SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended	Commission File No.
December 31, 1996	0-12385

Aaron Rents, Inc.
(Exact name of registrant as specified in its charter)

Georgia	58-0687630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
309 E. Paces Ferry Road, N.E. Atlanta, Georgia	30305-2377
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(404) 231-0011

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Title of each Class
Class A Common Stock, $.50 Par Value
Common Stock, $.50 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 17, 1997: $16,194,000. See Item 12.

Indicate the number of share outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Each Class	Shares Outstanding as of March 17, 1997
Class A Common Stock, $.50 Par Value	3,941,906
Common Stock, $.50 Par Value	15,696,246

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1996 Annual Report to Shareholders for the fiscal year ended December 31, 1996 are incorporated by reference into Part II of this Form 10-K.

Portions of the registrant's definitive proxy statement for the 1997 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

PART I.
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Item 1. Business

GENERAL

Aaron Rents is one of the leading furniture rental companies in the United States and has a growing and distinct presence in the rental purchase industry. The Company rents and sells residential and office furniture and accessories, consumer electronics, household appliances and business equipment. By manufacturing its own specially designed residential and office furniture, the Company enjoys an advantage over many of its competitors. Through its rent-to-rent and rental purchase operations, the Company serves a broad range of customers, including customers with temporary needs, customers who want the option but not the obligation to purchase merchandise, and consumers financially unable to purchase merchandise for cash or on credit. Cost-conscious consumers can buy rental return merchandise at any of the Company's rental purchase or rent-to-rent stores or at one of the Company's clearance centers. These sales allow the Company to maximize the residual value of its rental return merchandise.

Aaron Rents at December 31, 1996 had 240 Company operated stores and 61 franchised stores in 26 states, including 105 rent-to-rent stores in its Aaron Rents' Rent-to-Rent division, 135 Company-operated rental purchase stores in its Aaron's Rental Purchase division, and 61 Aaron's Rental Purchase franchised stores. Aaron Rents stores are located primarily in the Southeast and Southwest. While each store has a principal focus (rent-to-rent, rental purchase or clearance sales), all stores give customers the option to rent only, to rent to purchase, or to purchase any of the store's merchandise. The Company expects to develop or acquire additional stores in clusters to achieve marketing, distribution and other operating efficiencies. The Company franchises Aaron's Rental Purchase stores in selected markets. The Company also own five furniture manufacturing plants and four bedding manufacturing facilities, which supply approximately 63% of the furniture rented or sold by the Company.

In 1992, the Company accelerated development of its distinctive Aaron's Rental Purchase concept to increase its share of the growing rent-to-own industry. The Company took this opportunity to introduce innovative programs and approaches that would differentiate the Company's rental purchase program from the typical rent-to-own programs of its competitors. The Company's innovations included offering 12-month rental purchase contract terms (compared to the industry standard 18 to 24 months), larger and more attractive store showrooms in more appealing locations, and a wider selection of merchandise. To address opportunities primarily in non-metropolitan areas where the Company-operated stores would be difficult to manage efficiently, the Company began its Aaron's Rental Purchase franchise program in 1992.

For the fiscal year ended December 31, 1996, in the Company's rent-to-rent and rental purchase stores, approximately 35% of its volume of business was the rental of furniture and accessories, approximately 21% was the sale of rental and other merchandise, and 44% was rental purchase. The rent-to-rent portion of the business (including the sale of rental return merchandise) is mature and stable, and accounts for approximately 58% of the Company's total revenues. At December 31, 1996, the Company's 240 stores had an aggregate showroom and warehouse space of approximately 3.3 million square feet, and approximately 70% of the Company's rental merchandise inventory was on rent.

THE RENT-TO-OWN INDUSTRY

The Company believes its rental purchase concept differs significantly from the typical rent-to-own program. The rent-to-own industry is a growing segment of the retail industry that offers an alternative to traditional methods of acquiring furniture, electronics and appliances. The rent-to-own concept is particularly popular with consumers who are unable to pay for merchandise in cash or who lack the credit to qualify under conventional financing programs. It is also popular with consumers who, despite good credit, do not wish to incur additional debt, have only a temporary need for the merchandise, or desire to try out a particular brand or model before purchasing it. Historically, electronic goods have been the dominant product category rented and sold in the industry although furniture items are growing rapidly in popularity.

In the typical rent-to-own transaction, the customer seeks to acquire merchandise over a fixed term, usually 18 to 24 months, by making weekly rental payments. The customer may cancel the contract at any time by returning the merchandise to the store, with no further rental obligation. The average rental period in the industry is about four months, as the majority of customers do not rent the item to the full term of the contract. If the customer rents the item to the full term, he obtains ownership of the item, though he has the option to purchase it any time.

The estimated potential size of the United States rent-to-own market is 19.6 million households of which only 2.7 million are being served currently by the industry. According to the Association of Progressive Rental Organizations ("APRO"), the national trade association representing the rent-to-own industry, there are approximately 7,500 rent-to-own stores in the United States, 35% of which are owned or franchised by the ten largest companies in the industry. Industry-wide revenues are believed to have been approximately $4.0 billion in 1995.

Rent-to-own transactions currently are regulated at the state level by 45 states. See "Government Regulation."

THE RENT-TO-RENT INDUSTRY

The rent-to-rent industry serves both residential and business customers who generally have immediate, temporary needs for office or residential merchandise but who generally do not seek to own the merchandise. Residential rental customers include both individual residents seeking to rent merchandise for their own homes and apartments, and apartment complex managers seeking to provide furnished apartments. Business customers range from small businesses and professionals who are in need of office furnishings but need to conserve capital, to large corporations with temporary or seasonal needs.

In the typical rent-to-rent transaction, the customer agrees to rent one or more items for a minimum of four months, which may be extended by the customer on a month-to-month basis. Although most rental contracts give the customer the option of purchasing the rented item, most customers do not enter into the transaction with the desire to own the rented merchandise.

The furniture component of the rent-to-rent industry is estimated to be greater than $650 million in annual rental revenues. Although, in general, the rent-to-rent industry is mature, the Company believes that there is growth potential in office furniture. The demand for rental products is believed to be related to the mobility of the population, which relies upon rented merchandise to fulfill temporary needs. The industry is highly competitive and consolidating, with only a handful of companies accounting for a substantial share of the market.

OPERATING DIVISIONS

Rental Purchase-Aaron's Rental Purchase

The Company established its Aaron's Rental Purchase division with stand-alone stores in 1987, accelerated its expansion of the stores in 1990, and at December 31, 1996 had 135 Company-operated and 61 franchised Aaron's Rental Purchase stores. The Company has clearly defined its Aaron's Rental Purchase stores with specific merchandising selection and store layout, pricing and contract terms, and the customers it seeks to attract. The Company believes that these features create a store and rental purchase concept that is significantly different from the operations of most other rent-to-own stores, the Company's traditional rent-to-rent business, and the operations of home furnishings retailers who finance merchandise.

Compared to the typical rent-to-own stores, Aaron's Rental Purchase stores offer shorter contract terms which are payable on a monthly basis and have generally lower total payments to acquire merchandise. Aaron's Rental Purchase stores offer a larger selection of merchandise in general and a greater percentage of furniture merchandise in particular, and have a larger and more visually appealing store layout. The Company believes that its rental purchase customers demand and can afford both higher quality merchandise and more competitive pricing on total contract terms compared to the typical rent-to-own customer.

The Company's rental purchase operations differ from its traditional rent-to-rent business. A typical rental purchase customer, while usually lacking the cash or credit resources to acquire merchandise, desires the option of ownership and may have the intention to utilize rental purchase to achieve ownership. Accordingly, in rental purchase transactions, the customer is willing to pay a higher monthly payment for the ownership option, as compared to the rent-to-rent customer. Typically, the Company's rental purchase customers are more style and brand name conscious than rent-to-rent customers who regard the merchandise as temporary. Aaron's Rental Purchase stores are attractively appointed and are typically in or near a shopping center strategically located near the residences of its target customers, as opposed to the rent-to-rent store typical location in an office park that services destination customers from a broad geographical area.

The Company's rental purchase transactions differ from sales by home furnishings retailers in that rental purchase allows the option, but not the obligation, to purchase merchandise while paying a similar "all-in" contract price. Rental purchase allows the customer to have the item serviced free of charge or replaced at any time during the rental contract, and allows the Company to re-rent an item to another customer if the contract does not go to term. The Company also believes that rental purchase contracts have fewer merchandise losses, as the customer is more likely to return merchandise that he knows he does not own.

The Company's rental purchase store layout consists of a combination showroom and warehouse, ranging from 3,000 to 20,000 square feet, with an average of 8,700 total square feet. The stores are strategically located in or near shopping centers within ten miles of the residential communities of a large number of its target customers. The Company emphasizes a broad selection of brand name products for its electronics and appliance items, and offers customers a wide selection of furniture, including furniture manufactured by the Company's MacTavish Furniture Industries division. Aaron's Rental Purchase stores also offer jewelry and computers.

Aaron's Rental Purchase stores structure the pricing of merchandise to be less expensive than similar items offered by other rent-to-own operators, and substantially equivalent to the "all-in" contract price of similar items offered by home furnishings retailers who finance merchandise. Over 84% of the Company's rental purchase contracts have monthly payments as compared to the industry standard weekly payments, and most monthly contracts are for 12 months compared to the industry standard of 18 to 24 months. Approximately 39% of Aaron's Rental Purchase contracts go to term, in contrast to an industry average of less than 25%. The merchandise from the contracts that do not go to term is either re-rented or sold.

In selecting new locations for Aaron's Rental Purchase stores, the Company generally looks for locations near established working class neighborhoods and communities with good access, typically in well-maintained strip shopping centers. Many of the Company's stores are placed near existing rent-to-own stores of competitors.

Each rental purchase store maintains at least two trucks and crews for pickups and deliveries, and generally offers same or next day delivery for addresses located within 15 miles of the store.

The Aaron's Rental Purchase division's 6 clearance centers serve primarily as retail outlets for final sales of rental return merchandise that will not be rented again, although they also sell some new merchandise. Sales by the clearance centers, together with sales at the Company's rental purchase stores are instrumental in enabling the Company to maximize residual values of depreciated rental merchandise.

