

RHG Limited
(formerly RAMS Home Loans Group Limited)
ABN 22 055 136 564

Appendix 4D
Half-year report for the six months ended 31 December 2008

1. Reporting Period

Current reporting period	Half year ended 31 December 2008
Previous corresponding period	Half year ended 31 December 2007

2. Results for announcement to the market

Revenue and net profit/(loss)

	Note	Half-year ended		% change
		31-Dec-2008 \$'000	31-Dec-2007 \$'000	
Total revenue from ordinary activities	1	116,830	56,185	107.9%
Net profit/(loss) after tax from ordinary activities	1	69,221	9,631	618.7%
Net profit/(loss) after tax on disposal of distribution business		-	104,162	-100.0%
Net profit/(loss) attributable to members	1	69,221	113,793	-39.2%

Note:

- Results for half-year ended 31 December 2007 include continuing and discontinued operations

No dividend has been proposed or provided for other than the dividend paid in July 2007. The dividend was paid prior to listing on the Australian Securities Exchange.

3. Net Tangible assets per security

	As at 31-Dec-2008 cents	As at 31-Dec-2007 cents
Net tangible assets per security*	54.5	29.3

* It should be noted that Net tangible assets include deferred transaction costs. If these are excluded (net of tax), Net tangible assets per security is 43.9 cents (2007: 1.5 cents).

4. Details of entities over which control has been gained or lost during the period

There has not been a loss or gain of control over any entities during the period.

- No dividends are proposed in relation to the half-year ended 31 December 2008.**
- No dividend reinvestment plans are in operation**
- The Group had no interests in joint ventures or associates during the current or previous reporting periods.**
- The Group's accounts are not subject to audit dispute or qualification.**

Contents	Page
Directors' report	2
Auditor's independence declaration	5
Consolidated income statement	6
Consolidated balance sheet	7
Consolidated statement of changes in equity	8
Consolidated cash flow statement	9
Notes to the financial statements	10
Directors' declaration	16
Independent auditor's review report to the members	17

This financial report covers the consolidated entity consisting of RHG Limited and its controlled entities.

RHG Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

RHG Limited
Level 22
1 York Street
Sydney NSW 2000.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by RHG Limited during the interim reporting period in accordance with the continuous disclosure requirements of *Corporations Act 2001*.

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of RHG Limited (the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

Directors

The following persons were directors of RHG Limited during the financial half-year and up to the date of this report:

- DR Coe
- GK Jones
- JA Kinghorn
- JV McGuigan

Principal activities

During the half-year the principal continuing activities for the Group involved funding and servicing of residential home loans in Australia. The Group ceased originating new mortgage loans on its own behalf on 16 November 2007.

Review of operations and results

The half-year has been a challenging period for RHG Limited. The capital markets for AA and AAA rated Australian residential mortgage backed securities (RMBS) continue to remain effectively closed, with the majority of activity being related to the Australian Office of Financial Management's \$8 billion purchasing scheme. The Group has not been successful in its attempts to access this scheme.

During the half-year, two of the Group's RMBS note issues reached their call dates. The Group had the option (but not the obligation) to call and repay the notes. Given the lack of alternative funding, the Group decided not to call these notes and therefore the margins payable on the notes have increased significantly. There are no other RMBS issues due to be called within calendar 2009.

Balances of RMBS and periods during which call dates are scheduled are as follows:

Balance at 31/1/09 \$ billion	Call Dates
0.35	11 months to 31/12/10
1.54	After 31/12/10
1.26	Uncalled

Each RMBS may be repaid at the Group's option at call date. It is uncertain whether the group will exercise these options.

Each RMBS transaction has been structured so that there is only limited recourse to the Group in a default. If a RMBS transaction defaults and the related assets are liquidated, the primary impact for the Group would be the loss of future income streams from excess spread and fee income and write off of any unamortised balance of deferred transaction costs.

The Group provides limited support in respect of the RMBS facilities by way of representations and warranties. To the extent that the Group breaches any of these representations or warranties, the Group may be exposed to losses. In addition, the Group provides limited credit support and undertakes a range of services in respect of RMBS facilities.

