

**APPENDIX 4E
PRELIMINARY FINAL REPORT**

**NATIONAL HIRE GROUP LIMITED (ABN 61 076 688938)
FULL YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2005**

Results for announcement to the market

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000	Change \$A'000	Change %
Revenue from ordinary activities	117,501	34,495	83,006	240.6
Profit from ordinary activities after tax attributable to members	10,110	872	9,238	1,059.4
Net profit for the period attributable to members	10,110	872	9,238	1,059.4

Dividends

No interim dividend was paid. A final dividend of 0.50c per share has been declared.

Audit

This report is based on accounts which are in the process of being audited. It is expected that the audit will result in no qualification or material adjustments.

Consolidated statement of financial performance for the year ended 30 June 2005

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000	Change \$A'000	Change %
Sale of goods	34,407		34,407	
Services	80,680	33,221	47,459	142.9
Other revenues from ordinary activities	2,414	1,274	1,140	89.5
Total revenue	117,501	34,495	83,006	240.6
Cost of sale of goods	(27,266)		(27,266)	
Depreciation & amortisation	(16,980)	(4,091)	(12,889)	(315.1)
Occupancy and communication expenses	(6,664)	(3,222)	(3,442)	(106.8)
Freight expenses & rehire	(8,265)	(4,050)	(4,215)	(104.1)
Fuel, oil and consumables	(7,487)	(3,014)	(4,473)	(148.4)
Advertising & promotion	(1,681)	(306)	(1,375)	(449.3)
Insurance including damage & excess	(1,282)	(672)	(610)	(90.8)
Personnel costs (excl wages included in cost of sale of goods)	(24,101)	(10,620)	(13,481)	(126.9)
Other	(8,752)	(5,818)	(2,934)	(50.4)
Borrowing costs	(1,962)	(1,259)	(703)	(55.8)
Profit from ordinary activities before income tax expense	13,061	1,443	11,618	805.1
Income tax expense relating to ordinary activities	(2,951)	(571)	(2,380)	416.8
Profit from ordinary activities after related income tax expense	10,110	872	9,238	1,059.4
Total change in equity other than those resulting from transactions with owners as owners	10,110	872	9,238	1,059.4

Earnings per share

	Year ended 30 June 2005 Cents	Year ended 30 June 2004 Cents
Basic earnings per share	2.51	0.97
Diluted earnings per share	2.51	0.97
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative earnings per share	402,922,028	89,936,608
Earnings used in calculating earnings per share	10,110,000	872,000

Commentary

Net profit after tax for the year ended 30 June 2005 of \$10,110,000 compares favourably to the previous corresponding period profit of \$872,000. This is a \$9,238,000 improvement for the period.

National Hire, as head entity in a tax consolidation group, entered into the new consolidation regime effective 1 July 2002. Entry of the group into the tax consolidation regime has provided a tax benefit totaling \$1,571,000 on the restatement of the tax values of depreciating assets.

The result included the trading performance of The Cat Rental Store business in Western Australia and the Allight group from the date of acquisition on 10 December 2004. These operations, together with the existing National Hire business were consolidated and rationalized into two business units- Rental Services and Equipment Manufacturing and Sales.

Total revenue for the year was \$17,501,000 an increase of 240.6% or \$3,006,000 over the previous corresponding period.

Operating profit for the period (before borrowing costs, tax, goodwill/brand name amortisation and significant items) was \$16,628,000 compared to the previous corresponding period of \$3,664,000 an increase of 353.8% or \$12,964,000.

Profit before tax and before goodwill/brand name amortisation and significant items for the period was \$14,666,000 compared favourably to the previous corresponding period of \$2,404,000 an improvement \$12,262,000 or 510.1% on the corresponding period last year.

The profit before tax for the year of \$13,061,000 compares favourably to the previous corresponding period of \$1,443,000 representing an increase of \$11,618,000.

Business Acquisitions

On the 10 December 2004 National Hire Group Limited completed the acquisition of the assets of the Cat Rental Store business ("CRS") operated by WesTrac Pty Ltd in Western Australia and 100% of the shares in Allight Holdings Pty Ltd for a combined equity consideration of \$122.4 million. The consideration was satisfied through the issue of 298.4 million shares in National Hire Group Limited at a negotiated contract price of \$0.375 per share. In accordance with accounting standards the transaction were accounted for at the prevailing market rate immediately after the company assumed control of the acquired assets. Subsequent cash completion adjustments pertaining to the CRS acquisition amounted to \$6.1 million.

