

14 February 2006

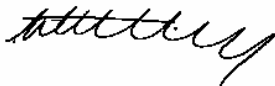
ASX Online  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

## **Interim Results for 6 months ended 31 December 2005**

Please find attached the following documents:

- Appendix 4D
- Directors' Report
- Directors' Declaration
- Market Announcement
- Independent Review Report to Members

Yours sincerely



Stephen Donnelley  
Chief Executive Officer  
For and on behalf of  
National Hire Group Limited

## Appendix 4D

### Half-year report

Period ended 31 December 2005

#### Name of entity

**NATIONAL HIRE GROUP LIMITED**

ABN

Half-year ended  
(current period)

Half-year ended  
(previous period)

**61 076 688 938**

**31 December 2005**

**31 December 2004**

## 2. Results for announcement to the market

The following information is to be read in conjunction with the accounts for the six months ended 31 December 2005, attached to this document.

	Current period 31 Dec 2005 \$A'000	Previous period 31 Dec 2004 \$A'000	Change \$A'000	Change %
Revenue from ordinary activities	97,962	28,552	69,410	243.1
Profit from ordinary activities after tax attributable to members	6,762	2,388	4,374	183.2
Net profit for the period attributable to members	6,762	2,388	4,374	183.2

### Commentary

Total revenue for the half year was \$97,962,000 an increase of 243.1% or \$69,410,000 over the previous corresponding period.

Operating profit (before depreciation, net borrowing costs, tax and brand name amortisation) for the period was \$27,283,000 compared to the previous corresponding period of \$6,453,000 an increase of 323% or \$20,830,000.

Profit before tax for the half year ended 31 December 2005 of \$10,240,000 represents a \$8,496,000 or 487% increase over the corresponding period profit of \$1,744,000.

Net profit after tax for the half year ended 31 December 2005 of \$6,762,000 is a \$4,374,000 or 183.2% increase over the previous corresponding period profit of \$2,388,000.

The improved trading performance results from a combination of investment in new equipment and the inclusion of results from acquisitions completed during the six months ended 31 December 2004.

### 3. Net tangible assets

	Current period 31 Dec 2005	Previous period 31 Dec 2004
Number of ordinary shares on issue*	119,624,802	116,042,799
Net tangible asset backing per ordinary share	\$1.40	\$1.35¢

\* On 17 November 2005, National Hire Group Limited consolidated the number of ordinary shares on issue by undertaking a 5 for 1 consolidation of ordinary shares. Comparative figures have been adjusted to reflect this change.

### 4. Control gained/lost over entities

Details of businesses over which control has been gained or lost during the period		
Name of, or nature of, businesses acquired	Date of gain of control	Contribution to entity's profit from ordinary activities
None	N/A	N/A

### 5. Dividends

A dividend of 0.5 cents per ordinary share was paid on 14 October 2005 (equivalent to 2.5 cents per ordinary share post consolidation). An interim dividend of 3.0 cents has been proposed for the 6 months ended 31 December 2005.

### 6. Dividend reinvestment plans

No dividend reinvestment plan exists for the company.

**7. Associates and joint ventures**

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to net profit/loss where material	
	Current Period	Previous corresponding period	Current Period	Previous corresponding period
None	N/A	N/A	N/A	N/A

**8. Foreign entities**

The results of foreign entities are presented in accordance with Australian Accounting Standards.

**9. Audit or review status**

This report is based on accounts to which one of the following applies:

- |                          |   |                                     |  |
|--------------------------|---|-------------------------------------|--|
| <input type="checkbox"/> | The accounts have been audited  | <input checked="" type="checkbox"/> | The accounts have been subject to review           |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review | <input type="checkbox"/>            | The accounts have not yet been audited or reviewed |

## Directors' Report

Your Directors present their report on the consolidated entity consisting of National Hire Group Limited (“the Company”) and the entities it controlled at the end of or during the half year ended 31 December 2005.