A significant portion of the Group's mortgage book continues to be funded by warehouse facilities. A number of these warehouse facilities matured during the half-year and the directors are pleased to advise that agreements were reached to extend these facilities (albeit at higher margins).

Warehouse balances and maturity dates are as follows:

Balance at 31/1/09 \$ billion	Maturity Dates
0.75	5 months to 30/6/09
5.13	1/7/09 to 31/12/09

There is no certainty of achieving extensions to the above warehouse facilities beyond the dates listed above. Reference can be made to the "Events occurring after balance date" note (note 11 to the financial statements) for recent developments.

A default will likely arise if a warehouse cannot be renewed and the mortgages are not sold. This will result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. As a result the cash flow available to the Group from excess spread and fee income would be deferred until the facility is repaid in full.

Each warehouse facility has been structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact for the Group would be the loss of future income streams from excess spread, being the difference between the Group's mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transaction costs.

The directors are satisfied that any sale of mortgages in repayment of warehouse facilities or an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

The Group provides limited support in respect of the warehouse facilities by way of representations and warranties. To the extent that the Group breaches any of these representations or warranties, the Group may be exposed to losses. In addition the Group provides limited credit support and undertakes a range of services in respect of the warehouse facilities.

During the half-year there has been considerable volatility in the spread between the cash rate and the Group's benchmark borrowing rate, being the 30 day bank bill rate. The margin between the cash rate and the 30 day bank bill rate has reduced over the half-year, which has had a positive effect on net interest margin. At the reporting date, the Group's benchmark borrowing rate was lower than the cash rate, however there is a significant risk that this relationship may reverse in the near future, which would have a negative impact on future net interest margin.

The Reserve Bank of Australia has reduced the cash rate from 7.25% to 4.25% during the half year. Due to the aforementioned volatility in the 'cash to bills' spread and the higher funding costs attributable to increased warehouse facility margins and the step up in funding margin on term RMBS not called, the Group has not been able to pass on the full amount of the cash rate reductions to mortgage customers.

During the half-year our mortgage insurers were either downgraded or placed on credit watch negative by rating agencies. As a result, the Group has been required to supply further credit support, in the form of cash collateral, to some of the warehouses.

At 31 December 2008 the Group's significant liabilities (excluding liabilities of the Group's securitisation vehicles) include trail commissions payable to brokers of \$26.1 million and taxation payable of \$26.5 million. The provision for taxation payable has been calculated in accordance with current Income Tax legislation. In a press release on 13 May 2008 the Treasurer announced that the Government will proceed with a number of modifications to the tax consolidation regime. In an attachment to the release the Treasurer stated that the government will proceed with modifications which will "treat rights to future income as retained cost base assets with a tax cost setting amount equal to the terminating value for the rights at the joining time". If legislation is passed confirming this position it may result in a reduction in tax payable by the group in relation to the 2008 year of up to \$17.3 million.

The consolidated profit after income tax attributable to members, for the half-year ended 31 December 2008 was \$69.2 million (2007: \$113.8 million)

	Half-year ended	
	31 Dec 2008	31 Dec 2007
	\$ million	\$ million
Profit after tax from continuing operations	69.2	22.6
Profit after tax on disposal of origination business	-	103.3
Loss after tax from discontinued operations	-	(12.1)
	69.2	113.8

The Group's mortgage book is now closed and in runoff. At 31 December 2008 the Group's mortgage book including deferred transaction costs was \$9.2 billion, down from \$11.6 billion at June 2008. It is important to note that revenue will reduce over time as the Group's mortgage balance ages and amortises.

At 31 December the Group has a provision for impaired loans of \$3.5 million, up from \$3.2 million at 30 June 2008.

The Directors are satisfied that the Group will have sufficient cash resources to settle liabilities as and when they fall due.

Directors' report (continued)

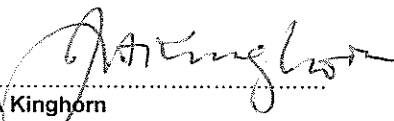
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The entity is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise stated.

This report is made in accordance with a resolution of the directors.


.....
JA Kinghorn
Director

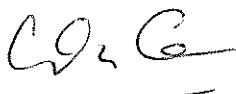
23 February 2009

Auditor's Independence Declaration

As lead auditor for the review of RHG Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of RHG Limited and its controlled entities during the period.



