

STRENGTH & INNOVATION



RR AUSTRALIA LIMITED

OUR VISION

“To be **Australia’s leading provider** of retail and financial services to niche consumer and commercial markets”

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 NSW on Thursday 20 August 2009, commencing at 2.00pm.

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COMPANY DEVELOPMENT

Strength

Established with the opening of a store in Sydney in 1937, the Company 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.

The underlying strength of the core rental business and associated positive operating cashflows has enabled the Company to achieve substantial growth in recent years and provides a sound platform for development of strategic initiatives.

Innovation

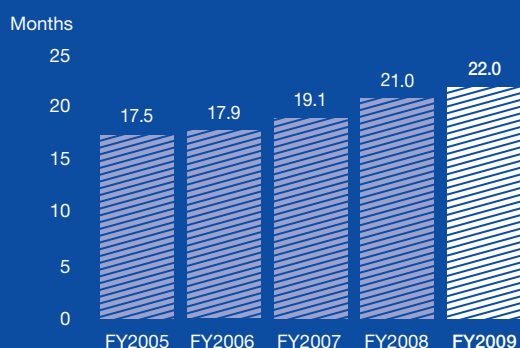
The Company is building on its substantial core business and competencies to provide an even broader range of products and services to the Australian marketplace.

This includes consumer cash loans through its Cashfirst brand, specialised commercial rental via Thorn Business Services and internet retail via BigBrownBox.com.au

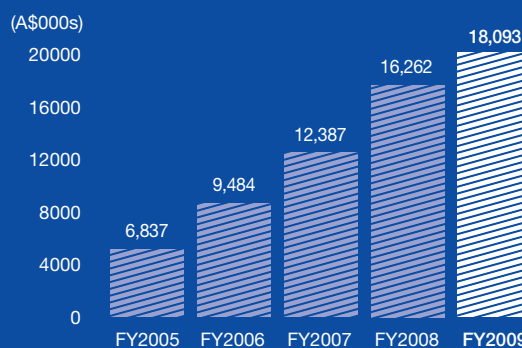
FINANCIAL HIGHLIGHTS

- ≡ Revenue up 9% to \$127.4 million
- ≡ Actual PAT of \$12.3 million – a 13% increase on the previous corresponding period
- ≡ Arrears at record lows
- ≡ Positive operating cashflow
- ≡ EPS of 9.61 cents
- ≡ Strong balance sheet with 8.7% debt to equity
- ≡ Final dividend of 2.91 cents per share fully franked

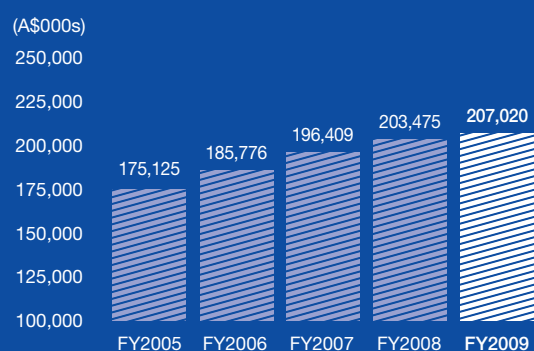
Average Contract Term



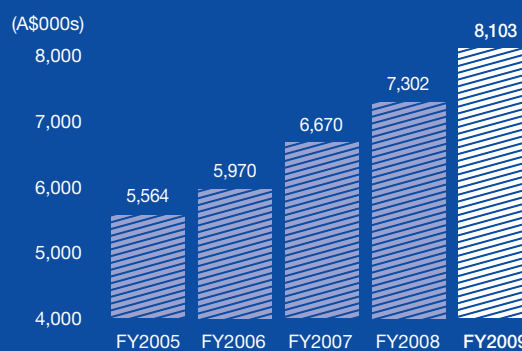
Pro-forma EBIT performance



Average Units on rent¹



Average rental dues



¹ Average units on rent at financial year end

OPERATIONAL HIGHLIGHTS

- ≡ 6.9% increase in overall customers
- ≡ Major increases in developing product areas
- ≡ New rental websites generating over 50,000 hits and 2,000 on-line applications per month
- ≡ Continued efficiency improvements through 'Operational Excellence' and 'Workforce Planning' programs
- ≡ Improved staff retention
- ≡ 68%+ of customers on automated payments
- ≡ Launch of Cashfirst and BigBrownBox.com.au
- ≡ Rentlo relaunch into the Adelaide market



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 2009.

Whilst the global financial crisis impacted the Australian economy and consequently many businesses, RR Australia continued to prosper. The performance of the Company during this time is testament to the power of the business model which will continue to provide a substantial base for future growth.

Profit

Results for the year ended 31 March 2009 once again exceeded market forecasts with net profit after tax of \$12.3 million, an increase of 13% over last year's result. Importantly, this was after accounting for losses associated with the launch of three strategic initiatives.

Dividends

On 27 May, the Board declared a fully franked dividend of 2.91 cents per share to be paid on 23 July 2009. This brings the full year dividends to 4.79 cents compared to 4.26 cents last year.

Balance Sheet

The low level of gearing of the Company's Balance Sheet at just 8.7% debt to equity places it in a very strong position and provides the business with considerable capacity for further development of recently introduced strategies or acquisitions.

Corporate Governance

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

Pages 16 to 18 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 pages 19 to 26.

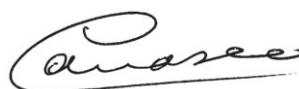
Growth Strategy

During the year management launched three new strategies into the market which will add force to RRA's future capabilities and sustainability. Further details can be found in the Managing Director's operational 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



At a time of major economic uncertainty and other businesses being impacted by significant downturns in profitability, it is extremely pleasing to be able to report such a positive result.

Overview

It is times such as this that reinforce the true strength and underlying defensive nature of the Company and its ability to perform under even the toughest of circumstances. It is this resilience coupled with strong positive cashflows and conservative gearing that stands it in such good stead.

This market resilience is underpinned by a high level of recurring revenues within the business and the potential growth of the customer market as economic conditions deteriorate.

The 6.9% growth in customers is a clear indication as to the success of our marketing approach and this will continue to be fine tuned through consideration of the outcomes from ongoing customer feedback and research.

I am also pleased to report that the growth of the business was achieved whilst maintaining consistent quality standards, which is clearly demonstrated by the achievement of record low levels of customer arrears across the nation. This is an important indicator as to the high standards that are being reinforced throughout the business, particularly in ensuring that we meet customer's needs within their financial capacity.

Staff training and development was also a key focus area during the year along with an enhancement of staff benefits. As with many organisations staff retention has been difficult during a time of low unemployment and hence we significantly increased our attention to this area. A particularly important part of our investment has

been the development and launch of a Levels Training Program that provides staff with significant rewards and recognition for achievement.

We believe that this training and development program along with a continuing focus on 'operational excellence' will lead to enhanced staff retention and further gains in operational efficiency that will benefit all concerned.

The launch of Cashfirst, BigBrownBox.com.au and Rentlo in South Australia were all exciting initiatives for the business, and whilst they are all only in their formative period of development we remain confident that each will, in time, become a noteworthy contributor to the ongoing success of the Company

Outlook

The 2009/2010 financial year provides us with a number of opportunities and challenges. We believe that the business can continue to achieve solid organic growth from the core rental operations, particularly with the predicted continued high level of demand for flat panel TVs and computers. Along with this we will be concentrating on further enhancement of our strategic initiatives.

Furthermore, a continued slowing of the economy could actually see our potential market grow as peoples' circumstances change.

A handwritten signature in black ink, appearing to read 'John Hughes', written in a cursive style.

John Hughes
Managing Director and CEO

OUR BRANDS



Radio Rentals offers an extensive range for all your technology, home and office needs. Rent, Try, Buy!



Rentlo is South Australia's newest home appliance rental company providing complete home and business solutions.



Shopping online with Big Brown Box offers a large range of Home Electronics, Whitegoods and Appliances.



