



National Hire Group Limited
Annual Report 2001

Notice of Meeting

The Annual General Meeting of the Company will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney on 27 November 2001 at 10.00am

Registered Office

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HILLSDALE NSW 2036
Telephone: 02 9582 7922
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Auditors

Weston Woodley & Robertson
Chartered Accountants
Level 18,
Pacific Power Building
201 Elizabeth Street
SYDNEY NSW 2000

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Company Profile

Our Company

- National Hire Group Limited is a publicly listed Australian business based on the eastern seaboard. National Hire was created by merging and acquiring businesses. The original business commenced trading in 1960. National Hire has grown through its people providing quality solutions in response to their customer's requirements.
- National Hire provides equipment, training, service and technical advice. The customer feedback systems are designed to ensure customers achieve their goals safely and economically.
- National Hire's **success comes from the empowerment of our people to provide a prompt responsive service.**
- National Hire's emphasis is on the development of our skills and competencies for the **achievement of our performance targets. This will provide a continually improving, challenging and motivating work place.**

Solicitors

Landerer & Company
Solicitors & Attorneys
Level 31,
133 Castlereagh Street
SYDNEY NSW 2000

Bankers

Australia & New Zealand
Banking Group Limited

Share Registry

Weston Woodley & Robertson
Chartered Accountants
Level 18,
Pacific Power Building
201 Elizabeth Street
SYDNEY NSW 2000
Telephone: 02 9264 9144
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Directors

J Landerer
CBE, AM, LLB, Hon LLD (Macq)
Chairman
S S Donnelley
Managing Director
P R Higginson FAIM, MAICD
J E Star B. COM, B.A. FCA

Company Secretary

K J Stanton ACA, FCIS

Senior Management

R G Lawson, *General Manager*
R B Harman FCPA, FCIS, MFTA,
Chief Financial Officer
G R Parfitt B.EC, *Interstate &
Specialist Services Manager*
J H Oxman, *Southern NSW Manager*
A C Manning B.ED,
Sydney General Manager
P J Armstrong,
Maintenance Manager

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Our Vision

To be the leading provider of innovative service solutions in the Australian equipment industry. This means the sales of:

- Hire
- Logistics
- Training
- Service and Maintenance
- Equipment and Associated Products
- Management and Administration

Our Strategic Intent

To grow the business for the benefit of our major stakeholders:

- **Our Shareholders** – Optimise value
- **Our Customers** – Safe and valued service partnerships
- **Our People** – Opportunities to develop and grow
- **Our Suppliers** – Build sound business partnerships

Our Success

Will be achieved through:

- Supporting our people to achieve continual improvement
- Application of improved management systems
- Identifying opportunities to expand our existing business
- Optimising capital resources

Chairman and Managing Director's Review

The decline in earnings this year is disappointing but remains a credible achievement in a business environment that has seen activity in the building and construction industry fall by over 30%, a general economic slowdown post Sydney Olympics and introduction of GST, and a number of large corporate failures.

The fall in demand was most noticeable in the alterations and additions market following the introduction of GST. This was compounded by the delays caused by the HIH collapse.

The downturn in the building and construction industry has been greater than forecast in our Annual Report last year, resulting in reduced demand and increased price cutting, having adverse effects on our profitability. Revenue for the year was \$30.46 million, down 1.3%. This sales level does not accurately reflect the potential sales level given the capital investment of last year.

Net Profit After Tax (NPAT) attributable to members of the Company for the year ended 30 June 2001 was \$0.11 million, well below the \$1.79 million reported for the previous year. Earnings per share for ordinary shareholders was (0.03) cents after the preference share dividend of \$0.12 million paid on 19 March 2001. The preference shares converted to ordinary shares in March 2001.

The decline in profitability is due to the rapid decline in activity in the building and construction industry coupled with the increased operating and equipment funding costs incurred by National Hire for the full twelve months in the year ended June 2001, following the investment made in equipment and staff during the year ended June 2000 preparing for growth.

The reduced demand and, in some product sectors, oversupply has translated into severe price pressure. We believe the price cutting is unsustainable and will result in rationalisation of the hire industry. In every economic slowdown, the average hire period reduces and the transaction cost (check out, check in) of each hire rises as a percent of the invoice value, which reduces profitability. Shorter hire periods also reduce the ability to maximise equipment

utilisation. These factors have been evident during the past year.

EBITDA

EBITDA for 2001 was \$5.48 million compared to \$7.22 million in the previous year, a fall of \$1.74 million. The reasons for the lower EBITDA are lower revenue (\$0.41 million) and increased operating costs of \$1.33 million.

The key contributors to the increase in operating costs are:

- Wages and Salaries increased \$0.61 million due to CPI and a full year's cost from the expansion in staff numbers undertaken during the year ended June 2000, resulting from the Cordukes and Whelans acquisitions.
- Sub hire increased \$0.30 million due to the increased demand for non core equipment.
- Cartage and Fuel increased by \$0.28 million as a result of the rise in oil prices.
- Insurance increased \$0.14 million primarily due to costs associated with the collapse of HIH and the resultant additional premiums for the period.

Depreciation and Interest

Depreciation and amortisation of equipment finance leases was \$3.31 million for 2001, an increase of \$0.65 million over 2000. The increase relates to the capital expenditure and equipment purchases made by National Hire in the previous year ended June 2000 of approximately \$11 million. 2001 was the first full year for depreciation on this capex. National Hire has reduced its expenditure on replacement and additional plant and equipment considerably during 2001 in response to market conditions.

Interest expense was \$1.67 million for 2001, an increase of \$0.50 million over 2000. This included a full year's interest expense on the \$3.53 million convertible note issue completed in May 2000 and the increased debt levels assumed in 2000 to fund expenditure on plant and equipment.

The equipment funding costs (increased interest and depreciation) are due to strategies to grow our exposure to the industrial market. The success of these strategies has been affected by delays associated with demand, industrial disputes and ability to win new contracts in an increasingly competitive

environment. The increased revenue generated from these initiatives was more than offset by declines in our other market segments due to the larger than expected decline in the building and construction industry.

Cash Flow

Cash flow remained positive due to stronger working capital management. The quality of National Hire's customer base becomes evident during cyclical downturns with bad debts and provisions tracking 2000.

Dividends

The Directors have determined to adopt a prudent approach to capital management and have not declared a final dividend. The full year ordinary share dividend was 0.25 cents fully franked per share being the interim dividend.

Conversion of Converting Preference Shares to Ordinary Shares

The 4,112,686 preference shares were automatically converted to 7,382,282 ordinary shares on 19 March 2001.

Outlook

Looking forward, we note that there are positive economic signs as home building approvals increase. We also note that the major infrastructure projects identified for NSW will commence early next year. BIS Shrapnel is forecasting an 11% upturn in building commencements for NSW 2001/2002 and a further 21% increase 2002/2003. This forecast activity allows us to be cautiously optimistic about sales for the coming two years. However, the rate of recovery is slow and each month is volatile. Given recent tragic events in the USA, the financial market volatility and uncertain global economic impacts, we are mindful to be cautious.

With the current cost structure and level of sales, National Hire is EBITDA and EBTDA positive but is not earnings positive due to the large depreciation charge. The Company is well positioned to capitalise from an improving economy or benefit from rationalisation. However, if the economic and building recovery falter or stall then we would need to initiate remedial actions. Management is closely monitoring the cost base of the business and market conditions.

The NSW economy has been adversely affected by the reduction in demand associated with the Sydney Olympics, the pull forward effect of GST, the collapse of HIH Insurance, and subsequent slump which we believe is unlikely to be replicated.

The Directors have initiated a strategic plan, including a human resource review, with the aim of reducing the cyclical nature of our business. National Hire has identified the critical issues for the next five years as: Human Resources, Information Technology, Industry Conditions, Customer Focus, Wealth Creation.

The company has embarked on a review of our corporate structure and leadership capabilities. Training programs will continue to further improve the National Hire team.

National Hire's new enterprise management information system has been commissioned to provide the continual improvement of human resource capabilities.

The hire industry is capital intensive with a high proportion of fixed costs, cyclical and, in some instances, has low barriers to entry. We are working on plans that aim to reduce the negative impact of these factors including greater concentration on intellectual property, resource management, marrying capital with expertise and a balanced portfolio of customers and products.

National Hire, by being customer focussed will be able to grow the business by offering innovative service solutions.

National Hire's (short-term) target for return on shareholders funds remains at 15%. We are committed to growing National Hire and providing capital appreciation and dividends. The first target continues to be revenue growth to \$75 million whilst maintaining increasing earnings per share and return on shareholders funds.

We remain committed to the delivery of our strategic intent to be a major participant in the equipment hire industry, an industry with annual revenues of \$2.5 billion. Cyclical downturns are a feature of our industry.

Management, staff, customer relationships, fleet management and working capital management become even more critical during these times. We believe we have the right people and strategies to benefit from these periods.

On behalf of the Board, we would like to thank our shareholders for their continued support during the past challenging year.

We also acknowledge and thank all our dedicated and committed employees for their efforts over the past year.



John Landerer
Chairman



Stephen Donnelley
Managing Director

National Hire Divisions

TOOLS & EQUIPMENT

Objective

To deliver expert advice, the broadest product range and creative equipment solutions.

Profile

National Hire Tools & Equipment provides a tailored equipment hire service.

Market strengths include a broad customer base, expert people, extensive fleet of equipment, growing network of branches and a guarantee of service excellence.

Target markets include the industrial, home improvement, contractor, construction, film, commercial and civil sectors. The product range at each branch has a variety of applications including compaction, cleaning, washing, heating, lighting, traffic management, gardening, renovating, landscaping and general maintenance.

Progress

The 2000-2001 year has been challenging for the division. Turnover was \$19.2 million which is 6% down on last year. Given NSW had a 25-30% decline in construction in this period and 73% of our income is from the Sydney market, the business more than held its own. Growth has been achieved in the retail sector through improving branch presentation, and the industrial sector through successful targeting and conversion of customers. We were also proud to be involved with equipment supply to the Sydney Olympics.

The division completed the integration of Cordukes Hire at Plumpton, Concord and Coopers Plains. The Hornsby branch was opened in March 2000 in response to major customer needs, strengthening distribution capabilities in the Sydney market.

Outlook

We will continue focus on increasing exposure to the retail, industrial and civil sectors. Whilst economic conditions are improving, we will continue to work on cost optimisation and distribution rationalisation.

Our sales team has been strengthened with new staff and improved management structures. The goal this year is to maximise returns from our existing capital base by focusing on providing innovative service solutions.