Other acquisitions during the period included the purchase of Beavis Hire on the 31 March 2005, Beeline Rental & Hire on 3 December 2004 and Ark Hire Portaloo and Site Shed on 2 November 2004.

Equity raising

During December 2004, the Company successfully completed an equity raising to institutional investors at an offer price of \$0.35 per share to raise \$40 million, before transaction costs, primarily to fund further expansion of the combined group.

On 29 December 2004 the Company offered to existing shareholders the opportunity to participate in a share purchase plan. The offer allowed each shareholder to subscribe for up to \$5,000 worth of new fully paid ordinary shares in the Company. The offer raised \$4.8 million with 13.6 million shares allotted.

Employee Retention Bonus Shares

During December 2004 the Company offered Retention Bonus Shares to 66 executives under the National Hire Group Limited Deferred Employee Share Plan. The offer was accepted by all nominated employees and consequently in January 2005 the Company issued 4,285,227 ordinary shares at \$0.44 each.

The shares were issued under conditions contained in the Offer Booklet and included a 2 year continuous employment requirement with the Company from the offer date

Employee Options

During November 2004 National Hire Group Limited issued 600,000 employee options under its employee share option plan. The exercise price in respect of each option is \$0.46 and the period during which the options may be exercised is between 20 November 2006 and 20 November 2008.

Under the employee option plan a total of 1,200,000 options are on issue.

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 30 June 2005 the maximum amount of the guarantees was \$821,756.

Segment reporting

The National Hire group's principal activities are the hire of general equipment, access equipment, temporary site accommodation and toilets together with mobile lighting equipment, power generation equipment and dewatering pumps which are also designed, assembled and sold. Other activities include the distribution of engines, power generation sets and parts.

Adoption of International Financial Reporting Standards

The Australian Accounting Standards Board is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for application to reporting periods beginning on or after 1 January 2005.

The company and consolidated entities will be required to first comply with AIFRS for the half year ending 31 December 2005. The company and consolidated entities, when complying with Australian equivalents to AIFRS for the first time, will be required to restate its comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments on transition to FRS will be retrospectively made against retained earnings as at 1 July 2004.

A project team has been established to analyse key financial reporting differences and plan for the conversion to AIFRS in relation to accounting policies and procedures, reporting systems, business processes and business structures. While significant progress has been made towards transition,

further work is required to enable the company to reliably estimate the quantitative impacts of AIFRS adoption. Hence the disclosures detailed below are limited to qualitative disclosure only.

Major changes identified to date that will be required to the company's and consolidated entities' existing accounting policies include the following:

i) Share based payments

The Australian equivalent to IAS 2 *Share based payments* requires equity-settled and cash-settled share based payments to be recognised as an expense in the Statement of Financial Performance, with the corresponding entry recognised as equity and liabilities respectively. The date of recognition is the earlier of the grant date or the date at which the relevant goods and services are received. In the case of equity instruments issued with vesting conditions (such as options), the expense is brought to account over the vesting period.

This will result in a change to the current accounting policy, under which share payments and share options are not effected in the books until the shares are issued. In particular, the employee retention share scheme and employee share options issued to date may be reflected in Statement of Financial Performance.

In addition, the Standard outlines more rigorous valuation methods, where equity settled transactions are booked at fair values, based on market prices, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of these equity instruments would have been in an arm's length transaction.

ii) Business combinations

Under AASB 3 *Business combinations*, acquisition accounting entries arising from business combinations will need to be revisited. Major impacts on the acquisition entries may arise due to the following reasons:

- Purchase price allocations will be more rigorous and will require identification of many more separately identifiable intangibles, if any.
- Restructuring liabilities are only recorded if they qualify for recognition in the acquiree's books immediately prior to acquisition.
- Contingent liabilities of the acquired entity are recorded regardless of probabilities and will subsequently be fair valued (with changes effected in the Statement of Financial Performance).
- Goodwill amortisation is replaced by an annual impairment test based on either on an independent market value assessment or the a risk adjusted discounted cash flow analysis based on the allocation of goodwill to relevant cash generating units.

The company will adopt the exception allowed by AASB 1 First Time Adoption to grand-father the accounting treatment of business combinations undertaken prior to the transition date. Hence only acquisitions carried out after 1 July 2004, such as the acquisition of the Allight group and CRS may be affected.

iii) Intangible assets

Under AASB 138 *Intangible Assets*, internally generated intangibles, such as in-house brand names, are not permitted to form part of assets.