### DIRECTORS

The following persons were Directors of National Hire Group Limited during the whole or part of the half-year up to the date of this report:

- Raymond John Romano (Non-Executive Chairman)
- Stephen Sherwood Donnelley (Chief Executive Officer)
- Peter Joshua Gammell (Non- Executive Director)
- John Edward Star (Non-Executive Director)
- Clive Isenberg (Non- Executive Director)
- Andrew Aitken (Non- Executive Director)

### REVIEW OF OPERATIONS

Key measures of the result from operations are disclosed as follows:

\$'000	2005	2004	\$ Change	% Change
Revenue	97,962	28,552	69,410	243
Profit before net borrowing costs, tax, depreciation and amortisation	27,283	6,453	20,830	323
Profit from ordinary activities before income tax expense	10,240	1,744	8,496	487
Profit from ordinary activities after related income tax expense	6,762	2,388	4,374	183

The results reflect additional income generated from business acquisitions completed during the financial year ended 30 June 2005 and significant capital investment in new equipment since the previous corresponding period.

During the 6 months ended 31 December 2005, the group completed its transition to reporting in terms of the Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report including comparatives has been prepared on an AIFRS basis.

The key issues which were affected by the transition are:

- Share based payments
- Intangibles
- Accounting for income tax

The impact of resulting adjustments did not have a material effect on the net assets of the group and are disclosed in the reconciliation between AIFRS and the previous AGAAP contained in Note 7 of this report.

On 17 November 2005, National Hire Group Limited reduced the number of ordinary shares on issue by undertaking a 5 for 1 consolidation of ordinary shares. As a result, the number of shares on issue reduced to 119,624,802. There has been no impact on the net assets of the company as a result of the share consolidation and all rights attaching to ordinary shares remain unchanged.

## **BUSINESS ACQUISITIONS**

Subsequent to the end of the half year, a wholly owned subsidiary of National Hire Group Limited acquired 100% of the shares of Australian Highway Plant Services Pty Ltd. for a cash consideration of \$111 million subject to completion adjustments.

## **EMPLOYEE OPTIONS**

During December 2005, National Hire Group Limited issued 261,000 options under its employee share option plan. The exercise price in respect of each option is \$1.85 and the period during which the options may be exercised is between 1 December 2008 and 1 December 2010 subject to the satisfaction of performance criteria.

A total of 501,000 options have now been issued under the employee option plan and all have been accounted for in accordance with AASB 2 Share based payments.

## **OUTLOOK**

The Directors are pleased that the company's market share is expanding rapidly as evidenced by the strong revenue growth. The recent acquisitions and the capital expenditure program will provide support for increased growth.

## **ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS**

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

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The Directors have received the Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read "John Star".

JOHN STAR  
Director

A handwritten signature in black ink, appearing to read "Stephen Donnelley".

STEPHEN DONNELLEY  
Director

Dated: 14 February 2006

**Consolidated income statement  
for the half year ended 31 December 2005**

	Current period 31 Dec 2005 \$A'000	Previous period 31 Dec 2004 \$A'000
Sales revenues from operating activities	97,839	28,480
Other revenues from operating activities	123	72
Total revenue from continuing operations	97,962	28,552
Changes in inventories of finished goods and work in progress	2,945	226
Raw materials and consumables used	(47,627)	(12,628)
Employee benefits expense	(23,284)	(7,915)
Other expenses	(2,713)	(2,398)
Depreciation and amortisation expense	(14,871)	(4,020)
Finance Costs – Net	(2,172)	(73)
<b>Profit from ordinary activities before income tax expense</b>	<b>10,240</b>	<b>1,744</b>
Income tax benefit /(expense) relating to ordinary activities	(3,478)	644
<b>Profit from ordinary activities after related income tax expense attributable to members of the parent entity</b>	<b>6,762</b>	<b>2,388</b>
Net exchange differences on translation of financial report of foreign controlled entity	183	(81)
<b>Total change in equity other than those resulting from transactions with owners as owners</b>	<b>6,945</b>	<b>2,307</b>

**Earnings per share**

	Current period 31 Dec 2005 Cents	Previous period 31 Dec 2004 Cents
Basic earnings per share	5.7	5.6
Diluted earnings per share	5.7	5.6
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*	119,624,802	42,919,032
Profit after tax	6,762,000	2,388,000
Earnings used in calculating earnings per share	<b>6,762,000</b>	<b>2,388,000</b>

\* On 17 November 2005, National Hire Group Limited consolidated the number of ordinary shares on issue by undertaking a 5 for 1 consolidation of ordinary shares, thus reducing the number of shares on issue to 119,624,802. All rights attaching to ordinary shares are unchanged as a result of the consolidation. The comparative figures for 31 December 2004 have been restated to reflect the share consolidation.