CPG Cooper
Partner
PricewaterhouseCoopers

Sydney
24 February 2009

Consolidated Income Statement

For the half-year ended 31 December 2008

	Notes	Half-year	
		31 December	31 December
		2008	2007
		\$'000	\$'000
Revenue from continuing operations			
Interest income		476,292	574,244
Interest expense		(378,149)	(536,258)
Net interest income		98,143	37,986
Fee and other income		14,568	10,268
Total income from ordinary activities net of interest expense		112,711	48,254
Fee and commission expense		(6,596)	(8,497)
Employee benefits		(1,745)	(2,552)
Securitisation expenses		(2,063)	(1,494)
Trustee expenses		(1,116)	(1,480)
Amortisation and depreciation		(43)	(48)
Marketing expenses		(33)	(63)
Occupancy expenses		(192)	(145)
System maintenance expenses		(343)	(150)
Professional fees		(1,017)	(1,783)
Outsourced loan servicing adjustment		706	(1,485)
Provision for impaired loans		(1,242)	(2,836)
Other expenses		(463)	(576)
Total expenses from ordinary activities excluding interest		(14,147)	(21,109)
Profit before income tax		98,564	27,145
Income tax expense		(29,343)	(8,544)
Profit from continuing operations		69,221	18,601
Profit from discontinued operations		-	95,192
Profit for the half-year		69,221	113,793
Profit attributable to equity holders of RHG Limited		69,221	113,793
Earnings per share from continuing operations attributable to the ordinary equity holders of the company:			
	13	Cents	Cents
Basic earnings per share		20.0	5.4
Diluted earnings per share		19.8	5.4
Earnings per share from discontinued operations attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share		-	26.8
Diluted earnings per share		-	26.8

The above income statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Notes	As at 31 December	As at 30 June
		2008	2008
		\$'000	\$'000
Assets			
Cash and cash equivalents	10	458,110	405,010
Loan assets held at amortised cost	7	9,168,290	11,579,790
Derivative financial assets		198,461	24,804
Other assets		15,336	23,855
Plant and equipment		148	186
Total assets		9,840,345	12,033,645
Liabilities			
Debt issued at amortised cost	8	9,517,606	11,740,728
Derivative financial liabilities		61,501	66,670
Financial liabilities at amortised cost	9	26,128	35,917
Other liabilities		24,171	40,081
Provisions		27,517	30,379
Deferred tax liabilities		1,818	5,166
Total liabilities		9,658,741	11,918,941
Net assets		181,604	114,704
Equity			
Contributed equity		21,671	24,072
Retained profits		159,853	90,632
Share based payment reserve		80	-
Total equity		181,604	114,704

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of changes in equity

	Notes	Half-year ended	
		31 December	31 December
		2008	2007
		\$'000	\$'000
Total equity at the beginning of the financial year		114,704	955
Profit for the half-year		69,221	113,793
Additional equity contributions		-	1,584
Dividends paid		-	(12,600)
Share buyback	5	(2,401)	-
Increase in share based payments reserve		80	-
(Decrease) in foreign currency translation reserve arising on translation of foreign subsidiaries		-	(16)
Total equity at the end of the half-year		181,604	103,716

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

	Half-year ended	
	31 December	31 December
	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Interest received	483,407	612,808
Interest paid and other costs of finance	(392,204)	(523,254)
Receipts from customers	23,795	29,857
Payments to suppliers	(14,519)	(56,385)
Tax paid	(35,089)	(30)
Net cash inflow from operating activities	<u>65,390</u>	<u>62,996</u>
Cash flows from investing activities		
Payments for plant and equipment	(6)	(153)
Payments for intangibles	-	(220)
Net decrease/(increase) in mortgages and receivables	2,218,621	(678,637)
Net cash inflow/(outflow) from investing activities	<u>2,218,615</u>	<u>(679,010)</u>
Cash flows from financing activities		
Repayments of borrowings	-	(10,684)
(Repayments)/proceeds from bond issues	(2,228,504)	755,218
Dividend payments	-	(12,600)
Share buyback	(2,401)	-
Net proceeds from borrowings	-	11,774
Net cash inflow/(outflow) from financing activities	<u>(2,230,905)</u>	<u>743,708</u>
Net increase/(decrease) in cash held	<u>53,100</u>	<u>127,694</u>
Effects of exchange rate changes on cash and cash equivalents	-	(17)
Cash and cash equivalents at the beginning of the financial year	<u>405,010</u>	<u>339,735</u>
Cash and cash equivalents at the end of the half-year	<u><u>458,110</u></u>	<u><u>467,412</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements
31 December 2008

1. Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by RHG Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

The preparation of an interim financial report in conformity with *AASB 134 Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period.