PORTALOO

Objective

To deliver the most up to date and highest quality portable sanitation hire service in the market.

Profile

National Hire Portaloo provides a portable sanitation hire service.

Business strengths include the brand name, leading edge product and an experienced management team. Portaloo's customer base comprises film, function, building and government customers focusing on event, industrial and construction sectors. The product range covers a growing variety of single and multi amenity units available in deluxe and regular models. Portaloo continues to lead the market with product upgrades such as the introduction of 200 builder freshwater flush units.

Progress

Sales increased by 9% over the previous year to \$3.0 million. This increase can be mainly attributed to the Sydney Olympics to which we supplied venues at Penrith, Ryde and Homebush. The sharp downturn in the construction sector and in particular the housing sector resulted in a decrease in our core business.

A major success through the past year has been the growth of cross selling into the Tools & Equipment customer base which has allowed us to increase market share during a significant downturn.

Outlook

We anticipate improved demand during the 2001-2002 year due mainly to increased construction activity.

An increased focus on the function market which offers higher margins, combined with the Portaloo brand name, existing reputation and our well regarded team will expand our exposure within this market.

SITE-SHED

Objective

To deliver the most responsive, flexible and comprehensive support to the market.

Profile

National Hire Site-Shed provides a portable room hire service.

The division's strengths are its flexible and responsive service. Target markets include the

education, building, film and sporting sectors with a growing emphasis on the event market.

The product range reflects the division's market position and includes containers, ticket booths, meal rooms, office units, ablution blocks and shower blocks.

Progress

The division experienced a marginal increase in revenue to \$700,000 by cross selling to the Tools & Equipment customer base combined with some success with the Sydney Olympics.

The construction sector downturn and completion of the Sydney Olympics work led to oversupply and price cutting marginalising returns. We therefore currently favour supply partnerships over capital investment as a means of meeting customer requirements.

Outlook

We anticipate improved demand during the 2001-2002 year due mainly to increased construction activity. This should absorb excess capacities and reduce pricing pressures. Site-Shed plans to continue to cross-market to the Tools & Equipment customer base and to target specific industrial opportunities.

The fleet presentation upgrade is continuing from 2000. As prices recover we will review whether capital investment or supply partnerships are the optimal direction for profitable returns.

HI-LIFT

Objective

To be the industry leader in response times, product innovation and safety.

Profile

National Hire Hi-Lift provides an access machine hire service.

Hi-Lift's market strength is customised service, quick response times, extensive fleet and an emphasis on safety. The customer base comprises commercial, maintenance, film, entertainment, building and government customers with the focus on the industrial sector. The product range includes scissor lifts, telescopic booms, articulated booms, truck mounts as well as a variety of electrical application lifts and unique machinery such as Hi-Lift's spider booms.

Progress

Our sales increased by 3% to \$6.1 million during the 2000-2001 year. This increase was due to the improved performance of our Melbourne operations, non-construction sectors in the Sydney market and the improved capability of our Port Kembla operations through the acquisition of additional equipment.

This is a good result considering existing market pressures of product oversupply and excessive price cutting. Our position as a leading service provider and a leader in safe practices has enabled us to maintain our market position and also develop niche opportunities.

Outlook

We expect 2001-2002 to bring improved trading conditions. The expected increase in construction activity will improve fleet utilisation.

Hi-Lift will continue to pursue new markets whilst consolidating our existing customers. Non-construction sectors are our primary growth focus with service innovation as our distinct advantage.

PUMPS

Objective

To be the first choice pumping solution.

Profile

National Hire Pumps provides a medium size pump hire service.

This is a young division within National Hire. The major strengths are our experienced management team, up to date product line and the ability to provide prompt service. National Hire Pumps has established growing market awareness in the government, utilities, building, mining, and industrial sectors, with particular focus on civil contractors. The division's product range supports sewage by-passing, slurry handling, mine dewatering, sump pumping, chemicals handling and wellpoint dewatering.

Progress

The division almost doubled its sales this year to \$600,000 due to success in selling to targeted users and the significant expansion of our product range and capabilities. Our fleet which was developed around 4" and 6" contractor pumps, now includes high head pumps, silenced pumps and a range of submersibles.

Market share growth has been steady without the pressure of price cutting. We have been successful in selling the division as "the alternative supplier".

Outlook

The year ahead should provide further opportunity for growth. We will continue to invest in consolidating and expanding our fleet. The main emphasis will be to maximise our exposure to the Tools & Equipment base and further niche marketing to specific sectors. Rationalisation of this industry over the past few years has allowed us to develop a presence in this market and we plan to continue to consolidate our market position during the 2001-2002 financial year.

HUMAN RESOURCES

National Hire increased the number of permanent employees from 169 to 175 during the financial year. Of these employees, 16% have now been with the Company for at least five years and 12% longer than ten years. Staff turnover increased 1% on the previous year to 25% which was above our target of 20%. A casual workforce of approximately 40 supported these permanent employees.

The Company concentrates on establishing S.M.A.R.T. (Specific, Measurable, Attainable, Realistic, Tangible) goals and targets.

The Company continued its focus on leadership with twelve of its senior management graduating from the Company's 30-week leadership program in 2000-2001. The skills gained from this program have allowed the Company to complete a number of projects during the year including the successful completion of multiple Sydney Olympic projects and implementation of a new computer system that places the Company at the forefront of information technology.

During the year, the Company expanded the number of senior managers participating in long term goal development and business performance analysis.

Human Resource management has been identified as the most important issue facing the Company over the next five years.

This has resulted in a number of targets being established for the next twelve months. These include:

- Clarification of the Company's five year goals.
- A review of the human resources and the management structure with regard to the achievement of the five year goals.
- The implementation of action plans to align existing capabilities and management structure and skills and attributes needed in the future.
- The complete review and revision of existing reward systems in place to motivate progress towards S.M.A.R.T. goals.
- The new Management Information System which will greatly improve the speed and accuracy of the information required for the continual improvement of human resource capabilities.

The importance of human resources has led to the engagement of independent experts in Human Resources and Strategic Planning to assist in the achievement of these targets.

ENVIRONMENTAL

National Hire continues to improve company practices in relation to their environmental impact. The ongoing environmental audit program ensures issues impacting on the environment are identified and corrective/preventative measures are implemented to address those issues.

In 2000-2001 these measures included closing the fuel tanks at Marrickville, Concord and Hillside, implementing fuel tank monitoring systems on all remaining fuel storage tanks, testing of trade wastewater to maintain compliance standards, ongoing upgrade of spill containment response kits for all service vehicles and yards, training of staff on environmental policy and procedures together with the revision of the Company's environmental policy. During the year the company undertook an environmental policy audit through an accredited external auditor.

Future improvements in environmental management will focus on:

- Staff training to improve work practices.
- Further sample auditing by external accredited auditors.
- An increased focus on the potential of alternative power sources and improved fuel efficiency for new equipment and vehicles.

National Hire is focused on continuing to improve its interaction with the environment.

OCCUPATIONAL HEALTH AND SAFETY

Through the Occupational Health and Safety [OH&S] policy, National Hire aims to translate the theoretical and legislative requirements of OH&S into everyday practice. The application of the Policy has led to significant achievements in OH&S targets including:

- Lost Time Incident (LTI) frequency rate for the Company has improved by 76% since 1998/99.
- The Company has maintained the zero medical treatment rate inside BHP.

In January 2001, BHP presented National Hire with a gold certificate for achieving 500,000 injury free man hours.

- A significant reduction of workers compensation premiums.
- A 13% reduction in workers compensation paid.
- Use of the safety warning system to broadcast "Safety Notices" responding to actual/near miss incidents with corrective/preventative actions identified. These are broadcast through the Company and to select major customers. In 2000/2001 11 notices were issued.
- Continual upgrade of the policies on OH&S, rehabilitation and non-smoking in the workplace.
- Upgrade/review of safety and presentation standards to improve identification of hazards during the operation, maintenance and storage of equipment.
- Reduction of lifting related injuries achieved through the Company's manual handling practice training procedures and training programs for back care.

During 2000/2001 the Company created a risk team to review and improve all significant or potential risk situations confronting National Hire.

The achievements of the risk team during the year include:

- The introduction of safety and security issues in the environmental/OH&S audits.
- Installation of immobilising devices on all mobile plant identified as having a high risk of theft, such as bobcats, mini excavators etc.
- The continued review of all accidents/incidents and the introduction of corrective/preventative actions.
- Review and updating of the Company's terms and conditions of hire.
- Installation of theft prevention systems in the entire branch network.
- A significant reduction in the amount of theft claims from the previous year.

Consolidated Financial Performance

For the year ended 30 June

	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000
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SUMMARY PROFIT STATEMENT

Sales revenue	29,594	30,116	23,659	18,368	13,045
Other revenue	867	758	1,008	453	304
Total revenue	30,461	30,874	24,667	18,821	13,349
Operating profit before depreciation and amortisation	5,484	7,216	5,262	4,279	2,930
Depreciation and amortisation of equipment	(3,311)	(2,657)	(1,919)	(1,428)	(1,201)
Amortisation of goodwill	(215)	(215)	(197)	(153)	(62)
Amortisation of brand names	(99)	(99)	-	-	-
Operating profit before abnormal items, interest & tax	1,859	4,245	3,146	2,698	1,667
Interest	(1,671)	(1,169)	(799)	(770)	(792)
Operating profit before abnormals and tax	188	3,076	2,347	1,928	875
Significant item	-	** (194)	* (99)	-	-
Operating profit before tax	188	2,882	2,248	1,928	875
Tax expense	(79)	(1,092)	(833)	(620)	(306)
Operating profit after tax	109	1,790	1,415	1,308	569

SUMMARY BALANCE SHEET

Cash	403	1,020	1,134	1,035	1,276
Other current assets	5,886	6,853	4,921	4,246	2,533
Total current assets	6,289	7,873	6,055	5,281	3,809
Property, plant and equipment	26,925	23,930	15,930	12,718	8,464
Intangibles	7,122	7,436	7,715	7,238	6,356
Other non current assets	898	1,003	720	681	253
Total non current assets	34,945	32,369	24,365	20,637	15,073
Total assets	41,234	40,242	30,420	25,918	18,882
Current liabilities	9,217	8,651	6,869	6,751	4,313
Non current liabilities	17,032	16,555	9,618	8,433	5,630
Total liabilities	26,249	25,206	16,487	15,184	9,943
Net assets	14,985	15,036	13,933	10,734	8,939
Issued capital	13,152	13,145	12,723	5,141	4,625
Reserves	-	-	-	4,860	4,085
Retained profits	1,833	1,891	1,210	733	229
Total shareholders funds	14,985	15,036	13,933	10,734	8,939