Franchise Program

The Company began franchising Aaron's Rental Purchase stores in selected markets in 1992. It is not anticipated that franchised stores will compete with Company-operated stores, as franchises are primarily awarded in markets into which the Company has no current plans to expand. Franchised stores operate under the same financial controls and audits as Company-operated stores and process their financial and inventory information on the information system that was developed and can be accessed by the Company. On a weekly basis, franchisees pay a continuing licensing fee of 5% of gross receipts, and purchase much of their rental purchase inventory through or from the Company. The Company provides its franchisees with considerable support, including site selection, advertising, collection procedures and store operating procedures. The Company has an arrangement with a major financial institution to provide financing to qualifying franchisees to assist with the establishment and operation of their stores. As of December 31, 1996, 155 Aaron's Rental Purchase franchises had been awarded.

Rent-to-Rent -- Aaron Rents and Sells Furniture

The Company has been in the rent-to-rent business for over 40 years and is one of the largest furniture rent-to-rent companies in the United States. The rent-to-rent business remains the Company's core business, and accounted for 58% of the Company's total revenues for the fiscal year ended December 31, 1996, even though the Company's rental purchase business is expanding rapidly. The Company rents new and rental return merchandise to both the residential and the office segments of the rent-to-rent industry, with approximately two-thirds of its rental revenues generated from residential rentals.

Rental contracts typically give the customer the option to purchase the merchandise rented, though few customers exercise the purchase option. Items held for rent, whether new or rental return, are also available for purchase and rental purchase at all rent-to-rent stores.

The Company's typical rent-to-rent store layout consists of a combination showroom and warehouse comprising about 20,000 square feet. Each residential showroom features attractive displays of dining-room, living-room and bedroom furniture in a number of styles, fabrics, materials and colors. Office rental showrooms feature lines of desks, chairs, conference tables, credenzas, sofas, business equipment and accessories. The Company believes that having a warehouse next to each showroom permits the store manager to exercise greater control over inventory, merchandise condition and pickup and deliveries, resulting in more efficient and consistent service for the customer, and gives the Company an advantage over many of its competitors in the rent-to-rent market who do not have attached warehouses.

Each rent-to-rent store generally offers next day delivery for addresses located within 50 miles of the store, and maintains at least one truck and a crew for pickups and deliveries. The Company believes that its ability to deliver office furniture and equipment to its office customers quickly and efficiently gives the Company and advantage over general office furniture retailers who often require several weeks to effect delivery.

The Aaron Rents' Rent-to-Rent division's 5 clearance stores serve primarily as retail outlets for final sales of rental return merchandise that will not be rented again, though they also sell new merchandise. Sales by the clearance stores, together with sales at the clearance centers located in most of the Company's rent-to-rent stores, are instrumental in enabling the Company to maximize residual values of depreciated rental merchandise.

The Company generally sells rental return merchandise at or above its book value (cost less depreciation) plus selling expenses, a price which is usually considerably lower than the price for comparable new merchandise. Most merchandise held for sale in clearance stores may also be acquired through a rental purchase option. Because new merchandise is sold at the same location as rental return merchandise, the Company has the opportunity to sell both new and rental return merchandise to customers who may have been attracted to the store by the advertising and price appeal of rental return merchandise. The ability to sell new and rental return merchandise at the same location allows for more efficient use of facilities and personnel and minimizes overhead.

As of December 31, 1996, the Company had 105 rent-to-rent store locations, primarily in the Southeastern and Southwestern United States.

Furniture Manufacturing

The Company believes that its manufacturing capability gives it a strategic advantage over its competitors by enabling the Company to control the quality, cost, timing, styles and quantity of its furniture rental products. As the only major furniture rental company that manufacturers its own furniture, the Company believes its 375,000 square feet of manufacturing facilities provide it more flexibility in scheduling production runs and in meeting inventory needs than rental companies that do not manufacture their own furniture and are dependent upon third party suppliers. The Company's MacTavish Furniture Industries division has manufactured furniture for the Company's rental stores since 1971.

The division has five manufacturing plants and four bedding manufacturing

facilities which supply 76% of the Company's rent-to-rent furniture and bedding needs and 34% of company-operated rental purchase stores' furniture and bedding needs. Overall, approximately 63% of the furniture rented or sold by the Company is manufactured by MacTavish Furniture Industries. The Company's manufacturing plants have the capacity to meet the Company's needs for such furniture for the foreseeable future. The Company also does limited manufacturing of residential furniture for several unaffiliated furniture retailers.

MacTavish Furniture Industries manufacturers upholstered living-room furniture (including contemporary sofas, sofabeds, chairs and modular sofa and ottoman collections in a variety of natural and synthetic fabrics and leathers), bedding (including standard sizes of mattresses and box springs), upholstered office furniture, bedroom furniture (including bedroom sets, headboards, dressers, mirrors, chests and night tables), and cocktail, sofa and end tables. The Company has designed special features for the furniture it manufactures, which makes its furniture more durable than furniture purchased from third parties. These features include wrench-disassembly (or knock-down) construction of upholstered furniture products for easy replacement of worn or damaged parts at lower cost; standardization of components; reduction of parts and features susceptible to wear or damage; and durable, soil-resistant fabrics and solid-hardwood frames for longer life and higher residual value. The Company also manufactures replacement covers of all styles and fabrics of its upholstered furniture for use in reconditioning rental return furniture.

The principal raw materials used in manufacturing are fabric, foam, wire-innerspring assemblies, cotton liners and hardwoods. All of these materials are purchased in the open market from sources not affiliated with the Company. The Company is not dependent on any single supplier, and none of the raw materials are in short supply. The Company generally maintains a three or four week inventory of such materials.

Other Rental and Sales Operations

To supplement its rental purchase, rent-to-rent and sales operations, the Company also operates three smaller divisions: Aaron Rents Business Equipment, Aaron Rents Convention Furnishings and Aaron Rents Housewares and Linens. The Aaron Rents Business Equipment division's three stores offer business equipment (such as computers, copy machines, fax machines, word processors and paper shredders) for rental, rental purchase and purchase. The Aaron Rents Convention Furnishings division specializes in supplying conventions and events of various sizes with furniture (such as tables, chairs, desks and sofas) on a temporary basis. The Aaron Rents Housewares and Linens division supplies many of the Company's rent-to-rent stores with a selection of common household and linen items to complement the store's other items of merchandise.

STORE OPERATIONS

Management

The Company's rent-to-rent stores are managed by the President of the division and are organized geographically into five regions, each supervised by a vice-president who is primarily responsible for monitoring individual store performance and inventory levels within the respective regions. The Aaron's Rental Purchase division is managed separately by the President of the division, who has four regional managers performing similar responsibilities.

Stores are directly supervised by 38 district managers. At the individual store level, the store manager is responsible for customer and credit relations,

deliveries and pickups, warehouse and inventory management, and certain marketing efforts. Store managers are also responsible for inspecting rental return furniture to determine whether it should be sold as is, rented again as is, repaired and sold, or reconditioned for additional rental. A significant portion of the store manager's compensation is dependent upon store revenues and profits.

Executive management at the Company's headquarters directs and coordinates purchasing, financial planning and control, manufacturing, employee training, and new store site selection for the Company-operated stores. The Company's internal audit department conducts periodic audits of every store, including audits of Company-operated rental purchase stores every 60 days, and semiannual audits of rent-to-rent stores and franchised rental purchase stores. The Company's business philosophy has always emphasized strict cost containment and fiscal controls. Executive and store level management monitor expenses vigilantly to contain costs. All invoices are paid out of the Company's headquarters in order to enhance fiscal accountability. The Company believes that its careful attention to the expense side of its operations has enabled it to maintain financial stability and profitability even during periods of declining revenues.

Management Information Systems

The Company utilizes computer-based management information systems to facilitate cash collections, merchandise returns and inventory monitoring. Through the use of proprietary software developed by the Company, each of the Company's stores is linked by computer directly to corporate headquarters, which enables headquarters to monitor the performance of each store on a daily basis. At the store level, the store manager is better able to track inventory on the showroom floor and in the warehouse to minimize delivery times, assist with product purchasing and match customer needs with available inventory.

Contract Approval, Renewal and Collection

One of the keys to the Company's success is its ability to achieve timely cash collections. Individual store managers utilize the Company's computerized information system on a daily basis to track cash collections. They contact customers within a few days of when their rental payments are due in order to encourage customers to keep their contracts current and in force (rather than having to return the merchandise for non-payment of rent) and to renew their contracts for an additional rental period. Careful attention to cash collections is particularly important in the rental purchase operations, where the customer typically has the option to cancel the contract at any time and each payment is considered a renewal of the contract rather than a collection of a receivable.

Each rent-to-rent store performs a credit check on most of its residential and business customers. The Company generally performs no formal credit check with respect to rental purchase customers other than to verify employment or other reliable sources of income and personal references supplied by the customer because the Company does not extend credit to rental purchase customers. All of the Company's rental agreements for residential and office merchandise require rental payments in advance, and the merchandise normally is picked up if a payment is significantly in arrears. Net bad debt losses from rent-to-rent rentals as a percentage of rent-to-rent rental revenues were approximately 2.5%, 3.0% and 4.0% for the fiscal year ended December 31, 1996, for the nine months ended December 31, 1995, and for the fiscal year ended March 31, 1995. Bad debt losses in the rental purchase division are not significant. For the same periods, net merchandise shrinkage as a percentage of all rental revenues was 2.5%, 2.8% and 2.7%, respectively. The Company's collection and

repossession policies comply with governing legal requirements, and the Company disciplines any employee that it discovers deviating from such policies.

CUSTOMER SERVICE

The Company believes that customer service is one of the most important elements in the success of its rent-to-rent and rental purchase businesses. Customer satisfaction is critical because the customer usually has the option of returning the rented merchandise at any time. The Company's goal is to make its customers feel positive about the Company and its products from the moment they enter the Company's showrooms. Rented items are serviced at no charge to the customer, and quick, free delivery is available in many cases. In order to increase rentals at existing stores, the Company fosters relationships with existing customers to attract recurring business, and many new rental and rental purchase contracts are attributable to repeat customers.

