

RR Australia Limited

ACN 072 507 147

ASX ANNOUNCEMENT

28th November 2008
Sydney Australia

RR Australia records 29% increase in First Half Net Profit After Tax and a solid Full Year result expected.

- Revenue up 6.8%
- 5.6% customer growth
- Customer arrears at record lows
- EBIT lift of 28.4%
- EPS of 4.56 cents – 28.1% increase
- 9% debt/equity
- Strategic initiatives gaining momentum

RR Australia (ASX:RRA), which trades as Radio Rentals in all states and territories except South Australia, where it trades as Rentlo, today announced a 29% increase in half year Net Profit after Tax of \$5.8m, compared to the prior year result of \$4.5m.

Once again the Company's strong position and market resilience is reinforced.

Managing Director, John Hughes stated that "We are obviously very pleased to announce such a positive result, particularly at a time when other businesses are being so heavily impacted by the current economic conditions. The underlying strength of our recurring revenue streams, which are generated by a substantial customer base, places the Company in quite a unique position to withstand a market downturn."

"It is also noteworthy that during this time we have also been able to achieve record low levels of customer arrears, resulting from a number of initiatives introduced over the past two years" he said.

Mr Hughes added that "Given the solid start to the year there is every indication that the Company will produce a full year result that is consistent with current analyst expectations of a 7-10% increase in Profit after Tax at some \$11.6m-\$12.0m. Importantly these take into account second half costs associated with the recent launch of BigBrownBox.com.au, our internet retail site".

Whilst the full year result in Profit after Tax growth will not mirror that of the first half due to the investment in BigBrownBox.com.au, this important strategic initiative is expected to create a whole new platform of profitable growth for the Company in the years ahead.

Total revenues for the period grew from \$59.2m to \$63.3m, a 6.8% improvement on the previous corresponding period and with comparable store growth being 4.4%.

A continuing healthy demand for flat panel TVs and PCs was a key revenue driver and led to a 16% increase in total installation rental income for 36 month Rent Try Buy® contracts compared to the same period last year.

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The relaunch of Rentlo into the South Australian market provided a boost to revenues and continues to track ahead of projections. It is therefore expected to generate a positive profit contribution in the 09/10 year on the back of a growing customer base.

In addition the national rollout of Cashfirst, the unsecured loan product, which commenced in February, was completed in September and is now generating a sound level of growth. The loan book is approaching \$3m and pleasingly, tight lending criteria has led to a lower than projected level of customer arrears.

Importantly, these strategic initiatives leverage off the core competencies and structure of the Company hence enabling very low cost entry into these new markets.

The boost in total revenues generated a gross profit of \$38.8m being a 9.7% improvement on the prior corresponding period, which flowed through to a 28.4% increase in earnings before interest and tax at \$8.7m and resulted in net profit after tax increasing 29%, to \$5.8m up from \$4.5m.

Customer growth of 5.6%, 4.2% for comparable stores, also underpinned the revenue growth and remained consistent with growth in the previous half.

In relation to the impact of a current downturn in market conditions continuing Mr Hughes stated that “part of the great strength of this business is that there are significant recurring revenue streams and many of our customers will not be impacted to the same extent as those in other demographics. In fact tougher market conditions could work in our favour”.

The Company has declared a fully franked interim dividend of 1.88 cents per share to be paid on 16 January 2009. The record date for determining the entitlement is 22 December 2008.

For further information please contact:

John Hughes
Managing Director
RR Australia Limited

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RR Australia Limited

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Appendix 4D Half Year Report of RR Australia Limited for the six months ended 30 September 2008

This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX listing rule 4.2A.3

Current reporting period	Six months ended 30 September 2008
Previous corresponding period	Six months ended 30 September 2007

Results for announcement to the market:

Revenue and Net Profit

		Percentage Change		Amount \$'000
Revenue from ordinary activities	up	6.8%	to	\$63,257
Profit from ordinary activities attributable to members	up	28.6%	to	\$5,831

Commentary

Revenues for the period grew from \$59.2m to \$63.3m, a 6.8% improvement on the previous corresponding period ("PCP"). The growth was principally driven by demand for flat panel TVs and PCs which is reflected in the increase of 36 month Rent Try Buy® contracts, up 16% on the PCP.