RATIOS AND STATISTICS

No. of shares on issue: Ordinary	28,109,498	20,716,505	20,563,090	20,563,090	18,500,000
Preference	-	4,112,686	4,112,686	-	-
Earnings per share	(0.03)¢	7.56¢	6.32¢	6.94¢	3.08¢
Dividends declared/paid	167	1,109	938	804	277
Dividend payout ratio	153%	62%	66%	61%	49%
Dividend per ordinary share	0.25¢	4.25¢	4.0¢	4.0¢	1.5¢
Interest cover (EBITDA/interest expense)	3.3x	6.2x	6.6x	5.6x	3.7x
Gearing (total liabilities less cash/net assets)	1.72x	1.61x	1.10x	1.32x	0.97x
Gearing (convertible notes as quasi equity)	1.24x	1.15x	1.10x	1.32x	0.97x
Return on shareholders funds at 30 June	1%	12%	10%	12%	6%
Total assets per ordinary share	147¢	194¢	148¢	126¢	102¢
Net tangible assets per ordinary share	28¢	37¢	30¢	17¢	9¢

*amortisation of brand names

**costs of convertible note issue

Revenue

National Hire sales revenue decreased 1.7% to \$29.59 million. This reduction was a result of the general economic slowdown and in particular the larger than expected decline in activity in the building and construction industry. The decline followed two consecutive years of growth of more than 25%. All divisions were affected by the decline in activity against the previous year. The business responded to increasing pricing pressures due to the subdued activity and competitor behaviour to maintain sales and market share. Some additional revenue was generated by the Allied Shipping Service Company Pty Ltd (ASSCO) equipment purchase in December 2000 and the business benefited from its involvement in supplying to the Sydney Olympics.

Other revenue increased by \$0.11 million largely as a result of higher proceeds on the sale of equipment considered uneconomic to retain.

Profit

Earnings before interest, tax, depreciation and amortisation decreased 24% to \$5.48 million as a result of the reduced revenue and increased operating costs. Wages, sub hire, cartage, fuel and insurance costs increased by a total of \$1.33 million as a result of CPI, the impact of acquisitions during the previous year, increased demand for non core product and the impact of the HIH insurance collapse.

Net profit after tax reduced 94% to \$0.11 million as a result of the lower EBITDA and an increase of \$1.15 million in depreciation and interest costs. Equipment depreciation costs increased due to strategies employed in the year ended June 2000 to increase the Company's exposure to the industrial market by the acquisition of additional equipment and businesses. Interest costs were impacted by a full year of the convertible note interest as well as the extensive capital expenditure in the previous year and the lower returns for year ended June 2001.

Balance Sheet

The decline in profitability, particularly in the second half of the year, has resulted in a reduction in net assets for the year ended June 2001 of \$0.05 million to \$14.98 million. The major factors are as follows:

In summary, net assets have decreased due to the addition of net profit after tax of \$0.11 million being more than offset by dividends of \$0.17 million. The dividends comprised the final preference share dividend of \$0.12 million and an interim ordinary share dividend of \$0.05 million, based on first half earnings of \$0.60 million.

Total assets have increased by \$0.99 million (2.5%) to \$41.23 million, largely due to the increase in property, plant and equipment of \$3.00 million following the acquisition of equipment from ASSCO.

Current assets have reduced by \$1.58 million largely as a result of lower receivables (\$0.59 million) and

cash (\$0.62 million) due to the lower activity levels in the second half of the year, lower return during the full year and the ASSCO equipment expenditure.

Total liabilities have increased by \$1.04 million (4.1%) to \$26.25 million. Total interest bearing liabilities have increased by \$0.39 million to fund the ASSCO equipment, general replacement capital expenditure, and as a result of the lower profitability for the year. Total payables have increased due to the partial deferred payment for the ASSCO equipment. Current provisions have decreased by \$1.41 million due to no final dividend being declared, and the small taxation provision due to the decline in profitability.

Net tangible assets have increased by \$0.26 million (3.5%) to \$7.86 million as a result of the amortisation of intangibles of \$0.31 million in the year.

Cash Flow

Net cash position has decreased by \$0.62 million to \$0.40 million.

Despite the decline in profitability and net cash position, net operating cash flows have remained pleasing and have increased by 17% over the previous year to \$5.08 million due to stronger working capital management. Net investing cash outflows were significantly lower by \$1.61 million and were largely due to the acquisition of the ASSCO equipment. Financing activity cash outflows were higher by \$2.84 million due to the previous year benefiting from the convertible note issue at \$3.53 million.

Ratios and Statistics

Most ratios reflect the decline in profitability for the year.

- Earnings per share (EPS) for ordinary shareholders decreased to (0.03) cents from 7.56 cents due to the lower profitability. The result is negative after deducting the preference share dividend from earnings.
- Return on shareholders funds has fallen to 1% from 12% as a result of the lower profitability for the year.
- Total dividends declared have reduced 85% to \$0.17 million. The interim dividend of \$0.05 million was declared on first half profit after tax of \$0.60 million. The final preference share dividend of \$0.12 million was declared on the first-half year results.
- The gearing position has increased to 1.72 times mainly due to the lower profitability, with the convertible note loan treated mainly as debt. If the convertible notes are treated fully as equity, the gearing position falls to 1.24 times.
- Despite the increase in net tangible assets, net tangible assets per ordinary share have decreased to 28 cents from 37 cents as a result of the conversion of preference shares to 7,382,282 ordinary shares on 19 March 2001.

The Directors present their report together with the financial report of National Hire Group Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2001 and the auditor's report thereon.

Directors

The Directors of the Company in office during the year and at the date of this Report are:

**John Landerer, CBE AM LLB Hon LLD (Macq.)
Non-Executive Chairman**

Appointed: April 1997

Principal partner of Landerer & Company, Solicitors, practising for over 30 years and specialising in the area of commercial law. Mr Landerer is Chairman of Goldsearch Limited and a director of other public and private companies. He is also an Honorary Fellow of the University of Sydney, Honorary Governor of the Law School Foundation of the University of Sydney, and Trustee of the World Wide Fund for Nature Australia.

Special responsibilities – Mr Landerer is a member of the Audit Committee, Remuneration Committee and Safety, Health and Environmental Committee.

**Stephen Sherwood Donnelley
Managing Director**

Appointed: December 1996

Over 20 years experience in the equipment hire industry, both as employee and principal. Mr Donnelley has been Managing Director of the National Hire Group since 1988 and is a member of the Hire and Rental Association of Australia. He was previously a Vice President of that Association and a President and Vice President of its NSW region.

Special responsibilities – Mr Donnelley is a member of the Safety, Health and Environmental Committee.

**Philip Ronald Higginson, FAIM, MAICD
Non-Executive Director**

Appointed: April 1997

His executive career was spent primarily with 30 years at ICI Australia Ltd in various senior management positions including his final position as Manager for New South Wales. Mr Higginson is presently Managing Director of PRO:NED Australia Pty Ltd (Board & Executive

Search Consultants), Chairman of TransGrid (formerly the NSW Electricity Transmission Authority), a non-executive director of Focus Publishing Pty Ltd and Chairman of Employment National Limited, the Federal Government organisation created from the former Commonwealth Employment Service (CES). He was also a Visiting Fellow with the Faculty of Engineering, University of New South Wales whilst a member of the UNSW Foundation, and has previously served as Chairman of the Royal Botanic Gardens and Domain Trust (1992–1998), a member of the Salvation Army Advisory Board, including Chairman of the Red Shield Appeal (1997–1998), Vice President of the NSW Chamber of Manufacturers, Federal President of the Australian British Chamber of Commerce (1996–1999) and non-executive director of the HPAA (Home Purchase Assistance Authority).

Special responsibilities – Mr Higginson is a member of the Audit Committee, Remuneration Committee and Safety, Health and Environmental Committee (Chairman).

**John Edward Star, B.Com, B.A., FCA
Non-Executive Director**

Appointed: April 1997

An accountant, with over 20 years experience in public practice. Mr Star has established a reputation in the field of insolvency work and was previously a partner of Pannel Kerr Forster before establishing the firm of Star Dean-Willcocks in 1990. He has a Bachelor of Arts and Commerce. He is a member of the Australian Institute of Chartered Accountants, Institute of Credit Management and Institute of Company Directors.

Special responsibilities – Mr Star is a member of the Audit Committee (Chairman), Remuneration Committee and Safety, Health and Environmental Committee.

The Directors' relevant interests in the Company's shares, convertible notes and options are:

Name	Ordinary Shares	Convertible Notes	Options to Subscribe for Ordinary Shares at 60 cents each Expiring on 31 March 2002
J Landerer	264,117	–	100,000
S S Donnelley	8,871,826	333,334	–
P R Higginson	20,000	–	100,000
J E Star	101,925	–	100,000

Principal Activities

The principal activities of the consolidated entity during the year were the hire of general equipment, access equipment, temporary site accommodation, containers and portable toilets. There was no significant change in those activities during the year.

Operating Results

The profit of the consolidated entity for the year after providing for income tax amounted to \$109,000.

Dividends

Dividends paid are as follows:

Ordinary Shares

Final dividend of 2.75 cents per share paid on 23 October 2000 as recommended in last year's report: \$569,704

Interim dividend of 0.25 cents per share paid on 10 April 2001: \$50,900

Converting Non-Redeemable Preference Shares

Dividend of 2.8 cents per share paid on 19 September 2000: \$115,155

Dividend of 2.8 cents per share paid on 19 March 2001: \$115,155

There were no dividends recommended or declared for payment to members during the year which had not been paid at 30 June 2001.

Review of Operations

Details of the operations of the consolidated entity during the period are included in the Chairman's and Managing Director's Review on pages 2 and 3 of this Annual Report.

Significant Changes in State of Affairs

On 19 March 2001, the Company issued 7,382,282 ordinary shares as a result of the conversion of 4,112,686 converting non-redeemable preference shares in accordance with the Prospectus.

After Balance Date Events

No matter or circumstance has arisen since the end of the year which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Likely Developments and Results

Likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Issues

The consolidated entity's operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements, as they apply to the consolidated entity.

Directors and Executives Emoluments

The remuneration structure of the Company is based on market rates to attract and retain the appropriate staff for the Company. In the opinion of the Directors there are only two executives whose emoluments require disclosure pursuant to S300(A) (1) (c) of the Corporations Law.