Because of the importance of customer service, the Company believes that a prerequisite for successful operations and growth is skilled, effective employees who value the Company's customers and project a genuine desire to serve the customers' needs. The Company has a comprehensive employee training program at its Atlanta headquarters for all rent-to-rent store managers and employees covering all areas of the Company's operations, with a heavy emphasis on customer service. Additionally, four field trainers are based out of the regional offices. Store managers and employees in the Aaron's Rental Purchase stores have similar training primarily on site by the division's training staff and regional managers. The Company's policy of promoting from within aids in employee retention and commitment to the Company's customer service and other business philosophies, which also allows the Company to realize greater benefits from its employee training programs.

PURCHASING AND DISTRIBUTION

The Company's product mix is determined by store managers in consultation with the regional managers and regional vice presidents, based on an analysis of customer demands. With approval from the applicable operating management, store managers send their orders to the purchasing department at headquarters. The purchasing department reviews all purchase orders to determine whether merchandise needs may be satisfied out of existing inventory at other stores before contacting vendors. If inventory is available at other stores, the purchasing department arranges for inventory shipments between stores. Virtually all merchandise for the Company's stores is purchased by the Company's six buyers, three of whom are solely responsible for rental purchase merchandise.

The Company purchases the majority of its merchandise directly from manufacturers, with the balance from local distributors. The Company's largest supplier is its MacTavish Furniture Industries manufacturing division, which supplies approximately 66% of the furniture rented or sold by the Company. The Company has no long-term contracts for the purchase of merchandise and believes that its relationships with suppliers are excellent.

Both rent-to-rent and rental purchase operations utilize distribution centers to control inventory. During fiscal year 1996, the Company opened two such rent-to-rent facilities in Richmond, Virginia and Dallas, Texas. Rent-to-rent stores in geographic proximity to these facilities order merchandise directly from the distribution centers. The remaining rent-to-rent stores receive merchandise directly from vendors who ship to the stores' attached warehouses. All rental purchase stores order directly from the Company's three rental purchase distribution centers located in Auburndale, Florida; Houston, Texas; and Duluth, Georgia. Rental purchase stores typically have smaller warehouses with less inventory storage space than the Company's rent-to-rent stores. Vendors ship directly to the distribution centers.

Distribution centers result in freight savings from truckload discounts and a more efficient distribution of merchandise. The Company utilizes its four tractor trailers, its local delivery trucks, and various contract carriers to make weekly deliveries to individual stores.

MARKETING AND ADVERTISING

In its rental purchase operations, the Company relies heavily on store traffic and direct mail advertising to reach its target markets. Rental purchase stores are located within neighborhood communities, and will typically distribute mass mailings of promotional material every two weeks, with the goal of reaching every known household within a specified radius of each store at least 12 times per year. In addition, delivery personnel are trained to leave promotional material at the door of each residence within five doors of the delivery destination. In concentrated geographic markets, and for special promotions, the Company also utilizes television advertising and radio advertising for special promotions.

The Company markets its rent-to-rent operations through its outside sales staff for personal contact with apartment complex managers for the residential market as well as the decision maker for the office market. It also relies on the use of brochures, newspapers, radio, television, direct mail, trade publications, yellow pages and electronic mail over the Internet (http://www.aaronrents.com) to reach its residential and office rental and sales customers. The Company believes that such advertising benefits its residential and office rental and sales operations because of increased awareness of rental and purchase options along with name recognition.

EMPLOYEES

At December 31, 1996, the Company had 2,550 employees. None of the Company's employees are covered by a collective bargaining agreement, and the Company believes that its relations with its employees are good.

CERTAIN FACTORS AFFECTING FORWARD LOOKING STATEMENTS

Many of the matters discussed in this Annual Report on Form 10-K are forward looking statements. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from any such statement. The following is a nonexclusive list of factors that could cause actual results to differ materially:

Risks Associated with the Opening of New Stores

An important part of the Company's growth strategy is to open new rental purchase stores, many of which may be in new markets.

Competition

The Company's businesses are highly competitive. The Company competes in the rent-to-rent market with national and local companies and, to a lesser extent, with apartment owners who purchase furniture for rental to tenants. In the rent-to-own market, the Company competes with several larger companies.

Although definitive industry statistics are not available, management believes that the Company is one of the largest furniture rental companies in the United States. Management also believes that it generally has a favorable competitive position in that industry because of its manufacturing and reconditioning capabilities, its prompt delivery and its commitment to customer service.

Government Regulation

The Company believes that 43 states specifically regulate rent-to-own transactions, including states in which the Company currently operates Aaron's Rental Purchase stores. Most of these states have enacted disclosure laws which require rent-to-own companies to disclose to its customers the total number of payments, total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed by the Company and miscellaneous other items. The most restrictive states limit the total amount that a customer may be charged for an item to twice the "retail" price for the item, or regulate the amount of "interest" that rent-to-own companies may charge on rent-to-own transactions, generally defining "interest" as rental fees paid in excess of the "retail" price of the goods. The Company's long-established policy in all states is to disclose the term of its rental purchase transactions as a matter of good business ethics and customer service.

At the present time, no federal law specifically regulates the rent-to-own industry. Federal legislation has been proposed in the past which could affect the rental purchase industry. Management cannot predict whether any such legislation will be enacted and what the impact of such legislation would be. Although the Company is unable to predict the results of these or any additional regulatory initiatives, the Company does not believe that the existing and proposed regulations will have a material adverse impact on the Company's rental purchase or other operations.

Limited Voting Rights

The Company's capital stock consists of Class A Common Stock and Common Stock (formerly known as the Class B Common Stock). Only the holders of shares of Class A Common Stock vote for the election of directors of the Company and on most other matters. The Common Stock has only limited voting rights.

Control by and Dependence Upon Principal Shareholder

R. Charles Loudermilk, Sr., the Company's President, Chief Executive Officer and Chairman of the Board, own or controls approximately 60% of the Company's voting stock and 22% of the non-voting stock outstanding. As a result, Mr. Loudermilk will continue to be able to elect all the directors of, and otherwise effectively control, the Company. The Company believes that it has benefited substantially from Mr. Loudermilk's leadership and that if it were to lose his services at any time in the near future such loss could have an adverse effect on the Company's business and operations.

Item 2. Properties

The Company leases space for substantially all of its store and warehouse operations under operating leases expiring at various times through August,

2005. Most of the leases contain renewal options for additional periods ranging from two to ten years at rental rates generally adjusted on the basis of the consumer price index or other factors. For further information regarding the Company's store and warehouse leases, see Note G of the Notes to the Company's Consolidated Financial Statements.

The Company owns five furniture manufacturing plants and operates four bedding facilities and five distribution centers. It manufactures wood bedroom furniture at an 80,000 square foot plant, and office furniture at a 91,000 square foot plant, both located on a four-acre site in Quincy, Florida, near Tallahassee. Three plants are located in a five acre site in Coolidge, Georgia (approximately 200 miles south of Atlanta). Upholstered residential furniture is produced at a 77,000 square foot plant. A second plant of 46,000 square feet assembles chairs, manufactures leather upholstery, sleepers, and box springs and mattresses. A third plant of 20,000 square feet cuts and sews fabric for upholstered furniture. The Company's bedding operations are located in Atlanta and Coolidge, Georgia; Houston, Texas, and Orlando, Florida. Distribution centers in Auburndale, Florida; Houston, Texas; and Duluth, Georgia (average 57,000 square feet each) service the Aaron's Rental Purchase division. Distribution centers in Richmond, Virginia and Dallas, Texas (approximately 100,000 square feet each) service the Aaron's Rent-to-Rent Division.

The Company's executive and administrative offices occupy approximately 37,000 square feet in an 11 story, 81,000 square-foot building that the Company owns in Atlanta. The Company leases most of the remaining space to third parties under leases with remaining terms averaging four years.

All of the Company's facilities are well maintained and adequate for their current and reasonably foreseeable uses.

Item 3. Legal Proceedings

The Company is not currently a party to any legal proceedings the result of which it believes could have a material adverse impact upon its business, financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II
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Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

(a) The information presented under the caption "Common Stock Market Prices and Dividends" on page 23 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1996 is incorporated herein by reference. The over-the-counter market quotations stated herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

(b) There were approximately 2,000 stockholders of record as of March 17, 1997.

(c) The information presented under "Note E - Debt" on page 20 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1996 is incorporated herein by reference. During the fiscal year ended December 31,1996, the Company paid two semi-annual cash dividends. No assurance can be provided that such dividends will continue.

Item 6. Selected Financial Data

The information presented under the caption "Selected Financial Information" on page 13 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1996 is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and

Results of Operations

The information presented under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" on pages 14 through 15 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1996 is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information presented under the captions "Consolidated Balance Sheets," "Consolidated Statements of Earnings," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Report of Independent Auditors" on pages 16 through 23 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1996 is incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 1996, with respect to the identity, background and Section 16 filings of directors and executive officers of the Company, is incorporated herein by reference to this item.

Item 11. Executive Compensation

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 1996, with respect to executive compensation, is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 1996, with respect to the ownership of common stock by certain beneficial owners and management, is incorporated herein by reference to this item.

For purposes of determining the aggregate market value of the Company's voting stock held by non-affiliates, shares held by all directors and officers of the Company have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which person or entities may be "affiliates" of the Company as defined by the Securities and Exchange Commission.

Item 13. Certain Relationships and Related Transactions

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 1996, with respect to certain relationships and related transactions, is incorporated herein by reference in response to this item.

PART IV

Item 14. Exhibits, Consolidated Financial Statement Schedules, and Reports on Form 8-K

Form 10-K	Report to Shareholders Reference Page

(a) 1. Consolidated Financial Statements

The following financial statements and notes thereto of

2. Consolidated Financial Statement Schedules

All schedules have been omitted because they are inapplicable or the required information is included in the financial statements or notes thereto.

