Annual Report 2008

TAILORED RENTAL SOLUTIONS

RR Australia Limited
ACN 072 507 147

radio rentals

OUR VISION

"TO BE AUSTRALIA'S LEADING PROVIDER OF FINANCIAL SERVICES TO THE CASH AND CREDIT CONSTRAINED MARKETS"

Contents

RR Australia Limited
ACN 072 507 147

Notice of meeting

Notice is hereby given that the Annual General Meeting will be held at Four Points by Sheraton, 161 Sussex Street, Sydney on Thursday 28 August 2008 at 2.00pm

Established with the opening of a store in Sydney in 1937, Radio Rentals has a long history of renting electrical appliances to Australian consumers.

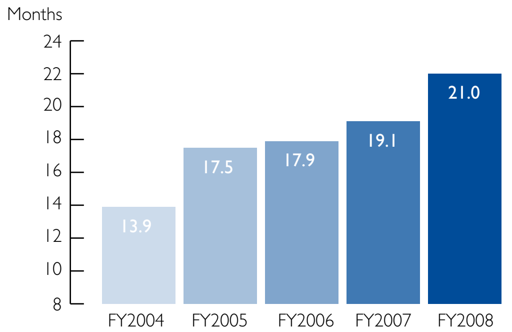
Today, the Company offers a wide range of audio visual products, kitchen and laundry appliances, computers, furniture and gym equipment through a national store network, making it a leading operator in the household goods rental market.

FINANCIAL HIGHLIGHTS

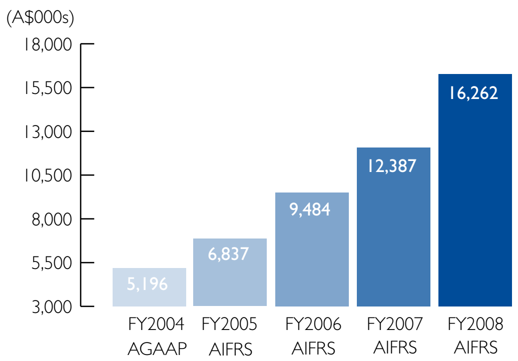
- Revenue up 16% on previous corresponding period to $116m
- Actual PAT of $10.9m – a 67% increase on the previous corresponding period
- Positive operating cashflow
- EPS of 8.55 cents
- Strong balance sheet with zero net debt
- Final dividend of 2.48 cents per share fully franked

"STRONG PERFORMANCE AND POSITIONED FOR GROWTH"

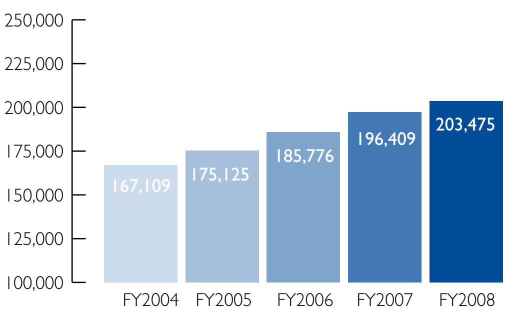
Average contract term



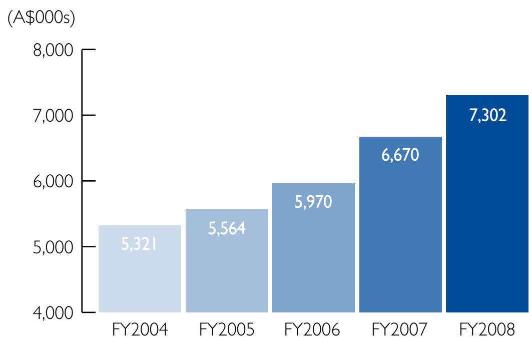
Pro-forma EBIT performance



Average units on rent



Average rental dues



OPERATIONAL HIGHLIGHTS

- 4% increase in customers overall and 21% increase in 'new' customers
- 63% increase in TV advertising and "Call to Action" messages delivering higher enquiry levels
- New website generating over 30,000 hits and 1,400 on-line applications per month
- "Operational Excellence" program delivering higher performance standards in all areas
- "Project Simplify" has delivered significant reductions in store administrative processes
- 15% improvement in customer arrears through improvements in Risk/Credit Management
- Implementation of numerous HR initiatives with focus on staff retention

CHAIRMAN'S REPORT

On behalf of the Board of RR Australia Limited, I am pleased to present the Company's annual report for the year ended 31 March 2008.

Although the environment in the financial services sector deteriorated in 2007/08, with interest rate increases and inflation adding to the global liquidity crunch, RR Australia's business model provided the basis for outstanding results for the past year and places it in a position for a bright future.

Profit

Results for the year ended 31 March 2008 exceeded market forecasts with net profit after tax of $10.9m, an increase of 67% over last years result.

Dividends

On 29 May, the Board declared a fully franked dividend of 2.48 cents per share to be paid on 25 July 2008. This brings the full year dividends to 4.26 cents compared to 0.97 cents last year.

Balance Sheet

In a climate of tight liquidity, your Company's balance sheet is very strong with no net debt at year end.

This strong balance sheet provides significant capacity for development of new strategies or acquisitions.

Corporate Governance

The Board appreciates that maintaining high standards of Corporate Governance is a critically important role.

Pages 16 to 17 of this report set out details of the company policies and practices with regards to Corporate Governance issues. In the past year the Board has conducted an evaluation of its performance which will help to enhance its effectiveness.

The remuneration policy of the Company for senior executives is set out in the Remuneration Report on page 18.

Growth Strategy

During the year management put in place three new strategies which will underpin RRA's future growth. Further details can be found in the Managing Director's report on page 5.

Management, Staff and Shareholders

I would like to thank Managing Director, John Hughes and his staff for their efforts during the year in delivering outstanding results for our shareholders.

I also thank shareholders for their support and I look forward to continuing to work with the Board and all employees to create consistent growth and value for our shareholders.

Bernard L. Carrasco
Chairman and Non Executive Director

MANAGING DIRECTOR'S REPORT

Overview

I am delighted to be able to report such a positive result, particularly for a period when general economic conditions declined and led to a downturn in consumer sentiment and spending. This clearly demonstrates the defensive nature of the Company and its ability to benefit from a consumer downturn. Importantly, interest rate rises had virtually no effect on the level of new business and this is relative to a low proportion of our customers having mortgages.

The result also underscores the strength of our customer base that continues to deliver high levels of recurring revenues.

Customer growth was especially pleasing and we will continue to pursue the strong marketing approach and increased TV expenditure that has proven to be extremely effective.

It is also pleasing to see how our team has really embraced the focus on 'operational excellence' and this has led to not only efficiency gains but also improvements in the work environment and Company culture.

Improvements in our risk and arrears systems have been of predominant importance throughout the year and resulted in customer arrears continuing to track at some 15% below the prior year and a decrease in bad debts as a percentage of revenue.

During the latter part of the year the Company developed three new strategic initiatives: a trial of cash loans in Tasmania, the opening of two new stores under the Rentlo brand in South Australia and the creation of a retail internet business.

The trial of cash loans in Tasmania was extended to Victoria where progress was monitored prior to the national launch which will be completed by the end of September. In South Australia two (2) stores were opened in April under the Rentlo brand and met with an incredible level of demand. The internet retail offering, which is still in development, received very positive feedback from both consumer research and suppliers.

Outlook

As we move forward into the 08/09 period we will continue our emphasis on driving the core rental business to achieve solid organic growth whilst also striving diligently to execute the delivery of our new initiatives to the highest possible standard.

Healthy demand for plasma and LCD televisions along with PC's is expected to continue as well as a boost in whitegoods, which generally occurs when the economy slows.

Commercial business will also be a key target area especially as small and medium size businesses come under increasing financial pressure and we lift our profile in this market area.

We expect the Rentlo business in South Australia to generate very positive growth and to develop into one of our largest customer areas. Along with this the national rollout of Cashfirst and the launch of our on-line retail initiative, will assist in creating a very strong and dynamic future for the Company.

John Hughes
Managing Director and CEO

BRANCH NETWORK

Key Factors

- Optimising resources
- Access to over 87% of target market
- Over 70% of customer enquiries over the phone
- South Australia expansion – Rentlo

In order to optimise network resources a review of store customer catchments and related demographics was completed. Further to this action was taken to merge the Fitzroy and Prahran businesses in Melbourne and to review the operations of the eastern Sydney precincts. The outcome of the Sydney review was a new "Super Full Service Branch" model, which continues to incorporate a team responsible for all aspects of the customer relationship especially account approval and arrears management, but links a number of showrooms to a logistics and administration 'hub'.

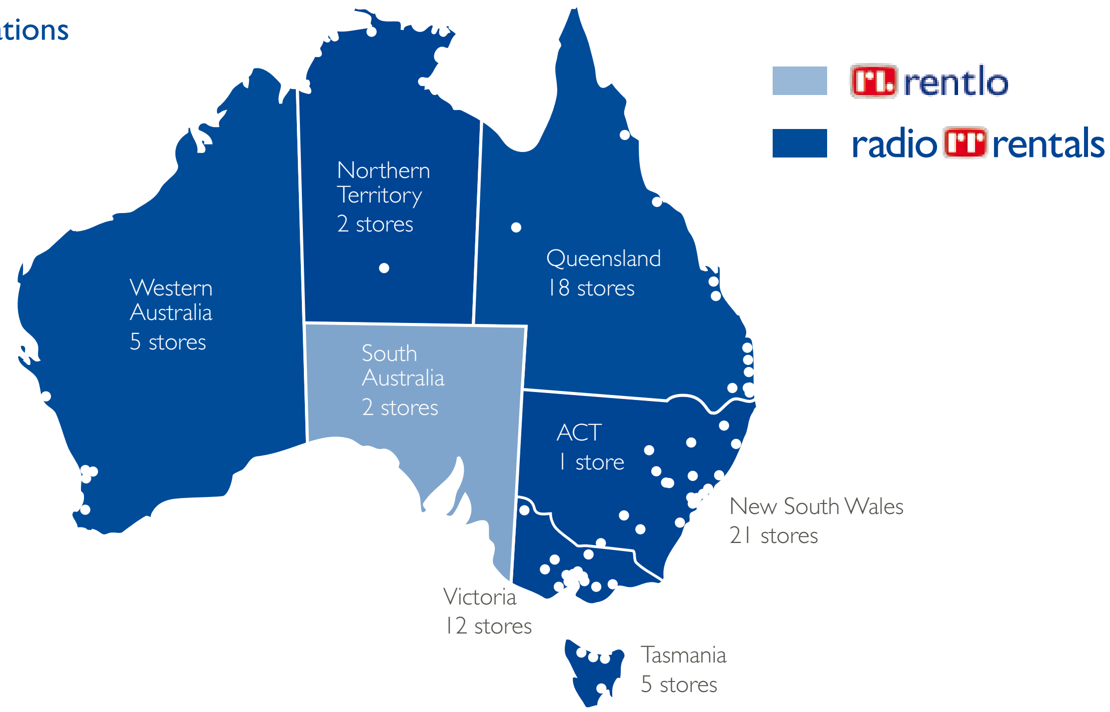
A new central logistics and administration centre for eastern Sydney was created at Arncliffe and showrooms are planned for high customer traffic areas in Bondi, Central Railway and Maroubra. This new structure will not only generate operational efficiencies but will also assist in driving customer enquiries.

Whilst over 70% of customer enquiries are generated over the phone, which means that stores generally do not have to be located in prime locations, the more transient nature of our inner city customer's places greater emphasis on the need for higher visibility locations that trigger enquiry.

A review of the South Australian market highlighted a significant opportunity and whilst the Company is unable to trade as Radio Rentals in that market, the decision was taken to develop a plan for a launch under the Rentlo banner. Until 2003 Rentlo had been a substantial national rental business, however was closed by the Company as part of a brand rationalisation process.

The new Rentlo operation, comprising stores at Elizabeth and Lonsdale, was launched in April 2008 at the start of our new financial year and met with unprecedented demand.