Cashfirst provides unsecured personal loans with easy credit requirements and flexible terms.



Thorn Business Services specialises in providing rental solutions for business and government.



Thorn Financial Services manages and processes customer debts, focusing on providing support to the store network.

RADIO RENTALS AND RENTLO

THE NETWORK

- ≡ Rentlo relaunch in South Australia
- ≡ New lifestyle concept stores opened
- ≡ Eastern Sydney model launched
- ≡ Access to 90% of the target market

South Australia, particularly the Adelaide market, has been recognised for some time as a significant market opportunity, however with the Company being unable to trade as Radio Rentals, the decision was made to relaunch into the market under the Rentlo banner, which until 2003 had been a substantial national rental business. Subsequently, two stores were opened in April 2008 with both being an immediate success and exceeding expectations.

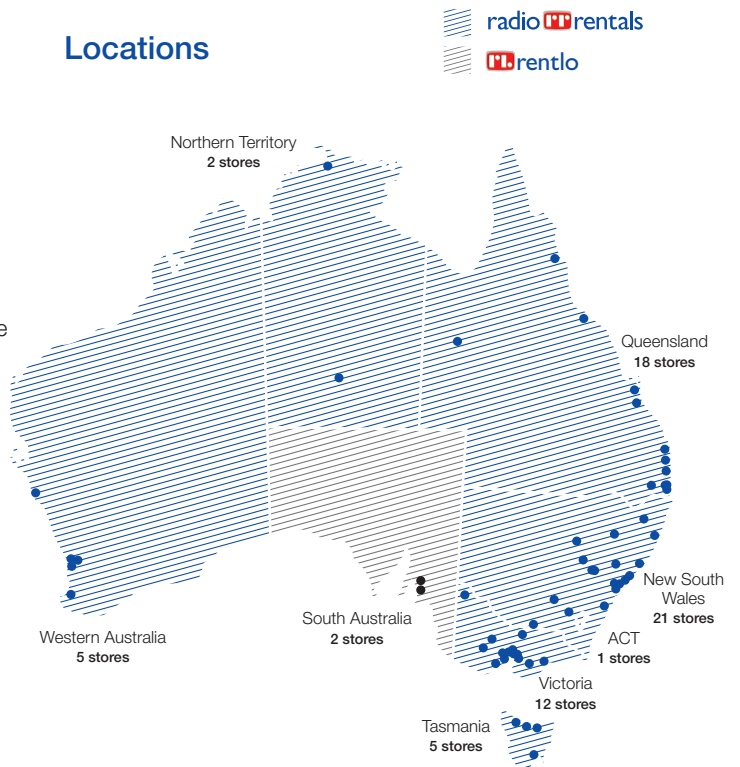
Further to this success, two additional stores will be opened during the first half of the coming financial year.

Another exciting development within the store network has been the launch of a new lifestyle store concept. This was first trialed in Robina in Queensland earlier in the year and following very positive results and customer feedback, has now become an important part of our store fitout program. The new design incorporates a slightly larger store size but most importantly has nearly all the stock displayed on the sales floor and features lifestyle settings which enable customers to really see how the products will look at home – a great selling feature.

The Eastern Sydney project also came to fruition with the opening of new showrooms in Bondi and Broadway that leverage off a central logistics and administration centre in Arncliffe. This fresh approach has enabled the Company to maximise marketing effectiveness with prime high street showroom locations whilst optimising operational efficiencies.

With 67 locations across the nation and some 70% of customer enquiries being by phone or through the internet, the business is able to effectively service around 90% of its target market and is not reliant on store growth to generate additional revenues – a very cost efficient proposition.

Locations



RADIO RENTALS AND RENTLO CONTINUED

PROPOSITIONS

- ≡ Continued success of Rent, Try, Buy! (RTB)
- ≡ Over 40% of RTB contracts for new products reach 36 months
- ≡ Some 40% of customers take a new product after completing a Rent, Try, Buy! contract

Since its launch in 2002, RTB has been a driving force in the thriving development of the Company. The attractiveness and success of Rent, Try, Buy! is strongly linked to the ability of customers to purchase a 'similar product' to the item they are renting for just \$1 after 36 months. A 'similar product' being one that is the same in age, features and accessories. Alternatively, the customer can make an offer to purchase the product being rented at anytime after the expiry of the rental term which the Company can either accept or reject.

This has eliminated the fear that 'renting is dead money' and represents a significant positive for customers, particularly in comparison to any other offering in the market – a truly superior proposition!

PRODUCTS

- ≡ Plasma / LCD televisions and PCs continue to grow
- ≡ Furniture expanded following range review

Growth in installation income was strongly supported by a continued healthy performance from flat panel TVs. Importantly industry predictions suggest that the strong growth rate of this segment will continue unabated for a number of years and will be underpinned by the switchover to digital broadcasting and further product innovations.

Furniture and fitness equipment also continued to deliver sound increases in new business and assisted the Company to considerably enlarge its business platform that will stand it in good stead for future expansion.

A comprehensive range of products is offered to consumers including audio visual, kitchen and laundry appliances, computers, furniture and gym equipment from leading brands including LG, Panasonic, Sony, Toshiba, ACER, Dell, Mitsubishi, Westinghouse, Simpson, de Longhi and BH Fitness.



CUSTOMERS

- ≡ 6.9% increase in customers versus 4% in prior year
- ≡ 'New' customers who are being attracted by increasing brand awareness and broader range

Rent, Try, Buy!, the relaunch of Rentlo into South Australia along with sustained high levels of demand for PCs and flat panel TVs has had a major positive impact in generating continued growth of new customers. In addition, rental often becomes increasingly attractive when there is an increase in the number of households that are experiencing financial difficulty and hence positive economic conditions are not essential to ensure growth of the business.

MARKETING

- ≡ Sustained focus on "Call to Action" TV advertising
- ≡ Websites generate high levels of inquiry
 - Over 600,000 'hits'
 - 24,000 on-line applications

A continuous scheduling of TV advertising to prime demographics throughout the year coupled with a sustained focus on 'call to action' style ads generated elevated levels of enquiry that resulted in significant increases in written business.

Customer research findings reinforced that the Rent, Try, Buy! offering along with the \$1 buyout, service support and flexibility in assisting customers and acting as a "friendly helper" were key elements in achieving positive consumer response. This feedback has been instrumental in the development of a revamped series of ads that will go to air in 2009/10 and which are expected to further enhance the Company's positioning and performance.



THORN BUSINESS SERVICES

- ≡ Specialist provider for business and government
- ≡ Registered for government tenders nationally
- ≡ High levels of client assistance with single point of contact
- ≡ Leverages logistics and technical support from Radio Rentals and Rentlo store network



Thorn Business Services (TBS) specialises in providing rental solutions for business, particularly the SME sector and government. Major clients include Tabcorp, NSW TAB Association, ACTTAB, WA TAB Association, Department of Defence and Toll Transitions who each rent product for different needs.

With its ability to leverage off the nationwide Radio Rentals and Rentlo network, TBS is able to offer clients a comprehensive range of products with high level support.

The current tough economic conditions and tightening of access to funding should provide TBS with an excellent opportunity for growth as businesses and governments consider alternative means of obtaining access to essential products.

THORN FINANCIAL SERVICES

- ≡ Record low arrears
- ≡ More than 68% of customers on Automated Payments
- ≡ Specialist debtor management skills
- ≡ Cashfirst launched nationally in September 2008

Powered By: **radio** rentals

cashfirst™

Home About Us How It Works FAQs Find A Store Apply Now

Loans up to \$3,000.
- From a name you can trust.
- No ongoing fees and charges.

Apply Now

iPod Nano 8GB Tell us in 25 words or less what you would do with \$3,000 and

Loans of up to \$3,000 in 3 easy steps

1. 2. 3.