**Consolidated balance sheet  
as at 31 December 2005**

	31 Dec 2005 \$A'000	30 June 2005 \$A'000
<b>Current assets</b>		
Cash and cash equivalents	60	2,153
Receivables	40,401	39,893
Derivative financial instruments	94	-
Inventories	29,409	26,463
<b>Total current assets</b>	<b>69,964</b>	<b>68,509</b>
<b>Non-current assets</b>		
Receivables	111	122
Other financial assets	15	15
Property, plant and equipment	217,043	166,618
Intangibles	57,804	55,287
Deferred tax assets	2,808	3,780
<b>Total non-current assets</b>	<b>277,781</b>	<b>225,822</b>
<b>Total assets</b>	<b>347,745</b>	<b>294,331</b>
<b>Current liabilities</b>		
Payables	34,201	32,621
Interest bearing liabilities	19,052	9,062
Current tax liabilities	4,178	4,797
Provisions	487	501
<b>Total current liabilities</b>	<b>57,918</b>	<b>46,981</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	58,859	22,012
Deferred tax liabilities	4,752	3,621
Provisions	552	473
<b>Total non-current liabilities</b>	<b>64,163</b>	<b>26,106</b>
<b>Total liabilities</b>	<b>122,081</b>	<b>73,087</b>
<b>Net assets</b>	<b>225,664</b>	<b>221,244</b>
Contributed equity	208,636	208,248
Reserves	177	(6)
Retained profits	16,851	13,002
<b>Total equity</b>	<b>225,664</b>	<b>221,244</b>

**Consolidated statement of changes in equity  
For the half year ended 31 December 2005**

	Current period 31 Dec 2005 \$A'000	Previous period 31 Dec 2004 \$A'000
<b>Total equity at the beginning of the year</b>	<b>221,244</b>	<b>45,372</b>
Adjustment on adoption of AASB 132 and AASB 139 , net of tax	76	-
Exchange differences on translation of foreign operations	183	(81)
Share issues (net of issue costs)	(106)	159,473
Employee retention shares and share options	495	15
Dividend paid	(2,990)	-
<b>Net income recognised directly in equity</b>	<b>(2,342)</b>	<b>159,407</b>
Profit for the half year	6,762	2,388
<b>Total equity at the end of the half year</b>	<b>225,664</b>	<b>207,167</b>

**Consolidated statement of cash flows  
For the half year ended 31 December 2005**

	Notes	Current period 31 Dec 2005 \$A'000	Previous period 31 Dec 2004 \$A'000
<b>Cash flows from operating activities</b>			
Receipts from customers		112,619	28,542
Payments to suppliers and employees		(87,936)	(28,365)
Interest received		5	511
Interest and other costs of finance paid		(1,740)	(482)
Income taxes paid		(1,502)	(55)
<b>Net cash inflows from operating activities</b>	<b>5</b>	<b>21,446</b>	<b>151</b>
<b>Cash flows from investing activities</b>			
Payment for purchases of property, plant and equipment		(67,955)	(3,586)
Proceeds from sale of property, plant and equipment		1,083	406
Cash paid for purchase of businesses net of cash acquired		-	(7,543)
<b>Net cash outflows from investing activities</b>		<b>(66,872)</b>	<b>(10,723)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		-	36,655
Dividends Paid		(2,990)	-
Proceeds from borrowings		65,000	-
Repayment of borrowings		(18,498)	(17,799)
<b>Net cash inflows from financing activities</b>		<b>43,512</b>	<b>18,856</b>
Net (decrease) / increase in cash held		(1,914)	8,284
Effects of exchange rate fluctuations on the balance of cash held denominated in foreign currencies		7	(7)
Cash at beginning of the half year		(1,853)	22,753
<b>Cash at end of the half year</b>		<b>(3,760)</b>	<b>31,030</b>

## Notes to the financial statements

### 1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with *Accounting Standard AASB 134 Interim Financial Reporting* and *the Corporations Act 2001*.