Locations



PROPOSITIONS

Key Factors

- Plasma/LCD and PC growth of 77% continues movement to Rent, Try, Buy! (RTB) 36 month contracts
- Increased average length of rental contracts from 14 months (FY2004) to 21 months
- Over 40% of RTB contracts for new products remain in place with customers for 36 months

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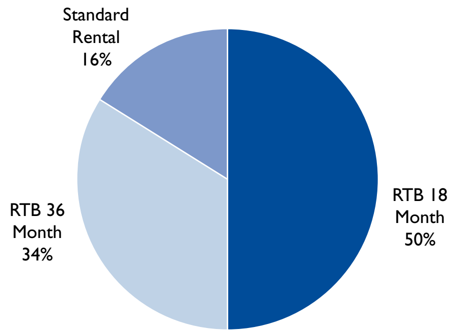
Products are supplied to customers under three different arrangements or "propositions". Each proposition has varying levels of flexibility and ownership characteristics:

- **Standard Rental** – traditional rental agreement;
- **Rent, Try, Buy!** – either an 18 or 36 month rental contract, which includes an option to buy a similar product after 36 months for $1. Alternatively, the customer can make an offer to purchase the product being rented at the expiry of the rental term which the Company can either accept or reject; and
- **Rent, Try, Buy! Plus** – is available on a selected range of products and is similar to the 18 month RTB, except the customer pays a premium for additional flexibility which includes the ability for them to return the product any time after 6 months without incurring an early termination fee and the customer can also recommence the rental at any time within the next 12 months.

Since its launch in early 2002, RTB has been a successful development for the Company which is illustrated below, and which shows that RTB represented 84% of Installation Rental Income in FY2008.

Installation Rental Income Breakdown by Proposition



PRODUCTS

Key Factors

- Continued growth of new product segments
- Plasma/LCD televisions and PCs at some 41% of installation income
- Gym equipment attracting more affluent consumers, particularly females
- Whitegoods remains strong and expected to grow
- Robust furniture performance and predicted to expand

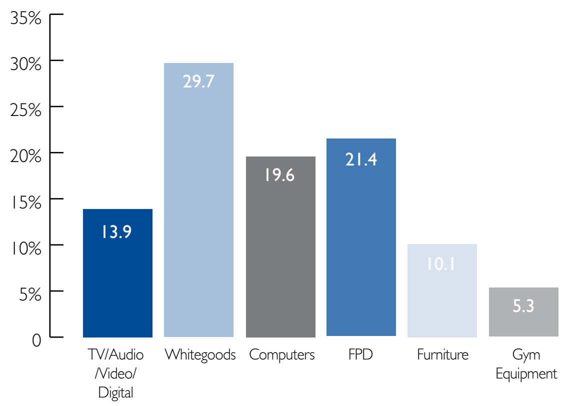
A comprehensive range of products is offered to consumers, which can be classified into the following categories:

Category	Item	Supplier Brands
Audio Visual	Televisions, DVD/VCR players, games consoles and home theatre systems	LG, NEC, Panasonic, Philips, Samsung, Sony and Toshiba
Computers	Desktop/laptop computers, display monitors and printers	ACER and Dell
Kitchen Products	Fridges, microwaves and freezers	LG, Mitsubishi, NEC, Panasonic and Westinghouse
Laundry Products	Washing machines, dryers and air conditioners	LG, NEC and Simpson
Furniture	Lounge, dining and bedroom	Clayton Furniture, Heartwood, KD Concepts, Sealy of Australia and Vita new Zealand
Gym Equipment	Treadmills and bikes	FitZone Solutions

New products are typically introduced once they have proved to be reliable and have attained reasonable price stability.

Installation Rental Income Breakdown by Product Category

Actual FY2008



CUSTOMERS

Key Factors

- 4% increase in customers versus 3.7% decline in prior year
- 21% increase in 'new' customers who are being attracted by:
  - Increased awareness
  - Broader range
  - Improved offerings
- Strong growth in all markets – metropolitan areas now following/exceeding regional performances
- Focus on broader market
  - Situational/short term
  - Commercial
  - Universities

The customer base can be classified into the following four segments:

1. Cash Constrained
Consumers who have a need for a household good but insufficient capital to acquire it. These consumers usually have low levels of income and many are reliant upon Government welfare payments. Credit is largely unavailable to this segment.

2. Credit Constrained
Consumers with reasonable and regular income but who are fully-leveraged, typically due to credit card debt or a large mortgage and therefore are restricted in their ability to acquire household goods that they need.

3. Situational
Customers for whom appliance rental is an attractive solution due to a specific set of circumstances such as short-term or shared accommodation (e.g. students, temporary residents and executive relocations)

4. Commercial
Consists of hotels, clubs and commercial enterprises. This area is expected to grow as more businesses come under financial pressure due to rising financial costs.

Rental as a Proposition often becomes increasingly attractive when there is an increase in the number of households that are experiencing financial difficulty, for example:

- The cash constrained segment will grow in times of low economic growth and/or high unemployment; and
- The credit constrained segment will potentially increase in an environment of high levels of household debt and increases in interest rates

These characteristics provide a defensive aspect of our business model in which earnings are not dependent on positive economic conditions for growth.

RISK MANAGEMENT

Key Factors

- Centralised Credit Acceptance
- Enhanced Credit Scorecard and customer matching
- Compulsory automated payments
- System enhancements
- Earlier action on delinquent accounts

During this period customer arrears continued to improve with a reduction of 15% over the prior year. An increased focus on matching customer risk to product value, ensuring customer affordability and the introduction of mandatory automated payments, which is now approaching 65% of our customer base, have reaped good rewards in reducing overdue accounts.

The Company uses its own tailored 'Credit Scorecard' to assess potential customers. In addition, income and expenses are used to determine a rental limit or 'capacity'.

A Centralised Credit Acceptance area assesses applications and then makes a recommendation to the relevant Store Manager who then makes the final decision as to the type of product that is most suitable to customer needs and risk profile.

Whilst our customers generally fall in to the cash and credit constrained categories, the potential risks to the Company are mitigated not only by the credit approval process, but also by automated payments.

During the year a number of refinements and enhancements were introduced into the account collection processes resulting in a new system that provides for nine (9) 'touchpoints' with customers who are in arrears in the first thirty (30) day cycle. This includes SMS messaging that is proving highly effective.

The impact of improvements in risk management practices, including earlier action being taken on delinquent accounts, has led to a reduction in the average default rate.

MARKETING

Key Factors

- Continued aggressive "Call to Action" advertising
- 63% increase in TV advertising – emphasis on metropolitan markets
- New website launched in October '07 www.radio-rentals.com.au
  - Over 30,000 'hits' per month
  - More than 1,400 on-line applications per month
- Total marketing expenditure increased to $7.0m with 50% lift in the second half

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The new marketing team that was appointed at the beginning of the year took a more aggressive approach in campaigns and this, coupled with a far greater emphasis on TV advertising in metropolitan areas, reaped significant rewards.

Customers responded very positively to the new messaging which resulted in a major increase enquiry levels and subsequently written business.

Catalogues have been reduced as a consequence of the success of TV advertising and are now only used for specific campaigns that suit the medium where more offer details are required e.g. rent 2 items and get a 3rd item rent free and furniture clearance campaign.

Toward the end of the year a new agency was appointed and selection emphasised the need for a group who had the skills to assist in the further development of the current business along with a very imaginative approach for the creation and launch of our internet retail initiative.

Examples of creative

STRATEGIC INITIATIVES

Key Factors

- Cashfirst launch
- Development of a retail internet site

Cashfirst provides an unsecured lending product to consumers in our target market. Generally these people have a need for a short to medium term loan in order to cover the cost of unexpected expenses such as motor vehicle repairs, health problems etc.

Given our experience in this market it was felt that the Company would be in a very good position to offer a highly competitive product to consumers, particularly those who had been a good rental customer but who no longer had a need for products that we range.

Further to this a trial commenced in Tasmania in February '08 and this was expanded to include Victoria in April '08. As a consequence of the success of these trials it was subsequently approved by the Board for a staged national rollout which will be completed by end September '08. Interestingly some 80% of approved applications are from 'new' customers who have never previously dealt with the Company, demonstrating that we are attracting a whole new market segment.

The retail internet site is an exciting development for the Company that takes it into a new realm. It is well recognised that internet retailing has been underserviced in Australia with the major electrical retailers being heavily focussed on 'bricks and mortar' store networks.

RRA is in quite a unique position in being able to leverage its purchasing capability as a member of NARTA, which is one of Australiasia's largest buying groups with purchases in excess of $2 billion, and the logistics strength of its national 65 store network that covers some 90% of the population.

The retail internet site will be positioned to offer a comprehensive range of products from the leading electrical suppliers at very competitive prices and will include free delivery, which is an important selling point for consumers. Another point of significance for consumers is that it will be backed by RRA which has over 70 years of experience in serving Australians.

The launch of the retail internet site is scheduled for pre-Christmas 2008.

Examples of Cashfirst creative

FINANCIAL REPORT

Contents

The directors present their report together with the financial report of RR Australia Limited (the 'Company') and its controlled entities (together referred to as the 'Consolidated entity') for the financial year ended 31 March 2008 and the auditor's report thereon.

Contents of directors' report

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2008

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, special responsibilities, qualifications and other directorships
Bernard Carrasco Chairperson Independent Non-Executive director	Bernard Carrasco is a business consultant advising privately owned businesses and is also Chairman of ASX listed Tutt Bryant Group Limited. Bernard's previous positions include Managing Director of Email Metering, Chief Financial Officer and a director of OneSteel Limited, Chief Financial Officer of BHP Steel and a director of Steel and Tube Holdings Limited (New Zealand). Bernard holds qualifications from Ecole Supérieure de Commerce, Marseille, France and an MBA, from the University of Cape Town, South Africa. He is also a former fellow of the Institute of Chartered Management Accountants, UK. Bernard Carrasco was appointed as a director on 3 November 2006.
John Hughes CEO and Managing director	Prior to joining the Company, John was Managing Director of ASX listed Ruralco Holdings Limited until its merger with Tasmanian based Roberts Limited in 2006. He was previously Managing Director of Thorn EMI Rentals Australasia ("Thorn") and led the reshaping of that company into a highly successful consumer electronics and financial services organisation. Prior to Thorn, he was Managing Director of Dominos Pizza Australia and has over 25 years experience as a senior executive in a number of leading Australian and international companies including Sharp Corporation, Competitive Foods and Grace Bros. John holds a Bachelor of Commerce degree from the University of New South Wales and is a fellow of the Australian Institute of Company directors. John Hughes was appointed as a director on 3 November 2006.
David Carter Independent Non-Executive director	David Carter is a lawyer and corporate advisor who was previously a partner of a major international law firm. David has significant experience in corporate, commercial and international law. He is currently a director of VENCorp (the independent Victorian government regulator of gas and electricity transmission systems), and a director of Property Investment Association of Australia Limited. David holds a Bachelor of Economics and a Bachelor of Laws (Hons) degree from Monash University, a Masters of Laws degree from Monash University and a Bachelor of Civil Law degree from Oxford University. David Carter was appointed as a director on 3 November 2006.
Gordon Howlett Non-Executive director	Gordon Howlett was Chief Executive of the Company from 1999 to 2006. Gordon is Chairman of Kennards Hire Pty Limited. He has held previous executive positions including Executive General Manager of Operations at Qantas and before that was managing director of Avis Australia where he was instrumental in leading Avis to a leading market position throughout the Asia Pacific region. Gordon holds a Bachelor of Economics (Hons) degree from the University of Sydney and prior to joining Avis, had over 20 years experience in marketing and management positions with leading consumer goods companies including Colgate-Palmolive, Philip Morris, General Foods, Kolotex and Lifesavers. Gordon Howlett was appointed as a director on 25 March 1999 and retired as a director on 31 May 2007.