Intangibles which are bought or arise from external sources, such as goodwill, are no longer subject to amortisation over a fixed period, but will undergo an annual impairment test.

This will result in a change to the current accounting policy, under which internally generated assets are recorded as non-current assets; and where intangibles are amortised over a set period of time.

iv) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attribute to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Further, there will be changes in the manner carry forward losses of the group are classified. The entity may account for the future tax benefit of tax losses of controlled entities as an asset. The test of realisation under AIFRS is the probability that sufficient profits will be available in future periods to realise such tax losses, rather than virtual certainty (or beyond a reasonable doubt).

Basis of preparation

The consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, AASB Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by National Hire Group Limited during the year in accordance with continuous disclosures requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by National Hire Group Limited and are consistent with those applied in the 30 June 2004 annual report.

The consolidated financial statements do not include full disclosures of the type normally included in an annual financial report.

Consolidated statement of financial position as at 30 June 2005

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Current assets		
Cash assets	2,153	22,796
Receivables	37,510	6,636
Inventories	26,463	11
Other assets	2,383	671
Total current assets	68,509	30,114
Non-current assets		
Receivables	122	125
Investments	15	13
Other property, plant and equipment	166,618	30,612
Intangibles	50,861	6,180
Deferred tax assets	3,780	932
Total non-current assets	221,396	37,862
Total assets	289,905	67,976
Current liabilities		
Payables	32,621	7,774
Interest bearing liabilities	9,062	3,185
Tax liabilities	4,797	81
Provisions	501	98
Total current liabilities	46,981	11,138
Non-current liabilities		
Interest bearing liabilities	22,012	9,332
Tax liabilities	635	1,776
Provisions	473	306
Total non-current liabilities	23,120	11,414
Total liabilities	70,101	22,552
Net assets	219,804	45,424
Contributed equity	207,802	43,526
Reserves	(6)	
Retained profits	12,008	1,898
Total equity	219,804	45,424

Consolidated statement of cash flows

	Notes	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Cash flows from operating activities			
Receipts from customers		111,160	31,945
Payments to suppliers and employees		(100,928)	(22,940)
Interest and other items of similar nature received		1,064	499
Interest and other finance costs paid		(1,806)	(890)
Income taxes paid		(955)	(77)
Net cash inflows from operating activities	1	8,535	8,537
Cash flows from investing activities			
Payment for purchases of property, plant and equipment		(33,509)	(7,504)
Proceeds from sale of property, plant and equipment		873	533
Cash paid for purchase of businesses net of cash acquired		(14,982)	(3,049)
Purchase of investments			500
Net cash outflows from investing activities		(47,618)	(9,520)
Cash flows from financing activities			
Proceeds from director related entities			100
Repayment to director related entity			(100)
Net proceeds from equity raisings		40,752	28,081
Proceeds from borrowings		5,000	1,007
Repayment of borrowings		(31,330)	(5,837)
Net cash inflows from financing activities		14,422	23,251
Net (decrease)/increase in cash held		(24,661)	22,268
Effects of exchange rate fluctuations on the balance of cash held denominated in foreign currencies		12	
Cash at beginning of period		22,796	528
Cash at end of period	2	(1,853)	22,796

Profit from ordinary activities

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:		
Net Losses		
Net loss on disposal of plant and equipment	629	76
Expenses		
The Cat Rental Store rebranding cost		416
Ready Hire Australia Pty Ltd business acquisition		231
Cost of sale of goods	27,266	
<i>Borrowing costs:</i>		
Interest expense and hire purchase interest	1,606	1,246
Finance charges on capitalized leases	356	13
<i>Amortisation of non-current assets:</i>		
Goodwill	1,506	215
Brand names	99	99
Leasehold improvements	159	119
Plant and equipment under lease	406	30
<i>Depreciation of non-current assets:</i>		
Plant and equipment	14,810	3,628
Bad and doubtful debts – trade debtors	(342)	572
Diminution of employee share plan loans	3	2
Operating lease rental expense	4,015	2,017

Controlled entities acquired as at 30 June 2005

Acquired	Allight Holdings Pty Ltd
Date control gained	10 December 2004
Contribution to profit from ordinary activities after tax in current period (\$A'000)	3,383
Profit from ordinary activities after tax during the whole of the previous corresponding period (\$A'000)	3,753

The Australian rental operations of the Allight group were rationalized and integrated into the existing National Hire business at various stages over the six month period. Therefore the results above are not representative of the Allight group prior to acquisition.