Average units on rent per customer were steady at 2.41. Average revenue per customer increased marginally to \$127.57, driven by the continued growth in finance lease revenues from \$19.8m to \$24.7m, a significant 24.7% lift. Operating lease revenue declined slightly to \$38.4m, and this relates to the move away from standard rental contracts.

The boost in revenues generated a gross profit of \$38.8m, being a 9.7% improvement, which flowed through to a 28.4% increase in earnings before interest and tax at \$8.7m and resulted in net profit after tax increasing 28.6%, to \$5.8m up from \$4.5m.

Importantly the result was underpinned by a 5.6% increase in customers. Customer growth was generated in all regions, with strong contributions from South East Queensland, Tasmania and regional Victoria.

Net cash from operating activities decreased from \$(0.3)m to \$(1.4)m due to the growth of the cash loan receivables book.

RR Australia Limited

ACN 072 507 147

Net tangible assets per security

	30 Sep 2008	31 Mar 2008
Net tangible assets per security	\$0.39	\$0.37

Dividends

	Amount per security	Franked amount per security	Record date	Date paid / payable
Final dividend relating to year end 31 March 2008	2.48c	2.48c	27 Jun 2008	25 Jul 2008
Interim dividend relating to year end 31 March 2008	1.88c	1.88c	22 Dec 2008	16 Jan 2009

RR Australia Limited
and its controlled entities
ACN 072 507 147

Interim financial report
30 September 2008

The directors present their report together with the consolidated interim financial report for the six months ended 30 September 2008 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Bernard Carrasco (Chairperson)	Director since 3 November 2006
Mr David Carter	Director since 3 November 2006
Mr Paul Lahiff	Director since 21 May 2007
Mr Peter Henley	Director since 21 May 2007
Executive	
Mr John Hughes (Managing Director and CEO)	Director since 3 November 2006

Review of Operations

Revenues for the period grew from \$59.2m to \$63.3m, a 6.8% improvement on the previous corresponding period ("PCP"). The growth was principally driven by demand for flat panel TVs and PCs which is reflected in the increase of 36 month Rent Try Buy® contracts, up 16% on the PCP.

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The boost in revenues generated a gross profit of \$38.8m, being a 9.7% improvement, which flowed through to a 28.4% increase in earnings before interest and tax at \$8.7m and resulted in net profit after tax increasing 28.6%, to \$5.8m up from \$4.5m.

Importantly the result was underpinned by a 5.6% increase in customers. Customer growth was generated in all regions, with strong contributions from South East Queensland, Tasmania and regional Victoria.

Net cash from operating activities decreased from \$(0.3)m to \$(1.4)m due to the growth of the cash loan receivables book.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out in page 3 and forms part of the directors' report for the six months ended 30 September 2008.

Rounding off

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 28th day of November 2008.

Signed in accordance with a resolution of the directors:



Bernard Carrasco
Chairman



John Hughes
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of RR Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 30 September 2008 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'G. Boydell'. The signature is fluid and cursive, with a large initial 'G'.