Name and independence status	Experience, special responsibilities, qualifications and other directorships
Laurence Cooklin Non-Executive director	Laurence Cooklin spent 30 years in British retailing serving as Managing Director of the Burton Group PLC and Signet (UK) PLC before joining Thorn Limited as Group Managing Director in 1999. In this latter role he assumed overall executive responsibility for the performance of the Thorn Rental businesses in Asia Pacific, Scandinavia and the UK. Laurence has an M.S.c. (Econ) from the London School of Economics and an MBA from the University of Chicago. Laurence Cooklin was appointed as a director on 3 November 2006 and retired as a director on 14 June 2007.
Paul Lahiff Independent Non-Executive director	Paul Lahiff has extensive experience in the financial services sector and is currently Managing Director of Mortgage Choice Limited. Prior to Mortgage Choice, Paul was Managing Director of Permanent Trustee Limited and has held senior management positions within other major finance organisations including Heritage Building Society and Westpac. Paul holds a Bachelor of Science Degree from Sydney University and is a Fellow of the Australian Institute of Management. He is currently a director of The Cancer Council NSW and has previously been a member of a number of boards including the Trustee Corporations Association of Australia, the Australian Association of Permanent Building Societies, Cashcard Australia Limited, The House With No Steps, in addition to Permanent Trustee and Heritage Building Society. Paul Lahiff was appointed as a director on 21 May 2007.
Peter Henley Independent Non-Executive director	Peter Henley has had a long and distinguished career in financial services generally and in consumer and commercial finance in particular, having held senior management positions with AGC, Nissan Finance and most recently GE Money. Peter is a non-executive director of AP Eagers Limited, United Financial Services Group Ltd and a Fellow of the Australian Institute of Management. He has also been a director of GE Motor Solutions Australia and GE Money, Singapore. Peter Henley was appointed as a director on 21 May 2007.

2 Company Secretary

Peter Eaton joined the Company in 1999 and was the Company's Finance Manager before assuming the role of Group Financial Controller in 2005 and more recently the positions of Chief Financial Officer and Company Secretary in August 2006. Peter has a detailed understanding of the business, the domestic rental market and its drivers, and provides input into key management decisions. Peter's role encompasses Finance, Information Technology and Risk Management. Peter holds a Bachelor of Commerce degree from the University of Western Sydney and is a member of the Australian Society of Certified Practising Accountants (CPA).

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

3 Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year.

Director	Board Meetings		Audit Risk and Compliance Committee Meetings	
	A	B	A	B
Bernard Carrasco	9	9	5	5
John Hughes	9	9	5	5
David Carter	9	9	5	5
Peter Henley	8	8	5	5
Paul Lahiff	8	8	–	–
Lawrence Cooklin	2	2	–	–
Gordon Howlett	2	2	2	2

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

4 Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of directors

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

In order to ensure that the board functions and responsibilities are clearly identified, the Company has adopted a formal Board Charter.

A copy of the Board Charter is located on the Company's website (www.radio-rentals.com.au).

Board Processes

To assist in the execution of its responsibilities, the board has established an Audit, Risk and Compliance committee. This committee has a written mandate and operating procedure, which is reviewed on a regular basis. The board has also established a Code of Conduct for the Company outlining the core principles to establish appropriate ethical standards.

The full board currently holds scheduled meetings each year, 8-12 per annum, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. The Board Charter requires the full board to meet at least once per year to review the performance of the directors, committees, and senior executives, as well as, the relationship between the board and management and matters of general corporate governance.

The agenda for board meetings is prepared in conjunction with the Chairperson, managing director and company secretary. Standing items include the CEO report, finance report, strategic matters, governance and compliance.

Director Education

The Company educates new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all board papers and other Company documents relating to the director's period of appointment and, subject to receipt of permission from the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. In order to obtain the permission of the Chairperson, the director wishing to seek external advice must provide the Chairperson with the reason for seeking the advice, the name of the person from whom the advice will be sought and an estimate of the cost of the advice. A copy of the advice received by the director must be made available to the Company. The Company ensures that the directors each have access to the Company Secretary.

The Company Secretary holds office on the terms and conditions that the board determines, and the board may at any time terminate the appointment of the Company Secretary.

Composition of the Board

The names of the directors of the Company in office at the date of this report are set out in pages 14 and 15 of this report. The board is currently comprised of five members (the Company's Constitution requires a minimum of three), with members (other than the managing director) being subject to re-election every 3 years. The directors have a broad range of national and international expertise, with a majority having extensive knowledge of the industry in which the Company operates, and those who do not, having expertise in financial reporting, or risk management of large companies.

An Independent director is a director who is not a member of management (a non-executive director) and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement. Factors that the board will take into account in making an assessment of independence include whether the director:

- is a substantial shareholder of the Company or is otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has within the last 3 years been employed in an executive capacity by the Company or a related body corporate or has become a director within 3 years of ceasing to hold any such employment;
- within the last 3 years has been a principal of a material professional adviser or a material consultant to the Company or another Company member or an employee materially associated with the service provided;
- is a material supplier or customer or a partner in controlling shareholder, or executive officer of a material supplier or customer of the Company or a related body corporate;
- has a material contractual relationship with the Company or a related body corporate other than as a director of the Company
- has served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; or
- has any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

A professional adviser or consultant will be considered 'material' if, in the context of a financial year:

- from the Company's point of view, the amount typically payable by the Company to the professional adviser or consultant exceeds 5% of the consolidated expenses of the Company; or
- from the director's point of view, if the annual amount typically received from the Company exceeds 5% of the professional advisers or consultant's consolidated gross revenue.

A supplier will be considered 'material' if:

- from the Company's point of view, the annual amount typically payable by the Company to the supplier exceeds 5% of the consolidated expenses of the Company; or
- from the director's point of view, if the annual amount typically received from the Company exceeds 5% of the supplier's consolidated gross revenue.

A customer of the Company will be considered 'material' if:

- from the Company's point of view, the annual amount typically received by the Company from the customer exceeds 5% of the consolidated revenue of the Company; or
- from the director's point of view, the annual amount typically paid to the Company by the customer exceeds 5% of the customer's total expenses.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

Applying these criteria, the board is satisfied that Bernard Carrasco, David Carter, Paul Lahiff and Peter Henley are independent. In accordance with the ASX Corporate Governance Guidelines, the Chairperson is an Independent director, and the positions of Managing Director and Chairperson are held by different directors.

4.2 Nomination Committee

Due to the relatively small size of the board, a formal nomination committee has not been established and this is treated as a full board responsibility. The board identifies potential candidates with advice from an external consultant. The board then appoints the most suitable candidate. Board candidates must stand for election at the general meeting of shareholders immediately following their appointment.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

4.3 Remuneration Committee

Due to the relatively small size of the board, a formal remuneration committee has not been established and this is treated as a full board responsibility. The board reviews remuneration packages and policies applicable to the executive officers and directors and of other Company executives for the Company. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

4.4 Remuneration Report

4.4.1 Principles of remuneration – audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the consolidated entity including the five most highly remunerated S300A executives.

Remuneration levels for key management personnel and the secretary of the Company and the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. Independent advice is obtained on the appropriateness of remuneration packages of both the Company and the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant performance;
- the Consolidated Entity's performance; and
- the growth in share price and delivering constant returns on shareholder wealth.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the board through a process that considers individual and overall performance of the Consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance Linked Remuneration

Performance linked remuneration includes both short-term incentives and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as performance rights over ordinary shares of RR Australia Limited under the rules of the Performance Rights Plan.

Short-Term Incentive

Each year, the board sets key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the Consolidated entity and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Consolidated entity and to its strategy and performance.

The financial performance objective for 2008 is profit after tax as compared to the budgeted amount. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety, customer satisfaction and staff development.

At the end of the financial year, the board assesses the actual performance of the Consolidated entity and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum.

The board approves the cash incentive to be paid to individuals. The method of assessment described above was chosen as it provides the board with an objective assessment of the individual's performance.

Long-Term Incentive

Upon listing, the Company introduced a long-term incentive plan. This plan (in the form of performance rights) is directly linked to criteria that relate to the performance of the Company, to ensure appropriate alignment to shareholder value over a specified timeframe. Performance rights provide the right to receive shares only if and when particular performance-based hurdles are achieved.

The primary performance hurdle for instruments granted under the long-term incentive plan is growth in the Company's total shareholder return ("TSR") performance measured against the comparative group of companies being companies in the ASX Small Cap Index.

Where the Company's TSR performance is rated below the 50th percentile, no performance rights vest. Staggered vesting occurs if the Company is ranked at or above the 50th percentile until the 90th percentile, when 100% of the rights vest.

In the event that a participant's employment is terminated, any unvested performance rights will lapse.

The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.

In assessing whether the performance criteria have been met, the Board will obtain independent data which provides the Company's and comparative companies' TSR performance.

Consequences of performance on shareholder's wealth

In considering the Consolidated entity's performance and benefits for shareholder's wealth, the Board have regard to the following indices in respect of the current financial year and the previous financial year.

	2008	2007
Net profit attributable to equity holders	$10,899,000	$6,542,000
Dividends paid	$3,513,000	–
Change in share price	(0.20)	0.25
Return on capital employed	25.72%	19.55%

Net profit is considered as one of the financial performance targets in setting the STI plan. Dividends, changes in share price and return on capital are included in the TSR calculation which is one of the performance criteria assessed for the LTI plan. The overall level of key management personnel's compensation takes into account the performance of the Consolidated entity over several years.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

Other Benefits

Key management personnel can receive additional non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles, payment of telephone bills and similar benefits. The Consolidated entity pays fringe benefits tax on these benefits. The Consolidated entity does not provide retirement benefits to any of the directors or executives, other than statutory superannuation.

Service Contracts

The Consolidated entity has entered into service contracts with each key management person, excluding the Managing Director and Company Secretary that are capable of termination on four weeks' notice. The Consolidated entity retains the right to terminate a contract immediately by making payment equal to four weeks' pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

John Hughes, Managing Director, has a contract of employment dated 30 August 2006 with the Company. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the board and Managing Director will early in each financial year, consult and agree objectives for achievement during that year.

At any time the service contract can be terminated either by the Company or John Hughes providing six months' notice. The Company may make a payment in lieu of notice of six months, equal to six months of base salary. This payment represents market practice at the time the terms were agreed.

The Managing Director has no entitlement to a termination payment in the event of removal for misconduct.

Peter Eaton, Company Secretary, has a contract of employment with the Company. This contract is capable of termination on three months' notice plus any amounts payable under the Company's redundancy policy. The Company retains the right to terminate the contract immediately.

The Company Secretary has no entitlement to a termination payment in the event of removal for misconduct.

Non-Executive directors

Total remuneration for all Non-executive directors is not to exceed $400,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Remuneration takes the form of a base fee plus a fixed increment for additional committee responsibilities held by each respective Non-executive director.

4.4.2 Directors’ and Executive Officers’ Remuneration (Company and Consolidated – Audited)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and group executives who receive the highest remuneration:

		Short-term				Post-employment	Other long-term		Share-based payments			
In AUD		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $(B)	Total	Super-annuation benefits $	$	Termination benefits $	Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Directors												
Non-Executive												
Bernard Carrasco[2]	2008	108,096	–	–	108,096	12,875	–	–	–	120,971	–	–
	2007	48,962	–	–	48,962	–	–	–	–	48,962	–	–
David Carter[2]	2008	60,071	–	–	60,071	5,406	–	–	–	65,477	–	–
	2007	27,500	–	–	27,500	–	–	–	–	27,500	–	–
Peter Henley (appointed 21 May 2007)	2008	50,577	–	–	50,577	4,552	–	–	–	55,129	–	–
	2007	–	–	–	–	–	–	–	–	–	–	–
Paul Lahiff (appointed 21 May 2007)	2008	47,789	–	–	47,789	4,301	–	–	–	52,090	–	–
	2007	–	–	–	–	–	–	–	–	–	–	–
Former												
Gordon Howlett (retired 31 May 2007)	2008	9,423	–	–	9,423	–	–	–	–	9,423	–	–
	2007	377,164	167,900	–	545,064	29,689	–	–	–	574,753	29%	–
Laurence Cooklin (retired 14 June 2007)	2008	–	–	–	–	–	–	–	–	–	–	–
	2007	–	–	–	–	–	–	–	–	–	–	–
Executive												
John Hughes[1]	2008	391,985	382,884	11,990	786,859	13,866	–	–	379,881	1,180,606	65%	32%
	2007	229,446	–	5,256	234,702	9,062	–	–	773,042	1,016,806	76%	76%

1 The remuneration of John Hughes for 2007 reflects remuneration during the period from 30 August 2006, the date of his appointment.