Notes to statement of cash flows

Note 1

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities		
Profit from ordinary activities after income tax	10,110	872
Depreciation & amortization of non-current assets	16,980	4,016
Loss on disposal of property, plant and equipment	629	76
Interest expense		280
Non cash interest expense	83	90
Exchange gain on foreign currency	(12)	
Increase in provision for diminution - employee share plan	3	2
Change in operating assets and liabilities		
Increase in trade debtors	(16,679)	(685)
Increase in inventories	(4,834)	(5)
Decrease in other receivables	(253)	(260)
Decrease / (increase) in prepayments	235	(358)
(Increase) / decrease in future income tax benefit	(1,271)	52
Increase in deferred income tax payable	4,710	520
Decrease in trade and other creditors	(604)	3,801
Increase in employee entitlements	835	213
Decrease in provision for taxation	(1,397)	(77)
Net cash inflows from operating activities	8,535	8,537

Note 2

Current assets – Cash assets

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Cash at bank and on hand	2,153	699
Deposits at call		22,097
	2,153	22,796
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,153	22,796
Less Bank overdraft	(4,006)	
Balances per statement of cash flows	(1,853)	22,796

Income tax expense

	Year ended 30 June 2005 \$A'000	Year ended 30 June 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	13,062	1,443
Income tax calculated @ 30%	3,918	433
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation	483	94
Non-deductible interest	24	26
Tax benefit resulting from adjustment to deferred tax balances on implementation of tax consolidation	(1,571)	
Under provision for tax prior years	50	
Other non-deductible items	47	18
Income tax expense attributable to operating profit	2,951	571

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.

Entry into the tax consolidation regime has provided an after tax benefit of \$1,571,000 on the restatement of the tax values of depreciating assets.

Significant Items

	Before Tax \$A'000	Related Tax \$A'000	Amount (After tax) attributable to members \$A'000
Significant items affecting the revenues and expenses of the Group in the current period are:			
Effective 1 July 2002, National Hire and its 100% Australian owned subsidiaries formed a tax consolidated group. Entry of the group into the tax consolidation regime is expected to provide a tax benefit totaling \$1,571,000 on the restatement of the tax values of depreciating assets.	-	1,571	1,571

Net tangible asset backing

	Year ended 30 June 2005	Year ended 30 June 2004
Number of ordinary shares on issue	598,124,162	167,490,797
Net tangible asset backing per ordinary share	28¢	23¢

Statement of retained earnings

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Retained profits at beginning of the period	1,898	1,027
Net profit attributable to members of the parent entity	10,110	871
Retained profits at end of the period	12,008	1,898

Additional dividend information

Details of dividends declared subsequent to the year ended 30 June 2005

Record date	Payment date	Type	Amount per security	Total dividend	Percentage Franked
30 September 2005	14 October 2005	Final	0.50 cents	2,990,621	100%

Segment reporting

	Sale of Goods \$A'000	Equipment Hire \$A'000	Inter-segment eliminations/ Unallocated \$A'000	Consolidation \$A'000
Sales to external customers	34,407	80,680		115,087
Intersegment sales	2,923	2,041	(4,964)	-
Total sales segment	37,330	82,721	(4,964)	115,087
Other revenue		1,314	(310)	1,004
Total segment revenue	37,330	84,035	(5,274)	116,091
Segment result	2,715	21,456	-	24,171
Unallocated revenue less unallocated expenses				1,410 (12,520)
Profit from ordinary activities before related income tax expense				13,061
Income tax expense				2,951
Profit from ordinary activities after related income tax expense				10,110
Net Profit				10,110
Segment assets	48,057	195,225	(12,003)	231,279
Unallocated assets				58,626
Total assets				289,905
Segment liabilities	25,379	43,264	(29,936)	38,707
Unallocated liability				31,394
Total liabilities				70,101
Acquisition of property, plant and equipment, intangibles and other non-current segment assets		14,982		14,982
Depreciation and amortization expense	232	15,815	933	16,980
Other non-cash expenses			83	83

The comparatives for the previous year have not been included as the economic entity only operated in the general hire industry within Australia.