Name	Salary	Superannuation	Non cash benefits	Total
Mr J Landerer	50,000	4,000	–	54,000
Mr P R Higginson	30,000	2,400	–	32,400
Mr J E Star	30,000	1,800	–	31,800
Mr S S Donnelley	131,974	10,403	21,006	163,383
Mr R G Lawson	125,553	10,044	40,271	175,868
Mr B I Dawkins	75,842	5,993	28,636	110,471

Directors' Benefits

No Director has received or become entitled to receive, during or since the end of the period, a benefit because of a contract made by the parent entity, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than:

- In respect of rental payments during the period, under leases of properties to a controlled entity by Brooke Developments

Pty Limited (\$105,000 for 129-137 Princes Highway, Arncliffe and \$73,500 for 1 Flinders Street, North Wollongong) and Bendshaw Pty Limited (\$47,000 for 1 Flinders Street, Port Kembla), being companies with which Mr S S Donnelley is associated; and

- In respect of rental payments during the period, under leases of properties to a controlled entity by Abbott Properties Pty Ltd (\$75,000 for 3 Parramatta Road, Concord, \$32,500 for 800 Beaudesert Road, Coopers Plains, \$120,000 for 204 Power Street, Plumpton and \$143,315 for Cnr Abbott Road and Costello Place, Seven Hills) being a company with which Mr J Landerer and Mr J E Star are directors and associated. Mr S S Donnelley is a potential beneficiary of a family trust which owns shares in Abbott Properties Pty Ltd; and
- Payments for legal services and advice during the period, for the amount of \$59,159 provided to the economic entity by Landerer & Company of which Mr J Landerer is the principal partner; and
- 100,000 options to subscribe for ordinary shares in the Company at an exercise price of \$0.60 per share at any time on or before 31 March 2002, granted to each of the non-executive Directors being Mr J Landerer, Mr P R Higginson and Mr J E Star.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Company's accounts, or the fixed salary of a full time employee of the parent entity, controlled entity or related body corporate.

Meetings of Directors

Details of meetings held during the year and attendance thereat was:

Name	Board		Safety, Health and Environmental Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
J Landerer	12	10	3	3	2	1
J E Star	12	12	3	3	2	2
P R Higginson	12	11	3	3	2	2
S S Donnelley	12	12	3	3	N/A	N/A

There were no meetings of the remuneration committee during the year.

Options

During the year the Company did not grant any options over any of its unissued ordinary shares.

No shares have been issued by National Hire Group Limited during or since the end of the year by virtue of the exercise of an option and there are 894,082 unissued ordinary shares of the Company under option at the date of this Report as follows:

Options granted to employees under the Employee Share Option Plan which are exercisable at 58 cents each, expiring on 14 April 2005	594,082
Options granted to non-executive Directors to Subscribe for ordinary shares at 60 cents each, expiring on 31 March 2002	300,000
	894,082

No person entitled to exercise an option has or had any right, by virtue of the option, to participate in a share issue of any other body corporate.

Indemnification of Officers and Auditors

The Company has not, during or since the end of the year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Corporate Governance

The following statement outlines the principal corporate governance practices that were in place throughout the financial year.

The Directors of the Company in office at the date of this statement are set out above. Except for the Managing Director, all directors are non-executive, including the Chairman.

Non-executive directors are required to seek re-election by shareholders at least every three years. The composition of the Board is determined by all directors, using the following principles:

- The chairman of the Board should be a non-executive director;
- The Board should comprise a majority of non-executive directors.

When a vacancy exists on the Board or where it is considered that a director with particular skills or experience is required, the Board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

The shareholders determine the aggregate remuneration of the non-executive directors, and the Board then determines the allocation of the approved remuneration between the non-executive directors.

The Board is responsible for establishing the policies of the Company, overseeing its financial position and approving major capital expenditures. The Board is also responsible for the appointment and supervision of the chief executive of the Company, and monitoring the corporate conduct of its officers.

The Board meets monthly and deals with most corporate governance matters including:

- Reviewing the composition of the Board;
- Reviewing published reports and stock exchange announcements to ensure their accuracy and compliance with statutory requirements;
- Identification of areas of significant business risk and the management of those risks;
- The establishment and maintenance of appropriate ethical standards for the Company.

The Board has formed the following separate formally constituted committees:

Audit Committee

Reviews the published accounts of the Company as well as the external auditing arrangements and adequacy, quality and effectiveness thereof.

Remuneration Committee

The principal functions of this committee are to review executive remuneration and employee incentive schemes.

Safety, Health and Environmental Committee

This committee's function is to review the safety, health and environmental policies of the Company to ensure compliance with all relevant legislation and the Company's social obligation to the community.

Because of the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form an individual committee to deal with nomination of directors.

Individual directors are able to seek independent professional advice, at the Company's expense, on matters relevant to their role as a director. This is subject to the prior approval of the Chairman, which may not be unreasonably withheld, and the other directors being given a copy of such advice.

Board members, executive management and company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times.

Signed in accordance with a resolution of the Board of Directors and dated

14 September 2001.



John Landerer
Chairman



Stephen Donnelley
Managing Director

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Sales revenues from ordinary activities	2	29,594	30,116	-	-
Other revenues from ordinary activities	2	867	758	1,518	2,861
Total revenue		30,461	30,874	1,518	2,861
Cost of goods sold		(20,689)	(19,245)	-	-
Administration and marketing costs		(3,525)	(3,247)	(306)	(250)
Other overheads		(763)	(1,360)	(220)	(327)
Depreciation and amortisation costs	3	(3,625)	(2,971)	-	-
Borrowing costs	3	(1,671)	(1,169)	(558)	(447)
Profit from ordinary activities before related income tax expense		188	2,882	434	1,837
Income tax expense relating to ordinary activities	4	(79)	(1,092)	(245)	(249)
Profit from ordinary activities after related income tax expense attributable to members of the parent entity		109	1,790	189	1,588
Total changes in equity other than those resulting from transactions with owners as owners		109	1,790	189	1,588

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2001

CURRENT ASSETS					
Cash assets	6	403	1,020	6	14
Receivables	7	5,581	6,171	16,294	15,483
Inventories	8	17	7	-	-
Other assets	9	288	675	8	-
TOTAL CURRENT ASSETS		6,289	7,873	16,308	15,497
NON-CURRENT ASSETS					
Receivables	7	197	196	197	196
Investments	10	-	-	7,750	7,750
Property, plant and equipment	11	26,925	23,930	-	-
Deferred tax assets	12	688	807	97	120
Intangibles	13	7,122	7,436	-	-
Other financial assets	14	13	-	13	-
TOTAL NON-CURRENT ASSETS		34,945	32,369	8,057	8,066
TOTAL ASSETS		41,234	40,242	24,365	23,563
CURRENT LIABILITIES					
Payables	15	3,700	2,235	73	109
Interest-bearing liabilities	16	4,568	4,055	700	400
Current tax liabilities	17	17	845	97	190
Provisions	18	932	1,516	49	711
TOTAL CURRENT LIABILITIES		9,217	8,651	919	1,410
NON-CURRENT LIABILITIES					
Payables	15	632	-	-	-
Interest-bearing liabilities	16	14,260	14,380	8,474	7,227
Deferred tax liabilities	17	1,863	1,903	718	701
Provisions	18	277	272	-	-
TOTAL NON-CURRENT LIABILITIES		17,032	16,555	9,192	7,928
TOTAL LIABILITIES		26,249	25,206	10,111	9,338
NET ASSETS		14,985	15,036	14,254	14,225
EQUITY					
Contributed equity	19	13,152	13,145	13,152	13,145
Retained profits	20	1,833	1,891	1,102	1,080
TOTAL EQUITY		14,985	15,036	14,254	14,225

The accompanying notes on pages 16 to 32 form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		29,158	27,634	1,518	2,278
Payments to suppliers and employees		(22,817)	(22,268)	(583)	(283)
Interest received		16	39	-	16
Interest and other costs of finance paid		(447)	(641)	(518)	(600)
Dividends received		-	-	-	567
Income tax paid		(828)	(409)	(146)	(158)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	21(a)	5,082	4,355	271	1,820
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(1,181)	(434)	-	-
Proceeds from sale of property, plant and equipment		873	517	-	-
Payments for investments		-	(13)	-	(13)
Cash paid for purchase of controlled entity	21(c)	(1,161)	(3,146)	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,469)	(3,076)	-	(13)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans to related parties		-	-	(942)	(4,883)
Cash proceeds from issue of convertible notes		-	3,531	-	3,531
Cash proceeds from issue of shares		15	-	15	-
Dividends paid		(852)	(1,054)	(852)	(1,054)
Proceeds from borrowings		1,500	3,350	1,500	3,350
Borrowing repayments		(4,893)	(7,220)	-	(2,770)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,230)	(1,393)	(279)	(1,826)
NET INCREASE/(DECREASE) IN CASH HELD		(617)	(114)	(8)	(19)
CASH AT BEGINNING OF YEAR		1,020	1,134	14	33
CASH AT END OF YEAR	21(b)	403	1,020	6	14

The accompanying notes on pages 16 to 32 form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of this financial report are:

Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or fair values of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity, unless otherwise stated.

Principles of Consolidation

The consolidated accounts have been prepared in accordance with Australian Accounting Standard AASB 1024, "Consolidated Accounts", and include the assets and liabilities of all entities that comprise the National Hire Group, being the chief entity and its controlled entities. A list of all entities controlled by the chief entity is contained in Note 31. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Operating Revenue

Operating revenue comprises income derived from hire rental. Hire revenue is recognised on delivery of equipment to the customer. Other revenue comprises proceeds received on sale of property, plant and equipment and sundry income. Interest revenue is recognised on an accruals basis. Revenue from the sale of property, plant and equipment is recognised on delivery. Dividend income is recognised in the profit and loss account when received.

All revenue is stated net of the amount of goods and services tax (GST).

Brand Names

National Hire has adopted the views expressed by Australian Securities and Investments Commission (ASIC) in respect of the amortisation of brand names. The directors have considered Australian Standard AASB 1021, Accounting Interpretation AI 1 and International Accounting Standard IAS 38.

Commencing 1 July 1998 the brand names which are initially recorded at cost are amortised on a straight line basis over forty years, being the period in which the related future benefits are expected to be realised.

Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated accounts, are brought to account at cost.