An individual pool of loans within one of the group's SPEs is no longer considered to be controlled following a charge in assessment of exposure to the associated risks and rewards. As a result, \$483,728,633 of mortgage loans, \$15,027,621 of cash and \$498,828,189 of liabilities have not been consolidated at 31 December 2008. The balance of mortgage loans in this pool and associated cash and liabilities were \$728,667,566, \$12,063,775 and \$740,753,460 respectively at 31 December 2007. The net profit before tax recognised in respect of this pool in the six months to 31 December 2007 was \$5,134,941.

The financial report has been prepared on a going concern basis.

An explanation of the Group's Special Purpose Entities' funding position is included in the Directors' Report.

Certain comparative figures have been reclassified to conform to the current year's presentation and disclosure requirements.

2. Changes in accounting estimates and judgements

The preparation of the financial report in accordance with Australian Equivalents to International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements for the year ended 30 June 2008 set out areas involving a high degree of judgement or complexity or areas where assumptions are significant to the Group and Parent entity financial report such as:

- * Consolidation of special purpose entities;
- * Ability to realise deferred tax assets;
- * Trail commission liability;
- * Effective interest rate including amortisation of deferred transaction costs and adjustments in respect of predetermined contractual rate changes; and
- * Impairment of assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

3. Segment information

The Group operates in a single business segment of servicing and provision of funding of residential mortgages in a single geographic segment of Australia. The Group ceased origination of mortgages in which it holds beneficial interest effective 16 November 2007.

Notes to the financial statements
31 December 2008

4. Profit for the half-year

	Consolidated	
	Half-year	
	2008	2007
	\$'000	\$'000
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence		
Gains		
Gain on sale of origination business	-	128,921
Less: Applicable income tax	-	(24,759)
	<u>-</u>	<u>104,162</u>
Write-off of transaction costs (net of release of deferred income) related to:		
- Mortgages sold	-	(9,232)
- Assumed increase in run-off rates	-	(9,071)
Net impact on interest revenue	-	(18,303)
Less: Applicable income tax	-	5,491
	<u>-</u>	<u>(12,812)</u>

5. Share buyback

During the half-year to 31 December 2008 the Company purchased 20,332,039 of its shares on market. The intention of the Company to buyback 10% of its share capital was disclosed in the 2008 Annual Report. The total number of shares yet to be purchased at year end is 15,052,535. The shares purchased during the half-year were acquired at an all in average price of \$0.1181 cents per share, with prices ranging from \$0.0890 to \$0.1350 cents.

6. Discontinued operation

(a) Description

On 2 October 2007, the Group announced its intention to sell the RAMS brand and distribution business to Westpac Banking Corporation. The business sold included the RAMS brand, franchise network and associated mortgage origination and servicing systems and contracts required to operate the distribution business. The sale was completed on the 4 January 2008.

(b) Financial performance and cash flow information in relation to distribution business

	Half-year	
	2008	2007
	\$'000	\$'000
Profit from discontinued operations		
Income from ordinary activities net of interest expense	-	7,931
Expenses	-	(20,741)
Loss from discontinued operation before gain on sale	-	(12,810)
Gain on sale of origination business	-	128,921
Profit before income tax	<u>-</u>	<u>116,111</u>
Income tax expense	-	(20,919)
Profit from discontinued operations	<u>-</u>	<u>95,192</u>
Cash flows from discontinued operations		
Net cash (outflows) from operating activities	-	(23,884)
Net cash (outflow) from investing activities	-	(2,109,490)
Net cash inflow from financing activities	-	2,221,996
Net decrease in cash generated by the division	<u>-</u>	<u>88,622</u>

