



ANNUAL REPORT

2003



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Auditors

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

Solicitors

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

Bankers

GE Capital Finance Pty Limited
Operating as GE Commercial
Level 13
255 George Street
SYDNEY NSW 2000

Share Registry

Registries Limited
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28 Margaret Street
SYDNEY NSW 2000
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Facsimile: (02) 9279 0664

Directors

J Landerer
CBE, AM, LLB, Hon LLD (Macq)
Chairman

S S Donnelley
Managing Director

R M Kelsey
P R Higginson FAIM, MAICD
J E Star B. COM, B.A. FCA

Company Secretary

K J Stanton ACA, FCIS

Executive Group

R B Harman FCPA, FCIS, MFTA,
G R Parfitt B.EC,
A C Manning B.ED,

Notice of Meeting

The Annual General Meeting of the Company will be held at the Green Room, Wesley Conference Centre, 220 Pitt Street, Sydney on Friday 21 November 2003 at 10.00am

Registered Office

Cnr Smith & Denison Streets
HILLSDALE NSW 2036
Telephone: (02) 9582 7922
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National Hire is one of the leading equipment hire companies on the eastern seaboard of Australia.

COMPANY PROFILE

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- National Hire Group Limited is a publicly listed equipment hire business based on the eastern seaboard of Australia. 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 customers' 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 success comes from the empowerment of our people to provide a prompt responsive service.
- National Hire 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.

Our Vision

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

The Group has recorded a pre tax profit of \$111,000 for the year ended 30 June 2003. The full year result represents a significant turnaround from the previous corresponding period loss of (\$1,434,000).

This result reflects the improving operations of the business.

The improvements are being driven by the strategic repositioning of the business by management including; management restructure, focused marketing and sales initiatives to our core customer segments, cost control, capital expenditure to build scale, volume and sub hire replacement.

Strong customer demand came from the dwelling, alterations and additions and non-dwelling construction sectors and in the last quarter from the commencement of infrastructure projects (Sydney cross-city tunnel, M7 West Link road).

The Group also enjoyed a stable business environment following the major distractions and impact caused by the collapse of HIH Casualty and General Insurance Ltd, which had a far greater time and financial distraction than anticipated.

Revenue increased over the year by 4.9% to \$30,395,000.

Sub hire expenses have been significant in order to satisfy demand and compensate for lack of reinvestment in plant and equipment over the past 18 months.

EBITDA and before significant items for the year was \$5,791,000 compared to the previous corresponding period of \$5,221,000 an improvement of \$570,000 or 10.9%.

Profit before tax and before goodwill and brand name amortisation and significant items was \$836,000 compared to the previous year of \$72,000 an improvement of \$764,000.

Significant items reduced profits by \$411,000. These significant items include \$263,000 for refinancing expenses and \$148,000 for employee redundancies.

Profit after tax of \$88,000 for the year ended 30 June 2003 compares favourably to the previous year's after tax loss of (\$894,000).

The second six months to 30 June 2003 produced revenues of \$15,093,000. The second half revenues compared positively to the previous corresponding period revenues of \$14,237,000, an improvement of \$856,000 or 6%.

The pre tax profit for the second six months to 30 June 2003 was \$169,000 compared to the first six months loss to 31 December 2002 of (\$58,000) a profit improvement of \$227,000.

Net operating cash flow for the year was \$4,212,000. Interest bearing liabilities were reduced to \$15,791,000, a reduction of \$1,652,000. Gearing measured as interest bearing debt to equity was 111%.

RENOUNCEABLE RIGHTS ISSUE

The group has announced the offer of approximately 39,381,397 fully paid ordinary shares to raise approximately \$6,301,024. The shares are to be issued at 16 cents per share. The offer is a renounceable rights issue.

DIVIDEND

A dividend has not been declared for the year ended June 2003. The business is in a rebuilding phase and facing opportunities in the current demand cycle. It is therefore necessary to consider the cash requirements and capital expenditure needs of the business. It is however the Directors' intention to return to the payment of dividends at a pay out ratio in the order of 40% at the earliest possible time.