Repayment Calculator Choose an amount between \$1,000 and \$3,000 to see how easy and flexible payments can be

Thorn Financial Services (TFS) is the internal division that manages and processes customer accounts from inception to termination in liaison with the store network. It is particularly focussed on providing support in account acceptance, arrears that are less than 30 days and debt recovery.

A particularly pleasing aspect of the Company's performance for the year was that arrears averaged their lowest levels on record including the end of year result.

An important element in achieving this high level of performance is matching customer risk to product value and ensuring customer affordability through a tailored 'Credit Scorecard' which takes into account income and expenses to determine a rental limit or 'capacity'.

In September 2008, Cashfirst, an unsecured loan product, was rolled out nationally and finished the year with a loan book of \$3 million. This was below expectations and reflected a decline in approvals over recent months due to the lower quality of applications which was reflective of the market. During this time the Company also reviewed its lending criteria to further ensure that any expansion would only be through continuing to write quality business. Early in the new year the website will receive a facelift that incorporates enhanced functionality and promotional activity.

Importantly it is believed that the value of the Cashfirst offering places it in a very competitive position as brand awareness builds. In addition, any new government regulations that place a 'cap' on interest rates and charges will most likely see a number of other players, who have a higher cost of funds and operations, exit the market.

BIGBROWNBOX.COM.AU

- ≡ Exciting new area of opportunity
- ≡ Positioned strongly
- ≡ Leverages core competencies of RRA

With more than 13 million Australians being regular internet users and total eCommerce sales expected to hit nearly \$40 billion in 2010, BigBrownBox.com.au is in a strong position to benefit.

As part of RRA, BigBrownBox.com.au is able to leverage a number of key elements including:

- The purchasing power of being a member of NARTA, which is Australasia's largest independent buying group with purchases in excess of \$2 billion;
- The logistics strength of its national 67 store network that covers some 90% of Australia's population; and
- Back office systems and support.

The site boasts a wide range of products from leading brands at very competitive prices and includes free delivery, which is an important selling point for consumers. There are now over 100 categories and more than 1,000 products on range, larger than any traditional retailer has the capacity to carry and display.

Delivery of small items is through Australia Post, whilst larger items are primarily delivered by the Radio Rentals and Rentlo teams.

BigBrownBox.com.au also incorporates a different marketing approach and significant focus is on Search Engine Optimisation, Search Engine Marketing and Digital Marketing which takes it into a new realm. This is supported by established media including newspapers and TV.

Customer feedback has been extremely positive in regards to all aspects of the site and it is well positioned to capture a solid level of sales in the year ahead.



FINANCIAL REPORT

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 2009 and the auditor's report thereon.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2009

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
<p>Bernard Carrasco</p> <p>Chairperson Independent Non-Executive Director</p>	<p>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.</p> <p>Bernard Carrasco was appointed as a Director on 3 November 2006.</p>
<p>John Hughes</p> <p>CEO and Managing Director</p>	<p>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.</p> <p>John Hughes was appointed as a Director on 3 November 2006.</p>
<p>David Carter</p> <p>Independent Non-Executive Director</p>	<p>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). 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.</p> <p>David Carter was appointed as a Director on 3 November 2006.</p>
<p>Peter Henley</p> <p>Independent Non-Executive Director</p>	<p>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 and United Financial Services Group Ltd. Peter is a Non-Executive Director, Deputy Chairman and a member of the Audit and Risk Committee of MTA Insurance 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.</p> <p>Peter Henley was appointed as a Director on 21 May 2007.</p>

Name and independence status	Experience, special responsibilities, qualifications and other directorships
<p>Paul Lahiff</p> <p>Independent Non-Executive Director</p>	<p>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.</p> <p>Paul Lahiff was appointed as a Director on 21 May 2007.</p>

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).

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		Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B
Bernard Carrasco	9	9	5	5	1	1
John Hughes	9	9	5	5	–	–
David Carter	9	9	5	5	1	1
Peter Henley	9	9	5	5	–	–
Paul Lahiff	9	9	–	–	1	1

A – Number of meetings attended.

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

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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 risk management, internal control, legal compliance 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).

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the board has established an Audit, Risk and Compliance committee and a Remuneration and Nomination committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of 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 and executive education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the 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.

The Company also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Company structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

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:

1. is a substantial shareholder of the Company or is otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
2. 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;
3. 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;
4. 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;
5. has a material contractual relationship with the Company or a related body corporate other than as a director of the Company;
6. 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; and
7. 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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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.

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 Remuneration and Nomination Committee

The Remuneration and Nomination Committee has a documented charter, approved by the Board. All members are non-executive directors with a majority being independent. The Remuneration and Nomination Committee assists the board in its oversight responsibilities by monitoring and advising on:

- remuneration packages of senior executives, non-executive directors and executive directors;
- share option schemes and incentive performance packages;
- executive contracts;
- recruitment, retention and termination policies relating to the Board and senior executives; and
- monitoring the size and composition of the Board.

The members of the Remuneration and Nomination Committee during the year were:

- Bernard Carrasco (Chairman) – Independent, Non-Executive
- David Carter – Independent, Non-Executive
- Paul Lahiff – Independent, Non-Executive

The Committee will take advice from external consultants to identify potential candidates for the Board. The Committee makes recommendations to the Board on the candidates. The Board then appoints the most suitable candidates. 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 Report – Audited

4.3.1 Principles of remuneration

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:

1. the capability and experience of the key management personnel;
2. the key management personnel's ability to control the relevant performance;
3. the consolidated entity's performance; and
4. 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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

The financial performance objective for 2009 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 performance evaluation in respect of the year ended 31 March 2009 has taken place in accordance with this process.

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 holders of the performance rights are entitled to receive one ordinary share per performance right.

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.

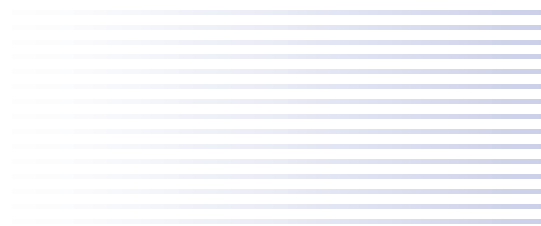
The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth criterion as it includes share price growth, dividends and other capital adjustments.

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.

	2009	2008	2007
Net profit attributable to equity holders	\$12,320,000	\$10,899,000	\$6,542,000
Dividends paid	\$5,594,000	\$3,513,000	–
Change in share price	(0.06)	(0.20)	0.25
Return on capital employed	23.77%	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 of capital are included in the TSR calculation which is 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.

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, with no specific expiry date. 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 dated 4 December 2006 with the Company, with no specific expiry date. 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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

4.3.2 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:

In AUD	Short-term			Post-employment benefits			Long-term benefits		Share-based payments		Total \$	Proportion of remuneration related %	Value of performance rights as proportion of remuneration %
	Salary & fees \$	STI cash bonus \$(A)	Non-monetary benefits \$(B)	Total \$	Super-annuation benefits \$	Long Service Leave \$	Termination benefits \$	Options and rights \$(C)	Total \$				
DIRECTORS													
Non-Executive													
Bernard Carrasco													
2009	115,000	-	-	115,000	10,350	-	-	-	-	-	125,350	-	-
2008	108,096	-	-	108,096	12,875	-	-	-	-	-	120,971	-	-
David Carter													
2009	65,000	-	-	65,000	5,850	-	-	-	-	-	70,850	-	-
2008	60,071	-	-	60,071	5,406	-	-	-	-	-	65,477	-	-
Peter Henley													
2009	60,000	-	-	60,000	5,400	-	-	-	-	-	65,400	-	-
2008	50,577	-	-	50,577	4,552	-	-	-	-	-	55,129	-	-
Paul Lahiff													
2009	55,000	-	-	55,000	4,950	-	-	-	-	-	59,950	-	-
2008	47,789	-	-	47,789	4,301	-	-	-	-	-	52,090	-	-
Former													
Gordon Howlett (retired 31 May 2007)													
2009	-	-	-	-	-	-	-	-	-	-	-	-	-
2008	9,423	-	-	9,423	-	-	-	-	-	-	9,423	-	-
Executive													
John Hughes													
2009	451,219	203,908	11,990	667,117	13,461	-	-	-	-	154,314	834,892	43%	18%
2008	391,985	382,884	11,990	786,859	13,866	-	-	-	-	379,881	1,180,606	65%	32%