Notes to the financial statements
 31 December 2008

6. Discontinued operation (continued)

(c) Value of assets and liabilities

The carrying values of assets and liabilities sold or scrapped at 31 December 2007 as part of the business sale were:

	As at 31 Dec 2008 \$'000	As at 31 Dec 2007 \$'000
Assets		
Other assets including franchisee loans	-	20,498
Intangible assets – franchisee incentives	-	3,212
Plant and equipment	-	1,517
Total assets	-	25,227
Liabilities		
Financial liabilities at amortised cost – franchisee trail commissions	-	32,916
Provisions – employee entitlements	-	1,381
Total liabilities	-	34,297
Net assets	-	(9,070)

(d) Details of sale of the division

	Half-year 2008 \$'000	Half-year 2007 \$'000
Consideration payable	-	140,000
Add price adjustments for franchisee loans	-	19,438
Less price adjustments for franchisee trail commissions	-	(32,916)
Less other price adjustments	-	(321)
Net cash consideration payable	-	126,201
Consideration received or receivable:		
Cash	-	106,201
Cash in escrow	-	20,000
Total disposal consideration	-	126,201
Carrying amount of net liabilities sold/scrapped at sale	-	9,070
Costs of sale	-	(6,350)
Gain on sale before income tax	-	128,921
Income tax expense	-	(24,759)
Gain on sale after income tax	-	104,162

7. Loan assets held at amortised cost

	As at 31 Dec 2008 \$'000	As at 30 Jun 2008 \$'000
Mortgage loans	9,062,072	11,536,696
Provision for impaired loans	(3,455)	(3,200)
Interest rate swaps fair value adjustment	61,532	(18,470)
Deferred transaction costs	48,141	64,764
	9,168,290	11,579,790

Notes to the financial statements
 31 December 2008

Mortgage loans

Mortgages are taken out for a period not exceeding 30 years and regular repayments are required throughout the term.

Provision for impaired loans

The Group has recognised a provision for impairment loss of \$3,455,000 (30 June 2008: \$3,200,000) in respect of mortgage loans.

Interest rate swaps fair value adjustment

Interest rate swaps are used to hedge the fair value of mortgage loans. The carrying value of mortgage loans is adjusted for changes in the fair value of the asset where such hedges are highly effective. There is an offsetting fair value adjustment in derivative financial assets/liabilities.

Deferred transaction costs

Fees and costs that are incremental and directly attributable to the origination or acquisition of a financial instrument are recorded against the asset/liability. The Group uses the effective interest method whereby the net transaction costs are amortised to profit over the life of the loans. Any unamortised transaction costs form part of the carrying value of the loan.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying value of the loan.

8. Debt issued at amortised cost

	Half-year	
	As at 31 December 2008 \$'000	As at 30 June 2008 \$'000
Secured		
Term bonds payable	3,275,464	3,960,097
Cross currency swap hedges fair value adjustment	196,632	(61,232)
Warehouse facilities	6,047,682	7,845,387
Deferred transaction costs – debt issues	(2,172)	(3,524)
Total secured	9,517,606	11,740,728

Term Bonds payable

Term bonds payable are primarily residential mortgage backed securities issued by the Group's Special Purpose Entities. They are 30 to 32 year variable rate pass through securities. Term bonds may be repaid early by the issuer in certain circumstances. The balance of term bonds payable at the reporting date includes one warehouse facility which has been structured as a 32 year pass through security.

Cross currency swaps

The Cross Currency Swaps are used to hedge the fair value of debt. The carrying value of debt is adjusted for changes in the fair value of the liability where such hedges are highly effective. There is an offsetting fair value adjustment contained in derivative financial assets and derivative financial liabilities.

Warehouse facilities

The Warehouse facilities are used to fund mortgages and are predominantly 364 day facilities that are renewable annually.

The amounts payable to note-holders, bondholders and facility providers are secured over the mortgage receivables of the Group.

Notes to the financial statements
31 December 2008

9. Financial liabilities at amortised cost

	As at 31 December 2008 \$'000	As at 30 June 2008 \$'000
Broker trail commissions liability	<u>26,128</u>	<u>35,917</u>
Total financial liabilities at amortised cost	<u>26,128</u>	<u>35,917</u>

Liability is recognised for the future trail commissions payable to mortgage brokers for mortgages they have originated on behalf of the Group.