Maintenance and Equipment Rebuilds

Expenditure for maintenance is charged to profit from ordinary activities before income tax as incurred. Expenditure incurred on major equipment rebuilds as opposed to maintenance is capitalised and depreciated over the assets remaining useful lives.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Depreciation of Property, Plant and Equipment

Items of property, plant and equipment are recorded at cost and depreciated over their estimated useful life. Depreciation is calculated on a straight line basis. Assets of less than \$500 in value are written off in the year of acquisition due to a limited useful life.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	Term of Lease
Plant and Equipment	5% – 33%
Leased Plant and Equipment	5% – 33%

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

The tax effect of timing differences which arise from items being brought to account in different years for income tax and accounting purposes is disclosed as a future income tax benefit or a provision for deferred income tax at future taxation rates. Amounts are offset where the tax payable and realisable benefit are expected to occur in the same financial year.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

Leased Assets

The economic entity has adopted the principles contained in Australian Accounting Standard AASB 1008 "Accounting for Leases", whereby certain property, plant and equipment subject to lease are treated as finance leases and recorded for accounting purposes as an asset of each company comprising the economic entity.

The amounts capitalised equal the purchase price value of the respective assets at the date of commencement of the lease and are amortised on a straight line basis over their estimated economic lives. Lease payments are allocated between interest expense and reduction of the lease liability.

Other leases are classified as operating leases. Payments made under operating leases are charged against profits over the accounting periods covered by the lease term.

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of twenty years during which the benefits are expected to arise. The balances are reviewed annually.

Provisions for Employee Entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date in respect of annual leave and long service leave.

Employee entitlements expected to be settled within twelve months together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled after one year, are at their nominal values.

Provisions made in respect of long service leave which is not expected to be settled within twelve months are measured as the present value of the estimated future cash flows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Interest Bearing Liabilities

On issue of convertible notes, the fair value of the liability component, being the obligation to make future payments of principal and interest to noteholders, is calculated using a market interest rate for an equivalent non-convertible note. The difference between the proceeds received and the value of the debt, representing the fair value of the conversion option, is included in equity as other equity securities with no recognition of any change in the value of the conversion option in subsequent periods. The liability is included in borrowings until the liability is extinguished on conversion or maturity of the notes with interest on the notes recognised as borrowing costs.

Rounding of Amounts

The chief entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Sales revenue	29,594	30,116	-	-
Other revenue:				
Interest received	16	39	-	16
Management fees	-	-	830	830
	29,610	30,155	830	846
Revenue from outside the operating activities				
Other revenue:				
Proceeds on sale of non-current assets	654	517	-	-
Proceeds on sale of small equipment	197	202	-	-
Trust distribution	-	-	688	1,448
Dividends received from wholly owned subsidiaries	-	-	-	567
	851	719	688	2,015
Total revenue	30,461	30,874	1,518	2,861
3. PROFIT FROM ORDINARY ACTIVITIES				
(a) Individually significant items included in profit from ordinary activities before income tax expense				
Transaction costs on issuing unsecured convertible notes	-	194	-	194
(b) Operating profit from ordinary activities before income tax has been determined after:				
Borrowing costs:				
Other parties:				
Interest expense and hire purchase interest	1,405	733	558	447
Finance charges on capitalised leases	266	436	-	-
Amortisation of non-current assets:				
Goodwill	215	215	-	-
Brand names	99	99	-	-
Leasehold improvements	75	56	-	-
Plant and equipment under lease	639	750	-	-
Depreciation of non-current assets:				
Plant and equipment	2,597	1,807	-	-
Net bad and doubtful debts expense including movements in provision for doubtful debts	543	682	-	-
Operating lease rental expense	2,276	2,155	-	-
Net (profit) on disposal of property, plant and equipment	(136)	(146)	-	-

4. INCOME TAX EXPENSE

Operating profit before income tax

The prima facie tax, using applicable Australian tax rates, on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax on profit from ordinary activities before income tax at 34% (2000: 36%)

Add tax effect of:

Goodwill and brand name amortisation non-deductible

Non-deductible interest

Under provision for tax prior years

Other non-deductible items

Timing differences brought to account

Less tax effect of:

Other non-assessable items

Transaction costs on issue of convertible notes applied to other equity securities

Dividend rebate

Adjustment to future income tax benefit and provision for deferred income tax for the change in company tax rate to 30% (2000: 34%)

Income tax expense attributable to operating profit

5. EARNINGS PER SHARE

Basic earnings per share (cents per share)

Diluted earnings per share (cents per share)

Weighted average number of ordinary shares used in the calculation of basic earnings per share.

It has been determined diluted earnings per share was not materially different from basic earnings per share at 30 June 2001.

Potential ordinary shares not considered dilutive:

At balance date the chief entity had on issue options over unissued ordinary shares. There are 300,000 options exercisable by 31 March 2002 at an exercise price of 60 cents and 594,082 options exercisable by 14 April 2005 at an exercise price of 58 cents. It is expected these options would not be exercised based on the current market conditions, therefore the effect of these options is considered to have a negligible impact on the diluted earnings per share.

6. CASH ASSETS

Cash at bank

Deposits at call

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Operating profit before income tax	188	2,882	434	1,836
Prima facie tax on profit from ordinary activities before income tax at 34% (2000: 36%)	64	1,038	148	661
Add tax effect of:				
Goodwill and brand name amortisation non-deductible	107	112	-	-
Non-deductible interest	19	-	-	-
Under provision for tax prior years	-	4	21	-
Other non-deductible items	46	38	28	-
Timing differences brought to account	-	-	179	22
Less tax effect of:				
Other non-assessable items	-	(28)	-	-
Transaction costs on issue of convertible notes applied to other equity securities	-	(8)	-	(8)
Dividend rebate	-	-	(48)	(392)
Adjustment to future income tax benefit and provision for deferred income tax for the change in company tax rate to 30% (2000: 34%)	(157)	(64)	(83)	(34)
Income tax expense attributable to operating profit	79	1,092	245	249
	\$	\$		
Basic earnings per share (cents per share)	(0.03)	7.56		
Diluted earnings per share (cents per share)	(0.03)	7.56		
	Number	Number		
Weighted average number of ordinary shares used in the calculation of basic earnings per share.	22,785,133	20,623,450		
Cash at bank	382	21	6	14
Deposits at call	21	999	-	-
	403	1,020	6	14
Cash	403	1,020	6	14

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
7. RECEIVABLES				
CURRENT				
	5,656	5,807	-	-
Trade debtors				
Provision for doubtful debts	(324)	(367)	-	-
	5,332	5,440	-	-
Amounts other than trade debts receivable:				
Other debtors	242	682	-	-
Employee share plan	7	49	40	49
Controlled entities	-	-	16,254	15,434
	5,581	6,171	16,294	15,483
NON-CURRENT				
Trade debtors	444	483	-	-
Provision for doubtful debts	(444)	(483)	-	-
Amounts other than trade debts receivable from related parties:				
Employee share plan	197	196	197	196
	197	196	197	196
8. INVENTORIES				
CURRENT				
Fuel at cost	17	7	-	-
9. OTHER CURRENT ASSETS				
Prepayments	288	675	8	-
10. INVESTMENTS				
NON-CURRENT				
Controlled entities:				
DWB Unit Trust at cost	-	-	7,750	7,750
Total investments	-	-	7,750	7,750
11. PROPERTY, PLANT AND EQUIPMENT				
PLANT AND EQUIPMENT				
Leasehold improvements				
At cost	667	522	-	-
Accumulated amortisation	(222)	(148)	-	-
	445	374	-	-
Plant and equipment				
At cost	29,667	21,917	-	-
Accumulated depreciation	(7,515)	(4,616)	-	-
	22,152	17,301	-	-
Plant and equipment under lease				
At capitalised cost	5,709	7,577	-	-
Accumulated amortisation	(1,425)	(1,327)	-	-
	4,284	6,250	-	-
Capital works in progress				
	44	5	-	-
Total plant and equipment	26,925	23,930	-	-

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Leasehold improvements

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	374	231	-	-
Carrying amount at beginning of year				
Additions	130	199	-	-
Transfer from capital works in progress	15	-	-	-
Disposals	-	-	-	-
Amortisation	(74)	(56)	-	-
Carrying amount at end of year	445	374	-	-

Plant and equipment

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	17,301	8,289	-	-
Carrying amount at beginning of year				
Additions	3,618	6,536	-	-
Transfer from capital works in progress	493	491	-	-
Disposals	(474)	(357)	-	-
Transfer from plant and equipment under lease	1,530	1,224	-	-
Acquisition through entity acquired	2,426	3,109	-	-
Depreciation	(2,742)	(1,991)	-	-
Carrying amount at end of year	22,152	17,301	-	-

Plant and equipment under lease

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	6,250	7,409	-	-
Carrying amount at beginning of year				
Additions	116	781	-	-
Disposals	(57)	(88)	-	-
Transfer to plant and equipment	(1,530)	(1,224)	-	-
Amortisation	(495)	(628)	-	-
Carrying amount at end of year	4,284	6,250	-	-

Capital works in progress

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	5	48	-	-
Carrying amount at beginning of year				
Additions	547	446	-	-
Transfer to property, plant and equipment	(508)	(489)	-	-
Carrying amount at end of year	44	5	-	-

12. DEFERRED TAX ASSETS**NON-CURRENT**

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	688	807	97	120

The future income tax benefit consists of estimated timing differences

Reconciliation

A reconciliation of the consolidated carrying amounts of future income tax benefits at the beginning and end of the current and previous financial year are set out below:

Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
	807	575	120	60
Carrying amount at start of year				
Movement during the year	(27)	280	(10)	67
Adjustment due to tax rate change	(92)	(48)	(13)	(7)
Carrying amount at end of year	688	807	97	120

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
13. INTANGIBLES					
Goodwill – at cost		4,310	4,311	-	-
Accumulated amortisation		(842)	(627)	-	-
		3,468	3,684	-	-
Brand names – at cost		3,950	3,950	-	-
Accumulated amortisation		(296)	(198)	-	-
		3,654	3,752	-	-
		7,122	7,436	-	-
14. OTHER NON-CURRENT FINANCIAL ASSETS					
Investment in associated company		13	-	13	-
15. PAYABLES					
CURRENT					
Trade creditors		2,974	1,672	-	-
Other creditors		726	563	73	109
		3,700	2,235	73	109
NON-CURRENT					
Trade creditors		632	-	-	-
16. INTEREST BEARING LIABILITIES					
CURRENT					
Secured					
Bank loan		700	400	700	400
Other financiers and hire purchase liabilities		2,439	1,738	-	-
Lease liabilities		1,429	1,582	-	-
		4,568	3,720	700	400
The bank loans are secured by a floating charge over the assets of the Group					
Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default					
Unsecured					
Other financiers		-	335	-	-
		4,568	4,055	700	400
NON-CURRENT					
Secured					
Bank loan		5,250	4,050	5,250	4,037
Other financiers and hire purchase liabilities		4,086	3,627	-	-
Lease liabilities – finance lease	23	1,700	3,513	-	-
		11,036	11,190	5,250	4,037
The bank loans are secured by a floating charge over the assets of the Group					
Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default					