In AUD	Short-term			Post-employment benefits			Long-term benefits		Share-based payments		Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
	Salary & fees \$	STI cash bonus \$ ⁽⁴⁾	Non-monetary benefits \$ ⁽⁵⁾	Total \$	Super-annuation benefits \$	Long Service Leave \$	Termination benefits \$	Options and rights \$ ⁽⁶⁾	Total \$			
EXECUTIVES												
Peter Eaton – Chief Financial Officer and Company Secretary ¹												
2009	216,522	93,798	10,438	320,758	15,770	12,286	-	61,725	410,539	38%	15%	
2008	199,365	283,997	5,741	489,103	17,244	7,547	-	151,953	665,847	65%	23%	
Peter Krideras – GM Merchandising & Marketing												
2009	148,878	66,270	14,006	229,154	13,046	7,633	-	-	249,833	27%	-	
2008	134,219	126,457	10,424	271,100	12,080	8,443	-	-	291,623	43%	-	
James Marshall – GM Sales & Operations												
2009	154,213	68,513	10,803	233,529	13,773	2,320	-	-	249,622	27%	-	
2008	139,577	131,755	10,803	282,135	12,562	11,546	-	-	306,243	43%	-	
Ken Wolfendale – GM Corporate Services												
2009	128,334	57,094	11,398	196,826	11,550	1,425	-	-	209,801	27%	-	
2008	120,124	113,226	11,399	244,749	10,811	4,304	-	-	259,864	44%	-	
Ian Scott – GM Financial Services ²												
2009	144,392	64,231	-	208,623	12,865	-	-	-	221,488	29%	-	
2008	37,692	-	-	37,692	3,392	-	-	-	41,084	-	-	
Total remuneration: directors and key management personnel (consolidated)												
2009	1,538,558	553,814	58,635	2,151,007	107,015	23,664	-	216,039	2,497,725	-	-	
2008	1,298,918	1,038,319	50,357	2,387,594	97,089	31,840	-	531,834	3,048,357	-	-	
Total remuneration: directors and key management personnel (Company)												
2009	746,219	203,908	11,990	962,117	40,011	-	-	216,039	1,218,167	-	-	
2008	667,941	382,884	11,990	1,062,815	41,000	-	-	531,834	1,635,649	-	-	

1. The remuneration of Peter Eaton for 2008 includes a Short Term Incentive paid by Thorn International Holdings relating to the listing process of \$96,330.

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

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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

- The short term incentive bonus for 2009 is for performance during the 31 March 2009 financial year. These bonuses are finalised on the signing of the annual financial statements.
- Non-monetary benefits as disclosed in both tables includes cost of providing a motor vehicle and any fringe benefits tax attributable thereto.
- 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%

4.3.3 Analysis of bonuses included in remuneration

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	203,908	41%	59%
Executives			
Peter Eaton	93,798	41%	59%
Peter Krideras	66,270	41%	59%
James Marshall	68,513	41%	59%
Ken Wolfendale	57,094	41%	59%
Ian Scott	64,231	41%	59%

- 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 2009 financial year.
- The amounts forfeited are due to the performance or service criteria not being fully met in relation to the current year.

4.3.4 Equity Instruments

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 ^c	% Forfeited In Year ^d	Financial Years In Which Grant Vests	Values Yet To Vest \$	
	Number	Date				Min ^a	Max ^b
Director							
John Hughes	500,000	13 Dec 2006	10.76%	–	31 March 2010	Nil	–
	500,000	13 Dec 2006	95.66%	–	31 March 2010	Nil	–
	500,000	13 Dec 2006	–	–	31 March 2010	Nil	–
Executive							
Peter Eaton	200,000	13 Dec 2006	10.76%	–	31 March 2010	Nil	–
	200,000	13 Dec 2006	95.66%	–	31 March 2010	Nil	–
	200,000	13 Dec 2006	–	–	31 March 2010	Nil	–

- 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.
- 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.
- No performance rights were forfeited in the period. The performance rights that did not vest will be retested at the next vesting date.
- 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.
- The performance rights expire on the earlier of their expiry date, 13 June 2010, or termination of the individual's employment.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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	–	218,165	–	218,165
Peter Eaton	–	87,266	–	87,266
	–	305,431	–	305,431

- 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.
- 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 2008	Granted as Compensation	Exercised	Held at 31 March 2009	Vested during the year	Vested and exercisable at 31 March 2009
John Hughes	1,056,250	–	532,109	524,141	532,109	–
Peter Eaton	422,500	–	212,844	209,656	212,844	–

4.4 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 (Independent Chairman) – Independent, Non-Executive
- Bernard Carrasco – Independent, Non-Executive
- Peter Henley – Independent, Non-Executive

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 15.



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.

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 2009 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.

4.5 Risk Management

Oversight of the risk management system

The Board oversees the establishment, implementation and review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the consolidated entity (including sustainability risk). The Chief Executive Officer and the Chief Financial Officer have provided assurance, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

Risk profile

Management provide the risk profile on a quarterly basis to the Audit, Risk and Compliance Committee that outlines the material business risks to the company. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The Audit, Risk and Compliance Committee reports the status of material business risks to the board on a quarterly basis.

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 provided assurance 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.

Internal Audit

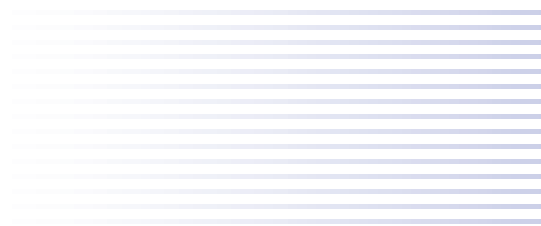
The internal auditors assist the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The results of internal audits are reported on a monthly basis to the board.

4.6 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 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 28 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.

4.7 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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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.

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 and the provision of unsecured cash loans. 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 2008/09 financial year with total revenues growing from \$116,723,000 to \$127,350,000, a 9% improvement.

The growth in revenue was primarily attributable to finance lease revenues, which increased from \$38,484,000 to \$50,032,000, an improvement of 30%. This improvement was driven by continued strong demand for flat panel televisions and PCs.

Operating lease revenue declined from \$78,233,000 to \$75,842,000, a decline of 3%. 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.

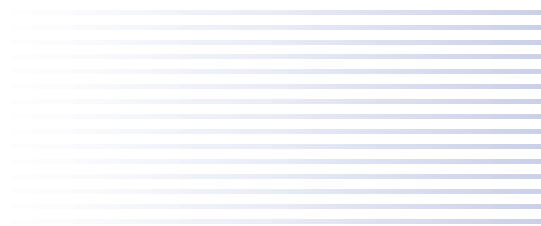
The increase in gross profit from \$71,480,000 to \$76,348,000, resulted in profit before financing costs increasing 11%, from \$16,262,000 to \$18,093,000.

Net profit after tax increased 13%, from \$10,899,000 to \$12,320,000.

Net cash from operating activities increased from \$42,484,000 to \$45,964,000.

5.2 Shareholder returns

	2009	2008	2007
Net profit attributable to equity holders of the parent	\$12,320,000	\$10,899,000	\$6,542,000
Basic EPS (weighted average)	9.61¢	8.55¢	11.77¢
Diluted EPS (including performance rights)	9.52¢	8.42¢	11.64¢
Dividend per share	4.79¢	4.26¢	0.97¢
Alternative			
Effective basic EPS based on total number of shares on issue at balance date	9.57¢	8.52¢	5.14¢



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 8.7%. 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 31 March 2009 of \$14,000,000 and has sufficient funds available to finance its operations.