3. Exhibits

Exhibit No.	Description of Exhibit
3 (a)	Amended and Restated Articles of Incorporation of the Company, filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 (the "March 31, 1996 10-Q") which exhibit is by this reference incorporated herein.
3 (b)	By-laws of the Company, filed as Exhibit 2.2 to the Company's Registration Statement on form 8-A filed with the Commission on October 22, 1992, which exhibit is by this reference incorporated herein.
4	See Exhibits 3 (a) through 3 (b).
10 (a)	Aaron Rents, Inc. Employees Retirement Plan and Trust, filed as Exhibit 4 (a) to the Company's Registration Statement on Form S-8, file number 33-62538, filed with the Commission on May 12, 1993, which exhibit is by this reference incorporated herein.*
10 (b)	Aaron Rents, Inc. 1990 Stock Option Plan, filed as Exhibit 4 (a) to the Company's Registration Statement on Form S-8, file number 33-62536, filed with the Commission on May 12, 1993, which exhibit is by this reference incorporated herein.*
10 (c)	Amended and Restated Revolving Credit and Term Loan Agreement, dated January 6, 1995, filed as Exhibit 10 (a) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994 (the "December 31, 1994 10-Q"), which exhibit is by this reference incorporated herein.
10 (d)	Letter Agreements dated November 14, 1994, between Trust Company Bank and the Company, and November 21, 1994 between Bank of America and the Company regarding an Interest Rate Swap Transaction, filed as Exhibit 10 (b) to the December 31, 1994 10-Q, which exhibit is by this reference incorporated herein.
10 (e)	Letter Agreements dated June 19, 1995, between First Union National Bank of North Carolina and the Company and June 20, 1995, between Trust Company Bank and the Company regarding an Interest Rate Swap Transaction, filed as Exhibit 10 (b) to the June 30, 1995 10-Q, which exhibit is by this reference incorporated herein.
10 (f)	Third Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated September 30, 1996, filed as Exhibit 10 to the September 30, 1996 10-Q, which exhibit is by reference incorporated herein.
10 (g)	Letter agreements dated December 26, 1996 between SunTrust Bank, Atlanta and the Company, and letter agreements dated December 27, 1996

between First Chicago NBD, Bank of America NT & SA and the Company regarding Interest Rate Swap Transactions.

11 Computation of Earnings Per Share.

13 Aaron Rents, Inc. Annual Report to Shareholders for the fiscal year ended December 31,1996. With the exception of information expressly

incorporated herein by direct reference thereto, the Annual Report to Shareholders for the fiscal year ended December 31, 1996 is not deemed to be filed as a part of this Annual Report on Form 10-K.

18 Letter Re Change in Accounting Principles dated May 13, 1996, filed as Exhibit 18 to the March 31, 1996 10-Q, which exhibit is by this reference incorporated herein.

21 Subsidiaries of the Registrant

23 Consent of Ernst & Young LLP

27 Financial Data Schedule

99 Press release dated May 7, 1996, filed as Exhibit 99 to the March 31, 1996 10-Q, which exhibit is by this reference incorporated herein.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to item 14 (c) of this report.

(b) Reports on Form 8-K-none

(c) Exhibits listed in item 14 (a) (3) are included elsewhere in this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of March, 1997.

AARON RENTS, INC.

By: /s/ Gilbert L. Danielson

Gilbert L. Danielson
Vice President, Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 28th day of March, 1997.

SIGNATURE	TITLE
/s/ R. Charles Loudermilk, Sr. R. Charles Loudermilk, Sr.	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors
/s/ Gilbert L. Danielson Gilbert L. Danielson	Vice President, Finance, Chief Financial Officer and Director, (Principal Financial Officer)
/s/ Robert P. Sinclair, Jr. Robert P. Sinclair, Jr.	Controller (Principal Accounting Officer)
/s/ Leo Benatar Leo Benatar	Director
/s/ Earl Dolive Earl Dolive	Director
/s/ Rex Fuqua	Director

- ------------- J. Rex Fuqua	
/s/ Keith C. Groen - ------------------ Keith C. Groen	Vice President, Legal Secretary and Director
/s/ Ingrid Saunders Jones - ------------------------- Ingrid Saunders Jones	Director
/s/ Robert C. Loudermilk, Jr. - ----------------------------- Robert C. Loudermilk, Jr.	Vice President, Real Estate and Director
/s/ LTG. M. Collier Ross USA (Ret.) - ----------------------------------- LTG M. Collier Ross USA (Ret.)	Director
/s/ R. K. Sehgal - ---------------- R. K. Sehgal	Director

Exhibit 10 (g)

TERMINATION AGREEMENT

Mr. Mitch Paull
Treasurer
Aaron Rents, Inc.
309 East Paces Ferry Road, N.E.
Atlanta, GA 30305

December 26, 1996

Ph#: 404-231-0011
Fax#: 404-240-6584

Dear Mr. Paull:

The purpose of this communication is to set forth the terms and conditions pursuant to which we have agreed to cancel the Interest Rate Swap Transaction, the terms of which are briefly summarized below.

Fixed Rate Payer:	Aaron Rents, Inc.
Fixed Rate:	7.530% per annum
Floating Rate Payer:	SunTrust Bank, Atlanta
Beginning Notional Amount:	USD $10,000,000.00
Trade Date:	11-14-1994
Effective Date:	11-16-1994
Termination Date:	11-16-1997

It is hereby agreed that the rights and obligations of the parties arising out of this Interest Rate Swap Transaction are terminated and waived effective from 12-26-96 and the parties agree that they shall be under no further liability to each other with respect to the Interest Rate Swap Transaction. This agreement shall be part of and an agreement to the Confirmation in respect of the Interest Rate Swap Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing this copy and facing it back to us at the following fax number: 404-658-4835, Attn: Andrean Stone. An original execution copy will be forwarded to you upon us receiving your faxed copy.

Best Regards,

SunTrust Bank, Atlanta

By: ___________________
Name:
Title:

By: ____________________
Name:
Title:

Accepted and Confirmed as
of the date first written above:

Aaron Rents, Inc.

By: /s/ Gilbert L. Danielson

Name: Gilbert L. Danielson
Title: Vice President, Finance

December 26, 1996

CONFIRMATION OF INTEREST RATE SWAP TRANSACTION

Mr. Mitch Paull
Treasurer
Aaron Rents, Inc.
309 East Paces Ferry Road, N.E.
Atlanta, GA 30305

Ph#: 404-231-0011
Fax#: 404-240-6584

Dear Mr. Paull:

The purpose of this letter agreement is to set forth the terms and conditions of the Rate Swap Transaction entered into between you and SunTrust Bank, Atlanta on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement to be entered into by the parties hereto.

The definitions and provisions contained in the 1991 ISDA Definitions (the "Definitions") published by the International Swap Dealers Association, Inc. ("ISDA") are incorporated by reference into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms a part of, and is subject to the ISDA Master Agreement (a "Swap Agreement"), as amended and supplemented from time to time, between you and SunTrust Bank, Atlanta. All provisions contained or incorporated by reference in the Swap Agreement shall govern this Confirmation except as expressly modified below. Prior to the execution and delivery of such Swap Agreement, this Confirmation alone shall constitute a complete and binding agreement with respect to the Transaction.

Each party is hereby advised, and each such party acknowledges, that the other party has engaged in (or refrained from engaging in) substantial financial transactions and has taken other material actions in reliance upon the parties' entry in the Transaction to which this Confirmation relates on the terms and conditions set forth below.

This Confirmation will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Type of Transaction	Rate Swap
Notional Amount:	US $10,000,000.00
Trade Date:	December 26, 1996
Effective Date:	December 30, 1996
Termination Date:	November 16, 2000, with adjustment in accordance with the Modified Following Business Day Convention

FIXED AMOUNTS:
- --------------

Fixed Rate Payer:	Aaron Rents, Inc.
Fixed Rate Payer Payment Dates:	The 16th day of each February, May, August, and November, beginning February 16, 1997 and terminating on the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention
Fixed Rate:	6.7100% per annum
Fixed Rate Day Count Fraction:	Actual/360

FLOATING AMOUNTS:

Floating Rate Payer:	SunTrust Bank, Atlanta
Floating Rate Payer Payment Dates:	The 16th day of each February, May, August, and November, beginning February 16, 1997 and terminating on the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Floating Rate for initial Calculation Period:	5.50% per annum.
Designated Maturity for all subsequent Calculation Periods:	Three month
Floating Rate Option:	USD-LIBOR-BBA
Spread:	Inapplicable
Floating Rate Day Count Fraction:	Actual/360
Reset Dates:	The Effective Date and each Floating Rate Payer Payment Date except the Termination Date.
Calculation Agent:	SunTrust Bank, Atlanta
Business Days:	New York

3. Other Provisions

   a) Aaron Rents, Inc. agrees to provide a certificate of signing authority and incumbency with respect to the individual executing this Confirmation as well as a Corporate Resolution authorizing Aaron Rents, Inc. to enter into this Transaction. This provision will constitute an additional Agreement for the purpose of Section 3 of the Interest Rate Swap Agreement.

   b) By signing this confirmation, Counterparty acknowledges they have received and understand the SunTrust Bank, Atlanta "Terms of Dealing for OTC Risk Management Transactions" and the "Risk Disclosure Statement for OTC Risk Management Transactions".

4. Account Details:

   Payment to Fixed Rate Payer:

   SunTrust Bank, Atlanta
   ABA# 061000104
   FBO: Aaron Rents, Inc.
   A/C#: 8800-527-494

   Payment to Floating Rate Payer:

   SunTrust Bank, Atlanta
   ABA# 061000104
   Bond Wire Clearing, Center 095
   Attn: Financial Risk Management, Operations

5. Offices
   (a) The Office of Fixed Rate Payer for the Transaction is its Atlanta office; and

   (b) The Office of Floating Rate Payer for the Transaction is its Atlanta office.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing this copy of this Confirmation and faxing it back to us at the following fax number: 404-658-4835, Attn: Andrean Stone. An original execution copy will be forwarded to you upon receiving your faxed copy.