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unsecured					
Convertible notes		3,224	3,190	3,224	3,190
		14,260	14,380	8,474	7,227
Convertible notes					
In May 2000 the chief entity issued 4,708,334 unsecured convertible notes with a face value of 75 cents. The notes have a coupon of 10% per annum and mature on 30 April 2007.					
The notes are convertible into ordinary shares of the chief entity at the option of the holder, or repayable on the maturity date.					
Each note is convertible into ordinary shares by redeeming the note at its face value and applying the redemption proceeds in subscription for ordinary shares at an issue price of 75 cents.					
Reconciliation of convertible notes:					
Balance at beginning of year		3,190	3,184	3,190	3,184
Interest accrued during the year applied to non-current liability		34	6	34	6
Balance at end of year		3,224	3,190	3,224	3,190
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
Bank overdrafts		250	250	250	250
Bank loans		2,950	3,250	2,950	3,250
Bill acceptance facility		3,000	3,550	3,000	3,550
		6,200	7,050	6,200	7,050
Facilities utilised at balance date:					
Bank overdrafts		-	-	-	-
Bank loans		2,950	1,750	2,950	1,737
Bill acceptance facility		3,000	2,700	3,000	2,700
		5,950	4,450	5,950	4,437
Facilities unutilised at balance date:					
Bank overdrafts		250	250	250	250
Bank loans		-	1,500	-	1,513
Bill acceptance facility		-	850	-	850
		250	2,600	250	2,613
17. TAX LIABILITIES					
CURRENT					
Provision for current income tax		17	845	97	190
NON-CURRENT					
Provision for deferred income tax		1,863	1,903	718	701
Reconciliation					
A reconciliation of the consolidated carrying amounts of deferred income tax liabilities at the beginning and end of the current and previous financial year are set out below:					
Carrying amount at start of year		1,903	1,516	701	615
Movement during the year		208	499	113	127
Adjustment due to tax rate change		(248)	(112)	(96)	(41)
Carrying amount at end of year		1,863	1,903	718	701

18. PROVISIONS**CURRENT**

Notes	CONSOLIDATED		CHIEF ENTITY		
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	
Dividends	5	-	685	-	685
Employee entitlements	23	820	700	49	26
Deferred income		45	64	-	-
Rationalisation	18	67	67	-	-
		932	1,516	49	711

NON-CURRENT

Employee entitlements	23	250	200	-	-
Deferred income		27	72	-	-
		277	272	-	-

19. CONTRIBUTED EQUITY**ISSUED AND PAID UP SHARE CAPITAL****Ordinary shares**

28,109,498 (2000: 20,716,505) fully paid ordinary shares		12,827	10,097	12,827	10,097
Nil (2000: 4,112,686) Fully paid converting non-redeemable preference shares		-	2,723	-	2,723

Other Contributed Equity

4,708,334 (2000: 4,708,334) convertible notes – equity portion		325	325	325	325
		13,152	13,145	13,152	13,145

Movements in issued and paid up capital:**(a) Ordinary shares**

Balance at the beginning of the year		10,097	10,000	10,097	10,000
Shares issued during the year:					
10,711 (2000: 153,415) shares issued under employee share plan		7	97	7	97
7,382,282 (2000: nil) shares issued as a result of the conversion of 4,112,686 non-redeemable preference shares		2,723	-	2,723	-
Balance at the end of the financial year		12,827	10,097	12,827	10,097

On 5 June 1997 the chief entity issued 300,000 free options to non executive directors to acquire ordinary shares with an exercise price of 60 cents each.

The options are to be exercised no later than 31 March 2002.

On 17 April 2000 the chief entity issued 594,082 free options to selected employees to acquire ordinary shares at an exercise price of 58 cents each. The options are to be exercised no later than 14 April 2005.

At balance date there were 894,082 unissued ordinary shares for which options were outstanding.

The chief entity has established an employee share plan for selected employees. Shares acquired by employees are funded by interest free loans, which are repaid by the dividends paid on the shares.

The outstanding loan balance is repayable on cessation of employment with the economic entity.

On 20 February 1998 213,090 ordinary shares were issued under this scheme.

On 7 May 1998 the chief entity issued 1,850,000 ordinary shares.

On 8 February 2000, 153,415 ordinary shares were issued under the employee share plan.

On 21 December 2000, 10,711 ordinary shares were issued under the employee share plan.

On 19 March 2001, 7,382,282 ordinary shares were issued as a result of the conversion of converting non-redeemable preference shares in accordance with the Prospectus.

(b) Converting non-redeemable preference shares:

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance at the beginning of the year	2,723	2,723	2,723	2,723
4,112,686 (2000: nil) shares converted to ordinary shares	(2,723)	-	(2,723)	-
Balance at the end of the financial year	-	2,723	-	2,723

On 19 March 1999, the chief entity issued 4,112,686 converting non-redeemable preference shares at 70c each.

On 19 March 2001, 4,112,686 converting non-redeemable preference shares were converted to ordinary shares.

(c) Convertible notes

Balance at end of year	325	325	325	325
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Reconciliation

Face value of notes issued		3,531		3,531
Less non-current liability	16	3,184		3,184
		347		347
Less: transaction costs on issue of the notes to equity		(22)		(22)
		325		325

The amount shown for convertible notes is the value of the conversion rights relating to the convertible notes, details of which are shown at Note 16.

20. RETAINED PROFITS

Retained profits at beginning of year	1,891	1,210	1,080	601
Net profit attributable to members of the parent entity	109	1,790	189	1,588
Dividends	22	(167)	(167)	(1,109)
Retained profits at the end of the year	1,833	1,891	1,102	1,080

21. STATEMENT OF CASH FLOWS**(a) Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities**

Profit from ordinary activities after income tax	109	1,790	189	1,588
Depreciation of non-current assets	2,824	1,807	-	-
Amortisation of non-current assets	827	1,120	-	-
Net gain on disposal of property, plant and equipment	(333)	(146)	-	-
Interest expense for equipment acquisitions	820	685	-	-
Interest expense for convertible notes	-	64	40	64
Income tax expense for business acquisitions	-	(9)	-	-
Other expenses for business acquisitions	-	51	-	-

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Changes in assets and liabilities				
Decrease in trade receivables	107	(1,443)	-	-
Increase in inventories	(10)	18	-	-
Decrease in other receivables	522	(397)	-	(54)
Increase in prepayments	306	(161)	(7)	23
Increase in future income tax benefit	119	(224)	22	(60)
Decrease in deferred income tax payable	(40)	387	18	86
Increase in trade and other creditors	488	224	78	109
Profit on disposal of property, plant and equipment	-	(52)	-	-
Increase in employee entitlements	171	136	23	11
Decrease in provision for taxation	(828)	526	(92)	74
Decrease in other equity securities	-	(21)	-	(21)
Net cash flow from operating activities	5,082	4,355	271	1,820
(b) Reconciliation of cash				
Cash balance comprises:				
Cash on hand	44	47	-	-
Interest bearing deposit	359	973	6	14
Closing cash balance	403	1,020	6	14
(c) Acquisition of businesses				
During the year ended 30 June 2001, assets of Allied Shipping Service Company Pty Ltd were acquired.				
Purchase price	2,426	3,146	-	-
Assets and liabilities held at acquisition date:				
Property, plant and equipment	2,426	3,109	-	-
Future income tax benefit	-	9	-	-
Provisions	-	(48)	-	-
Income tax expense	-	(9)	-	-
Consumables	-	51	-	-
	2,426	3,112	-	-
Goodwill on consolidation	-	34	-	-
	2,426	3,146	-	-
Outflow of cash to acquire assets of Allied Shipping Service Company Pty Ltd.				
Cash consideration	2,426	3,146	-	-
Deferred settlement	(1,265)	-	-	-
Outflow of Cash	1,161	3,146	-	-

(d) Non cash financing and investing activities

(i) Share Issue. Interest free employee loans totalling \$5,784 were made to enable employees to acquire 10,711 ordinary shares in the chief entity.

(ii) During the year the consolidated entity acquired plant and equipment with an aggregate value of \$3,639,054 (2000: \$6,374,458) by means of finance leases and hire purchase agreements. These acquisitions are not reflected in the statement of cash flows.

Comparatives show the acquisition of 100% of the business of Whelans Access Pty Limited by the National Hire Group.

22. DIVIDENDS

Interim fully franked ordinary dividend of 0.25 (2000: 1.5) cents per share franked at the tax rate of 34% (2000: 36%)

Proposed final fully franked ordinary dividend of nil (2000: 2.75) cents per share franked at the tax rate of 30% (2000: 34%)

Interim fully franked non-cumulative preference dividend of 2.8 (2000: 2.8) cents per share franked at the tax rate of 34% (2000: 36%)

Proposed fully franked non-cumulative preference dividend of nil (2000: 2.8) cents per share franked at the tax rate of 30% (2000: 34%)

Balance of franking account at year end adjusted for franking credits at 30% (2000: 34%) arising from payment of provision for income tax and franking debits arising from payment of proposed dividends

Notes	CONSOLIDATED		CHIEF ENTITY	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	52	309	52	309
	-	570	-	570
	115	115	115	115
	-	115	-	115
	167	1,109	167	1,109
	3,075	2,755	153	125
23. EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments				
There are no capital expenditure commitments contracted for at balance date.				
(b) Lease expenditure commitments				
<i>(i) Operating leases (non-cancellable)</i>				
	2,045	2,146	-	-
	1,995	3,330	-	-
	4,040	5,476	-	-
Aggregate lease expenditure contracted for at end of year				
Property leases are non-cancellable leases of five year terms with options for further five year periods.				
<i>(ii) Finance leases:</i>				
	828	1,906	-	-
	2,578	3,753	-	-
	3,406	5,659	-	-
	(277)	(564)	-	-
	3,129	5,095	-	-
Lease liability contracted for at end of year				
Shown in the financial statements under the following headings:				
	16	1,429	-	-
	16	1,700	-	-
	3,129	5,095	-	-

Finance leases of equipment are non cancellable and are over three to five year terms.

There are no remuneration commitments contracted for at balance date.

There are no capital expenditure commitments contracted for at balance date.