This interim financial report does not include all the notes normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by National Hire Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

#### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

This interim financial report is the first National Hire Group Limited financial report to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of National Hire Group Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the current financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 7.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Hire Group Limited as at 31 December 2005 and the results of all subsidiaries for the half year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing

products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is National Hire Group Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

*(iii) Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

> revenue from the sale of goods is recognised upon the delivery of goods to customers

> hire revenue is earned commencing on receipt of equipment by the customer and recognised over the period of the contract

> other revenue comprises proceeds received on the sale of property, plant and equipment and sundry income

> interest revenue is recognised on an accruals basis

**(f) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

**(g) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are recognised directly in equity.

**(h) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a liability. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

**(i) Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(r)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(j) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

**(l) Trade receivables**

Trade receivables are due for settlement no more than 60 days from the date of the transaction. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts

due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**(m) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(n) Investments and other financial assets**

The Group classifies its investments as loans and receivables or held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

*(i) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

**(o) Derivatives**

*From 1 July 2004 to 30 June 2005*

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives are accounted for under previous AGAAP:

*Forward foreign exchange contracts*

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from remeasurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

For both interest rate swaps and foreign exchange contracts, if the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

Gains and losses on speculative foreign currency transactions are brought to account as they arise. These gains and losses are measured by reference to movements in the forward exchange rates for the relative currencies.

*Adjustments on transition date: 1 July 2005*

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

*From 1 July 2005*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either;

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

*(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**(p) Fair value estimation**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**(q) Property, plant and equipment**

Land and buildings are shown at cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets, except land which is not depreciated, is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold Improvements	Term of lease
- Plant and Equipment	2-10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(r) Intangible assets**

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of

goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

*(ii) Distribution agreements*

Distribution agreements which have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment.

**(s) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(t) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(u) Employee benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries (including non-monetary benefits) and annual leave expected to be settled within 12 months of the reporting date are recognised in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Share-based payments*

The fair value of options granted under the National Hire Group Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital. Unexercised options will remain in the equity account credited on initial recognition.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefit expense with a corresponding increase in equity over the period between the grant date and the date that employees become entitled to the shares.



*(iv) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(v) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(w) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

**(x) Earnings per share**

**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(y) Rounding of amounts**

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 2. Segment reporting

### *Product segments*

The consolidated entity is organised in the following divisions by product and service type:

#### **Equipment hire**

Includes hire of equipment, access equipment, temporary site accommodation, toilets, mobile lighting equipment, power generation equipment and dewatering pumps.

#### **Equipment sales**

Includes design and assembly of mobile lighting equipment, power generation equipment and dewatering pumps.

### *Geographical segments*

The consolidated entity operates in the Australian market with a minor operation in Indonesia. For the purposes of segment reporting, the results of this operation are not considered material.

	Sale of Goods \$'000	Equipment Hire \$'000	Inter-segment eliminations/ Unallocated \$'000	Consolidation \$'000
Sales to external customers	29,013	68,304		97,317
Intersegment sales	14,771	2,739	(17,510)	-
Total sales segment	43,784	71,043	(17,510)	97,317
Other revenue	-	870	(312)	558
Total segment revenue	43,784	71,913	(17,822)	97,875
Segment result	8,292	17,408	(1,149)	20,984
Unallocated revenue				87
less unallocated expenses				(10,831)
Profit from ordinary activities before related income tax expense				10,240
Income tax expense				(3,478)
Profit from ordinary activities after related income tax expense				6,762
Net Profit				6,762

## 3. Contingent liabilities

The parent entity and controlled entities have agreed to indemnify Australia and New Zealand Banking Group Limited in respect of guarantees given by the Group in favour of third parties. At 31 December 2005 the maximum amount of the guarantees was \$731,000.