The following methods and significant assumptions have been applied in determining the liability for future trail commissions:

- liability value has been estimated using valuation models;
- prepayment rates on underlying mortgages are assumed to align with recent experience; and
- the proportion of fixed rate mortgages and mortgages in arrears are assumed to align with recent experience.

10. Cash and cash equivalents

Total Cash and cash equivalents includes \$97,556,830 (June 2008: \$26,541,406) held by Group entities other than the Group's SPEs. Cash held by the Group's SPEs predominantly represents principal receipts on mortgage loans which will be passed to bondholders and warehouse providers on the next payment date for each funding facility.

11. Events occurring after balance sheet date

A warehouse due to mature on 12/1/09 was extended to 12/3/09. The Group is currently negotiating the terms and conditions of a possible further extension of the facility with the warehouse provider, however there is a significant risk that this facility may not be extended.

A high level of uncertainty also exists in regard to the extension of other warehouse facilities that are due to mature over the course of calendar 2009.

In the event that a warehouse facility is not extended and mortgages are not sold, a default will arise, a receiver may be appointed and a process might be undertaken to arrange a sale of the related mortgages. An event of default will result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. As a result the cash flow available to the Group from excess spread and fee income would be deferred until the facility is repaid in full.

Each warehouse facility has been structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact for the Group would be the loss of future income stream for excess spread, being the difference between the Group's mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transaction costs.

The directors are satisfied that any sale of mortgages in repayment of a warehouse facility or an event of default in relation to the Group's warehouse facilities will not effect the Group's ability to continue as a going concern.

Notes to the financial statements
31 December 2008

12. Contingencies

(a) Contingent Assets

Income tax

The financial statements have been prepared in accordance with current Income Tax legislation. In a press release on 13 May 2008 the Treasurer announced that the Government will proceed with a number of modifications to the tax consolidations regime. In an attachment to the release the Treasurer stated that the government will proceed with modifications which will "treat rights to future income as retained cost base assets with a tax cost setting amount equal to the terminating value for the rights at the joining time". If legislation is passed confirming this position it may result in a reduction in tax payable by the group in relation to the 2008 year of up to \$17.3 million.

(b) Contingent Liabilities

(i) Claim for unspecified damages

A claim for unspecified damages was lodged during the year against the Group in relation to an alleged breach of contract. The Group will strongly defend this action and has taken legal advice that the action is unlikely to succeed.

(ii) Warehouse facilities

The Group provides support in respect of the warehouse facilities by way of representations and warranties, the provision of credit support and undertaking a range of services. To the extent that the Group breaches any of these representations or undertakings, the Group may be exposed to losses.

(iii) Residential mortgage backed securities

The Group provides limited support in respect of the RMBS facilities by way of representations and warranties, the provision of limited credit support and undertaking a range of services. To the extent that the Group breaches any of these representations or undertakings, the Group may be exposed to losses.

(iv) Share sale agreement

On 4 January 2008 the Group completed the sale of RAMS Franchising Pty Limited. The Associated Share Sale Agreement contained various representations and warranties which if breached may result in warranty claims against the Group.

13. Earnings per share

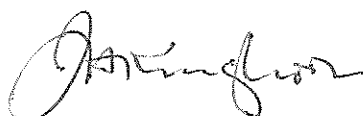
	Half-year 2008	Half-year 2007
Earnings per share were calculated using the following number of shares:		
Weighted average number of shares – for basic earning per share	345,888,573	353,845,742
Weighted average number of shares – for diluted earning per share	349,757,425	353,845,742

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



JA Kinghorn
Chairman

23 February 2009

Independent auditor's review report to the members of RHG Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RHG Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for RHG Limited (the consolidated entity). The consolidated entity comprises both RHG Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RHG Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide

**Independent auditor's review report to the members of
RHG Limited (continued)**

assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

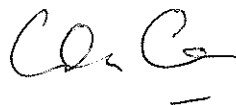
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Price waterhouseCoopers

PricewaterhouseCoopers



CPG Cooper
Partner

Sydney
24 February 2009