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
24. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS					
Employee entitlements					
Aggregate liability for employee entitlements, including on-costs					
Current	16	820	700	49	26
Non-current	18	250	200	-	-
		1,070	900	49	26
Number of employees					
Number of employees at year end		175	169	1	1
Employee share plan					
The company has established an employee share plan for selected employees as detailed in the Prospectus dated April 1997. Shares acquired by employees are funded by interest free loans which are repaid by the dividends paid on the shares. The outstanding loan balance is repayable on cessation of employment with the consolidated entity.					
Superannuation commitments					
During the year National Hire Group Limited and certain controlled entities contributed to the National Hire Staff Superannuation Plan administered by AMP Superannuation. All permanent and casual employees are members of this fund.					
The default investment option selected is AMP Lifestages option. Members of the plan also have death and disability insurance provided.					
Employee contributions are encouraged and at balance date 17 employees were contributing.					
At balance date the National Hire Staff Superannuation Fund was valued with assets of \$2.23 million, after the transfer of funds previously managed by ANZ Super Advantage.					
25. CONTINGENT LIABILITIES					
The chief entity and controlled entities have agreed to indemnify the Group's bankers in respect of guarantees given by the Group in favour of third parties.					
		280	200	280	200

At balance date the maximum amount of the guarantee was \$280,000 (2000: \$200,000).

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below.

The directors are not aware of any circumstance or information, which would lead them to believe that these liabilities will crystallise, and consequently no provisions are included in the financial statements in respect of these matters.

Litigation

National Hire Pty Limited is the Third Cross Defendant in two claims being heard in the Supreme Court of New South Wales. The claims of \$600,000 arose as a consequence of an accident involving a scissor lift on hire to a customer. It is understood the customer in breach of the conditions of hire, allowed a contractor who had not entered into a hire arrangement with the company, to use the scissor lift in an unsafe manner. The Company does not admit liability and will be vigorously defending the claims. The contingent liability was disclosed in the Prospectus issued by National Hire Group Limited on 14 April 1997.

The Directors are of the opinion, based on legal advice that no provision is required.

26. REMUNERATION OF DIRECTORS

Directors' remuneration

Total income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the chief entity and controlled entities from the chief entity or any related party:

The number of directors of National Hire Group Limited whose income (including superannuation contributions) falls within the following bands is:

	Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
		281,583	253,530	281,583	253,860
\$ 30,000 - \$ 39,999	2	2	2	2	2
\$ 50,000 - \$ 59,999	1	1	1	1	1
\$130,000 - \$139,999	-	1	-	-	1
\$160,000 - \$169,999	1	-	-	1	-

27. REMUNERATION OF EXECUTIVES

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more during the year to 30 June 2001 from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:

	Notes	CONSOLIDATED 2001 \$'000	2000 \$'000	CHIEF ENTITY 2001 \$'000	2000 \$'000
		555,022	490,591	163,383	130,000
The number of executives of the chief entity and of controlled entities whose remuneration falls within the following bands:					
\$100,000 - \$109,999	1	1	1	-	-
\$110,000 - \$119,999	1	1	1	-	-
\$130,000 - \$139,999	-	-	-	-	1
\$160,000 - \$169,999	1	1	1	1	-
\$170,000 - \$179,999	1	1	1	-	-

28. AUDITORS' REMUNERATION

Remuneration of the auditor of National Hire Group Limited for:

- auditing the financial report	36,000	36,000	36,000	36,000
- other services	83,650	50,111	83,650	50,111
	119,650	86,111	119,650	86,111

29. FINANCIAL INSTRUMENTS

(a) Derivative financial instruments

Derivative financial instruments have not been used by the consolidated entity during the year.

(b) Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

Notes	Weighted average effective interest rate		Fixed interest maturing in:													
			Floating interest rate		1 year or less				Over 1 year but within 5 years		Over 5 years		Non interest bearing		Total	Total
			2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
			%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets																
Cash	6	2.75	3.85	359	973	-	-	-	-	-	-	-	44	47	403	1,020
Receivables	7	-	-	-	-	-	-	-	-	-	-	-	5,778	6,367	5,778	6,367
				359	973	-	-	-	-	-	-	-	5,822	6,414	6,181	7,387
Financial liabilities																
Bank loans and overdrafts	16	7.24	8.11	1,500	1,750	4,450	-	-	2,700	-	-	-	-	-	5,950	4,450
Trade and other creditors	15	-	-	-	-	-	-	-	-	-	-	-	4,332	2,235	4,332	2,235
Other loans	16	7.93	8.53	-	-	2,439	2,073	4,086	3,627	-	-	-	-	-	6,525	5,700
Lease liabilities	16, 23	7.12	6.86	-	-	1,429	1,582	1,700	3,513	-	-	-	-	-	3,129	5,095
Convertible notes	16, 19	10.00	10.00	-	-	-	-	-	-	3,224	3,190	-	-	-	3,224	3,190
				1,500	1,750	3,868	3,655	5,786	9,840	3,224	3,190	4,332	2,235	23,160	20,670	
Net financial assets/(liabilities)				(1,141)	(777)	(3,868)	(3,655)	(5,786)	(9,840)	(3,224)	(3,190)	1,490	4,179	(16,979)	(13,283)	

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes forming part of the financial statements.

(d) Net fair values

The net fair values of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities approximates their carrying value; the interest rates are consistent with current rates and the majority of other assets are current with little impact from interest rates. The convertible notes have been recorded at net present value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are:

	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
	2001	2001	2000	2000
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash	403	403	1,020	1,020
Receivables	5,778	5,778	6,367	6,367
	6,181	6,181	7,387	7,387
Financial liabilities				
Bank loans and overdrafts	5,950	5,950	4,450	4,450
Trade and other creditors	4,332	4,332	2,235	2,235
Other loans	6,525	6,525	5,700	5,700
Lease liabilities	3,129	3,129	5,095	5,095
Convertible notes	3,224	3,224	3,190	3,190
	23,160	23,160	20,670	20,670

30. RELATED PARTY DISCLOSURES

The Directors of National Hire Group Limited during the financial year were:

- J Landerer (Chairman)
- S S Donnelley (Managing Director)
- J E Star (Non-Executive Director)
- P R Higginson (Non-Executive Director)

In addition to the Directors fees and salaries referred to in Note 26, the following related party transactions occurred during the financial year:

- Transactions with related parties in the controlled entities made under normal commercial terms and conditions.

Controlled Entity Transacting	Related Party	Transaction Type	2001	2000
			\$'000	\$'000
National Hire Group Limited	Landerer & Company	A	59	88
National Hire Group Limited	Star Dean-Willcocks	B	-	4
National Hire Group Limited	Stirhill Pty Ltd / S S Donnelley	C	392	360
National Hire Group Limited	Nusuna Pty Ltd	C	389	389

Transaction Types:

A: Provision of Legal Advice B: Provision of Financial Management C: Property Rentals

Particulars of the above transactions with Directors and related parties:

A Director of the National Hire Group Limited, Mr J Landerer, is the principal partner of Landerer & Company, Solicitors, which firm renders legal services to companies in the consolidated entity. All transactions are on normal commercial terms and conditions and in the ordinary course of business.

Total fees paid and payable to Landerer & Company, for services rendered during the period was \$59,159 (2000: \$88,043). At 30 June 2001 there is no amount due to Landerer & Company.

A Director of the National Hire Group Limited, Mr J E Star, is a partner in the accountancy firm, Star Dean-Willcocks, which renders consultancy services to companies in the consolidated entity. All transactions are on normal commercial terms and conditions and in the ordinary course of business.

No fee was paid to Star Dean-Willcocks for services rendered during the period (2000: \$3,766).

At 30 June 2001 there is no amount due to Star Dean-Willcocks.

The consolidated entity rents premises at locations from companies associated with Mr S S Donnelley's family. The consolidated entity also rents premises at various locations from companies associated with a substantial shareholder, Nusuna Pty Limited. The lease arrangements are on normal commercial terms and conditions and in the ordinary course of business. The total rent paid and payable for the period was \$779,816 (2000: \$748,928).

National Hire Pty Limited has entered into agreements to lease properties from Abbott Properties Pty Ltd, a company with which Mr J Landerer and Mr J Star are directors and associated. Another director, Mr S S Donnelley, is a potential beneficiary of a family trust, which owns shares in Abbott Properties. Lease rental payments commenced during August 1999. The total rent paid and payable for the period was \$370,815 (2000 annualised: \$370,185).

During the period, a Director Mr S S Donnelley, two former directors, Messrs N S Donnelley and R C Wallis and a related entity, Stirhill Pty Limited have guaranteed loans of the Group. No guarantees are outstanding at balance date.

Transactions within the Wholly Owned Group

Management Services

National Hire Trading Pty Limited hires equipment and staff from other entities in the wholly owned Group on normal terms and conditions.

Controlling Entities

The ultimate chief entity is National Hire Group Limited.

31. CONTROLLED ENTITIES**PARENT ENTITY:**

National Hire Group Limited Controlled Entities:

	Percentage Owned	State of Incorporation
A1 Equipment Rentals Pty Limited	100%	NSW
DWB Unit Trust	100%	NSW
Grepon Pty Limited	100%	NSW
Hi Lift Rentals (Australia) Pty Limited	100%	NSW
NAHI Pty Limited	100%	NSW
National Hire Administration Pty Limited	100%	NSW
National Hire Equipment Pty Limited	100%	NSW
National Hire Operations Pty Limited	100%	NSW
National Hire Pty Limited	100%	NSW
Ronet Pty Limited	100%	NSW
St George Hire Centre Pty Limited	100%	NSW
Sandena Holdings Pty Limited	100%	NSW
Stephen Donnelley Hire (Australia) Pty Limited	100%	NSW

32. SEGMENT INFORMATION

The economic entity operates in the general equipment hire industry, within Australia.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 14 to 32;
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 30 June 2001 and performance for the year ended on that date of the Company and economic entity.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is dated 14 September 2001.