#### 4. Income tax expense

	Current period 31 Dec 2005 \$A'000	Previous period 31 Dec 2004 \$A'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	10,240	1,517
Income tax calculated @ 30%	3,072	455
<b>Tax effect of permanent differences:</b>		
Non-deductible depreciation and amortisation	15	88
Non-deductible interest	-	12
Tax benefit resulting from adjustment to deferred tax balances on implementation of tax consolidation	-	(1,263)
Over provision for tax prior years	-	-
Other non-deductible items	391	64
<b>Income tax expense/(benefit) attributable to operating profit (loss)</b>	<b>3,478</b>	<b>(644)</b>

National Hire Group Limited, as head entity in a tax consolidated group, entered into the new tax consolidation regime effective from 1 July 2002. National Hire has applied UIG 52 "Income Tax Accounting under the Tax Consolidation System" in preparing this financial report.

## 5. Notes to the statement of cashflows

	Current period 31 Dec 2005 SA'000	Previous period 31 Dec 2004 SA'000
<b><i>Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities</i></b>		
Profit from ordinary activities after income tax	6,762	2,388
Depreciation & amortisation of non-current assets	14,871	4,020
Profit on disposal of property, plant and equipment	355	16
Non cash interest charge	41	192
Exchange loss on foreign currency	(8)	7
<b>Change in operating assets and liabilities</b>		
Decrease / (increase) in receivables	824	(3,661)
(Increase) in inventories	(2,946)	(226)
Decrease / (increase) in future income tax benefit	972	(585)
Increase / (decrease) in deferred income tax	1,131	1,689
Increase / (decrease) in trade and other creditors	74	(1,979)
(Decrease) / Increase in provisions	(10)	93
(Decrease) / Increase in provision for taxation	(620)	(1,803)
<b>Net cash inflows from operating activities</b>	<b>21,446</b>	<b>151</b>
<b>Reconciliation of cash</b>		
Cash balance comprises:		
Cash at bank and on hand	60	31,030
Bank Overdraft	(3,820)	-
<b>Closing cash balance</b>	<b>(3,760)</b>	<b>31,030</b>





\$'000	1 July 2004			31 December 2004			30 June 2005		
	AGAAP	AIFRS Adj.	AIFRS	AGAAP	AIFRS Adj.	AIFRS	AGAAP	AIFRS Adj.	AIFRS
Contributed equity (A,C)	43,526	(40)	43,486	202,990	(16)	202,974	207,802	446	208,248
Reserves	-		-	(81)		(81)	(6)		(6)
Retained profits	1,898	(12)	1,886	4,059	215	4,274	12,008	994	13,002
<b>Total equity</b>	<b>45,424</b>	<b>(52)</b>	<b>45,372</b>	<b>206,968</b>	<b>199</b>	<b>207,167</b>	<b>219,804</b>	<b>1,440</b>	<b>221,244</b>

**c) Notes to the reconciliations**

Note	Description of Adjustment
(A)	<p><u>Share based payments</u></p> <p>Under AASB 2 Share based payments, the Group is required to recognise an expense for those options that were issued to employees under the National Hire Group Limited option plan after 7 November 2002 but that had not vested by 1 January 2005. The Group is also required to recognise as an expense for the value of retention shares issued to 66 executives under the National Hire Group Limited deferred employee share plan. The corresponding values in relation to both adjustments are reflected in a share based payments reserve which forms part of the contributed equity of the group.</p>
(B)	<p><u>Impairment</u></p> <p>Goodwill is no longer required to be amortised under AIFRS, however will be subject to an annual impairment review in order to assess its fair value. These adjustments reflect the write back of such amortisation to 1 July 2005.</p>
(C)	<p><u>Deferred income tax balances</u></p> <p>Under AASB 112 Income Taxes a deferred tax amount is required to be recognised in relation to amounts initially reflected in equity. The impact on the Group is that a deferred tax liability is required to be recognised in relation to the equity component of convertible notes issued. In addition, a deferred tax liability has been recognised in relation to identifiable intangible assets recognised as a result of the requirements of AASB 3 Business Combinations.</p>

## Directors' Declaration

In the opinion of the Directors of National Hire Group Limited:

- (a) the financial statements and notes set out on pages 5 to 20, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting , the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that National Hire Group Limited will be able to pay its debts when they become due and payable.