Greg Boydell
Partner

Sydney

28 November 2008

RR Australia Limited
Consolidated interim income statement
For the six months ended 30 September 2008

<i>In thousands of AUD</i>	Note	30 September 2008	30 September 2007
Revenue		63,257	59,228
Cost of sales		(24,465)	(23,862)
Gross Profit		38,792	35,366
Other income		58	299
Personnel expenses		(13,922)	(13,653)
Depreciation and amortisation		(654)	(712)
Administrative expenses		(5,956)	(5,511)
Occupancy		(2,965)	(2,809)
Transport		(2,735)	(2,325)
Maintenance and other overhead costs		(3,931)	(3,887)
Profit Before Financing Costs		8,687	6,768
Financial income		130	132
Financial expenses		(324)	(97)
Net Financing (Costs) / Income		(194)	35
Profit Before Tax		8,493	6,803
Income tax expense		(2,662)	(2,270)
Profit For The Period		5,831	4,533
Attributable To:			
Equity holders of the Company			
Basic earnings per share from continuing operations (cents)	8	4.56	3.56
Diluted earnings per share from continuing operations (cents)	8	4.50	3.50

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 8 to 10.

RR Australia Limited

Consolidated interim statement of changes in equity
For the six months ended 30 September 2008

In thousands of AUD

	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2007	49,649	3,925	828	54,402
Total recognised income and expense	-	4,533	-	4,533
Share-based payments	-	-	322	322
Dividends to shareholders	-	(1,235)	-	(1,235)
Balance at 30 September 2007	49,649	7,223	1,150	58,022
Balance at 1 April 2008	49,649	11,311	1,360	62,320
Total recognised income and expense	-	5,831	-	5,831
Share-based payments	-	-	110	110
Dividends to shareholders	-	(3,174)	-	(3,174)
Balance at 30 September 2008	49,649	13,968	1,470	65,087

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 8 to 10.

RR Australia Limited
Consolidated interim balance sheet
As at 30 September 2008

<i>In thousands of AUD</i>	<i>Note</i>	30 September 2008	31 March 2008
Assets			
Cash and cash equivalents		140	4,974
Trade and other receivables		17,002	13,689
Total Current Assets		17,142	18,663
Trade and other receivables		22,120	18,709
Deferred tax assets		2,022	3,197
Rental assets		32,906	32,703
Property, plant and equipment		3,230	2,620
Intangible assets		15,604	15,604
Total Non-Current Assets		75,882	72,833
Total Assets		93,024	91,496
Liabilities			
Trade and other payables		16,902	18,105
Employee benefits		3,208	2,776
Interest-bearing loans and borrowings		-	5,000
Income tax payable		303	1,682
Provisions		459	707
Total Current Liabilities		20,872	28,270
Interest-bearing loans and borrowings		6,000	-
Employee benefits		315	350
Provisions		750	556
Total Non-Current Liabilities		7,065	906
Total Liabilities		27,937	29,176
Net Assets		65,087	62,320
Equity			
Issued capital		49,649	49,649
Reserves		1,470	1,360
Retained earnings		13,968	11,311
Total Equity		65,087	62,320

The balance sheets are to be read in conjunction with the notes of the financial statements set out on pages 8 to 10.

RR Australia Limited
Consolidated interim statement of cash flows
For the six months ended 30 September 2008

<i>In thousands of AUD</i>	30 September 2008	30 September 2007
Cash Flows From Operating Activities		
Cash receipts from customers	59,954	54,257
Cash paid to suppliers and employees	(37,905)	(30,862)
Acquisition of rental assets	(20,978)	(20,476)
Proceeds from sale of rental assets	605	659
Interest paid	(324)	(116)
Interest received	130	132
Income tax paid	(2,866)	(3,907)
Net Cash Used In Operating Activities	(1,384)	(313)
Cash Flows From Investing Activities		
Proceeds from sale of property, plant and equipment	-	7
Acquisition of property, plant and equipment	(1,276)	(1,247)
Net Cash Used In Investing Activities	(1,276)	(1,240)
Cash Flows From Financing Activities		
Proceeds from borrowings	1,000	1,000
Repayment of borrowings	-	(4,000)
Dividends paid	(3,174)	(1,235)
Net Cash Used In Financing Activities	(2,174)	(4,235)
Net decrease in cash and cash equivalents	(4,834)	(5,788)
Cash and cash equivalents at 1 April	4,974	6,982
Cash And Cash Equivalents at 30 September	140	1,194

The statement of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 8 to 10.