By signing below, you also acknowledge and agree that we have explained to you the risks involved in this Transaction, which risks include but are not limited to the following:

- Market Risk: the risk that the Transaction may increase or decrease in value with a change in, among other things, interest rates or the yield curve; and
- Liquidity Risk: the risk that the Transaction cannot be closed out or disposed of quickly at or near its value.

You further acknowledge and agree that you understand these risks and the Transaction as a whole, that you are capable of managing the risks associated with this Transaction, that the risks involved in this Transaction are consistent with your financial goals, policies and procedures, and risk tolerance, and that you have determined that this Transaction is appropriate for you.

Very truly yours,

SunTrust Bank, Atlanta

By: ____________________
Name:
Title:

By: ____________________
Name:
Title:

Accepted and Confirmed as
of the Date First Written

Aaron Rents, Inc.

By: _________________
Name:
Title:

By: _________________
Name:
Title:

FIRST CHICAGO
The First National Bank of Chicago

NOVATION AGREEMENT
dated as of December 27, 1996 among
Aaron Rents, Inc. ("Transferor"),
The First National Bank of Chicago ("Transferee") and
Bank of America NT & SA ("Continuing Party")

The parties agree that the rights and obligations ("Rights" and "Obligations") of Transferor in respect of that certain interest Rate Swap Transaction evidenced by a Confirmation between Transferor and Continuing Party are hereby assigned and transferred to Transferee as follows:

1. Transferee assumes the Rights and Obligations but only to the extent that such Rights and Obligations are set forth in the Interest Rate and Currency Exchange Agreement dated as of August 22, 1990 between Transferee and Continuing Party as supplemented by a certain Confirmation dated as of December 27, 1996.

2. Transferor is hereby released and discharged from the Obligations.

This agreement shall be construed in accordance with the internal laws of the State of New York applicable to contracts made and performed wholly in such jurisdiction. This agreement may be executed in one or more counterparts, which shall constitute one instrument.

IN WITNESS WHEREOF, the parties have executed this agreement by their duly authorized officers, effective as of the date hereof.

AARON RENTS, INC.

By: ________________________
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO

By: __________________________
Name:
Title:

BANK OF AMERICA NT & SA
By: _________________________
Name:
Title:

TO: AARON RENTS, INC.

ATTN: MR. MITCH PAULL

PHONE: (404) 231-0011 EXT. 309
FAX NO: (404) 240-6584

FROM: NBD BANK

DATE: 27DEC96

RE: OUR REF: 8544.AB TRN ID: 1046030

We are pleased to confirm the terms of the transaction described below between NBD Bank ("NBD") (The Floating Rate Payer), and Aaron Rents, Inc. ("AARON") (The Fixed Rate Payer).

Type of Transaction: Interest Rate Swap

Notional Amount: USD 10,000,000.00

Term:

Trade Date: 26Dec96
Effective Date: 30Dec96
Termination Date: 16Nov00, Subject to adjustment in accordance with the modified following business day convention

Fixed Amounts:

Fixed Rate Payer: Aaron

Payment Dates: Each February 16, May 16, August 16, and November 16, commencing February 16, 1997 and ending November 16, 2000.
Business Day Convention: Modified Following
Fixed Rate: 6.7125 PCT
Fixed Rate Day Count Fraction: Actual/360

Floating Amounts:

Floating Rate Payer: NBD

Payment Dates: Each February 16, May 16, August 16, and November 16, commencing February 16, 1997 and ending November 16, 2000.

Business Day Convention: Modified Following
Floating Rate Option: USD-LIBOR-BBA
Designated Maturity: 3 Months
Floating Rate Day

Count Fraction: Actual/360
Reset Dates: The first day of each calculation period
Spread PCT: None
Initial Floating Rate:
(Including Spread) 5.62153 PCT

Compounding: Inapplicable
Averaging: Inapplicable
Method of Averaging:
Rounding Convention: 5 decimal places as per ISDA
Business Days: New York and London

Documentation:

International Swaps and Derivatives Association, Inc. ("ISDA") master agreement ("Master Agreement") with a first draft of a schedule thereto to be provided by NBD. This letter shall evidence a binding agreement between the parties until such time as the master agreement is executed, and upon its execution shall become a "confirmation" thereunder. Terms used and not otherwise defined herein shall have their meanings as defined in the 1991 ISDA definitions.

Dealing with confirmations on our behalf:

Dianne Schuyler 312-732-2148

Dealing with settlements on our behalf:

Edward Lazowski 312-732-2623

NBD Bank Payment Instructions:

NBD BANK, N.A.
ABA Number: 072000326
Account Name: NBD Bank, N.A.
Account Number: 132664

Aaron Rents, Inc. Payment Instructions:

Please advise

Please confirm the foregoing correctly sets forth the terms of our agreement by executing this letter and returning it via facsimile to:

Derivatives Product Support - Confirmations
NBD Bank
(312) 336-4403 (Fax)

It has been a pleasure working with you on this interest rate swap transaction and we look forward to completing similar transactions with you in the near future.

Regards,
NBD Bank

By: ___________________
Name:
Title:

Accepted and confirmed as of the date hereto:
Aaron Rents, Inc.

By: ______________________
Name:
Title:

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

	Year Ended December 1996	Nine Months Ended December 31, 1995	Year Ended March 31, 1995
Primary:			
Net Income	$15,393	$ 9,880	$ 11,325
Weighted average number of common shares outstanding	19,099	19,461	19,226
Add:			
Dilutive effect of outstanding options as determined by the application of the treasury stock method using the average market price of the Company's common stock	885	576	403
Weighted average number of common and common equivalent shares	19,984	20,037	19,629
Primary earnings per share	$ 0.77	$ 0.49	$ 0.58
Fully diluted:			
Weighted average number of common and common equivalent shares	19,984	20,037	19,629
Add:			
Additional dilutive effect of outstanding options, as determined by the application of the treasury stock method using the year end market price of the Company's common stock	0	42	48
Weighted average number of common shares fully diluted	19,984	20,079	19,677
Fully diluted earnings per share	$ 0.77*	$ 0.49*	$ 0.58*

*Not presented in Financial Statements since dilutive effect is less than 3%.

Selected Financial Information

(Dollar Amounts in Thousands Except Per Share)	Year Ended December 31, 1996	Twelve Months Ended December 31, 1995 (unaudited)	Nine Months Ended December 31, 1995	Nine Months Ended December 31, 1994 (unaudited)	Year Ended March 31, 1995	Year Ended March 31, 1994	Year Ended March 31, 1993
Operating Results							
Systemwide Revenues (1)	$306,200	$256,500	$192,953	$177,773	$241,286	$189,781	$158,361
Revenues:							
Rentals & Fees	208,463	182,311	137,098	127,995	173,208	130,962	100,617
Sales	61,527	52,999	39,218	39,875	53,655	53,139	55,275
Other	4,255	2,465	1,908	1,471	2,029	1,083	1,740
	274,245	237,775	178,224	169,341	228,892	185,184	157,632
Costs & Expenses:							
Cost of Sales	46,168	38,274	28,350	28,772	38,696	38,879	41,594
Operating Expenses	135,012	119,590	90,027	85,464	115,028	91,927	77,816
Depreciation of Rental Merchandise	64,437	55,408	41,612	39,912	53,708	37,310	25,407
Interest	3,449	3,172	2,323	2,185	3,033	2,063	1,650
	249,066	216,444	162,312	156,333	210,465	170,179	146,467
Earnings Before Income Taxes	25,179	21,331	15,912	13,008	18,427	15,005	11,165
Income Taxes	9,786	8,113	6,032	5,021	7,102	6,209	5,100
Net Earnings	$ 15,393	$ 13,218	$ 9,880	$ 7,987	$ 11,325	$ 8,796	$ 6,065
Earnings Per Share	$0.77	$0.66	$0.49	$0.40	$0.58	$0.51	$0.35
Dividends Per Share:							
Common	$0.04	$0.05	$0.05				
$.05	$0.045	$0.04	$0.0325				
Class A	0.04	0.02	0.02	.02	0.025	0.03	0.0275
Financial Position							
Rental Merchandise, Net	$149,984	$122,311	$122,311	$119,781	$121,356	$113,599	$ 86,462
Property, Plant & Equipment, Net	33,267	23,492	23,492	23,532	24,181	18,819	13,326
Total Assets	198,103	158,645	158,645	155,914	157,527	144,917	108,217
Interest-Bearing Debt	55,365	37,479	37,479	46,894	43,159	53,123	33,130
Shareholders' Equity	107,335	91,094	91,094	81,418	84,951	59,830	52,152
At Year End							
Stores Open:							
Company-Operated	240	212	212	203	203	200	156
Franchised	61	36	36	24	26	15	6
Rental Contracts in Effect	179,600	158,900	158,900	152,100	156,600	126,700	100,600
Number of Employees	2,550	2,160	2,160	2,150	2,200	2,100	1,450

(1) Systemwide revenues include rental revenues of franchised Aaron's Rental Purchase stores.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Change in Fiscal Year End

During 1995, the Company changed its fiscal year end from March 31 to December 31, which resulted in a nine month fiscal period ended December 31, 1995. The decision to change the fiscal year end was made for more convenience in both internal and external communications. To aid comparative analysis, the Company has elected to present the results of operations for the year ended December 31, 1996, along with the twelve months ended December 31, 1995 (unaudited) and the nine months ended December 31, 1995, along with the nine months ended December 31, 1994 (unaudited).

Results of Operations

Year Ended December 31, 1996 versus Twelve Months Ended December 31, 1995 (unaudited)

Total revenues for 1996 increased $36.5 million (15.3%) to $274.2 million compared to $237.8 million in 1995 due primarily to a $26.2 million (14.3%) increase in rentals and fees revenues, plus an $8.5 million (16.1%) increase in sales. Of this increase in rental revenues, $16.6 million (19.6%) was attributable to the Aaron's Rental Purchase Division. Rental revenues from the Company's rent-to-rent operations increased $9.5 million (9.8%) during the same period.

Revenues from retail sales increased $5.6 million (11.8%) to $52.8 million in 1996, from $47.2 million for the same period last year. This increase was due to increased sales of both new and rental return furniture in the rent-to-rent division.