Net cash flows from operating activities were \$45,964,000 as compared to \$42,484,000 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:

1. Previous year final – paid 25 July 2008 – fully franked @ 2.48 cents per share \$3,173,935
2. Current year interim – paid 16 January 2009 – fully franked @ 1.88 cents per share \$2,420,053

Subsequent to the balance date, the directors proposed a fully franked final dividend for the year of 2.91 cents per share, or \$3,745,933. The dividend will be paid on 23 July 2009. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2009 and will be recognised in subsequent financial reports.

7 Events Subsequent To Reporting Date

Subsequent to the balance date, the National Consumer Credit Reform Package was released for comment. The legislation, which is set to be introduced on 1 November 2009, is not expected to have any impact on the operations of the consolidated entity.

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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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	2,826,359	524,141
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.

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 25, two officers of the Company were granted performance rights in the 2007 financial year. Page 26 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 \$34,523 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; and
- 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 7.

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.

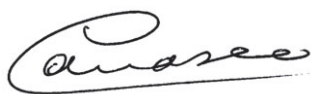
14 Lead Auditor's Independence Declaration

The Lead Auditor's independence declaration is set out on page 34 and forms part of the directors' report for financial year ended 31 March 2009.

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
27 May 2009

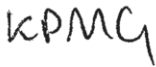
LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 31 MARCH 2009

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 2009 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



Greg Boydell

Partner

Sydney

27 May 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2009	2008	2009	2008
Revenue	3	127,350	116,723	–	–
Cost of sales		(51,002)	(45,243)	–	–
Gross Profit		76,348	71,480	–	–
Other income	4	218	438	931	1,367
Sales and marketing expenses		(40,823)	(37,785)	–	–
General and administration expenses		(17,650)	(17,871)	(931)	(1,367)
Profit Before Financing Costs		18,093	16,262	–	–
Financial income	6	162	238	5,594	3,513
Financial expenses	6	(597)	(426)	–	–
Net Financing (Costs) / Income		(435)	(188)	5,594	3,513
Profit Before Tax		17,658	16,074	5,594	3,513
Income tax expense	8	(5,338)	(5,175)	–	–
Profit For The Period		12,320	10,899	5,594	3,513
Attributable To:					
Equity holders of the Company		12,320	10,899	–	–
Basic earnings per share from continuing operations (cents)	21	9.61	8.55	–	–
Diluted earnings per share from continuing operations (cents)	21	9.52	8.42	–	–

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 39 to 68.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

Consolidated <i>In thousands of AUD</i>	Share capital	Retained earnings	Equity remuneration reserve	Total equity
Balance at 1 April 2007	64,517	(10,943)	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	64,517	(3,557)	1,360	62,320
Balance at 1 April 2008	64,517	(3,557)	1,360	62,320
Total recognised income and expense	–	12,320	–	12,320
Equity settled transactions	–	–	216	216
Dividends to Shareholders	–	(5,594)	–	(5,594)
Balance at 31 March 2009	64,517	3,169	1,576	69,262

The Company	Share capital	Retained earnings	Equity remuneration reserve	Total equity
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 to shareholders	–	(3,513)	–	(3,513)
Balance at 31 March 2008	64,517	–	1,360	65,877
Balance at 1 April 2008	64,517	–	1,360	65,877
Total recognised income and expense	–	5,594	–	5,594
Equity settled transactions	–	–	216	216
Dividends to shareholders	–	(5,594)	–	(5,594)
Balance at 31 March 2009	64,517	–	1,576	66,093

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 39 to 68.

BALANCE SHEETS

FOR THE YEAR ENDED 31 MARCH 2009

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2009	2008	2009	2008
Assets					
Cash and cash equivalents	9	2,567	4,974	–	–
Inventory – finished goods		1,307	–	–	–
Trade and other receivables	10	18,954	13,689	2,104	1,682
Total Current Assets		22,828	18,663	2,104	1,682
Trade and other receivables	10	23,773	18,709	41,093	40,877
Deferred tax assets	12	3,293	3,197	–	–
Rental assets	13	33,891	32,703	–	–
Property, plant and equipment	13	3,337	2,620	–	–
Investment in subsidiary		–	–	25,000	25,000
Intangible assets	14	15,604	15,604	–	–
Total Non-Current Assets		79,898	72,833	66,093	65,877
Total Assets		102,726	91,496	68,197	67,559
Liabilities					
Trade and other payables	15	20,652	18,105	–	–
Employee benefits	17	3,358	2,776	–	–
Loans and borrowings	16	–	5,000	–	–
Income tax payable	11	2,104	1,682	2,104	1,682
Provisions	18	505	707	–	–
Total Current Liabilities		26,619	28,270	2,104	1,682
Interest-bearing loans and borrowings	16	6,000	–	–	–
Employee benefits	17	182	350	–	–
Provisions	18	663	556	–	–
Total Non-Current Liabilities		6,845	906	–	–
Total Liabilities		33,464	29,176	2,104	1,682
Net Assets		69,262	62,320	66,093	65,877
Equity					
Issued capital		64,517	64,517	64,517	64,517
Reserves		1,576	1,360	1,576	1,360
Retained earnings		3,169	(3,557)	–	–
Total Equity		69,262	62,320	66,093	65,877

The balance sheets are to be read in conjunction with the notes of the financial statements set out on pages 39 to 68.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2009

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2009	2008	2009	2008
Cash Flows From Operating Activities					
Cash receipts from customers		125,553	112,037	–	–
Loans advanced		(3,773)	(117)	–	–
Cash paid to suppliers and employees		(70,369)	(63,661)	–	–
Cash generated from operations		51,411	48,259	–	–
Interest paid		(597)	(426)	–	–
Interest received		162	238	–	–
Income tax paid		(5,012)	(5,587)	–	–
Net cash from operating activities	27	45,964	42,484	–	–
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		–	7	–	–
Proceeds from sale of rental assets		1,225	1,283	–	–
Acquisition of property, plant and equipment		(2,369)	(2,136)	–	–
Acquisition of rental assets		(42,633)	(37,133)	–	–
Dividends received		–	–	5,594	3,513
Net cash (used in) / from Investing Activities		(43,777)	(37,979)	5,594	3,513
Cash Flows From Financing Activities					
Proceeds from borrowings		1,000	–	–	–
Repayment of borrowings		–	(3,000)	–	–
Dividends paid		(5,594)	(3,513)	(5,594)	(3,513)
Net cash used in Financing Activities		(4,594)	(6,513)	(5,594)	(3,513)
Net increase /(decrease) in cash and cash equivalents		(2,407)	(2,008)	–	–
Cash and cash equivalents at 1 April		4,974	6,982	–	–
Cash And Cash Equivalents At 31 March	9	2,567	4,974	–	–

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 39 to 68.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

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 2009 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 and the provision of unsecured cash loans.

(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 27 May 2009.

(b) Basis of Preparation

The financial report is presented in Australian dollars, which is the Company's functional currency.

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 1(s).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

(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 the lower of cost and recoverable amount 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.

(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 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 sales revenue is recognised at the time the rental contract is entered into based on the fair value of the leased item, 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. Revenue also arises from charges such as late fees, termination fees and damage liability reduction fees. These revenues are recognised when due and payable.

(e) Cost of Sales

Finance lease costs of sales comprise the cost of the item sold and provisioning for bad debts and the early return of assets.

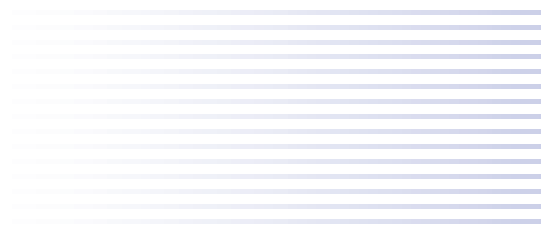
Operating lease costs of sales comprise depreciation of rental assets, bad debts and rental asset write-offs. Depreciation of rental assets is further discussed at Note 1(k).