2 The remuneration of Bernard Carrasco and David Carter for 2007 includes a consultancy fee paid by Thorn International Holdings during the listing process.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

In AUD		Short-term Salary & fees $	Short-term STI cash bonus $(A)	Short-term Non-monetary benefits $(B)	Short-term Total	Post-employment Super-annuation benefits $	Other long-term $	Termination benefits $	Share-based payments Options and rights $(C)	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Executives												
Peter Eaton, Chief Financial Officer and Company Secretary[1]	2008	199,365	283,997	5,741	489,103	17,244	–	–	151,953	658,300	66%	23%
	2007	168,689	214,044	9,995	392,728	15,182	–	–	54,507	462,417	58%	12%
Peter Krideras, GM Merchandising & Marketing	2008	134,219	126,457	10,424	271,100	12,080	–	–	–	283,180	45%	–
	2007	109,384	36,639	20,960	166,983	9,800	–	–	–	176,783	21%	–
James Marshall, GM Sales & Operations	2008	139,577	131,755	10,803	282,135	12,562	–	–	–	294,697	45%	–
	2007	117,291	25,872	7,528	150,691	9,656	–	–	–	160,347	16%	–
Ken Wolfendale, GM Corporate Services	2008	120,124	113,226	11,399	244,749	10,811	–	–	–	255,560	44%	–
	2007	97,021	9,965	14,119	121,105	8,732	–	–	–	129,837	8%	–
Ian Scott, GM Financial Services[2]	2008	37,692	–	–	37,692	3,392	–	–	–	41,084	46%	–
	2007	–	–	–	–	–	–	–	–	–	–	–
Former												
Derrick Hubble (resigned 31 October 2006)	2008	–	–	–	–	–	–	–	–	–	–	–
	2007	111,369	–	7,157	118,526	10,023	–	280,545	–	409,094	–	–
Tamora Wells (resigned 12 March 2007)	2008	–	–	–	–	–	–	–	–	–	–	–
	2007	89,846	21,900	–	111,746	7,936	–	51,742	–	171,424	13%	–
Total remuneration: directors and key management personnel (consolidated)	2008	1,298,918	1,038,319	50,357	2,387,594	97,089	–	–	531,834	3,016,517	–	–
	2007	1,376,672	476,320	65,015	1,918,007	100,080	–	332,287	827,549	3,177,923	–	–
Total remuneration: directors and key management personnel (company)	2008	667,941	382,884	11,990	1,062,815	41,000	–	–	531,834	1,635,649	–	–
	2007	683,072	167,900	5,256	856,228	38,751	–	–	827,549	1,722,528	–	–

1 The remuneration of Peter Eaton for 2008 and 2007 includes a Short Term Incentive paid by Thorn International Holdings relating to the listing process of $96,330 (2007: $183,017).

2 The remuneration for Ian Scott for 2008 reflects remuneration during the period from 12 December 2007, the date of his appointment.

Notes in relation to the table of directors' and executive remuneration

A The short-term incentive bonus for 2008 is for performance during the 31 March 2008 financial year. These bonuses are finalised on the signing of the annual accounts.

B Non-monetary benefits, as disclosed in both tables, includes cost of providing a motor vehicle and any fringe benefits tax attributable thereto.

C The fair value of the performance rights is calculated at the date of grant using a Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to the expected vesting date. The value disclosed is the portion of the fair value of the performance rights allocated to this reporting period. In valuing the performance rights, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of performance rights at grant date.

Grant Date	Expiry Date	Fair value per Performance right	Exercise Price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
13 Dec 2006	13 Jun 2010	$0.54	Nil	$0.74	30%	5.9%	6.25%
13 Dec 2006	13 Jun 2010	$0.48	Nil	$0.74	30%	5.9%	6.25%
13 Dec 2006	13 Jun 2010	$0.42	Nil	$0.74	30%	5.9%	6.25%

4.4.3 Analysis of bonuses included in remuneration – unaudited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and the five highest paid Company executives are detailed below.

	Short Term Incentive Bonus		
	Included In Remuneration $ (a)	% Vested In Year	% Forfeited In Year (b)
Directors			
John Hughes	382,884	86%	14%
Executives			
Peter Eaton	187,667	86%	14%
Peter Krideras	126,457	86%	14%
James Marshall	131,755	86%	14%
Ken Wolfendale	113,226	86%	14%

a Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2008 financial year.

b The amounts forfeited are due to the performance or services criteria not being met in relation to the current year.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

4.4.4 Equity Instruments – audited

No new equity instruments were granted to directors or executives during the reporting period.

Analysis of performance rights granted as remuneration

Details of the vesting profile of the performance rights granted during the previous period as remuneration to each director of the Company and each of the five named Company executives and relevant group executives are detailed below:

	Performance Rights Granted		% Vested In Current Year	% Forfeited In Year	Financial Years In Which Grant Vests	Values Yet To Vest $	
	Number	Date	(c)	(d)		Min (a)	Max (b)
Director							
John Hughes	500,000	13 Dec 2006	88.75%	–	31 March 2008	Nil	–
	500,000	13 Dec 2006	–	–	31 March 2009	Nil	–
	500,000	13 Dec 2006	–	–	31 March 2010	Nil	–
Executive							
Peter Eaton	200,000	13 Dec 2006	88.75%	–	31 March 2008	Nil	–
	200,000	13 Dec 2006	–	–	31 March 2009	Nil	–
	200,000	13 Dec 2006	–	–	31 March 2010	Nil	–

a The minimum value of the performance rights to vest is $nil as the performance rights criteria may not be met and consequently the performance rights may not vest.

b The maximum value of the performance rights yet to vest is not determinable as it depends on the market price of shares of the company on the Australia Securities Exchange at the date the performance rights are exercised.

c No performance rights vested in the previous financial period.

d No performance rights were forfeited in the period. The performance rights that did not vest will be retested at the next vesting date.

e The exercise price per performance right is nil if the rights are exercised by the individual. Should the rights be exercised by the individual's superannuation fund, 1% of the value of the shares is payable.

f The performance rights expire on the earlier of their expiry date, 13 June 2010, or termination of the individual's employment.

Analysis of movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in RR Australia Limited held by each Company director and each of the five named Company executives and relevant group executives are detailed below:

Value of performance rights

	Granted in year $	Exercised in year(a) $	Forfeited in year(b) $	Total value in year $
John Hughes	–	332,813	–	332,813
Peter Eaton	–	133,125	–	133,125
	–	465,938	–	465,938

a The value of performance rights exercised during the year is calculated as the market price of shares of the Company as at close of trade on the date the performance rights were exercised.

b No performance rights lapsed in the year. The performance rights lapse on the earlier of their expiry date, 13 June 2010, or on the termination of the individual's employment.

Performance rights over equity instruments granted as remuneration

The movement during the year in the number of performance rights over ordinary shares in RR Australia Limited held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 April 2007	Granted as Compensation	Exercised	Held at 31 March 2008	Vested during the year	Vested and exercisable at 31 March 2008
John Hughes	1,500,000	–	443,750	1,056,250	443,750	–
Peter Eaton	600,000	–	177,500	422,500	177,500	–

4.5 Audit, Risk and Compliance committee

The Audit, Risk and Compliance committee has a documented charter, approved by the board. The charter is available on the Company's website. All members are non-executive directors with a majority being independent. The Chairperson may not be the Chairperson of the board. The Audit, Risk and Compliance committee advises the board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The members of the Audit, Risk and Compliance committee during the year were:

- David Carter, Bachelor of Economics and Bachelor of Laws (Hons), Master of Law, Bachelor of Civil Law, (Independent Chairman) – Independent, Non-Executive
- Bernard Carrasco, MBA – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive
- Gordon Howlett – Bachelor of Economics (Hons) – Non-Executive (retired 31st May 2007)

The Company Secretary, Peter Eaton, acts as Secretary to the committee.

The external auditors and the managing director are invited to audit, risk and compliance committee meetings at the discretion of the committee. The committee is required to meet at least twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 16.

The managing director and the chief financial officer have declared in writing to the board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2008 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The responsibilities of the Audit, Risk and Compliance committee include:

- the accuracy and completeness of the financial statements of the Company;
- the integrity of the Company's accounting and financial reporting;
- the Company's accounting policies and practices and consistency with accounting standards;
- the scope of work, independence and performance of the external auditors;
- compliance with legal and regulatory requirements;
- compliance with the Company's risk policy framework;
- the Company's control environment;
- the overall efficiency and effectiveness of the Company's financial operations; and
- the Company's overall risk management program.

The audit, risk and compliance committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend board approval of the financial report; and
- review the results and findings of the external audit, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

4.6 Risk Management

Oversight of the risk management system

The board oversees the establishment, implementation and review of the Company's risk management system. The audit, risk and compliance committee is responsible for establishing and implementing the risk management policies for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company.

The managing director and chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and been found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Risk management and compliance and control

The Company strives to ensure that its products are of the highest standard. Practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- business transactions are properly authorised and executed;
- the quality and integrity of personnel; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial Reporting

The managing director and the chief financial officer have declared, in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Actual results are reported against budgets approved by the directors. Revised forecasts for the year are prepared quarterly.

Internal Audit

The internal auditors assist the board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The results of internal audits are reported on a monthly basis to the board.

4.7 Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. In order to promote ethical and responsible decision making, the Company has implemented a Code of Conduct to guide the directors and senior executives. Further, the Company has implemented a formal Securities Trading Policy in order to formalise the Company's position on employees trading in the Company's securities. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Code of Conduct regularly and processes are in place to promote and communicate these policies. Both of these policies are available on the Company's website.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the consolidated entity are set out in note 27 to the financial statements.

Code of Conduct

The Company's code of conduct aims to maintain appropriate core Company values and objectives. The Company has advised each director, manager and employee that they must comply with the Code of Conduct.

The Company's code of conduct covers issues such as delivering shareholder value, managing conflicts of interest, confidentiality, fair and honest dealings, occupational health and safety, equal opportunity and compliance with laws. The Code encourages reporting of unethical behaviour.

Securities Trading Policy

The Company and the consolidated entity has a Securities Trading Policy, which sets out the circumstances under which directors, senior executives, and employees of the Company and the consolidated entity may deal in securities with the objective that no director, senior executive or other employee will contravene the requirements of the Corporations Act 2001 or the ASX Listing Rules. The policy outlines the black-out periods for the Company as the month immediately before:

- the release of the Company's half yearly or yearly results; or
- the Annual General Meeting.

The policy is reproduced in full on the Company's website.

4.8 Communication with Shareholders

The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases. The Continuous Disclosure Policy is available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- the policy identifies information that needs to be disclosed;
- the managing director, the chief financial officer and the company secretary are responsible for interpreting the company's policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- regular reporting including monthly reports of executives to the managing director and board reports assist in identifying the occurrence of any significant event;
- there is a standing agenda item at each board meeting dealing with information that may require disclosure; and
- promoting compliance by emphasising that if a person becomes aware of any information that may have a material effect on the price of the Company's securities, they must immediately inform the company secretary, chief financial officer or the managing director.

The Company does not have a formal shareholder communication policy, however, it provides information to shareholders via the Company's website, which has links to recent company announcements and past annual reports, results presentations and various ASX pages, including the current share price.