Other sales, which represent wholesale sales to primarily Aaron's Rental Purchase franchisees, increased $3.0 million (51.0%) to $8.8 million compared to $5.8 million for the same period last year. The increased sales are due to the growth of the franchise operations.

Franchise fee and royalty income increased $1.5 million (105.4%) to $2.9 million compared to $1.4 million last year. This increase was due to adding 25 new franchise stores in 1996 as well as older franchise stores gaining in revenues.

Cost of sales from retail sales increased $4.8 million (14.5%) to $37.8 million compared to $33.1 million, and as a percentage of sales, increased slightly to 71.7% from 70.1% primarily due to product mix.

Cost of sales from other sales increased $3.1 million (59.5%) to $8.3 million from $5.2 million, and as a percentage of sales, increased to 94.9% from 89.8%. The increase in cost of sales as a percentage of sales is due to a larger percentage of franchise sales in 1996 which is at lower margins than other miscellaneous wholesale sales.

Operating expenses increased $15.4 million (12.9%) to $135.0 million from $119.6 million. As a percentage of total revenues, operating expenses were 49.2% in 1996 and 50.3% in 1995. Operating expenses declined as a percentage of total revenues between years due to the spreading of expenses over higher revenues.

Depreciation of rental merchandise increased $9.0 million (16.3%) to $64.4 million and, as a percentage of total rentals and fees, increased to 30.9% from 30.4%. This increase is primarily due to a change in the rental merchandise mix during the year.

Interest expense increased $277,000 (8.7%) to $3.4 million compared to $3.2 million. As a percentage of total revenues, interest is unchanged at 1.3% due to stability in interest rates during 1996.

Income tax expense increased $1.7 million (20.6%) to $9.8 million compared to $8.1 million, and the Company's effective tax rate was 38.9% in 1996 versus 38.0% for the same period in 1995.

As a result, net earnings increased $2.2 million (16.5%) to $15.4 million for 1996 compared to $13.2 million for the same period in 1995. As a percentage of total revenues, net earnings were 5.6% in both 1996 and 1995.

Nine Months Ended December 31, 1995 versus Nine Months Ended December 31, 1994 (unaudited)

Total revenues for the nine months of 1995 increased $8.9 million (5.2%) to $178.2 million compared to $169.3 million in 1994 due to a $9.1 million (7.1%) increase in rentals and fees revenue, offset by a decline in sales. Of this increase in rental revenues, $11.7 million was attributable to the Aaron's Rental Purchase Division. Rental revenues from the Company's rent-to-rent operations declined $2.6 million (-3.5%) during the same period, reflecting a slightly slower than normal winter season, an overall maturity in this segment of the rental industry and the Company's increased emphasis on the Aaron's Rental Purchase Division.

Revenues from sales decreased $657,000 (-1.6%) to $39.2 million in the nine months of 1995, from $39.9 million for the same period last year. This decrease was due to the closure of two rent-to-rent clearance centers and a realignment of MacTavish Furniture Industries away from sales to furniture distributors to the supply of furniture internally for both the rent-to-rent and rental purchase divisions. This new emphasis resulted in reduced sales of new merchandise for the rent-to-rent division by $3.4 million; however, for the same period, new sales for the rental purchase division increased $1.5 million (268.9%), and rental return sales at all store outlets increased $1.3 million (5.8%) to $24.2 million.

Other revenues increased $437,000 (29.7%) to $1.9 million compared to $1.5 million last year. This increase was entirely due to an increase of $552,000 in franchise fee and royalty income due to the opening of 10 new franchise stores as well as older franchise stores gaining in revenues. This income in the nine months of 1995 was $1.17 million compared with $618,000 for the same period last year.

Cost of sales decreased $422,000 (-1.5%) to $28.4 million compared to $28.8 million, and as a percentage of sales, increased slightly to 72.3% from 72.2% primarily due to increases in vendor prices.

Operating expenses increased $4.6 million (5.3%) to $90 million from $85.5 million. As a percentage of total revenues, operating expenses were essentially unchanged at 50.5% for both periods.

Depreciation of rental merchandise increased $1.7 million (4.3%) to $41.6 million and, as a percentage of total rentals and fees, decreased slightly to 30.4% from 31.2%. This decrease is primarily due to a change in the rental merchandise mix during the year.

Interest expense increased $138,000 (6.3%) to $2.3 million compared to $2.2 million. As a percentage of total revenues, interest is unchanged at 1.3% due to stability in interest rates during the nine months of 1995.

Income tax expense increased $1 million (20.1%) to $6 million compared to $5 million, and the Company's effective tax rate was 37.9% in 1995 versus 38.6% for the same period in 1994.

As a result, net earnings increased $1.9 million (23.7%) to $9.9 million for the nine months of 1995 compared to $8 million for the same period in 1994. As a percentage of total revenues, net earnings increased to 5.5% in the nine months of 1995, as compared to 4.7% for the same period in 1994.

Liquidity and Capital Resources

Cash flow from operations for the year ended December 31, 1996 and for the nine months ended December 31, 1995 was $89.5 million and $55.1 million, respectively. Such cash flows include profits on the sale of rental return merchandise. The Company's primary capital requirements consist of acquiring rental merchandise for Aaron's Rental Purchase stores and replacing merchandise no longer suitable for rent at all Aaron Rents locations. As the Company continues to grow, the need for additional rental merchandise will continue to be the Company's major capital requirement. These capital requirements historically have been financed through bank credit, cash flow from operations, trade credit and proceeds from the sale of rental return merchandise.

The Company has financed its growth through a revolving credit agreement with several banks, trade credit and internally generated funds. The revolving credit agreement provides for unsecured borrowings up to $75.0 million which includes a $6.0 million credit line to fund daily working capital requirements. At December 31, 1996, an aggregate of $55.1 million was outstanding under this facility, bearing interest at an average fixed rate of 6.13%. The Company uses interest rate swap agreements as part of its overall long-term financing program. At December 31, 1996, the Company had swap agreements with notional principal amounts of $40 million which effectively fixed the interest rates on an equal amount of the Company's revolving credit agreement at 6.53%.

The Company believes that the expected cash flows from operations, proceeds from the sale of rental return merchandise, bank borrowings and vendor credit will be sufficient to fund the Company's capital and liquidity needs for at least the next 24 months.

The Company has paid dividends for ten consecutive years. A $.02 per share dividend on Common Stock and on Class A Common Stock were paid in January, 1996 and July 1996, for a total fiscal year cash outlay of $765,000. The Company currently expects to continue its policy of paying dividends.

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)	December 31, 1996	December 31, 1995
Assets		
Cash	$ 84	$ 98
Accounts Receivable	10,491	8,136
Rental Merchandise	210,516	176,751
Less: Accumulated Depreciation	(60,532)	(54,440)
	149,984	122,311
Property, Plant & Equipment, Net	33,267	23,492
Prepaid Expenses & Other Assets	4,277	4,608
Total Assets	$198,103	$158,645
Liabilities & Shareholders' Equity		
Accounts Payable & Accrued Expenses	$ 24,999	$ 19,304
Dividends Payable	382	365
Deferred Income Taxes Payable	2,882	3,781
Customer Deposits & Advance Payments	7,140	6,622
Bank Debt	55,125	37,260
Other Debt	240	219
Total Liabilities	90,768	67,551
Commitments & Contingencies		
Shareholders' Equity		
Common Stock, Par Value $.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 16,170,987 at December 31, 1996 and 6,636,761 at December 31, 1995	8,085	3,318
Common Stock, Class A, Par Value $.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 5,361,761	2,681	2,681
Additional Paid-In Capital	15,445	15,370
Retained Earnings	96,226	86,365
	122,437	107,734
Less: Treasury Shares at Cost, Common Stock, 415,941 Shares at December 31, 1996 and 932,441 Shares at December 31, 1995	(2,315)	(5,189)
Class A Common Stock, 1,418,855 Shares at December 31, 1996 and 1,427,588 Shares at December 31, 1995	(12,787)	(11,451)
Total Shareholders' Equity	107,335	91,094
Total Liabilities & Shareholders' Equity	$198,103	$158,645

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of earnings

(In Thousands, Except Per Share)	Year Ended December 31, 1996	Nine Months Ended December 31, 1995	Year Ended March 31, 1995
Revenues			

Rentals and Fees	$ 208,463	$ 137,098	$173,208
Retail Sales	52,757	35,537	47,781
Non-Retail Sales	8,770	3,681	5,874
Other	4,255	1,908	2,029
	274,245	178,224	228,892
Costs & Expenses			
Retail Cost of Sales	37,848	24,983	33,680
Non-Retail Cost of Sales	8,320	3,367	5,016
Operating Expenses	135,012	90,027	115,028
Depreciation of Rental Merchandise	64,437	41,612	53,708
Interest	3,449	2,323	3,033
	249,066	162,312	210,465
Earnings Before Income Taxes	25,179	15,912	18,427
Income Taxes	9,786	6,032	7,102
Net Earnings	$ 15,393	$ 9,880	$ 11,325
Earnings Per Share	$ .77	$ .49	$ .58

Consolidated Statements of Shareholders' Equity

(In Thousands)	Treasury Stock Shares	Treasury Stock Amount	Common Stock Common	Common Stock Class A	Additional Paid-In Capital	Retained Earnings
Balance, March 31, 1994	(2,286)	$ (13,228)	$ 2,681	$ 2,681	$ 1,101	$66,595
Issued Shares			637		13,503	
Reacquired Shares	(138)	(1,836)				
Dividends						(709)
Reissued Shares	245	1,486			710	5
Net Earnings						11,325
Balance, March 31, 1995	(2,179)	(13,578)	3,318	2,681	15,314	77,216
Reacquired Shares	(194)	(3,134)				
Dividends						(732)
Reissued Shares	13	72			56	1
Net Earnings						9,880
Balance, December 31, 1995	(2,360)	(16,640)	3,318	2,681	15,370	86,365
Stock Dividend			4,767			(4,767)
Reacquired Shares	(164)	(2,889)				
Dividends						(765)
Reissued Shares	689	4,427			75	
Net Earnings						15,393
Balance, December 31, 1996	(1,835)	$ (15,102)	$ 8,085	$ 2,681	$15,445	$96,226