(f) 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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

(g) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in 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.

(h) 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.

(i) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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.

(j) Trade and Other Receivables

Finance lease receivables are recognised at the present value of the minimum lease payments less impairment losses. 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.

(k) 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” or “general and administration expenses” 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.

(l) Impairment

Non Financial Assets

The carrying amounts of the consolidated entity’s assets, other than inventory and 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 reflects 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

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.

(m) Loans And Borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and 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.

(n) 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, and 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 rights have not vested 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.

(o) 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 consolidated entity 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.

(p) Trade and Other Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing.

(q) Lease payments

Payments made under operating leases are recognised in the income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

(r) 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.

(s) Use of estimates and judgements

The preparation of financial statements 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. Actual results may differ from these estimates. 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 and in any future periods affected.

(i) Impairment of Goodwill

Note 14 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 is expensed based on the average cost of assets installed.

(iii) Impairment of finance lease receivables

Note 20 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.

(t) 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.

(u) 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 as a liability in the period in which they are declared.

Reclassification

The consolidated entity has reclassified a share cancellation undertaken during the IPO, by a subsidiary between share capital and retained earnings during the year. The effect of this reclassification has also been reflected in the comparative period. This reclassification has had no impact on the income statement or total equity.

(v) 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 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the consolidated entity's operations:
 - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations;
 - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit and loss;
 - Transactions costs, other than share and debt issues costs, will be expensed as incurred;
 - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit and loss; and
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the consolidated entity's 31 March 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the consolidated entity's 2010 financial report.

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

- Amended AASB 127 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests by the consolidated entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the consolidated entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments at AASB 127, which become mandatory for the consolidated entity's 31 March 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments of AASB 2 will be mandatory for the consolidated entity's 31 March 2010 financial statements, with retrospective application. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 31 March 2010 financial statements, are not expected to have any impact on the financial statements.

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 Revenue

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Operating lease	75,842	78,233	–	–
Finance lease sales and retail sales	30,056	25,381	–	–
Interest income	21,452	13,109	–	–
	127,350	116,723	–	–

4 Other Income

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Net gain on disposal of rental assets	308	433	–	–
Net gain / (loss) on disposal of property, plant and equipment	(90)	5	–	–
Inter-company management fees	–	–	931	1,367
	218	438	931	1,367

5 Personnel Expenses

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Wages and salaries	24,921	24,747	294	276
Contributions to defined contribution superannuation funds	1,722	1,600	27	27
Increase in liability for annual leave	169	10	–	–
Increase / (decrease) in liability for long service leave	129	(26)	–	–
Termination benefits	54	104	–	–
Equity settled share-based payment transactions	216	532	216	532
	27,211	26,967	537	835

6 Finance income and expenses

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Interest income on bank deposits	162	238	–	–
Dividend income from Thorn Australia Pty Ltd	–	–	5,594	3,513
Finance income	162	238	5,594	3,513
Interest expense on financial liabilities	(597)	(426)	–	–
Finance expense	(597)	(426)	–	–
Net finance income / (expense)	(435)	(188)	5,594	3,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

7 Auditors' Remuneration

<i>In AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Audit services				
KPMG Australia:				
Audit and review of financial reports	249,600	349,000	249,600	349,000
	249,600	349,000	249,600	349,000
Other services				
KPMG Australia				
Taxation services	23,534	31,000	–	–
Other services	–	10,000	–	–
	23,534	41,000	–	–

8 Income Tax Expense

Recognised in the Income Statement

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Current tax expense				
Current year	5,503	4,608	–	–
Adjustment for prior years	(69)	141	–	–
Deferred tax expense				
Origination and reversal of temporary differences	(96)	426	–	–
Total income tax expense in income statement	5,338	5,175	–	–

Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Profit before tax	17,658	16,074	5,594	3,513
Prima facie income tax using the domestic corporation tax rate of 30% (2008: 30%)	5,297	4,822	1,678	1,054
Increase in income tax expense due to:				
Non-deductible expenses	110	212	–	–
Decrease in income tax expense due to:				
Non-assessable dividend income	–	–	(1,678)	(1,054)
Under / (Over) provided in prior years	(69)	141	–	–
Income tax expense on pre-tax accounting profit	5,338	5,175	–	–

9 Cash and Cash Equivalents

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Bank balances	2,517	4,924	–	–
Call deposits	50	50	–	–
Cash and cash equivalents	2,567	4,974	–	–

10 Trade and Other Receivables

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Current				
Trade receivables	1,008	1,808	–	–
Finance lease receivables	13,256	9,958	–	–
Loan receivables	2,404	–	–	–
Lease deposits	383	457	–	–
Amounts receivable from related entities	–	–	2,104	1,682
Other receivables and prepayments	1,903	1,466	–	–
	18,954	13,689	2,104	1,682
Non-current				
Amounts receivable from related entities	–	–	41,093	40,877
Finance lease receivables	23,773	18,709	–	–
	23,773	18,709	41,093	40,877

Trade receivables are shown net of impairment losses amounting to \$929,000 (2008: \$619,000).

Finance lease receivables are shown net of impairment losses amounting to \$4,113,000 (2008: \$1,655,000)

Loan receivables are shown net of impairment losses amounting to \$421,000 (2008: \$nil).

The consolidated entity's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

11 Current Tax Assets and Liabilities

The current tax liability for the consolidated entity of \$2,104,000 (2008: \$1,682,000) and for the Company of \$2,104,000 (2008: \$1,682,000) 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.

12 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	
	2009	2008	2009	2008	2009	2008
<i>In thousands of AUD</i>						
Rental assets and property, plant and equipment	11,848	9,413	–	–	11,848	9,413
Makegood provision	–	–	(56)	(51)	(56)	(51)
Trade and other receivables	225	186	–	–	225	186
Finance lease receivables	–	–	(11,109)	(8,600)	(11,109)	(8,600)
Accruals	1,331	1,447	–	–	1,331	1,447
Provisions	1,054	802	–	–	1,054	802
Tax assets / (liabilities)	14,458	11,848	(11,165)	(8,651)	3,293	3,197

13 Property, Plant and Equipment, and Rental Assets

Consolidated						
<i>In thousands of AUD</i>	Land and Buildings	Leasehold Improvements	Plant and Equipment	Total Property, Plant and Equipment	Rental Assets	Total
Cost						
Balance at 1 April 2007	70	68	10,648	10,786	102,037	112,823
Additions	–	–	2,136	2,136	37,133	39,269
Disposals	–	(10)	(49)	(59)	(49,611)	(49,670)
Balance at 31 March 2008	70	58	12,735	12,863	89,559	102,422
Balance at 1 April 2008	70	58	12,735	12,863	89,559	102,422
Additions	–	–	2,369	2,369	42,633	45,002
Disposals	–	–	(845)	(845)	(55,050)	(55,895)
Balance at 31 March 2009	70	58	14,259	14,387	77,142	91,529

Consolidated						
<i>In thousands of AUD</i>	Land and Buildings	Leasehold Improvements	Plant and Equipment	Total Property, Plant and Equipment	Rental Assets	Total
Depreciation and Impairment Losses						
Balance at 1 April 2007	39	62	8,847	8,948	65,284	74,232
Depreciation charge for the year	2	–	1,353	1,355	20,715	22,070
Disposals	–	(4)	(56)	(60)	(29,143)	(29,203)
Balance at 31 March 2008	41	58	10,144	10,243	56,856	67,099
Balance at 1 April 2008	41	58	10,144	10,243	56,856	67,099
Depreciation charge for the year	2	–	1,563	1,565	19,699	21,264
Disposals	–	–	(758)	(758)	(33,304)	(34,062)
Balance at 31 March 2009	43	58	10,949	11,050	43,251	54,301

Carrying amounts

At 1 April 2007	31	6	1,801	1,838	36,753	38,591
At 31 March 2008	29	–	2,591	2,620	32,703	35,323
At 1 April 2008	29	–	2,591	2,620	32,703	35,323
At 31 March 2009	27	–	3,310	3,337	33,891	37,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

14 Intangible Assets

<i>In thousands of AUD</i>	Consolidated Goodwill
Cost	
Balance at 1 April 2007	22,678
Balance at 31 March 2008	22,678
Balance at 1 April 2008	22,678
Balance at 31 March 2009	22,678

<i>In thousands of AUD</i>	Consolidated Goodwill
Amortisation and impairment losses	
Balance at 1 April 2007	7,074
Balance at 31 March 2008	7,074
Balance at 1 April 2008	7,074
Balance at 31 March 2009	7,074

<i>In thousands of AUD</i>	Consolidated Goodwill
Carrying amounts	
At 1 April 2007	15,604
At 31 March 2008	15,604
At 1 April 2008	15,604
At 31 March 2009	15,604

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

<i>In thousands of AUD</i>	Consolidated	
	2009	2008
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. The cashflow projections have been approved by the Board.