The directors have been given the declarations by the chief executive officer and the chief financial officer as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors dated 14 February 2006



JOHN STAR  
Director



STEPHEN DONNELLEY  
Director



**ASX RELEASE - INTERIM RESULTS FOR 6 MONTHS ENDED 31 DECEMBER 2005**

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14 February 2006

**CONTINUED GROWTH TO PURSUE MARKET SHARE**

National Hire Group Limited (ASX: NHR), a leading equipment hire and capital sales business, today announced earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$27.3 million on sales revenue of \$98.0 million for the six months ended 31 December 2005. Following the resumption of dividends in the second half last year, the Board has declared a fully franked interim dividend of 3.0 cents per share.

Managing Director, Stephen Donnelley, said "the last six months have seen continued rapid expansion of the Group marked by an aggressive capital expenditure program totalling \$67 million. In the period, we also announced the acquisition of AH Plant Hire for \$111 million which completed on 3 January 2006."

**Results Overview**

The first half results include full period contributions from the acquisitions of Allight Holdings and the Cat Rental Store (Western Australia) which were completed in December 2004. As the six months ended 30 June 2005 also included contributions from these acquisitions, this period offers a more useful comparison for the first half.

Sales revenue was up \$10.2 million (11.6%) to \$98.0 million over the previous six months; while EBITDA increased by \$2.7 million (11.0%) to \$27.3 million. The EBITDA margin of 27.9% for the half was in line with the previous period of 28.0%.

The intensive capital expansion in the first half resulted in an additional \$64 million worth of equipment available as at 31 December 2005 and saw the opening of five new branches – three in NSW and two in WA.

Depreciation charges (up \$3.5 million) and net financing costs (up \$1.4 million) both reflected the rapid fleet expansion and reduced net profit after tax by \$1.6 million to \$6.8 million (excluding the tax consolidation benefit in prior period). The phasing of the equipment utilisation will see the benefits of the capex in future periods.

Earnings per share for the current period were 5.7 cents and a fully-franked interim dividend per share of 3.0 cents has been declared, representing a payout ratio of around 50%.

<b>\$million</b>	<b>6 months ended 31 Dec 2004</b>	<b>6 months ended 30 June 2005</b>	<b>6 months ended 31 Dec 2005(1)</b>
Total revenue	28.6	87.8	98.0
<b>EBITDA</b>	<b>5.8</b>	<b>24.6</b>	<b>27.3</b>
<i>EBITDA Margin</i>	20.3%	28.0%	27.9%
Depreciation & amortis'n	(4.0)	(11.4)	(14.9)
<b>EBIT</b>	<b>1.8</b>	<b>13.1</b>	<b>12.4</b>
Net Interest	(0.1)	(0.8)	(2.2)
<b>Profit before tax</b>	<b>1.7</b>	<b>12.3</b>	<b>10.2</b>
Tax expense	(0.6)	(3.9)	(3.5)
<b>Profit after tax</b>	<b>1.1</b>	<b>8.4</b>	<b>6.8</b>
Tax consolidation benefit	1.3	0.3	-
<b>Net profit after tax</b>	<b>2.4</b>	<b>8.7</b>	<b>6.8</b>
EPS – cents(2)(3)	2.6c	7.0c	5.7c
DPS – cents(2)	nil	2.5c	3.0c
Net debt	(8.5)	28.9	77.9
Shareholders funds	207.2	221.2	225.7
Gearing (net debt/SHF)	nm	13.1%	34.5%
NTA/share	\$1.35	\$1.39	\$1.40

(1) Prepared according to AIFRS, with prior periods restated on the same basis. The major impact of AIFRS on National Hire has been with respect to goodwill and employee share based payments.

(2) Prior periods restated to reflect 5-for-1 share consolidation undertaken in November 2005.

(3) Calculated on NPAT before tax consolidation benefit.

### Capital Expenditure

National Hire continued to invest heavily into those segments of the rental fleet where it is committed to maintaining or establishing market leadership. A total of \$67 million was invested in new equipment during the six months, with \$64 million of equipment available for rental as at 31 December 2005. This expenditure, while aggressive, was seen as absolutely essential to the short and medium term objective of growing National Hire's market share in the rental market. In all, a total of \$130 million capex, excluding acquisitions, has been invested in enlarging the rental fleet in the past 18 months.