STRATEGIC REVIEW

During the past year the Group has focused on a total review of the business and market strategy which emphasized the importance of scale and volume for profitability. The process identified that stock levels per branch have been too low, inhibiting potential revenue and increasing costs associated with sub hire, stock transfers and lost hires.

Our business is part of an industry that is growing at around 3.5% per annum and is in the growth stage of its life cycle. This is a result of the preference of end users to outsource their short-term requirements of equipment ownership and responsibility.

Improving performance is being driven by strong customer demand and strategic positioning of the business.

Outsourcing allows users to lower operating costs, improve productivity, reduce capital investment, transfer ownership risk and stay up to date in regard to regulatory, safety and workplace standards.

The Group's clear plan is to source capital that will be invested to build stock levels, reduce costs and take advantage of the demand cycle that is expected to continue through to 2006. Further development of the retail hire distribution capabilities will help alleviate the effect of the next construction downturn.

PEOPLE

Continued effort has been placed on the importance of people and the impact they have on the performance of National Hire. Our framework for the performance management of people is based on a clear business direction, clear individual business roles, individual and team targets, identified individual development, feedback on performance, appropriate rewards and recognition for effort. Training and development is focused on leadership, product and process so as to provide a safe and productive workplace with excellent customer service and career opportunities.

The executive management team of Stephen Donnelley (Managing Director), Ray Harman (Chief Financial Officer), Greg Parfitt (NSW State Manager and Sales & Marketing Manager) and Adrian Manning (Tools & Equipment Operations Manager) has a combined experience in the hire and construction industry of 61 years. As with all the staff at National Hire they are continually involved in the process of training. Adrian Manning and Greg Parfitt are currently studying for an MBA.

On 22 August 2003 Mr Ray Kelsey was appointed as an executive director to the National Hire board. His extensive experience in the hire industry will strengthen the board's knowledge of this sector.

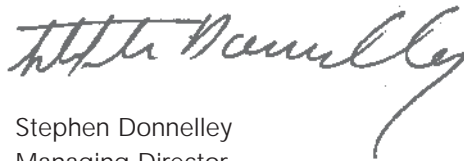
INFORMATION TECHNOLOGY

Our information technology platform was upgraded in June 2001 with the introduction of the Baseplan hire and accounting system. This facilitates management of business activities plus provides analysis of all sectors of the business to monitor performance.

The information technology platform offers further capacity for information to be incorporated into the planning processes and operations of the business.



John Landerer
Chairman



Stephen Donnelley
Managing Director

National Hire is one of the leading equipment hire companies on the eastern seaboard of Australia, with a distribution network of 17 branch locations in Sydney, Illawarra region, Melbourne and Brisbane.

National Hire is a comprehensive hire business providing a wide product range to its target markets enabling the company to be a multiple service provider. In order to provide high quality service and expertise, and to take advantage of economies of scale, National Hire operates four business units that are product distinctive. To ensure customer friendly service and efficient marketing National Hire employs a unified customer contact approach.

TOOLS AND 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, quality people, extensive range of equipment, strategically positioned 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, construction, painting, moving and general maintenance.

Progress: The 2002-2003 financial year produced revenue growth of 5% for this division. The key area of growth was experienced in the non-residential construction sector. Our restructured sales and operational teams were able to maintain all our major accounts and win numerous new projects. Our performance was inhibited by the lack of capital reinvestment in the first half but gained momentum as we added product through the second half.

Demand also strengthened in the final quarter. This division produced 62.5% of the Group's sales revenue from its 14 branch locations.

Outlook: 2003-2004 is expected to further produce opportunities for the Tools and Equipment business. This expected growth will be driven through the increased activity in non-residential construction and major infrastructure projects. We will also continue to experience strong demand in the industrial services sector as the trend towards outsourcing continues. DIY, (do it yourself) renovations and additions are also expected to provide continuing opportunities.

PORTALOO / SITE-SHED RENTALS

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

Profile: National Hire Portaloo provides a portable sanitation hire service.

Business strengths include the brand name, leading edge product and experienced management team. The Portaloo 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.

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 events market.

Progress: 2002-2003 produced a much improved result on the post Olympic downturn of the prior year. The business unit produced a 6% revenue improvement on last year. The overall improvement was realised through increased exposure to major home builders, improvements in our event sales as well as improved cross-selling through our existing customer base. This positive result was achieved despite numerous regular major events being cancelled either due to world events or lack of sponsorship. This division produced 11.8% of the group's sales revenue from operating activities and operates from 2 branch locations.