During the forecast period, revenue is assumed to grow at an average of 5% 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 16.94%. A terminal value is calculated using the cashflows for year 5 of the forecast period and a growth rate of 1%.

15 Trade and Other Payables

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Current				
Trade payables	9,201	8,482	–	–
Other creditors and accruals	9,371	7,478	–	–
Deferred rental revenue	1,841	1,971	–	–
Property lease accrual	239	174	–	–
	20,652	18,105	–	–

16 Loans and Borrowings

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Current liabilities				
Secured bank loans	–	5,000	–	–
	–	5,000	–	–
Non-current liabilities				
Secured bank loans	6,000	–	–	–
	6,000	–	–	–

Financing Facilities

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Bank facility available	20,000	20,000	–	–
	20,000	20,000	–	–
Bank facility utilised at balance date	6,000	5,000	–	–
	6,000	5,000	–	–
Bank facility not utilised at reporting date	14,000	15,000	–	–
	14,000	15,000	–	–

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 is due to expire in March 2011. The loan is available to the consolidated entity in two tranches:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

16 Loans and Borrowings (continued)

- 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 20.

17 Employee Benefits

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Current				
Salaries and wages accrued	641	525	–	–
Liability for long service leave	1,139	842	–	–
Liability for annual leave	1,578	1,409	–	–
	3,358	2,776	–	–
Non Current				
Liability for long-service leave	182	350	–	–
	182	350	–	–

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was \$1,722,000 for the financial year ended 31 March 2009 (2008: \$1,600,000).

18 Provisions

<i>In thousands of AUD</i>	Consolidated		
	Make Good	Surplus Lease Space	Total
Balance at 1 April 2008	1,184	79	1,263
Provisions made during the year	105	–	105
Provisions used during the year	(140)	(79)	(219)
Unwind of discount	19	–	19
Balance at 31 March 2009	1,168	–	1,168
Current	505	–	505
Non-current	663	–	663
	1,168	–	1,168

Make Good

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

19 Capital and Reserves

<i>In thousands of shares</i>	The Company	
	2009	2008
Share Capital		
On issue at the beginning of year	127,981	127,360
Issue of new shares on vesting of performance rights	745	621
On issue at the end of year	128,726	127,981

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

19 Capital and Reserves (continued)

Dividends

Dividends recognised in the current year by the Company are:

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked / unfranked	Date of payment
2009				
Final 2008	2.48	3,174	Franked	25 July 2008
Interim 2009	1.88	2,420	Franked	16 January 2009
Total amount		5,594		
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		

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	2.91	\$3,745,933	Franked	23 July 2009

The financial effect of this dividend has not yet been brought to account in the financial statements for the year ended 31 March 2009 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 \$1,655,051 (2008: \$1,359,259).

<i>In thousands of AUD</i>	The Company	
	2009	2008
Dividend franking account		
30% franking credits available to shareholders of RR Australia Limited for subsequent financial years	7,092	4,055

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end; and
- 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.

20 Financial risk management

(a) Financial Risk Management Objectives and Policies

The consolidated entity is exposed to financial risks through the normal course of its business operations. The key risks arising are 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.

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 16.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

20 Financial risk management (continued)

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. Refer to Note 19 for quantitative data.

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:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Trade receivables	1,008	1,808	–	–
Finance lease receivables	37,029	28,667	–	–
Loan receivables	2,404	–	–	–
Receivables from controlled entities	–	–	43,197	42,559
	40,441	30,475	43,197	42,559

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 trade receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
Not past due	–	–	–	–
Past due 0 – 30 Days	954	263	1,448	294
Past due 31 – 120 Days	983	666	979	325
	1,937	929	2,427	619

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 2009 is \$4,113,000 (2008: \$1,655,000). The provision reflects the risk to the consolidated entity of the expected early return or loss 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. In the event that the asset is returned due to early termination of the contract, the asset is available for rental on other contracts or disposal via cash sale. The value of this collateral as at 31 March 2009 is \$25,719,000 (2008: \$19,898,000).

Loan receivables

The ageing of the consolidated entity's loan receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
Not past due	2,313	185	–	–
Past due 0 – 30 Days	300	24	–	–
Past due 31 – 120 Days	212	212	–	–
	2,825	421	–	–

(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 2009.

<i>In thousands of AUD</i>	Carrying Amount	Contractual Cash Flows	1 year or less	2–5 years	5 years or more
31 March 2009					
Bank loans	6,000	6,000	–	6,000	–
Trade and other payables	18,572	18,572	18,572	–	–
	24,572	24,572	18,572	6,000	–

<i>In thousands of AUD</i>	Carrying Amount	Contractual Cash Flows	1 year or less	2–5 years	5 years or more
31 March 2008					
Bank loans	5,000	5,000	5,000	–	–
Trade and other payables	15,960	15,960	15,960	–	–
	20,960	20,960	20,960	–	–

(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

<i>In thousands of AUD</i>	Consolidated Carrying Amount		Company Carrying Amount	
	2009	2008	2009	2008
Financial assets	2,517	4,924	–	–
Financial liabilities	(6,000)	(5,000)	–	–

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 \$21,000 (2008: \$9,000).

(e) Fair Values

The fair values of the Company's and consolidated entity'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 2009

21 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2009 was based on profit attributable to ordinary shareholders of \$12,320,000 (2008: \$10,899,000) and a weighted average number of ordinary shares during the year ended 31 March 2009 of 128,191,470 (2008: 127,533,135).

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2009 was based on profit attributable to ordinary shareholders of \$12,320,000 (2008: \$10,899,000) and a weighted average number of ordinary shares during the year ended 31 March 2009 of 129,460,000 (2008: 129,460,000), which includes performance rights granted.

