
Purchase of financial assets	-	(5,742)
Payment for intangibles	(38)	-
Net cash flows used in investing activities	**(16,281)**	**(19,850)**
Cash flows from financing activities		
Dividends paid	-	(7,675)
Share buy-back	(378)	(2,453)
Purchase of reserved shares	(117)	(479)
Repayment of borrowings – non related parties	(884)	(966)
Net cash flows used in financing activities	**(1,379)**	**(11,573)**
Net decrease in cash and cash equivalents	(8,519)	(16,227)
Cash and cash equivalents at the beginning of the period	15,469	15,140
Cash and cash equivalents at the end of the period	**6,950**	**(1,087)**

Notes to the financial statements are included on pages 17 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Capital reserve	Cash flow hedge reserve	Total
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2009	**75,037**	**(3,241)**	**51,371**	**652**	**1,590**	**-**	**125,409**
Profit for the year	-	-	9,616	-	-	-	9,616
Share buy-back	(378)	-	-	-	-	-	(378)
Share purchased as reserve shares	-	(117)	-	-	-	-	(117)
Gains/(losses) on cash flow hedges	-	-	-	-	-	187	187
Deferred tax effect on cash flow hedges	-	-	-	-	-	(56)	(56)
Share gift exercised/issued - gift	-	466	-	(466)	-	-	-
Share gift exercised/issued – salary sacrifice	-	23	-	-	-	-	23
Share gift provision	-	-	-	484	-	-	484
At 31 December 2009	**74,659**	**(2,869)**	**60,987**	**670**	**1,590**	**131**	**135,168**
At 1 July 2008	**78,608**	**(3,427)**	**35,807**	**545**	**1,590**	**(470)**	**112,653**
Dividends paid	-	-	(7,675)	-	-	-	(7,675)
Profit for the year	-	-	10,519	-	-	-	10,519
Share buy-back	(2,453)	-	-	-	-	-	(2,453)
Share purchased as reserve shares	-	(479)	-	-	-	-	(479)
Gains/(losses) on cash flow hedges	-	-	-	-	-	672	672
Deferred tax effect on cash flow hedges	-	-	-	-	-	(202)	(202)
Share gift exercised/issued	-	674	-	(674)	-	-	-
Share gift provision	-	-	-	393	-	-	393
At 31 December 2008	**76,155**	**(3,232)**	**38,651**	**264**	**1,590**	**-**	**113,428**

Notes to the financial statements are included on pages 17 to 20.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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 Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 101 'Presentation of Financial Statements'
- AASB 8 'Operating Segments'
- AASB 3 'Business Combinations'

The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's accounting policies and presentation of, or disclosure in, its half year financial statements in the following areas:

AASB 101 'Presentation of Financial Statements'

The Group has adopted the revised AASB 101 (2007) Presentation of Financial Statements from 1 July 2009. The revised Standard separates owner and non-owner changes in equity. As a result, all non-owner changes in equity are presented in a statement of comprehensive income and all owner changes in equity are presented in a statement of changes in equity.

The revised Standard also changes the title of other financial statements; the balance sheet is now termed the statement of financial position and the cash flow statement is now termed the statement of cash flows.

Comparative information has been re-presented to comply with the revised Standard. Since the change in accounting policy only affects presentation aspects, there is no impact on the financial position or performance of the consolidated entity.

AASB 8 'Operating Segments'

The Group has adopted AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 January 2009. 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. In contrast, the predecessor Standard (AASB 114 'Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was reported on the basis of the types of services provided by the Group's operating divisions. However, 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 now as follows:

- Regular public transport revenue
- Charter revenue
- Training revenue

Information regarding these segments is presented in Note 2. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

AASB 3 'Business Combinations'

The Group has adopted the revised AASB 3 (2008) Business Combinations from 1 July 2009. AASB 3 (2008) applies prospectively to business combinations occurring on or after this date and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the consolidated entity, the application of the Standard has affected the accounting for acquisitions in the current period.

All consideration to purchase a business is now recorded at fair value at the acquisition date, with contingent consideration classified as a liability and subsequently remeasured through the income statement. Under the previous version of the Standard, contingent consideration was only recognised when the payment was probable and could be measured reliably and was accounted for as an adjustment to the cost of acquisition

Acquisition-related costs are accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

Non-controlling interests (previously referred to as 'minority' interests) in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous version of the Standard, the non-controlling interest was always recognised at its share of the acquiree's net assets.

2. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	HALF YEAR ENDED			
	Revenue		Segment result	
	31 Dec 2009 $'000	31 Dec 2008 $'000	31 Dec 2009 $'000	31 Dec 2008 $'000
Regular public transport revenue	100,750	112,989	14,954	14,662
Charter revenue	15,053	20,036	121	2,136
Training revenue	1,244	1,345	86	(370)
	117,047	**134,370**	**15,161**	**16,428**
Finance income	214	439	214	439
Other income	535	963	535	963
Central administration costs and directors' salaries			(2,961)	(3,349)
Finance costs			(46)	(112)
Profit before tax			12,903	14,369
Income tax expense			(3,287)	(3,850)
Consolidated segment revenue and profit for the period	**117,796**	**135,772**	**9,616**	**10,519**

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.

2. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2009 $'000	30 Jun 2009 $'000
CONTINUING OPERATIONS		
Regular public transport revenue	132,349	123,857
Charter revenue	39,879	44,533
Training revenue	574	79
Total segment assets	**172,802**	**168,469**
Total assets	**172,802**	**168,469**

3. REVENUE AND EXPENSES

Specific Items

Profit before income tax expense includes the following expenses whose disclosure is relevant in explaining the performance of the entity.

	HALF YEAR ENDED	
	31 Dec 2009 $'000	31 Dec 2008 $'000
(a) Salaries and employee related costs		
Wages and salaries (excluding bonus – profit share scheme)	(35,844)	(36,006)
Bonus – profit share scheme	(921)	(1,408)
Workers' compensation costs	(761)	(724)
Superannuation costs	(2,514)	(2,291)
Expense of share-based payments	(484)	(393)
	(40,524)	**(40,822)**

4. DIVIDENDS

	HALF YEAR ENDED			
	31 Dec 2009		31 Dec 2008	
	Cents per share	Total $'000	Cents per share	Total $'000
RECOGNISED AMOUNTS				
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Final dividend	-	-	6.6	7,675
UNRECOGNISED AMOUNTS				
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Final dividend	-	-	-	-

5. ISSUED CAPITAL

	31 Dec 2009 $'000	30 June 2009 $'000
ORDINARY SHARES		
Issued and fully paid	74,659	75,037
Reserved shares	(2,869)	(3,241)
	71,790	**71,796**

	No. '000	No. '000
Issued and fully paid	112,901	113,396
Reserved shares	3,435	3,289

6. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half-year reporting period a total of 494 thousand Rex shares were acquired and cancelled under the share buy-back initiative. A further 117 thousand shares were acquired as reserved shares under the employee share gift scheme. 376 thousand shares were issued to employees under this scheme.

There were no other movements in the issued and fully paid share capital of the Company in the current half-year reporting period.

7. CONTINGENCIES AND COMMITMENTS

As at 31 December 2009, Regional Express Holdings Ltd has an arrangement with SAAB Aircraft Leasing to lease 4 advanced 34-seat SAAB 340B-Plus aircraft for an amount of US$400 thousand with delivery scheduled over the next year.

Pel-Air Aviation Pty Ltd has an arrangement with Hawker Pacific to purchase 4 King Air B200C aircraft for an amount of US$22M to fulfil the requirements of the Ambulance Victoria agreement to supply aircraft for their air ambulance service which will start on 1 July 2011.

Australian Airline Pilot Academy Limited has an agreement with Piper Aircraft Inc to purchase 2 Seminoles and 8 Warrior III aircraft for an amount of US$3M, and delivery is scheduled within the current financial year.

8. SUBSEQUENT EVENTS

Regional Express Holdings Limited commenced the lease of 2 SAAB 340A model aircraft for operations with Siam General Aviation Company in Thailand from 1 January 2010.

There has not been any matter or circumstance that has arisen since the end of the half year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the company in future financial years.

DIRECTORS' DECLARATION

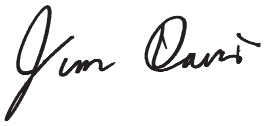
The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors



James Davis
Managing Director
Sydney, 24 February 2010

REX GROUP OF COMPANIES:

rex. Regional Express

PEL-AIR

AIR LINK

AAPA AUSTRALIAN AIRLINE PILOT ACADEMY