Outlook: Expectations are for continued improvement for the year ahead being generated by increased demand from the non-residential construction sector in

National Hire is a multiple service provider supplying a wide product range to its target markets. All divisions have increased their revenue this financial year.

DIVISIONS

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addition to further improvements in the events market. Our sales team will also continue to exploit the huge opportunity to sell more of this product to the existing National Hire customer base.

The emphasis will be on continuing to maximise utilisation out of the existing product base.

We will continue to capitalise on our strong Portaloo and Site Shed brand names.

HI-LIFT RENTALS

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 strengths are customized service, quick response times, extensive fleet and an emphasis on safety. The customer base comprises commercial, industrial 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 and vertical masts.

Progress: The National Hire Hi-Lift business experienced revenue growth of approximately 5% on the previous year. This can be largely attributed to our recently consolidated sales team selling into our existing customer base in addition to rationalisation of the Melbourne market. Whilst the result is an improvement on the previous year, the fleet remains under utilised with the industry being extremely price sensitive. This division produced 22.5% of the Group's sales revenue from operating activities and operates from 3 branch locations.

Outlook: Continued increases in demand from the construction and civil sector will help absorb some of the product oversupply. National Hire will increase its commitment to sales resources for this product in order to lift our investment realisation. We will continue to work on the Group's existing base and also work on increasing our exposure to the less price sensitive industrial sector.

Any additional capital investment will be in niche product where improved returns are anticipated.

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 bypassing, slurry handling, sump pumping, chemicals handling and well point dewatering.

Progress: The 2002-2003 financial year produced a 3% revenue increase compared to the previous year with the focus being on consolidation after the 2000-2001 year growth of approximately 50%. The team worked on extracting returns from our existing investment and consolidating our position as a real alternative in the market for a medium size range of pumping solutions. This division produced 3.2% of the Group's sales revenue from operating activities and operates from 2 branch locations.

Outlook: The dramatic increase in major infrastructure projects will create increased demand from the civil sector with expectations for sales growth in the year ahead. We will continue to grow this business at a rate that allows us to obtain strong product realisation.

HUMAN RESOURCES

The value of our people, their safety and welfare, and the impact they have on the performance of our business, continues to be an important focus at National Hire. The benefits of this culture have been evident through the commitment of our team during a difficult trading period over the past 2 years.

This stability has been a vital contributor to the high quality service and expert advice provided to our customers. The level of service leads to strong customer retention and loyalty, reduces waste and facilitates easier implementation of change in a fast moving and competitive business environment.

The leadership qualities and values that are the basis of the recruitment and development of our team continue to be strengthened and reinforced in our training programs within our operating systems. This is combined with a framework for performance management of the team.

National Hire participates in the annual LEAD Survey Report. This enables us to benchmark our performance against other employers. The report surveys 2,258 people and provides data as to how the team rates a company compared to other participants. This has enabled us to identify a number of areas to improve relative performance and to include these with actions in the human resources plan. We believe this benchmarking is assisting us to have a more informed, committed and therefore productive workforce.

It is our view that in an economy of low unemployment and in an industry sector that has strong prospects over the next few years it will be important to retain our current team members and to attract new people who meet our leadership goals. This will be achieved by our goal of striving to be an employer of first choice; providing career path opportunities, personal development, rewards and incentives.

ENVIRONMENTAL

National Hire is focused on continuing to improve its interaction with the environment. The ongoing environmental audit program ensures issues impacting on the environment are identified and corrective and preventive measures are implemented to address those issues. As is normally the case, both internal and external audits were conducted to ensure compliance with company and regulatory guidelines.

The improvement measures undertaken include the abandonment of fuel tanks at Coopers Plains, the rectification of storm water protection at West Melbourne and the continuing upgrade of environmental awareness via induction and specific training.

Future improvements in environmental management will focus on:

- staff training to improve work practices
- further sample auditing by external accredited auditors
- a continued focus to utilize environmentally friendly chemicals

National Hire continues to improve company practices in relation to their environmental impact.