1. Reporting entity

RR Australia Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 30 September 2008 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group for the year ended 31 March 2008 is available upon request from the Company's registered office at: Level 1 47 Rickard Road Bankstown NSW 2200, or on the Company's website: radio-rentals.com.au

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The interim financial report of the consolidated entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 March 2008.

This consolidated interim financial report was approved by the Board of Directors on 28 November 2008.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies and methods of computation applied by the consolidated group in this consolidated interim financial report are the same as those applied by the consolidated group in its consolidated annual financial report for the year ended 31 March 2008.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report for the year ended 31 March 2008.

5. Segment reporting

The Group operates predominately in one industry, being the rental and sale of browngoods, whitegoods, PC's and furniture products, and operates in one geographic segment, Australia. All revenues are generated externally.

6. Subsequent events

On 28 November 2008, the Directors declared a fully franked dividend of 1.88 cents per share. The dividend will be paid on 16th January 2009. The dividend has not been provided for in the 30 September 2008 condensed consolidated interim financial report.

7. Dividends

	Six months ended 30 September 2008		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	2.48 cents	3,174	25 Jul 2008
Unrecognised Amounts			
Interim Dividend	1.88 cents	2,406	16 Jan 2009
	Six months ended 30 September 2007		
	Cents per share	Total \$'000s	Date paid / payable
Recognised Amounts			
Final Dividend	0.97 cents	1,235	25 Jul 2007
Unrecognised Amounts			
Interim Dividend	1.78 cents	2,278	18 Jan 2008

All of the above dividend payments were franked to 100% at 30% corporate income tax rate.

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2008 was based on profit attributable to ordinary shareholders of \$5,831,000 (2007: \$4,533,000) and a weighted average number of ordinary shares of 127,981,250 (2007: 127,360,000).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2008 was based on profit attributable to ordinary shareholders of \$5,831,000 (2007: \$4,533,000) and a weighted average number of ordinary shares of 129,460,000 (2007: 129,460,000), which includes performance rights granted.

	30 September 2008	30 September 2007
Basic earnings per share		
<i>In cents</i>		
From continuing operations	4.56	3.56
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	4.50	3.50

9. Contingencies

The contingent liabilities of the Group are described in the annual financial report for the year ended 31 March 2008. The Group is not aware of any additional contingent liabilities as at 30 September 2008.

10. Interest – bearing loans and borrowings

As at 31 March 2008, the loan of \$5,000,000 was due to be repaid on 8 December 2008. Subsequently, the loan was renewed on the 17 April 2008 for a further term of 3 years, expiring in April 2011. This has meant a reclassification of this loan from a current to a non-current liability.

The draw down of \$1,000,000 from the facility has occurred so as to fund our new strategic ventures in Rentlo and Cashfirst in the short term. The bank facility not utilised at the reporting date is \$14,000,000.

The loan is available to the consolidated entity in two tranches:

- Tranche A is a multi option facility to the value of \$15,000,000. Tranche A includes an overdraft facility to the value of \$5,000,000. The total drawing on the multi option facility and the overdraft cannot exceed \$15,000,000.
- Tranche B is a cash advance facility to the value of \$5,000,000. These funds are available to the consolidated entity subject to business case approval by the financier.

RR Australia Limited
Directors' Declaration
For the six months ended 30 September 2008

In the opinion of the directors of RR Australia Limited (the Company):

1. the financial statements and notes set out on pages 4 to 10, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 30 September 2008 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Sydney, this 28th day of November 2008



Bernard Carrasco
Chairman



Independent auditor's review report to the members of RR Australia Limited

Report on the financial report

We have reviewed the accompanying interim financial report of RR Australia Limited (the Company), which comprises the consolidated interim balance sheet as at 30 September 2008, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 10 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of RR Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.



Independence

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 interim financial report of RR Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Greg Boydell
Partner

Sydney

28 November 2008