The board supports full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor is requested to attend annual general meetings in order to answer shareholder questions concerning the conduct of the audit, the preparation and content of the auditor's report, and the independence of the auditor in relation to the conduct of the audit.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5 Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the renting and sale of browngoods, whitegoods, PC's and furniture products. There were no significant changes in the nature of the activities of the Company and the consolidated entity during the year.

5.1 Operating and Financial Review

Increases were achieved in both revenue and profit for the 2007/08 financial year with total revenues growing from $101,039,000 to $116,722,000, a 16% improvement.

The growth in revenue was primarily attributable to finance lease revenues, which increased from $21,773,000 to $38,484,000, an improvement of 77%. This improvement was driven by continued strong demand for flat panel televisions and PCs. The price point for flat panels, only achieved in February 2007 and maintained throughout 2008, and the addition to the range of Dell computers resulted in finance lease installation rental income accounting for 34% of total installation rental income, up from 20% in the prior year.

Operating lease revenue marginally declined from $79,266,000 to $78,238,000, a decline of 1%. Whitegoods and furniture remained steady, while significant growth was achieved in fitness equipment revenue. The transition from CRT televisions to flat panel televisions, resulted in a decrease in operating lease revenue from audio visual equipment.

The increase in gross profit from $64,510,000 to $71,479,000, resulted in profit before financing costs increasing 32%, from $12,297,000 to $16,262,000.

Net profit after tax increased 67%, from $6,542,000 to $10,899,000, as the change in the capital structure from the prior year and low gearing resulted in the Consolidated entity's net financing costs reducing from $2,357,000 to $188,000.

Net cash from operating activities increased 14%, from $5,816,000 to $6,634,000. This increase was achieved despite a 23% increase in rental asset expenditure and the payment of $3,000,000 tax relating to the 2006/07 financial year.

5.2 Shareholder returns

	2008	2007
Net profit attributable to equity holders of the parent	$10,899,000	$6,542,000
Basic EPS (weighted average)	8.55c	11.77c
Diluted EPS (including performance rights)	8.42c	11.64c
Dividend per share	4.26c	0.97c
Alternative Effective basic EPS based on total number of shares on issue at balance date	8.52c	5.14c

The 2007 EPS reflects 25,000,000 shares on issue prior to the issue of an additional 112,850,000 shares in December 2006.

Review of financial condition

Capital structure and treasury policy

The Consolidated entity has a strong capital structure supported by a debt to equity ratio of 8.02%. This low level of gearing provides the business with a strong platform for future growth options.

Liquidity and funding

The Consolidated entity has unused funding facilities as at 31st March 2008 of $15,000,000 and has sufficient funds available to finance its operations.

Liquidity and funding

Net cash flows from operating activities were $6,634,000 as compared to $5,816,000 in the prior year.

Impact of Legislation and other external requirements

There has been no impact on the operations of the business from legislation changes.

6 Dividends

Dividends paid by the Company to members during the financial year were:

(i) Previous year final – paid 25th July 2007 – fully franked @ 0.97 cents per share $1,235,392
(ii) Current year interim – paid 18th January 2008 – fully franked @ 1.78 cents per share $2,278,066.

Subsequent to the balance date, the directors proposed a fully franked final dividend for the year of 2.48 cents per share, or $3,171,603. The dividend will be paid on 25th July 2008. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2008 and will be recognised in subsequent financial reports.

7 Events Subsequent To Reporting Date

Subsequent to the balance date, the Consolidated entity agreed to a renewal of its debt facility with Westpac Banking Corporation for a period of 3 years, expiring April 2011.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity, in future financial years.

8 Likely Developments

The Consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated entity.

9 Directors' Interests

The relevant interest of each director in the shares and performance rights over shares as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

RR Australia Limited

	Ordinary shares	Performance Rights over ordinary shares
Bernard Carrasco	150,000	Nil
John Hughes	2,245,250	1,056,250
David Carter	200,000	Nil
Paul Lahiff	31,250	Nil
Peter Henley	30,000	Nil

The Company has not granted any options over its shares.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

10 Performance rights

Performance rights granted to directors and officers of the Company

During or since the end of the financial year, the Company has not granted any options or performance rights over unissued ordinary shares in the Company. As noted on page 24, two officers of the Company were granted performance rights in the previous financial year. Page 24 provides details of those performance rights which have not vested at the date of this report.

Unissued shares under options

At the date of this report there are no unissued ordinary shares of the Company under option.

11 Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current and subsequent directors and officers of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No indemnification has been provided to auditors or former directors and officers of the Company.

Insurance Premiums

During the financial year, the Company has paid insurance premiums of $35,738 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving misconduct.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

12 Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence;
- as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 6.

13 Environmental Legislation

The Consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The directors are of the belief that the Consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated entity.

14 Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for financial year ended 31 March 2008.

15 Rounding Off

The Company is of 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.

This report is made with a resolution of the directors:

Bernard Carrasco
Chairman

Dated at Sydney
29 May 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 31 MARCH 2008

To: The directors of RR Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nicola Davis
Partner

Sydney
29 May 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

		Consolidated		The Company	
In thousands of AUD	**Note**	**2008**	**2007**	**2008**	**2007**
Operating lease rental revenue		78,238	79,266	–	–
Finance lease sales revenue		25,380	13,812	–	–
Finance lease interest revenue		13,104	7,961	–	–
Cost of sales		(45,243)	(36,529)	–	–
Gross Profit		71,479	64,510	–	–
Other income	3	439	615	1,367	1,310
Personnel expenses	4	(26,967)	(24,558)	(835)	(905)
Depreciation and amortisation		(1,353)	(1,879)	–	–
Administrative expenses		(9,462)	(8,995)	–	–
Occupancy		(5,574)	(5,549)	–	–
Transport		(4,788)	(4,569)	–	–
Maintenance and other overhead costs		(7,512)	(7,278)	(532)	(471)
Profit Before Financing Costs		16,262	12,297	–	(66)
Financial income	5	238	326	3,513	66
Financial expenses	5	(426)	(2,683)	–	–
Net Financing Costs		(188)	(2,357)	3,513	66
Profit Before Tax		16,074	9,940	3,513	–
Income tax expense	7	(5,175)	(3,398)	–	–
Profit For The Period		10,899	6,542	3,513	–
Attributable To:					
Equity holders of the Company		10,899	6,542	–	–
Basic earnings per share from continuing operations (cents)	20	8.55	11.77	–	–
Diluted earnings per share from continuing operations (cents)	20	8.42	11.64	–	–

The basic earnings per share is based on 127,533,000 shares (2007: 55,368,000)

The diluted earnings per share is based on 129,460,000 shares (2007: 56,240,000)

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 37 to 61.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

Consolidated	**Share capital**	**Retained earnings**	**Equity remuneration reserve**	**Total equity**
In thousands of AUD				
Balance at 1 April 2006	25,000	(17,485)	–	7,515
Total recognised income and expense	–	6,542	–	6,542
Issue of shares	56,425	–	637	57,062
Equity settled transactions	–	–	191	191
Cancellation of shares	(16,908)	–	–	(16,908)
Offset of issued capital against retained losses	(14,868)	14,868	–	–
Balance at 31 March 2007	49,649	3,925	828	54,402
Balance at 1 April 2007	49,649	3,925	828	54,402
Total recognised income and expense	–	10,899	–	10,899
Equity settled transactions	–	–	532	532
Dividends to Shareholders	–	(3,513)	–	(3,513)
Balance at 31 March 2008	49,649	11,311	1,360	62,320

The Company	**Share capital**	**Retained earnings**	**Equity remuneration reserve**	**Total equity**
Balance at 1 April 2006	25,000	–	–	25,000
Issue of shares	56,425	–	637	57,062
Equity settled transactions	–	–	191	191
Cancellation of shares	(16,908)	–	–	(16,908)
Balance at 31 March 2007	64,517	–	828	65,345
Balance at 1 April 2007	64,517	–	828	65,345
Total recognised income and expense	–	3,513	–	3,513
Equity settled transactions	–	–	532	532
Dividends of shareholders	–	(3,513)	–	(3,513)
Balance at 31 March 2008	64,517	–	1,360	65,877

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 37 to 61.

BALANCE SHEETS

FOR THE YEAR ENDED 31 MARCH 2008

		Consolidated		The Company	
In thousands of AUD	**Note**	**2008**	**2007**	**2008**	**2007**
Assets					
Cash and cash equivalents	8	4,974	6,982	–	–
Trade and other receivables	9	13,689	9,560	1,682	2,520
Total current assets		18,663	16,542	1,682	2,520
Trade and other receivables	9	18,709	10,401	40,877	40,345
Deferred tax assets	11	3,197	3,623	–	–
Rental assets	12	32,703	36,753	–	–
Property, plant and equipment	12	2,620	1,838	–	–
Investment in subsidiary		–	–	25,000	25,000
Intangible assets	13	15,604	15,604	–	–
Total Non-Current Assets		72,833	68,219	65,877	65,345
Total Assets		91,496	84,761	67,559	67,865
Liabilities					
Trade and other payables	14	18,105	14,849	–	–
Employee benefits	16	2,776	2,319	–	–
Interest-bearing loans and borrowings	15	5,000	–	–	–
Income tax payable	10	1,682	2,520	1,682	2,520
Provisions	17	707	2,167	–	–
Total current liabilities		28,270	21,855	1,682	2,520
Interest-bearing loans and borrowings	15	–	8,000	–	–
Employee benefits	16	350	345	–	–
Provisions	17	556	159	–	–
Total Non-Current Liabilities		906	8,504	–	–
Total Liabilities		29,176	30,359	1,682	2,520
Net Assets		62,320	54,402	65,877	65,345
Equity					
Issued capital		49,649	49,649	64,517	64,517
Reserves		1,360	828	1,360	828
Retained earnings		11,311	3,925	–	–
Total equity attributable to equity holders of the Company		62,320	54,402	65,877	65,345
Total Equity		62,320	54,402	65,877	65,345

The balance sheets are to be read in conjunction with the notes of the financial statements set out on pages 37 to 61.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2008

		Consolidated		The Company	
In thousands of AUD	Note	2008	2007	2008	2007
Cash Flows From Operating Activities					
Cash receipts from customers		115,358	104,015	–	–
Acquisition of rental assets	12	(37,133)	(30,295)	–	–
Proceeds from sale of rental assets		1,411	1,910	–	–
Cash paid to suppliers and employees		(67,227)	(65,912)	–	–
Cash generated from operations		12,409	9,718	–	–
Interest paid		(426)	(2,728)	–	–
Interest received		238	326	–	66
Income tax paid		(5,587)	(1,500)	–	–
Net cash from operating activities	26	**6,634**	**5,816**	**–**	**66**
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		7	5	–	–
Acquisition of property, plant and equipment	12	(2,136)	(688)	–	–
Dividends received		–	–	3,513	–
Net cash (used in) / from Investing Activities		**(2,129)**	**(683)**	**3,513**	**–**
Cash Flows From Financing Activities					
Proceeds from borrowings		–	10,500	–	–
Repayment of borrowings		(3,000)	(69,829)	–	(22,908)
Loans advanced to related entities		–	–	–	(33,583)
Proceeds from the issue of share capital		–	56,425	–	56,425
Dividends paid		(3,513)	–	(3,513)	–
Net cash used in Financing Activities		**(6,513)**	**(2,904)**	**(3,513)**	**(66)**
Net increase /(decrease) in cash and cash equivalents		(2,008)	2,229	–	–
Cash and cash equivalents at 1 April		6,982	4,753	–	–
Cash And Cash Equivalents At 31 March	8	**4,974**	**6,982**	–	–

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 37 to 61.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1 Significant Accounting Policies

RR Australia Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 47 Rickard Road, Bankstown, NSW, 2200. The consolidated financial report of the Company for the financial year ended 31 March 2008 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity'). The consolidated entity is primarily involved in the rental and sale of browngoods, whitegoods, PCs and furniture products.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the consolidated entity and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of directors on 29 May 2008.