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(In Thousands)	Year Ended December 31, 1996	Nine Months Ended December 31, 1995	Year Ended March 31, 1995
Operating Activities			
Net Earnings	$ 15,393	$ 9,880	$ 11,325
Depreciation	70,693	45,798	58,765
Deferred Income Taxes	(899)	(345)	(1,090)
Change in Accounts Payable & Accrued Expenses	5,695	242	(1,834)
Change in Accounts Receivable	(2,339)	255	(386)
Other Changes, Net	982	(711)	1,966

Cash Provided by Operating Activities	89,525	55,119	68,746
Investing Activities			
Additions to Property, Plant & Equipment	(17,534)	(5,476)	(11,820)
Book Value of Property Retired or Sold	1,823	1,979	1,401
Additions to Rental Merchandise	(137,023)	(72,926)	(101,755)
Book Value of Rental Merchandise Sold	48,352	30,892	40,667
Contracts & Other Assets Acquired	(3,891)	(533)	(328)
Cash Used by Investing Activities	(108,273)	(46,064)	(71,835)
Financing Activities			
Proceeds from Revolving Credit Agreement	85,299	51,933	229,448
Repayments on Revolving Credit Agreement	(67,434)	(56,845)	(238,727)
Increase (Decrease) in Other Debt	21	(768)	(685)
Proceeds from Common Stock Offering			14,140
Dividends Paid	(765)	(367)	(709)
Acquisition of Treasury Stock	(2,889)	(3,134)	(1,836)
Issuance of Stock Under Stock Option Plan	4,502	129	1,467
Cash Provided (Used) by Financing Activities	18,734	(9,052)	3,098
(Decrease) Increase in Cash	(14)	3	9
Cash at Beginning of Year	98	95	86
Cash at End of Year	$ 84	$ 98	$ 95
Cash Paid During the Year:			
Interest	$ 3,384	$ 2,642	$ 3,005
Income Taxes	7,531	7,677	8,705

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

At December 31, 1996 and 1995, and for the Year Ended December 31, 1996, the Nine Month Period Ended December 31, 1995, and the Year Ended March 31, 1995.

Note A: Summary of Significant Accounting Policies

Principles of Consolidation -- The consolidated financial statements include the accounts of Aaron Rents, Inc., and its wholly-owned subsidiaries, Aaron Enterprises, Inc. and Aaron Investment Company (the Company). All significant intercompany accounts and transactions have been eliminated. The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Line of Business -- The Company is engaged in the business of renting and selling residential and office furniture and other merchandise throughout the U.S. The Company manufactures furniture principally for its rental and sales operations.

Rental Merchandise consists primarily of residential and office furniture and other merchandise and is recorded at cost. Prior to January 1, 1996, depreciation was provided using the straight-line method over the estimated useful life of the merchandise, principally from 1 to 5 years, after allowing for a salvage value of 5% to 60%. Effective January 1, 1996, the Company prospectively changed its depreciation method on merchandise in the rental purchase division acquired after December 31, 1995 from generally 14 months straight-line with a 5% salvage value to a method that depreciates the merchandise over the agreement period, generally 12 months, when on rent and 36 months when not on rent to a 0% salvage value. This new method is similar to a method referred to as the income forecasting method in the rental purchase industry. The Company adopted the new method because management believes that it provides a more systematic and rational allocation of the cost of rental purchase merchandise over its useful life. The effect for the year ended December 31, 1996 of the change in the depreciation method on merchandise purchased after December 31, 1995 was to decrease net income by approximately $850,000 ($.04 per share). In addition, based on an analysis of the average composite life of the division's rental purchase merchandise on rent or on hand at December 31, 1995, the Company extended the depreciable lives of that merchandise from generally 14 months to 18 months, and made other refinements to depreciation rates on rental and rental purchase merchandise. The effect of such change in depreciable lives and other refinements was to increase net income for the year ended December 31, 1996 by approximately $709,000 ($.04 per share). The Company recognizes rental revenues over the rental period and recognizes all costs of servicing and maintaining merchandise on rent as incurred.

Property, Plant and Equipment are recorded at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets, which are from 8 to 27 years for buildings and improvements and from 2 to 5 years for other depreciable property and equipment. Gains and losses related to dispositions and retirements are included in income. Maintenance and repairs are charged to income as incurred; renewals and betterments are capitalized. The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), in the first quarter of 1996. The effect of the adoption was not material.

Deferred Income Taxes are provided for temporary differences between the amounts of assets and liabilities for financial and tax reporting purposes. Such temporary differences arise principally from the use of accelerated depreciation methods on rental merchandise for tax purposes.

Cost of Sales includes the depreciated cost of rental-return residential and office merchandise sold and the cost of new residential and office merchandise sold. It is not practicable to allocate operating expenses between selling and rental operations.

Advertising -- The Company expenses advertising costs as incurred. Such costs aggregated $10,422,000 for the fiscal year ended December 31, 1996, $6,258,000 for the nine months ended December 31, 1995, and $7,257,000 in fiscal year 1995, respectively.

Stock Based Compensation -- The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options and adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" (FAS 123). The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant and, accordingly, recognizes no compensation expense for the stock option grants.

Reclassifications -- Certain classifications have been made to the 1995 financial statements to conform to the 1996 presentation.

Note B: Change in Fiscal Year End

During 1995, the Company changed its fiscal year end from March 31 to December 31, which resulted in a nine month fiscal period ended December 31, 1995. The decision to change the fiscal year end was made for more convenience in both internal and external reporting.

Results of operations (condensed) for the nine-month periods ended December 31, 1995 and December 31, 1994 are shown below:

(In Thousands, Except Per Share Amounts)	Nine Months Ended December 31, 1995	1994 (unaudited)
Revenues	$178,224	$169,341
Cost of Sales	28,350	28,772
Operating And Other Expenses	92,350	87,649
Depreciation of Rental Merchandise	41,612	39,912
Earnings Before Income Taxes	15,912	13,008

Income Taxes	6,032	5,021
Net Earnings	$ 9,880	$ 7,987
Earnings Per Share	$.49	$.40
Weighted Average Shares Outstanding	20,037	19,768

Note C: Earnings Per Share

Earnings per share are computed by dividing net earnings by the weighted average number of common shares and common equivalent shares (for stock options using the treasury stock method) outstanding during the period, which was 19,983,692 shares for the year ended December 31, 1996; 20,037,456 shares for the nine months ended December 31, 1995; and 19,628,548 shares for the year ended March 31, 1995.

Note D: Property, Plant & Equipment

(In Thousands)	December 31, 1996	December 31, 1995
Land	$ 3,662	$ 1,872
Buildings & Improvements	15,787	9,692
Leasehold Improvements & Signs	16,068	13,834
Fixtures & Equipment	15,738	16,065
Construction in Progress	2,726	528
	53,981	41,991
Less: Accumulated Depreciation & Amortization	(20,714)	(18,499)
	$ 33,267	$ 23,492

Note E: Debt

Bank Debt -- The Company has a revolving credit agreement with four banks providing for unsecured borrowings up to $75,000,000, which includes a $6,000,000 credit line to fund daily working capital requirements. Amounts borrowed bear interest at the lower of the lender's prime rate, or LIBOR plus .5%, or the rate at which certificates of deposit are offered in the secondary market plus .625%. The pricing under the working capital line is based upon overnight bank borrowing rates. At December 31, 1996 and 1995, an aggregate of $55,125,000 and $37,260,000, respectively, was outstanding under this agreement. The Company pays a .22% commitment fee on unused balances. The weighted average interest rate on borrowings under the revolving credit agreement (before giving effect to interest rate swaps) was 6.17% in 1996, 6.99% for the nine months ended December 31, 1995 and 6.13% in fiscal 1995. The effects of interest rate swaps on the weighted average interest rate was not material.

The Company has entered into interest rate swap agreements that effectively fix the interest rate on $20,000,000 of borrowings under the revolving credit agreement at an average rate of 6.71% until November 2000 and an additional $20,000,000 at an average rate of 6.35% until June 2005. These swap agreements involve the receipt of amounts when the floating rates exceed the fixed rates and the payment of amounts when the fixed rates exceed the floating rates in such agreements over the life of the agreements. The differential to be paid or received is accrued as interest rates change and is recognized as an adjustment to the floating rate interest expense related to the debt. The related amount payable to or receivable from counterparties is included in accrued liabilities or other assets. The fair values of the swap agreements, which are not recognized in the financial statements, are estimated not to be significant at December 31, 1996. The fair value of the Company's bank debt approximates its carrying value.

The revolving credit agreement may be terminated on ninety days' notice by the Company or six months' notice by the lenders. The debt is payable in 60 monthly installments following the termination date if terminated by the lenders.

The agreement restricts cash dividend payments and stock repurchases to $3,000,000 plus 25% of net earnings since April 1, 1991, and places other restrictions on additional borrowings and requires the maintenance of certain financial ratios.

Other Debt -- Other debt of $240,000 at December 31, 1996 and $219,000 at December 31, 1995 represents an insurance premium financing agreement bearing interest at 6.95%. Other debt matures in 1997.