John Landerer
Chairman



Stephen Donnelley
Managing Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NATIONAL HIRE GROUP LIMITED

Scope

We have audited the financial report of National Hire Group Limited and controlled entities for the financial year ended 30 June 2001 as set out on pages 14 to 33.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

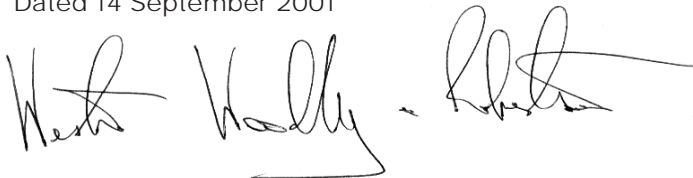
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of National Hire Group Limited is in accordance with:

- a) the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements

Dated 14 September 2001



Weston Woodley & Robertson
Chartered Accountants
Level 18, 201 Elizabeth Street
SYDNEY NSW 2001



Cameron Johnstone
Partner

20 Largest Shareholders

ORDINARY SHARES

Name	Number Held	Percentage of Shares Issued
Stirhill Pty Ltd	8,871,826	31.56
Nusuna Pty Ltd	3,783,114	13.46
Hochma Development Fund Pty Ltd	1,087,200	3.87
Questor Financial Services	921,605	3.28
National Nominees Limited – Equisuper Account	849,473	3.02
Rennel Pty Limited	453,380	1.61
Warana Holdings Pty Limited	384,738	1.37
Contemplator Pty Ltd	304,761	1.08
Atkone Pty Ltd	279,501	0.99
Miralanco Investments Pty Ltd	249,944	0.89
Rag Superannuation Pty Ltd	245,178	0.87
Timeplan Pty Limited	242,000	0.86
Mr Steven John Palamara	230,000	0.82
National Nominees Limited	203,850	0.73
Favermead Pty Limited	200,000	0.71
A & J Anderson Management Pty Limited	199,260	0.71
Lionel McFadyen & Jenny McFadyen	185,097	0.66
Australian Pioneer Pty Ltd	157,400	0.56
Weyitin Trading Pty Ltd	150,000	0.53
Decision Technology Pty Ltd	150,000	0.53
	19,148,327	68.12
Number of Issued Ordinary Shares	28,109,498	

CONVERTIBLE UNSECURED NOTES

Name	Number Held	Percentage of Notes Issued
National Nominees Limited	950,000	20.18
National Nominees Limited – Equisuper Account	350,000	7.43
Stirhill Pty Ltd	333,334	7.08
Kemdona Pty Ltd	320,000	6.80
Janytte Investments Pty Ltd	200,000	4.25
Contemplator Pty Ltd – ARG Pension Fund	165,000	3.50

Name	Number Held	Percentage of Notes Issued
Ruminator Pty Ltd	158,000	3.36
Atkone Pty Ltd	150,000	3.19
Mitchelstown Holdings Ltd – c/o Johnson Taylor & Co Pty Ltd	150,000	3.19
Harbour Nominees Pty Ltd	140,000	2.97
Kaleman Pty Ltd	133,333	2.83
Australian Pioneer Pty Ltd	105,000	2.23
S F Ewen Enterprises Pty Ltd	100,000	2.12
Rag Superannuation Pty Ltd	80,000	1.70
Weyitin Trading Pty Ltd	66,000	1.40
Jana Super Pty Ltd	65,000	1.38
Mrs Rosemary Raad	40,000	0.85
Matricgate Pty Ltd	40,000	0.85
Weyitin Trading Pty Ltd	35,000	0.74
Mitchelstown Holdings Ltd – c/o Mr N J Anderson	30,000	0.64
	3,610,667	76.69
Number of Issued Convertible Unsecured Notes	4,708,334	

SUBSTANTIAL SHAREHOLDERS

Notices have been received in respect of the following substantial shareholdings:

Name	Number Held	Percentage of Shares Issued
Stirhill Pty Ltd	8,871,826	31.56
Nusuna Pty Ltd	3,783,114	13.46

DISTRIBUTION SCHEDULE OF HOLDERS OF THE COMPANY'S EQUITY SECURITIES

	Ordinary Shares	Options	Convertible Notes
1-1,000	97	-	-
1,001-5,000	156	-	10
5,001-10,000	156	-	24
10,001 - 100,000	219	3	50
100,001 and Over	30	3	12
	658	6	96

There are 119 holders of ordinary shares having less than a marketable parcel of 1,613 ordinary shares.

The Team

ADAMS	Andrew	FARMER	Todd	LONG	Judy	RILEY	Belinda
ALLEN	Jody	FAULKS	Anthony	LORING	Maxwell	RIVIERE	Jean
ALMAGOR	Ilan	FEAR	Cameron	MACKIE	Vincent	ROBINSON	William
ANDERSON	Robert	FEDERICO	Adam	MACRIS	Jim	ROCCAZZELLA	Joe
ANSLEY	Trevor	FISHER	Ross	MACRIS	Theo	ROSS	Ilan
ARMITAGE	Warren	FRANKISH	Donald	MANNING	Adrian	ROTHWELL	Peter
ARMSTRONG	Peter	FRASER	David	MARTIN	John	ROWLEY	Shane
AYALA	Javier	GARATE	Robyn	MARTINS	Daniel	ROYSTON	Walter
BISHOP	Stephen	GAUCI	Carlos	MATTARELLI	Sebastian	ROYSTON	Scott
BORG	Darlene	GIBBONS	Joe	MAYER	Markus	RYAN	Patrick
BOWIE	Scott	GILLIES	George	MCALOON	Leigh	SALEM	Jihad
BOYD	Peter	GOMES	Benjamen	MCGENNISKEN	Colin	SAVAGE	Zayne
BOYD	Stephen	GOODALL	Mario	MCMAHON	Stuart	SAVILL	Shaun
BRADY	Matthew	GOODWIN	Lee	MCWILLIAMS	Warren	SCHOFIELD	Ilan
BRADY	James	GRECH	Brad	MELE	James	SHAW	David
BROWN	Maxwell	GUERRA	Sonny	MILLS	James	SHIPP	Barry
BUX	Royce	HARDIE	Carlos	MOORCROFT	Craig	SIKORA	Jillian
CAMERON	Tim	HARMAN	Clark	MORANDINI	Daniela	SIKORA	Jason
CAMPBELL	Scott	HERBERT	Ray	MORRISON	Heath	SKJANOSKI	Mirce
CERGOVSKI	Jimmy	HEWSON	Grant	MORRISON	Danielle	SNOOK	Mark
CLARK	Stephen	HIGGINSON	Gregory	MORROW	Trevor	SOLOMON	Ivan
CLAY	Jarrad	HOGAN	Philip	MURRAY	Phillip	SPENCE	Graeme
CLEVERDON	Andrew	HOLLANDS	Colleen	NAKHIL	Hani	SPILSTED	Bruce
CLOUT	Curtis	HORLOCK	Ilan	NEVILLE	Paul	STANTON	David
COHEN	Colleen	HORLOCK	Ben	NEWMAN	Terry	STANTON	Kevin
COHEN	Jayde	HORVATH	Paul	O'HARA	Kevin	STAR	John
COOK	Adam	HOWARD	Shane	OLIVER	Veronica	STEFANOVSKI	Robert
COOPER	David	HOWELL	Alan	OMALLEY	James	STEVENS	Anthony
CORBIN	Tony	HUTCHINSON	David	O'MALLEY	Kenny	STONER	David
COREA	Steven	HYDE	Craig	OXFORD	Alan	SUTHERLAND	Christopher
COURTNEY	Benjamin	IBACACHE	Sergio	OXMAN	John	SYKES	Luke
CROWTHER	Kylie	JAMES	Ronald	OXMAN	John Jnr	TAYLOR	Rohan
DALTON	Damian	JOHNSTONE	David	PALMER	Walter	TE GROEN	Martin
DAVIS	Ben	JONES	Kristian	PARFITT	Robert	TERKES	Rudy
DAWKINS	Bruce	JORDAN	Steven	PARFITT	Gregory	TIRCHETT	Horace
DELANEY	Peter	KASSAPAKIS	James	PARKER	Darcy	TONG	Annie
DELL	Kelvin	KEGG	Ilan	PARKINSON	David	TROUNCE	Nathan
DENHAM	David	KELLY	Rhys	PATEREK	Shane	TUTURESKI	Andrew
DENT	Malcolm	KERR	Des	PAUL	Matthew	VEGA	Santiago
DICKMAN	Barry	KING	Stuart	PENHALIGON	Simon	VINBURG	Joshua
DINH	Richmond	KIRKBY	Grant	PEPPER	Christopher	WALLER	Terry
DIXON	James	KOTEVSKI	Meri	PETERS	Michelle	WARD	Benjamin
DONNELLEY	Stephen	LANDERER	John	PICKFORD	Peter	WARNE	Ilan
DOWD	Glen	LAURIE	Benjamin	PIERCE	Drew	WATKINS	Donald
EBEJER	Lawerence	LIVERY	Christopher	POSSEE	Philip	WESTBURY	Stephen
EVANS	Glenn	LAWSON	Ronald	PSAILA	Vincent	WHITE	Matthew
EVANS	Peter	LE NOURY	Stuart	QUINN	Aran	WILLMOTT	Robert
EYERS	Julian	LIPPOLD	Richard	RAE	Stephen	WRIGHT	Brian
FARMER	Greg	LITTLE	Wayne	RANDLE	John	WYMAN	Dianne
				RICKETTS	Anthony	ZANETTI	Sonia
				RILEY	Leonard	ZAPADLO	Tom

NATIONAL HIRE & EQUIPMENT TOOLS

NEW SOUTH WALES

Arncliffe (02) 9582 2700
Cnr Allen Street & Princes Highway

Bexley (02) 9582 2922
560 Forest Road

Camperdown (02) 8512 4000
Cnr Booth & Pyrmont Bridge Roads

Caringbah (02) 9545 8722
Cnr Parraweenaa & Taren Point Roads

Concord (02) 9747 3866
3 Parramatta Road

Hillsdale (02) 9582 7900
Cnr Smith & Denison Streets

Hornsby (02) 9482 5288
104 George Street

Marrickville (02) 9582 5333
Cnr Meeks & Marrickville Roads

Penrith (02) 4735 6333
61 Great Western Highway

Seven Hills (02) 9838 9696
Cnr Abbott Road & Costello Place

Willoughby (02) 9242 1444
66 Penshurst Street

North Wollongong (02) 4229 7322
1 Flinders Street

Port Kembla (02) 4275 1777
1 Flinders Street

VICTORIA

St Kilda (03) 9534 0831
38 Inkerman Street

West Melbourne (03) 9396 1688
388-398 Dynon Road

QUEENSLAND

Coopers Plains (07) 3277 7744
800 Beaudesert Road



NATIONAL HIRE HI-LIFT

Sydney (02) 9897 7211

Illawarra (02) 4275 1777

Melbourne (03) 9562 7599



NATIONAL HIRE PORTALOO

Sydney (02) 9897 7077

Illawarra (02) 4275 1777

Melbourne (03) 9396 1688



NATIONAL HIRE SITE-SHED

Sydney (02) 9897 7211

Illawarra (02) 4275 1777

NATIONAL HIRE PUMPS

Sydney (02) 9832 2554

Illawarra (02) 4275 1777

2001 Annual Report
National Hire Group Limited
ABN 67 080 468 328

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Quality
Endorsed
Company