(b) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on the historical cost basis except where otherwise stated.

The Company is of 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.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note (r).

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Consolidated entity. Control exists when the Consolidated entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

(d) Revenue

Revenues are measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. The following specific recognition criteria must also be met before revenue is recognised:

Lease Rental Revenue

The Consolidated entity derives rental revenue from Finance and Operating leases.

Finance leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset pass to the lessee. Finance lease revenue is recognised at the time the rental contract is entered into based on the present value of the minimum lease payments, with interest income recognised over the life of the lease.

Operating leases arise where substantially all of the risk and benefits incidental to ownership of the leased asset remain with the lessor. Payments under operating leases are due and payable on a monthly basis in advance.

Operating lease rental revenue is recognised as it accrues, net of discounts, and including rebates. Revenue also arises from charges such as late fees, termination fees and damage liability reduction fees. These revenues are recognised when due and payable.

Cost of Sales

Finance lease costs of sales are recognised at the time of sale and are based on the cost of the item sold.

Operating lease costs of sales comprise depreciation of rental assets, bad debts and rental asset write offs. Depreciation of rental assets is further discussed at note (j).

(e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

RR Australia Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is RR Australia Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable / (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

RR Australia Limited recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(f) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in the profit or loss, using the effective interest method. Dividend income is recognised in the profit or loss on the date that the consolidated entity's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, and the unwinding of the discount on provisions. All borrowing costs are recognised in profit and loss using the effective interest rate method.

(g) Intangible Assets

Goodwill

Business combinations prior to 1 April 2003

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under the consolidated entity's previous accounting framework, Australian GAAP.

Business combinations since 1 April 2003

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy k).

(h) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the consolidated entity's obligation specified in the contract expire or are discharged or cancelled.

Cash, short-term deposits and bank overdrafts are carried at face value of the amounts deposited or drawn.

(i) Trade and Other Receivables

Finance lease receivables are recognised at the present value of the minimum lease payments. The present value is calculated by discounting the minimum lease payments due, at the interest rate implicit in the lease.

Trade and other receivables are stated at their amortised cost less impairment losses. Payments under rental contracts are due and payable on a monthly and fortnightly basis in advance.

(j) Rental Assets and Property, Plant and Equipment

Recognition and Measurement

Rental assets, and items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of rental assets and property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within "other income" in profit or loss.

Depreciation

Depreciation is provided on rental assets, 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 estimated useful life. Where assets are installed on Rent Try Buy contracts and their standard estimated useful life is greater than the period at which a similar item can be purchased for $1, an estimate of the number of assets expected to be purchased for $1 is made and additional depreciation expensed based on the average cost of assets installed.

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 in the current and comparative periods are as follows:

• freehold buildings	20 Years
• leasehold property	The lease term
• plant and equipment	3 – 10 Years
• rental assets	3 – 6 Years

The residual value, the useful life and the depreciation method applied to an asset are re-assessed at least annually.

(k) Impairment

Non Financial Assets

The carrying amounts of the consolidated entity's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that refects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating units"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial Assets

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of receivables that are not assessed as impaired individually is performed by placing them into portfolios with similar risk profiles and undertaking a collective assessment of impairment, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

Reversals of Impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Interest-Bearing Loans and Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) Employee Benefits

(i) Defined Contribution Superannuation Funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(ii) Long Service Leave

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Wages, Salaries, Annual Leave, Sick Leave and Non-Monetary Benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date including on-costs, such as workers remuneration insurance and payroll tax.

(iv) Share-based payment transactions

The Performance Rights Plan allows certain consolidated entity employees to receive shares of the Company. The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest except where the forfeiture is only due to share prices not achieving the threshold for vesting.

(v) Termination benefits

Termination benefits are recognised as an expense when the consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the retirement date.

(n) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation that can be measured reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Makegood costs for leased property

A provision for makegood costs for leased property is recognised when a makegood obligation exists in the lease contracts.

The provision is the best estimate of the present value of the expenditure required to settle the makegood obligation at the reporting date. Future makegood costs are reviewed annually and any changes are reflected in the present value of the makegood provision at the end of the reporting period. The unwinding of the discounting is recognised as a finance cost.

Surplus lease space

A provision for surplus lease space is recognised when the space is no longer required by the business in undertaking its revenue generating activities and the company is party to a non-cancellable lease. The provision is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date.

(o) Trade and Other Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on a 30 day basis.

(p) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(q) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(r) Accounting Estimates

The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of Goodwill

Note 13 contains information about the assumptions and their risk factors relating to goodwill impairment. The consolidated entity assesses whether goodwill is impaired at least annually. The calculations include an estimation of the recoverable amount of the cash generating unit to which the goodwill is allocated.

(ii) Rent Try Buy asset depreciation

Where assets are installed on Rent Try Buy contracts and their standard estimated useful life is greater than the period at which a similar item can be purchased for $1, an estimate of the number of assets expected to be purchased for $1 is made and additional depreciation expensed based on the average cost of assets installed.

(iii) Impairment of finance lease receivables

Note 19 contains information about the credit risk associated with finance lease receivables. The consolidated entity assesses the impairment of finance lease receivables at least annually. The calculations include an assessment of the expected rates of disconnections and the estimate of collateral.

(s) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

(t) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and performance rights are recognised as a deduction from equity net of any tax effects.

Dividends

Dividends are recognised in as a liability in the period in which they are declared.

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 31 March 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Consolidated entity's 31 March 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Consolidated entity's 31 March 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's financial report.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated entity's 31 March 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's disclosures.

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated entity's 31 March 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's financial report.

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Consolidated entity's 31 March 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the amending standard on the Consolidated entity's financial report.

2 Segment Reporting

The consolidated entity operates predominantly in one industry, being the rental and sale of browngoods, whitegoods, PCs and furniture products, and operates in one geographic segment, Australia. All revenues are generated externally.

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

3 Other Income

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Net gain on retail sales	1	8	–	–
Net gain on disposal of rental assets	433	924	–	–
Net gain (loss) on disposal of property, plant and equipment	5	(317)	–	–
Inter–company management fees	–	–	1,367	1,310
	439	615	1,367	1,310

4 Personnel Expenses

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Wages and salaries	24,747	21,860	276	76
Contributions to defined contribution superannuation funds	1,600	1,460	27	1
Increase / (decrease) in liability for annual leave	10	(49)	–	–
Increase / (decrease) in liability for long service leave	(26)	130	–	–
Termination Benefits	104	329	–	–
Equity settled share-based payment transactions	532	828	532	828
	26,967	24,558	835	905

5 Finance Income and Expenses

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Interest income on bank deposits	238	326	–	66
Dividend income from Thorn Australia Pty Ltd	–	–	3,513	–
Finance income	238	326	3,513	66
Interest expense on financial liabilities	(426)	(2,683)	–	–
Finance expense	(426)	(2,683)	–	–
Net finance income and expense	(188)	(2,357)	3,513	66

6 Auditors' Remuneration

In AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Audit services				
KPMG Australia:				
Audit and review of financial reports	349,000	385,000	349,000	–
	349,000	385,000	349,000	–
Other services				
KPMG Australia				
Taxation services	31,000	109,000	–	–
	31,000	109,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

7 Income Tax Expense

Recognised in the Income Statement	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current tax expense				
Current year	4,608	2,927	–	–
Adjustment for prior years	141	(52)	–	–
Deferred tax expense				
Origination and reversal of temporary differences	426	523	–	–
Total income tax expense in income statement	5,175	3,398	–	–

Numerical reconciliation between tax expense and pre-tax accounting profit	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Profit before tax	16,074	9,940	3,513	–
Prima facie income tax using the domestic corporation tax rate of 30% (2007: 30%)	4,822	2,992	1,054	–
Increase in income tax expense due to:				
Non-deductible expenses	212	458	–	–
Decrease in income tax expense due to:				
Non-assessable dividend income	–	–	(1,054)	–
Under / (Over) provided in prior years	141	(52)	–	–
Income tax expense on pre-tax accounting profit	5,175	3,398	–	–

8 Cash and Cash Equivalents

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Bank balances	4,924	6,932	–	–
Call deposits	50	50	–	–
Cash and cash equivalents	4,974	6,982	–	–

9 Trade and Other Receivables

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current				
Trade receivables	1,808	1,585	–	–
Finance lease receivables	9,958	5,593	–	–
Lease deposits	457	463	–	–
Intercompany income tax receivable	–	–	1,682	2,520
Other receivables and prepayments	1,466	1,919	–	–
	13,689	9,560	1,682	2,520
Non-current				
Receivables from a controlled entity (Thorn Australia)	–	–	40,877	40,345
Finance lease receivables	18,709	10,401	–	–
	18,709	10,401	40,877	40,345

Trade receivables are shown net of impairment losses amounting to $619,000 (2007: $650,000).
Finance lease receivables are shown net of impairment losses amounting to $1,655,000 (2007: $1,142,000)
The Consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 19.

10 Current Tax Assets and Liabilities

The current tax liability for the consolidated entity of $1,682,000 (2007: $2,520,000) and for the Company of $1,682,000 (2007: $2,520,000) represent the amount of income taxes payable in respect of current and prior financial periods.
In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

11 Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred Tax Assets and Liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Rental assets and property, plant and equipment	9,413	5,845	–	–	9,413	5,845
Makegood	–	–	(51)	(25)	(51)	(25)
Trade and other receivables	186	195	–	–	186	195
Finance Lease Receivables	–	–	(8,600)	(4,798)	(8,600)	(4,798)
Accruals	1,447	1,308	–	–	1,447	1,308
Provisions	802	1,098	–	–	802	1,098
Tax assets / (liabilities)	11,848	8,446	(8,651)	(4,823)	3,197	3,623

12 Property, Plant and Equipment and Rental Assets

	Consolidated				
	Land and Buildings	Leasehold Improvements	Rental Assets	Plant And Equipment	Total
In thousands of AUD					
Cost					
Balance at 1 April 2006	70	70	109,572	11,775	121,487
Additions	–	–	30,295	688	30,983
Disposals	–	(2)	(37,830)	(1,815)	(39,647)
Balance at 31 March 2007	70	68	102,037	10,648	112,823
Balance at 1 April 2007	70	68	102,037	10,648	112,823
Additions	–	–	37,133	2,136	39,269
Disposals	–	(10)	(49,611)	(49)	(49,670)
Balance at 31 March 2008	70	58	89,559	12,735	102,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

12 Property, Plant and Equipment and Rental Assets continued

	Consolidated				
	Land And Buildings	Leasehold Improvements	Rental Assets	Plant And Equipment	Total
In thousands of AUD					
Depreciation and Impairment Losses					
Balance at 1 April 2006	37	62	70,381	8,439	78,919
Depreciation charge for the year	2	1	21,073	1,876	22,952
Disposals	–	(1)	(26,170)	(1,468)	(27,639)
Balance at 31 March 2007	39	62	65,284	8,847	74,232
Balance at 1 April 2007	39	62	65,284	8,847	74,232
Depreciation charge for the year	2	–	20,715	1,350	22,067
Disposals	–	(4)	(29,143)	(53)	(29,200)
Balance at 31 March 2008	41	58	56,856	10,144	67,099
Carrying amounts					
At 1 April 2006	33	8	39,191	3,336	42,568
At 31 March 2007	31	6	36,753	1,801	38,591
At 1 April 2007	31	6	36,753	1,801	38,591
At 31 March 2008	29	–	32,703	2,591	35,323

13 Intangible Assets

In thousands of AUD	Consolidated Goodwill
Cost	
Balance at 1 April 2006	22,678
Balance at 31 March 2007	22,678
Balance at 1 April 2007	22,678
Balance at 31 March 2008	22,678

In thousands of AUD	Consolidated Goodwill
Amortisation and Impairment Losses	
Balance at 1 April 2006	7,074
Balance at 31 March 2007	7,074
Balance at 1 April 2007	7,074
Balance at 31 March 2008	7,074

In thousands of AUD	Consolidated Goodwill
Carrying amounts	
At 1 April 2006	15,604
At 31 March 2007	15,604
At 1 April 2007	15,604
At 31 March 2008	15,604

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Consolidated	
In thousands of AUD	**2008**	**2007**
Thorn Australia Pty Ltd	15,604	15,604
Total	15,604	15,604

The recoverable amount of the cash generating unit above is determined based on a value-in-use calculation. Value-in-use is calculated based on the present value of cashflow projections over a 5 year period. During the forecast period, revenue is assumed to grow at an average of 6% pa, operating costs are assumed to grow at an average of 3% pa, and the pre tax weighted average cost of capital is assumed at 12.79%. A terminal value is calculated using the cashflows for year 5 of the forecast period.