	2009	2008
Profit attributable to ordinary shareholders (basic)		
<i>In thousands of AUD</i>		
Profit attributable to ordinary shareholders from continuing operations (basic and diluted)	12,320	10,899
Weighted average number of ordinary shares (basic)		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 April	127,981	127,360
Effect of shares issued	210	173
Weighted average number of ordinary shares at 31 March	128,191	127,533
Weighted average number of ordinary shares (diluted)		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 April	129,460	129,460
Effect of shares issued	–	–
Weighted average number of ordinary shares (diluted) at 31 March	129,460	129,460
Earning per share for continuing operations		
Basic earnings per share		
<i>In cents</i>		
From continuing operations	9.61	8.55
Diluted earnings per share		
<i>In cents</i>		
From continuing operations	9.52	8.42
Alternative earnings per share		
Basic earnings per share from continuing operations (in cents), based on the total shares on issue at the balance date of 128,726,203 (2008: 127,981,250)	9.57	8.52
Diluted earnings per share from continuing operations (in cents), based on the total shares (including the effect of performance rights) at balance date of 129,460,000 (2008: 129,460,000)	9.52	8.42

22 Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Less than one year	6,415	6,309	–	–
Between one and five years	9,180	11,258	–	–
	15,595	17,567	–	–

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:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Less than one year	24,040	23,279	–	–
Between one and five years	5,554	4,395	–	–
	29,594	27,674	–	–

23 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:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Less than one year	35,792	24,896	–	–
Between one and five years	34,423	26,505	–	–
	70,215	51,401	–	–

Unearned finance income in relation to finance leases as at 31 March 2009 was \$29,073,000 (2008: \$21,078,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

24 Consolidated Entities

	Country of Incorporation	Ownership interest	
		2009	2008
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	100%	100%
CashFirst Pty Ltd	Australia	100%	100%
1st Cash Pty Ltd	Australia	100%	100%
Big Brown Box Pty Ltd	Australia ²	100%	–
Mouse 2 House Pty Ltd	Australia ²	100%	–
Thorn Group Pty Ltd	Australia ²	100%	–

1. Controlled entity of Thorn Australia Pty Ltd.

2. Newly incorporated entity held by RR Australia Ltd.

25 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.

26 Deed Of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries noted above 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.

27 Reconciliation of Cash Flows from Operating Activities

<i>In thousands of AUD</i>	Consolidated		The Company	
	2009	2008	2009	2008
Cash flows from operating activities				
Profit for the period	12,320	10,899	5,594	3,513
Adjustments for:				
Depreciation	21,264	22,070	–	–
Equity settled transactions	216	532	216	532
Dividends received	–	–	(5,594)	(3,513)
Disposal of property, plant and equipment and rental assets	20,608	19,176	–	–
Operating profit before changes in working capital and provisions	54,408	52,677	216	532
(Increase) / Decrease in inventory	(1,307)	–	–	–
(Increase) / Decrease in trade and other receivables	(10,329)	(12,437)	(638)	306
(Increase) / Decrease in deferred tax assets	(96)	426	–	–
Increase / (Decrease) in income tax liability	422	(838)	422	(838)
Increase in trade and other payables	2,547	3,256	–	–
Increase / (Decrease) in provisions and employee benefits	319	(600)	–	–
Net cash from operating activities	45,964	42,484	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

28 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

Bernard Carrasco (Chairperson)
David Carter
Peter Henley
Paul Lahiff

Executives

Peter Eaton (Chief Financial Officer and Company Secretary)
Peter Krideras (General Manager Merchandising and Marketing)
James Marshall (General Manager Sales and Operations)
Ken Wolfendale (General Manager Corporate Services)
Ian Scott (General Manager Financial Services)

Executive Director

John Hughes (Chief Executive Officer)

Key management personnel remuneration

In AUD	Consolidated		The Company	
	2009	2008	2009	2008
Short-term employee benefits	2,151,007	2,387,594	962,117	1,062,815
Post-employment benefits	107,015	97,089	40,011	41,000
Long service leave benefits	23,664	31,840	–	–
Share based payments	216,039	531,834	216,039	531,834
	2,497,725	3,048,357	1,218,167	1,635,649

Information regarding individual directors and executives remuneration disclosures is provided in the Remuneration Report on pages 22 and 23.

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 2008	Purchases	Received upon exercise of performance rights	Held at 31 March 2009
Directors				
Bernard Carrasco	150,000	–	–	150,000
David Carter	200,000	–	–	200,000
John Hughes	2,245,250	49,000	532,109	2,826,359
Peter Henley	30,000	–	–	30,000
Paul Lahiff	31,250	–	–	31,250

Executives				
Peter Eaton	197,500	–	212,844	410,344
Peter Krideras	125,000	–	–	125,000
Ken Wolfendale	8,726	–	–	8,726
James Marshall	31,250	–	–	31,250

	Held at 1 April 2007	Purchases	Received upon exercise of performance rights	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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2009

28 Related Parties (continued)

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 2008	Granted as Compensation	Exercised	Held at 31 March 2009	Vested during the year	Vested and exercisable at 31 March 2009
Director						
John Hughes	1,056,250	–	532,109	524,141	532,109	–
Executive						
Peter Eaton	422,500	–	212,844	209,656	212,844	–

	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	–

Other transactions with key management personnel

Apart from the details disclosed in this note and the Remuneration report on pages 19 to 26, 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.

29 Subsequent events

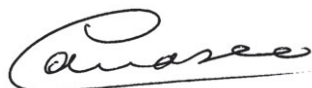
Subsequent to the balance date, the National Consumer Credit Reform Package was released for comment. The legislation, which is set to be introduced on 1 November 2009, is not expected to have any impact on the operations of the consolidated entity.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 MARCH 2009

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 4.3.1, 4.3.2 and 4.3.4 of the Remuneration Report in the Directors' report, set out on pages 19 to 26, 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 2009 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 4.3.1, 4.3.2 and 4.3.4 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; and
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 24 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 2009.

Signed in accordance with a resolution of the directors:



Bernard Carrasco
Chairman



John Hughes
Managing Director

Dated at Sydney
27 May 2009

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2009

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

Report on the financial report

We have audited the accompanying financial report of RR Australia Limited (the 'Company'), which comprises the balance sheets as at 31 March 2009, 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 29 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial 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; and making accounting estimates that are reasonable in the circumstances.

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 the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial 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 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.

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 the 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.

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

Independence

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



Auditor's opinion

In our opinion:

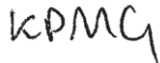
- a. the financial report of RR Australia Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 March 2009 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report of the consolidated entity also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 4.3 of the Directors' Report for the year ended 31 March 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of RR Australia Limited for the year ended 31 March 2009, complies with Section 300A of the Corporations Act 2001.



KPMG



Greg Boydell

Partner

Sydney

27 May 2009

ADDITIONAL ASX INFORMATION

a. Distribution of shareholders

Category (size of holding)	Number of ordinary
1 – 1,000	63
1,001 – 5,000	268
5,001 – 10,000	363
10,001 – 100,000	594
100,001 and over	56
	1,344

b. The number of shareholders in less than marketable parcels is 64.

c. The names of the substantial shareholders listed in the Company's register as at 31 March 2009 are:

Shareholder	Number of ordinary
National Nominees Limited	19,099,294
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	14,360,427
J P Morgan Nominees Australia Limited	13,659,286
Cogent Nominees Pty Limited	12,861,524
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	10,827,288
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	7,992,974

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	19,099,294	14.84
2 RBC Dexia Investor Services Australia Nominees Pty Limited	14,360,427	11.16
3 J P Morgan Nominees Australia Limited	13,659,286	10.61
4 Cogent Nominees Pty Limited	12,861,524	9.99
5 RBC Dexia Investor Services Australia Nominees Pty Limited	10,827,288	8.41
6 RBC Dexia Investor Services Australia Nominees Pty Limited	7,992,974	6.21
7 HSBC Custody Nominees (Australia) Limited	5,331,010	4.14
8 Queensland Investment Corporation	3,324,892	2.58
9 Citicorp Nominees Pty Limited	2,838,179	2.20
10 Bond Street Custodians Limited	2,294,850	1.78
11 ANZ Nominees Limited	2,144,652	1.67
12 Bond Street Custodians Limited	1,037,184	0.81
13 Sandhurst Trustees Ltd	947,318	0.74
14 Citicorp Nominees Pty Limited	838,014	0.65
15 TDM Asset Management Pty Ltd	750,000	0.58
16 Henderson International Pty Ltd	655,000	0.51
17 Henderson International P/L	618,715	0.48
18 Aust Executor Trustees NSW Ltd	600,000	0.47
19 John Wayne Hughes + Robyn Ann Mckeown	532,109	0.41
20 Grahger Capital Securities Pty Ltd	500,000	0.39

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

Company Secretary

Peter Eaton

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KPMG

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Sydney NSW 2000

Registry

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Sydney NSW 2000



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