With the expanded fleet, National Hire is well positioned to actively market its rental business. Planned capital expenditure for the second half of FY2006 will ease and is anticipated to be in the order of \$20 million. This includes the proposed capex for the recent purchase of AH Plant Hire. National Hire is currently budgeting FY07 planned capex and acquisitions to be in the region of \$50 million, slightly ahead of expected depreciation. This compares to anticipated capex and acquisitions for FY06 of approximately \$200 million.

### Fleet Utilisation

As expected, the rapid expansion of the hire fleet tended to push down the average fleet utilisation rate (FUA), a key indicator for measuring management of the rental fleet. A key management focus going forward is to lift FUA to drive increased operating margins and shareholder returns. It is expected that the outcome of this focus will be visible in FY2007.

## Divisional Review

### 1. Rental Services

Period ended (\$ million)	H205	H106	Growth H106 v H205
Rental East	37.6	45.5	+21%
Rental West	19.4	25.5	+31%
Total Sales	58.0	71.0	+22%
Less: inter-segment sales	(2.0)	(2.7)	
External sales	56.0	68.3	+22%

External sales for the Rental Services division increased by 22% over the previous six months as a result of the opening of five new branches and the deployment of the new equipment from the FY06 capital expenditure program.

Rental East's sales revenues grew by 21% to \$45.5 million in the current half. The increased revenue was driven by rental fleet expansion and store openings. NSW continued to be the main contributor of the rental demand in Rental East, despite the flatter construction sector in NSW.

Rental West's revenues increased by 31% to \$25.5 million in the current half. Growth was driven by the WA infrastructure and mining sectors. However, extensive wet weather in WA hampered revenue growth.

Rental Services management has been restructured following the acquisition of AH Plant Hire. Mr David Isaacs, previously GM of AH Plant Hire and Wreckair, has been appointed Executive General Manager of the Rental Services division.

### 2. Capital Sales

Period ended	H205	H106	Growth
Capital Sales	31.4	43.8	+39%
Less intersegment sales	(0.8)	(14.8)	+++
External sales	30.6	29.0	-5%

Capital Sales were strong with total segment sales of \$43.8 million, including inter-segment sales of \$14.8 million. During the period, Rental Services was a major customer of Capital Sales and external sales fell slightly as extra production met demand from the Rental Services division.

National Hire has also been successful in signing up its first export supply contract for Allight lighting towers to a large North American Caterpillar dealer.

### Cash Flow

Total operating cash flow for the six month period was strong at \$21.4 million, a substantial increase over the \$8.5 million reported for the full year FY05.

### Balance Sheet

As at 31 December 2005, the written down value of property, plant and equipment was \$217.0 million, an increase of \$50.4 million over the \$166.6 million as at 30 June 2005.

Net debt was \$77.9 million at 31 December 2005, an increase of \$49.0 million over the previous half. This was primarily the result of the capex programme undertaken during the period. Shareholders' equity was \$225.7 million as at 31 December 2005, resulting in gearing (net debt/shareholders funds) of 34.5%.

Net tangible assets per share as at 31 December 2005 were \$1.40.

Post period end, National Hire completed the acquisition of AH Plant Hire for \$111 million which was debt funded. As a result, pro forma gearing as at 31 December 2005 increased to 84%.

On 17 November 2005, National Hire consolidated its shares on a 5 for 1 basis. Shares on issue as at 31 December 2005 totalled 119,624,802.

### **Dividend**

The Board has declared a fully franked interim dividend of 3.0 cents per share, resuming interim dividend payments. This represents a dividend payout ratio of approximately 50% and is a 0.5 cents per share increase over the final FY05 dividend.

### **Outlook**

BIS Shrapnel expects the strong conditions currently being experienced in the non-residential construction, civil infrastructure and mining sectors to continue. In contrast the cyclical downturn in Australian dwellings continues and is particularly evident in NSW.

For the second half of FY2006, National Hire is forecasting revenue growth, including the contribution from the AH Plant Hire acquisition, in excess of 45% above first half revenue of \$98.0 million and achieving a second half EBITDA/sales margin slightly above 30%.

### **Contact**

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Chief Financial Officer  
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## Independent review report to the members of National Hire Group Limited

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of National Hire Group Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of National Hire Group Limited as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the National Hire Group Limited (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both National Hire Group Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

### **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers



Matthew Lunn  
Partner

Sydney  
14 February 2006