14 Trade and Other Payables

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current				
Trade payables	8,482	7,592	–	–
Other creditors and accruals	7,478	4,406	–	–
Deferred rental revenue	1,971	2,765	–	–
Property lease accrual	174	86	–	–
	18,105	14,849	–	–

The Consolidated entity's exposure to liquidity risk related to trade and other payables is disclosed in note 19.

15 Interest Bearing Loans and Borrowings

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Current liabilities				
Secured bank loans	5,000	–	–	–
	5,000	–	–	–
Non-current liabilities				
Secured bank loans	–	8,000	–	–
	–	8,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

15 Interest Bearing Loans and Borrowings continued

Financing Facilities

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Bank facility available	20,000	20,000	–	–
	20,000	20,000	–	–
Bank facility utilised at balance date	5,000	8,000	–	–
	5,000	8,000	–	–
Bank facility not utilised at reporting date	15,000	12,000	–	–
	15,000	12,000	–	–

Financing Arrangements

Bank loans

The bank loan is provided to Thorn Australia Pty Limited by the Westpac Banking Corporation. The loan is denominated in Australian dollars. The loan was due to be repaid on 8 December 2008. The loan was renewed on 17 April 2008 for a further term of 3 years, expiring in April 2011. 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.
- Security is provided to Westpac Banking Corporation by way of a fixed and floating charge over the assets of the Consolidated entity.

For more information about the Consolidated entity's exposure to interest rate risk and liquidity risk see note 19.

16 Employee Benefits

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Current				
Salaries and wages accrued	525	53	–	–
Liability for long service leave	842	873	–	–
Liability for annual leave	1,409	1,393	–	–
	2,776	2,319	–	–
Non Current				
Liability for long-service leave	350	345	–	–
	350	345	–	–

Defined Contribution Superannuation Funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $1,600,000 for the financial year ended 31 March 2008 (2007: $1,460,000).

17 Provisions

In thousands of AUD	Make Good	Store Relocation	Surplus Lease Space	Retirement Benefits	Stamp Duty	Total
Consolidated						
Balance at 1 April 2007	1,278	7	67	894	80	2,326
Provisions made during the year	193	–	79	–	–	272
Provisions used during the year	(171)	–	(67)	(894)	–	(1,132)
Provisions reversed during the period	(145)	(7)	–	–	(80)	(232)
Unwind of discount	29	–	–	–	–	29
Balance at 31 March 2008	1,184	–	79	–	–	1,263
Current	628	–	79	–	–	707
Non-current	556	–	–	–	–	556
	1,184	–	79	–	–	1,263
The Company						
Balance at 1 April 2007 and 31 March 2008	–	–	–	–	–	–

Make Good

A provision for makegood costs in respect of leased property is recognised when a makegood obligation exists in the lease contracts. The provision is initially recognised at the inception of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

18 Capital and Reserves

Share Capital

In thousands of shares	The Company 2008	2007
On issue at the beginning of year	127,360	25,000
Cancellation of shares	–	(18,967)
Issue of new shares under share split	–	8,477
Issue of new shares on vesting of performance rights	621	–
Issued for cash	–	112,850
On issue at the end of year	127,981	127,360

- Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.
- In the event of the winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.
- The Company does not have authorised capital or par value in respect of its issued shares.

Reserves

Equity Remuneration Reserve

The equity remuneration reserve represents the value of performance rights issued under the Company's long term incentive plan.

The equity remuneration reserve also includes the share based payment to the CEO of 1% of the Company's issued shares upon listing during the prior year.

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
2008				
Final 2007	0.97	1,235	Franked	25 July 2007
Interim 2008	1.78	2,278	Franked	18 January 2008
Total amount		3,513		

There were no dividends paid or declared in the prior year.

Franked dividends declared or paid during the year were franked at the tax rate of 30 percent.

After the balance sheet date, the following dividend was proposed by the directors.

	Cents per share	Total amount	Franked/unfranked	Date of payment
Final ordinary	2.48	$3,171,603	Franked	25 July 2008

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2008 and will be recognised in subsequent financial reports. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce franking credits by $1,359,259 (2007: $529,454).

	The Company	
In thousands of AUD	**2008**	**2007**
Dividend franking account		
30% franking credits available to shareholders of RR Australia Limited for subsequent financial years	4,055	780

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end; and

(c) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

19 Financial Risk Management

(a) Financial Risk Management Objectives and Policies

The Company and Consolidated entity are exposed to financial risks through the normal course of their business operations. The key risks arising are considered to be credit risk, liquidity risk and market risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and Consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company and Consolidated entity's activities. The Company and Consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Risk and Compliance Committee oversees how management monitors compliance with the Company and Consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Consolidated Entity.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer fails to meet its contractual obligation, and arises principally from the consolidated entity's trade and finance lease receivables from customers.

The Consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Consolidated entity's customer base, including the default risk of the industry and country in which customers operate, also has an influence on credit risk.

The majority of the Consolidated entity's customer base are retail customers. Each of these customers are required to pay regular fortnightly or monthly payments. These payments are small in nature, and therefore, no concentration of credit risk exists with the Consolidated entity's portfolio of customer accounts.

For the Company, credit risk arises from receivables due from subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

19 Financial Risk Management continued

Liquidity risk

Liquidity risk is the risk that the Consolidated entity will not be able to meet its financial obligations as they fall due. The Consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated entity's reputations.

The Consolidated entity's access to financing arrangements is disclosed in Note 15.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the consolidated entity's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Consolidated entity has not entered into any derivatives in order to manage market risks.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on capital, which the consolidated entity defines as profit before financing costs divided by total assets less current liabilities. The Board of directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the consolidated entity's approach to capital management during the year.

(b) Credit Risk

The carrying amount of the Consolidated entity's financial assets represents the maximum credit exposure. The Consolidated entity's exposure to credit risk at the reporting date was:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Trade receivables	1,808	1,585	–	–
Finance lease receivables	28,667	15,994	–	–
Receivables from controlled entities	–	–	42,559	42,865
	30,475	17,579	42,559	42,865

The Company and Consolidated entity operate in Australia. There is no exposure to other geographic regions.

Impairment losses

Trade Receivables

The aging of the Consolidated entity's receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
In thousands of AUD	**2008**	**2008**	**2007**	**2007**
Not past due	–	–	–	–
Past due 0 – 30 Days	1,448	294	1,312	280
Past due 31 – 120 Days	979	325	923	370
	2,427	619	2,235	650

The Consolidated entity invoices its customers in advance of the rental period. The invoice is not recognised in the financial statements until the due date of the invoice. As such, all of the Consolidated entity's receivables are past due.

The Company's receivables are not past due.

Finance lease receivables

The finance lease receivables are not past due.

The provision for impairment losses as at 31 March 2008 is $1,655,000 (2007: $1,142,000). The provision reflects the risk to the Consolidated entity of the expected early return of products throughout the life of the contract.

Collateral is held against the finance lease receivables in the form of the assets attached to the contract. The value of this collateral as at 31 March 2008 is $19,898,000 (2007: $10,827,000).

(c) Liquidity Risk

The following are the contractual maturities of the Consolidated entity's financial liabilities including, where applicable, future interest payments as at 31 March 2008.

31 March 2008

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
Bank loans	5,000	5,000	5,000	–	–
Trade and other payables	15,960	15,960	15,960	–	–
	20,960	20,960	20,960	–	–

31 March 2007

In thousands of AUD	Carrying Amount	Contractual Cash Flows	1 year or less	2-5 years	5 years or more
Bank loans	8,000	8,000		8,000	–
Trade and other payables	11,998	11,998	11,998	–	–
	19,998	19,998	11,998	8,000	–

Subsequent to balance date the Consolidated entity extended its bank loans to April 2011.

The Company does not have any financial liabilities in either year.

(d) Interest Rate Risk

At the reporting date the interest rate profile of the Consolidated entity's interest bearing financial instruments was:

Variable Rate Instruments

	Consolidated Carrying Amount		Company Carrying Amount	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Financial assets	4,974	6,982	–	–
Financial liabilities	(5,000)	(8,000)	–	–

The Company did not have any exposure to interest rate risk in either year.

A change of one percent in interest rates at the reporting date would have increased or decreased the Consolidated entity's equity and profit and loss by $9k (2007: $5k).

(e) Fair Values

The fair values of the Company's and Group's financial assets and liabilities as at the reporting date are considered to approximate their carrying amounts in all cases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

20 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2008 was based on profit attributable to ordinary shareholders of $10,899,000 (2007: $6,542,000) and a weighted average number of ordinary shares during the year ended 31 March 2008 of 127,533,135 (2007: 55,567,781).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2008 was based on profit attributable to ordinary shareholders of $10,899,000 (2007: $6,542,000) and a weighted average number of ordinary shares during the year ended 31 March 2008 of 129,460,000 (2007: 56,239,699), which includes performance rights granted.

	2008	2007
Profit attributable to ordinary shareholders (basic) *In thousands of AUD*		
Profit attributable to ordinary shareholders from continuing operations (basic and diluted)	10,899	6,542
Weighted average number of ordinary shares (basic) *In thousands of shares*		
Issued ordinary shares at 1 April	127,360	25,000
Effect of shares issued	173	30,568
Weighted average number of ordinary shares at 31 March	127,533	55,568
Weighted average number of ordinary shares (diluted) *In thousands of shares*		
Issued ordinary shares at 1 April	129,460	25,000
Effect of shares issued	–	30,568
Effect of performance rights granted	–	672
Weighted average number of ordinary shares (diluted) at 31 March	129,460	56,240
Earning per share for continuing operations		
Basic earnings per share		
In cents		
From continuing operations	8.55	11.77
Diluted earnings per share		
In cents		
From continuing operations	8.42	11.64
Alternative earnings per share		
Basic earnings per share from continuing operations (in cents), based on total shares on issue at balance date 127,981,250 (2007:127,360,000)	8.52	5.14
Diluted earnings per share from continuing operations (in cents), based on total shares (including the effect of performance rights) at balance date of 129,460,000 (2007: 129,460,000)	8.42	5.05

21 Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Less than one year	6,309	5,243	–	–
Between one and five years	11,258	6,737	–	–
	17,567	11,980	–	–

The Consolidated entity leases all the store premises, and the corporate office under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Most of the lease payments are increased every year to reflect market rentals. None of the leases include contingent rentals.

The Consolidated entity leases vehicles under operating leases. The lease term for these vehicles normally runs for a period of 4 years. The lease payments are set at the commencement of the lease term for the term of the lease. None of the leases include contingent rentals.