Note F: Income Taxes

(In Thousands)	Year Ended December 31, 1996	Nine Months Ended December 31, 1995	Year Ended March 31, 1995
Current Income Tax Expense:			
Federal	$ 9,503	$5,577	$ 7,258
State	1,182	800	934
	10,685	6,377	8,192
Deferred Income Tax (Benefit):			
Federal	(889)	(302)	(930)
State	(10)	(43)	(160)
	(899)	(345)	(1,090)
	$ 9,786	$6,032	$ 7,102

Significant components of the Company's deferred income tax liabilities and assets are as follows:

(In Thousands)	December 31, 1996	December 31, 1995
Deferred Tax Liabilities:		
Rental Merchandise and Property, Plant & Equipment	$5,486	$6,858
Other, Net	1,141	134
Total Deferred Tax Liabilities	6,627	6,992
Deferred Tax Assets:		
Accrued Liabilities	892	847
Advance Payments	2,150	1,702
Other, Net	703	662
Total Deferred Tax Assets	3,745	3,211
Net Deferred Tax Liabilities	$2,882	$3,781

The Company's effective tax rate differs from the federal income tax statutory rate as follows:

	Year Ended December 31, 1996	Nine Months Ended December 31, 1995	Year Ended March 31, 1995
Statutory Rate	35.0%	35.0%	35.0%
Increases in Taxes Resulting From State Income Taxes, net of Federal Income Tax Benefit	3.0	3.2	2.7
Other, Net	.9	(.3)	.8
Effective Tax Rate	38.9%	37.9%	38.5%

Note G: Commitments

The Company leases warehouse and retail store space for substantially all of its operations under operating leases expiring at various times through 2005. Most of the leases contain renewal options for additional periods ranging from 2 to 10 years or provide for options to purchase the related property at predetermined purchase prices which do not represent bargain purchase options. The Company also leases transportation equipment under operating leases expiring during the next 3 years. Management expects that most leases will be renewed or replaced by other leases in the normal course of business.

Future minimum rental payments, including guaranteed residual values, required under operating leases that have initial or remaining non-cancelable terms in excess of one year as of December 31, 1996, are as follows: $17,207,000 in 1997; $14,688,000 in 1998; $10,728,000 in 1999; $6,689,000 in 2000; $7,479,000 in 2001; and $3,284,000 thereafter.

Rental expense was $17,886,000 for the year ended December 31, 1996, $11,513,000 for the nine months ended December 31, 1995 and $15,467,000 for the year ended March 31, 1995, respectively.

The Company leases five buildings from certain officers of the Company under leases expiring through 2005 for annual rentals aggregating $680,000.

The Company maintains a 401(k) savings plan for all full-time employees with at least one year of service with the Company and who meet certain eligibility requirements. The plan allows employees to contribute up to 6% of their annual compensation with 50% matching by the Company on the first 4% of compensation. The Company's expense related to the plan was $308,000 in 1996, $162,000 for the nine months ended December 31, 1995 and $259,000 in fiscal year 1995, respectively.

Note H: Shareholders' Equity

During 1996, the Company declared a 100% stock dividend on its Common Stock and Class A Common Stock. Each stockholder received one share of Common Stock for each share of Common Stock and Class A Common Stock held. All share and per share amounts have been restated to reflect the 100% stock dividend. Common stock is non-voting.

On May 2, 1994, the Company issued, through a public offering, 1,275,000 shares of Common Stock. The net proceeds to the Company after deducting underwriting discounts and offering expenses were $14,100,000. The net proceeds were used to reduce bank debt.

At December 31, 1996, the Company held a total of 1,834,796 common shares in its treasury, and is authorized by the Board of Directors to acquire up to an additional 3,090 shares. On February 11, 1997, the Board of Directors approved the purchase of an additional 1,000,000 shares.

The Company has 1,000,000 shares of preferred stock authorized. The shares are issuable in series with terms for each series fixed by the Board and such issuance is subject to approval by the Board of Directors. No preferred shares have been issued.

Note I: Stock Options

The Company has stock option plans under which options to purchase shares of the Company's Common Stock are granted to certain key employees.

Under the Company's 1990 Stock Option Plan, options granted become exercisable after a period of two years and unexercised options lapse five years after the date of grant. Under the Company's 1996 Stock Option Plan, options currently granted become exercisable after a period of three years and unexercised options lapse ten years after the date of the grant. Options under both plans are subject to forfeiture upon termination of service. Under the plans, 2,047,000 shares of the Company shares are reserved for issuance at December 31, 1996.

Pro forma information regarding net earnings and earnings per share is required by FAS 123, and has been determined as if the Company has accounted for its employee stock options granted in 1996 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1996: risk-free interest rate of 6.72%; a dividend yield of .4%; volatility factor of the expected market price of the Company's common stock of .335; and a weighted-average expected life of the option of 8 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands except for earnings per share information):

	Year Ended December 31, 1996
Pro forma net earnings	$14,825
Pro forma earnings per share	
Primary	.74
Fully diluted	.74

Because these pro forma disclosures only reflect grants of stock options in 1996, such pro forma amounts are not indicative of the pro forma effects on net earnings in future years from grants of stock options.

The table below summarizes option activity for the periods indicated in the Company's stock option plans:

	Year Ended December 31, 1996		Nine Months Ended December 31, 1995		Year Ended March 31, 1995	
(In Thousands, Except Price Per Share)	Common Shares	Weighted Average Price	Common Shares	Weighted Average Price	Common Shares	Weighted Average Price
Options outstanding - beginning of year	1,248	$4.54	1,294	$4.54	1,279	$3.08
Options granted	780	9.88			504	6.75
Options exercised	(701)	3.00	(24)	3.00	(489)	3.00
Options cancelled	(8)	9.88	(22)	6.68		
Options outstanding - end of year	1,319	$8.48	1,248	$4.54	1,294	$4.54
Options exercisable - end of year	207	$5.79	766	$3.14	760	$3.06

Exercise prices for options outstanding as of December 31, 1996 ranged from $3.00 to $9.88. The weighted average remaining contractual life of those options is 6.6 years.

Note J: Quarterly Financial Information (Unaudited)

(In Thousands Except Per Share)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 1996				
Revenues	$64,693	$67,610	$71,224	$70,718
Gross Profit	38,873	39,980	41,273	39,259
Earnings Before Taxes	6,791	6,375	6,198	5,815
Net Earnings	4,159	3,914	3,787	3,533
Earnings Per Share	$ .21	$ .20	$ .19	$ .18
Twelve Months ended December 31, 1995				
Revenues	$59,551	$59,135	$59,012	$60,077
Gross Profit	35,273	35,534	35,127	35,694
Earnings Before Taxes	5,419	5,347	5,152	5,413
Net Earnings	3,338	3,315	3,205	3,360
Earnings Per Share	$ .17	$ .17	$ .16	$ .17

Note K: Franchising of Aaron's Rental Purchase Stores

The Company franchises Aaron's Rental Purchase stores. As of December 31, 1996 and December 31, 1995, 151 and 106 franchises had been awarded, respectively. Franchisees pay a non-refundable initial franchise fee of $35,000 and an ongoing royalty of 5% of cash receipts. The Company recognizes this income as earned and includes it in Other Revenues in the Consolidated Statements of Earnings. The Company has guaranteed certain lease and debt obligations of some of the franchisees amounting to $304,000 and $4,513,000, respectively, at December 31, 1996. The Company has recourse rights to the leased property and to the assets securing the debt obligations. As a result, the Company does not expect to incur any significant losses under these guarantees.

Common Stock Market Prices
& Dividends

The Company's Common Stock and Class A Common Stock are traded on The NASDAQ Stock Market under the symbols "ARON" and "ARONA," respectively. The approximate number of shareholders of record of the Company's Common Stock and Class A Common Stock at March 17, 1997, was 2,000. The following table shows, for the periods indicated, the range of high and low closing bid prices per share for the Common Stock and Class A Common Stock as reported by NASDAQ, and the cash dividends declared per share.

The average closing bid quotation for Common Stock and Class A Common Stock on March 17, 1997, was $11.625 and $11.00 respectively. The Company currently expects to continue its policy of paying dividends.

Common Stock	High	Low	Cash Dividends Per Share
December 31, 1996			
First Quarter	$10.125	$ 9.00	$
Second Quarter	15.00	9.875	.02
Third Quarter	13.625	11.00	
Fourth Quarter	14.625	11.125	.02
December 31, 1995			
First Quarter	$ 7.875	$ 6.875	$.025
Second Quarter	9.50	7.688	
Third Quarter	9.25	8.625	.025

Class A Common Stock	High	Low	Cash Dividends Per Share
December 31, 1996			
First Quarter	$10.875	$ 8.875	$
Second Quarter	15.125	10.875	.02
Third Quarter	15.75	11.50	
Fourth Quarter	15.00	12.75	.02
December 31, 1995			
First Quarter	$ 7.75	$ 7.00	$ .01
Second Quarter	9.50	7.75	
Third Quarter	9.25	8.688	.01

Report of Independent Auditors

To the Board of Directors and Shareholders of
Aaron Rents, Inc.:

We have audited the accompanying consolidated balance sheets of Aaron Rents, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995 and the year ended March 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aaron Rents, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995 and the year ended March 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note A to the Consolidated Financial Statements, in 1996 the Company changed its method of accounting for depreciation of rental purchase merchandise.

Atlanta, Georgia
March 14, 1997

EXHIBIT 21

SUBSIDIARIES OF AARON RENTS, INC.

Name	State of Incorporation
Aaron Enterprises, Inc.	Georgia
Aaron Investment Company	Delaware

EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Aaron Rents, Inc. of our report dated March 14, 1997, included in the 1996 Annual Report to Shareholders of Aaron Rents, Inc.

We also consent to the incorporation by reference in the Registration Statements of Aaron Rents, Inc. listed below of our report dated March 14, 1997, with respect to the consolidated financial statements of Aaron Rents, Inc. incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 1996.

- Registration Statement No. 33-62536 on Form S-8 pertaining to the 1990 Stock Option Plan
- Registration Statement No. 33-9026 on Form S-8 pertaining to the Aaron Rents, Inc. Retirement Plan and Trust
- Registration Statement No. 33-62538 on Form S-8 pertaining to the Aaron Rents, Inc. Retirement Plan and Trust

/s/ Ernst & Young LLP

Atlanta, Georgia
March 25, 1997

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<CGS>                                           46,168
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<INCOME-CONTINUING>                             15,393
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<CHANGES>                                            0
<NET-INCOME>                                    15,393
<EPS-PRIMARY>                                      .77
<EPS-DILUTED>                                      .77
<FN>
<F1>The allowance of doubtful accounts is netted against total accounts receivable
in the Accounts Receivable balance.
<F2>Rental merchandise has been classified as inventory for purposes of this
schedule.  Rental merchandise has been shown net of 60,532 accumulated
depreciation.
<F3>The financial statements are presented with an unclassified balance sheet.
<F4>PP&E has been shown net of accumulated depreciation.
</FN>
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