Leases as Lessor

The consolidated entity leases out its rental assets under operating leases.
The future minimum lease payments under non-cancellable operating leases are as follows:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Less than one year	23,279	26,562	–	–
Between one and five years	4,395	4,640	–	–
	27,674	31,202	–	–

22 Finance Leases

Leases as Lessor

The consolidated entity leases out its rental assets under finance leases. The consolidated entity classifies Rent Try Buy contracts as finance leases where the term of the contract is 36 months, and the asset rented has an estimated useful life equal to the contract length. The future minimum lease payments under non-cancellable finance leases are as follows:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Less than one year	24,896	13,584	–	–
Between one and five years	26,505	16,041	–	–
	51,401	29,625	–	–

Unearned finance income in relation to finance leases as at 31 March 2008 $21,078,000 (2007: $13,630,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

23 Consolidated Entities

	Country of Incorporation	Ownership interest	
		2008	2007
Parent entity			
RR Australia Limited	Australia		
Subsidiaries			
Thorn Australia Pty Ltd	Australia	100%	100%
Eclipse Retail Rental Pty Ltd	Australia[1]	100%	100%
Rent Try Buy Pty Limited	Australia[2]	100%	–
CashFirst Pty Ltd	Australia[2]	100%	–
1st Cash Pty Ltd	Australia[2]	100%	–

1 Controlled entity of Thorn Australia Pty Ltd

2 Newly incorporated entity held by RR Australia Ltd

24 Contingencies

The industry in which the company operates is highly regulated. Documentation, marketing and sales activities (both written and verbal) must comply with strict rules provided in the Uniform Consumer Credit Code and other legislation such as the Fair Trading and door to door sales legislation. Breach of these rules can result in fines or civil penalties or damages or compensation or some combination of these.

The Company has no reason to believe that this matter is likely to result in a material effect on the profitability of the company and no provision exists for any potential exposure in connection with this matter.

The Company is aware (via the "mystery shop" process, where a person presents as a customer but is not a real customer) that some verbal statements may have been made to some customers inaccurately describing the customer's rights in relation to the acquisition of Similar Products to those rented under its Rent Try Buy contracts. Under the Uniform Consumer Credit Code, the amount at risk in relation to any affected contract is part of any deemed "interest" payable under that contract and/or any penalties which could be imposed. No customer complaints have been received in this regard.

The Company has no reason to believe that this matter is likely to result in a material effect on the profitability of the Company and no provision exists for any potential exposure in connection with this matter.

25 Deed Of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries noted below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

As a condition of the Class Order, RR Australia Limited and the controlled entity Thorn Australia Pty Limited entered into a Deed of Cross Guarantee on 20 March 1997. Eclipse Retail Rental Australia Pty Limited was also added by an Assumption Deed to the Deed of Cross Guarantee on 26 March 1999. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The other controlled entities which are not included in the Deed of Cross Guarantee are dormant. The consolidated income statement and consolidated balance sheet of the company and the controlled entities which are a party to the Deed of Cross Guarantee is not materially different from that of the Consolidated entity. Accordingly, no separate information has been provided for the entities forming part of this Deed.

26 Reconciliation of Cash Flows from Operating Activities

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities				
Profit for the period	10,899	6,542	3,513	–
Adjustments for:				
Depreciation	1,353	1,879	–	–
Equity settled transactions	532	828	532	828
Dividend Income	–	–	(3,513)	–
Property, plant and equipment disposed.	(7)	322	–	–
Operating profit before changes in working capital and provisions	12,777	9,571	532	828
Decrease in rental assets	4,050	2,438	–	–
(Increase) / Decrease in trade and other receivables	(12,437)	(6,962)	306	(2,137)
Decrease in deferred tax assets	426	523	–	–
Increase / (Decrease) in income tax liability	(838)	1,375	(838)	1,375
Increase in trade and other payables	3,256	315	–	–
Decrease in provisions and employee benefits	(600)	(1,444)	–	–
Net cash from operating activities	6,634	5,816	–	66

27 Related Parties

The following were key management personnel of the consolidated entity at any time during the reporting period, and unless otherwise indicated, were key management personnel for the entire period:

Non-executive directors	**Executives**
Bernard Carrasco (Chairperson)	Peter Eaton (Chief Financial Officer and Company Secretary)
David Carter	Peter Krideras (General Manager Merchandising and Marketing)
Peter Henley (appointed 21 May 2007)	James Marshall (General Manager Sales and Operations)
Paul Lahiff (appointed 21 May 2007)	Ken Wolfendale (General Manager Corporate Services)
Gordon Howlett (retired 31 May 2007)	Ian Scott (General Manager Financial Services) (appointed 12 December 2007)
Laurence Cooklin (retired 14 June 2007)	
Executive director	Derrick Hubble (General Manager) (resigned 31 Oct 2006)
John Hughes (Chief Executive Officer)	Tamora Wells (Marketing Manager) (resigned 12 March 2007)

Key management personnel remuneration

	Consolidated		The Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Short-term employee benefits	2,387,594	1,918,007	1,062,815	856,228
Other long-term benefits	–	–	–	–
Post-employment benefits	97,089	100,080	41,000	38,751
Termination Benefits	–	332,287	–	–
Share based payments	531,834	827,549	531,834	827,549
	3,016,517	3,177,923	1,635,649	1,722,528

Information regarding individual directors and executives remuneration disclosures is provided in the Remuneration Report on page 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2008

27 Related Parties continued

Movements in shares

The movement during the reporting period in the number of ordinary shares in RR Australia Limited held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 April 2007	Purchases	Received upon exercise of performance rights	Received upon listing	Sales	Held at 31 March 2008
Directors						
Bernard Carrasco	50,000	100,000	–	–	–	150,000
David Carter	200,000	–	–	–	–	200,000
John Hughes	1,673,000	128,500	443,750	–	–	2,245,250
Peter Henley	–	30,000	–	–	–	30,000
Paul Lahiff	–	31,250	–	–	–	31,250
Gordon Howlett	60,000	–	–	–	–	N/A
Laurence Cooklin	50,000	–	–	–	–	N/A
Executives						
Peter Eaton	20,000	–	177,500	–	–	197,500
Peter Krideras	50,000	75,000	–	–	–	125,000
Ken Wolfendale	4,000	4,726	–	–	–	8,726
James Marshall	–	31,250	–	–	–	31,250

	Held at 1 April 2006	Purchases	Received upon exercise of performance rights	Received upon listing	Sales	Held at 31 March 2007
Directors						
Bernard Carrasco	–	50,000	–	–	–	50,000
David Carter	–	200,000	–	–	–	200,000
John Hughes	–	400,000	–	1,273,000	–	1,673,000
Gordon Howlett	–	70,000	–	–	(10,000)	60,000
Laurence Cooklin	–	50,000	–	–	–	50,000
Executives						
Peter Eaton	–	20,000	–	–	–	20,000
Peter Krideras	–	50,000	–	–	–	50,000
Ken Wolfendale	–	4,000	–	–	–	4,000

Performance rights over equity instruments granted as remuneration

The movement during the year in the number of performance rights over ordinary shares in RR Australia Limited held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 April 2007	Granted as Compensation	Exercised	Held at 31 March 2008	Vested during the year	Vested and exercisable at 31 March 2008
Director						
John Hughes	1,500,000	–	443,750	1,056,250	443,750	–
Executive						
Peter Eaton	600,000	–	177,500	422,500	177,500	–

	Held at 1 April 2006	Granted as Compensation	Exercised	Held at 31 March 2007	Vested during the year	Vested and exercisable at 31 March 2007
Director						
John Hughes	–	1,500,000	–	1,500,000	–	–
Executive						
Peter Eaton	–	600,000	–	600,000	–	–

Other transactions with key management personnel

Apart from the details disclosed in this note and the Remuneration Report on page 18, no director has entered into a material contract with the Company or the Consolidated entity since the end of the previous year and there were no material contracts involving directors' interest at year end.

28 Subsequent Events

Subsequent to the balance date, the Consolidated entity agreed to a renewal of its debt facility with Westpac Banking Corporation for a period of 3 years, expiring April 2011.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 MARCH 2008

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

(a) the financial statements and notes and the remuneration disclosures that are contained in sections 4.4.1, 4.4.2 and 4.4.4 of the Remuneration Report in the directors' report, set out on pages 18 to 25, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 March 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);

(c) the remuneration disclosures that are contained in sections 4.4.1, 4.4.2 and 4.4.4 of the Remuneration Report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001.

2 There are reasonable grounds to believe that the Company and the consolidated entities identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the consolidated entities pursuant to ASIC class order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and chief financial officer for the financial year ended 31 March 2008.

Signed in accordance with a resolution of the directors:

Bernard Carrasco
Chairman

Dated at Sydney
29 May 2008

John Hughes
Managing director

Dated at Sydney
29 May 2008

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2008

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

Report on the financial report and AASB 124 remuneration disclosers contained in the Directors' report

We have audited the accompanying financial report of RR Australia Limited (the Company), which comprises the balance sheets as at 31 March 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration of the consolidated entity compromising the Company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited sections 4.4.1, 4.4.2 and 4.4.4 of the Remuneration Report contained in section 4 of the Directors' report. As permitted by the Corporations Regulations 2001, the Company has disclosed certain information about the remuneration of directors and executives (remuneration disclosures), including those required by Australian Accounting Standard AASB 124 *Related Party Disclosures* under the heading "Remuneration Report" in section 4 of the Directors' report and not in the financial report. We had audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report

The directors of the Company are responsible for the preparation and fair presentation of the 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 financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosure contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform that audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosure contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of RR Australia Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 March 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in sections 4.4.1, 4.4.2 and 4.4.4 of the Remuneration Report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Nicola Davis
Partner

Sydney
29 May 2008

ADDITIONAL INFORMATION

(a) Distribution of shareholders

Category (size of holding)	Number of ordinary
1 to 1,000	69
1,001 to 5,000	275
5,001 to 10,000	399
10,001 to 100,000	616
100,001 and over	52
	1,411

(b) The number of shareholders in less than marketable parcels is nil

(c) The names of the substantial shareholders listed in the company's register as at 31 March 2008 are:

Shareholder	Number of ordinary
National Nominees Limited	17,619,600
JP Morgan Nominees Australia	14,562,249
RBC Dexia Investor Services Australia Nominees Pty Limited	14,245,123
HSBC Custody Nominees Australia Limited	10,919,286
Cogent Nominees Pty Limited	10,306,819

(d) Voting Rights

The company only has ordinary shares on issue.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(e) 20 largest shareholders - ordinary shares

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1	National Nominees Limited	17,586,600	13.74
2	J P Morgan Nominees Australia Limited	14,975,247	11.70
3	RBC Dexia Investor Services Australia Nominees Pty Limited	14,245,123	11.13
4	HSBC Custody Nominees Australia) Limited	10,749,286	8.40
5	Cogent Nominees Pty Limited	10,536,119	8.23
6	RBC Dexia Investor Services Australia Nominees Pty Limited	5,073,486	3.96
7	RBC Dexia Investor Services Australia Nominees Pty Limited	3,668,102	2.87
8	Citicorp Nominees Pty Limited	3,662,708	2.86
9	Queensland Investment Corporation	2,977,097	2.33
10	Invia Custodian Pty Limited	2,707,768	2.12
11	Bond Street Custodians Limited	2,245,850	1.75
12	ANZ Nominees Limited	2,114,955	1.65
13	UBS Nominees Pty Ltd	1,624,313	1.27
14	Bond Street Custodians Limited	1,037,184	0.81
15	Invia Custodian Pty Limited	949,545	0.74
16	Equity Trustees Limited	947,318	0.74
17	Citicorp Nominees Pty Limited	838,014	0.65
18	TDM Asset Management Pty Ltd	750,000	0.59
19	Henderson International P/I Atf Skibo Super Fund	655,000	0.51
20	Henderson International P/I	618,715	0.48

CORPORATE DIRECTORY

Directors

Bernard Carrasco – Chairman
John Hughes – Managing Director
David Carter – Non-Executive Director
Paul Lahiff – Non-Executive Director
Peter Henley – Non-Executive Director

Auditor to RR Australia Limited

KPMG
10 Shelley Street
Sydney NSW 2000

Company Secretary

Peter Eaton

Registered office

RR Australia Limited
Level 1
47 Rickard Road
Bankstown NSW 2200
www.radio-rentals.com.au
Tel: +61 2 9101 5000
Fax: +61 2 9101 5033

Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

www.radio-rentals.com.au

radio rentals