OCCUPATIONAL HEALTH AND SAFETY

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

- a sizable reduction of workers compensation premiums by improved management of claims, training of employees and increased awareness of safety
- a significant drive towards the application of revised regulations with emphasis particular in NSW
- the instigation of a dedicated OH&S team to provide employees with a means of consultation
- training employees in OH&S "Green Card" to allow safe access to construction sites
- maintaining zero medical treatment rate inside BHP
- use of the safety warning system to broadcast "Safety Notices" responding to actual and near miss incidents with corrective and preventative actions identified. These are broadcast through the company and to select major customers. In 2002/2003 16 notices were issued
- upgrade and review of safety and presentation standards to improve identification of hazards during operation, maintenance and storage of equipment.

THE TEAM

AKERS	Scott	HAYDEN	David	PARFITT	Greg
ANDERSON	Mark	HEWSON	Gregory	PARKINSON	David
ANDREW	Todd	HICKS	Michael	PATEREK	Shane
ARMSTRONG	Peter	HOGAN	Colleen	PEACOCK	John
ARNTS	Duane	HOLLAND	Maurice	POSSEE	Philip
ATKINSON	Matthew	HORLOCK	Ben	PROVARONI	Sam
AYALA	Javier	HORVATH	Shane	RALPH	Bernadette
BARNES	Troy	HOWARD	Alan Henry	RAZLOG	Steven
BIRD	Stephen	HOWELL	David	REEVES	Grant
BOYD	Peter	INGATE	Grant	RICKETTS	Anthony
BOYD	Stephen	INGLIS	Jason	RILEY	Belinda
BROWN	Maxwell	JAMES	Ronald	ROBERTS	Mark
BURNS	James	JONES	Kevin	ROCCAZZELLA	Joe
CAMPBELL	Scott	JORDAN	Steven	ROSS	Ian
CARLYON	David	KANCILIJA	Uros	SALEM	Jihad
CARTER	Kristian	KEGG	Ian	SAVAGE	Zayne
CERGOVSKI	Jimmy	KELM	Simon	SAVILL	Shaun
CLARK	Stephen	KERR	Des	SCAGLIONE	Stephanie
CLINEN	Neil	KING	Stuart	SCHOFIELD	Ian
CLOUT	Curtis	KIRKBY	Grant	SHARP	Dustyn
COOK	Adam	KITTO	Karl	SHAW	David
COOPER	David	KOTEVSKI	Meri	SHEEHAN	John
CORBIN	Tony	LE NOURY	Stuart	SIKORA	Jillian
COSTELLO	Martin	LEWIS	Christopher	SNOOK	Mark
CUSACK	Robert	LINTON	Daniel	SOLOMAN	Ivan
DEAN	Nathan	LIPPOLD	Richard	SPILSTED	Bruce
DELANEY	Peter	LISTON	Jarad	STEPHANOVSKI	Robert
DELL	Kelvin	LITTLE	Wayne	STEVENS	Anthony
DENT	Malcolm	MACKIE	Vincent	SUCCAR	Danny
DIXON	James	MACRIS	Theo	SYMONS	Kevin
DONNELLEY	Stephen	MACRIS	Jim	TAYLOR-FELTON	Angela
DOWD	Glen	MANNING	Adrian	TERKES	Rudy
EBEJER	Lawrence	MARTINS	Daniel	TIRCHETT	Horace
EYERS	Leigh	MATTARELLI	Sebastian	TOMASSIAN	Max
FAULKS	Anthony	MCDONALD	Jake	TONG	Annie
FISHER	Ross	MCFARLANE	Denis	TRESTRAIL	Simon
FRANGIH	Sonia	MCMAHON	Stuart	TUTURESKI	Andrew
FRANKISH	Donald	MOORCROFT	Craig	VEGA	Santiago
FRASER	David	MORENO	Cesar	VICKERS	Adam
FRASER	Robyn	MORRISON	Heath	VINEBURG	Joshua
GAUCI	Joe	MORROW	Trevor	WALLER	Terry
GAUDRY	Aaron	NARAYAN	Parvin	WARD	Michael
GIBBONS	Marc	NAVIN	Ashley	WESTBURY	Stephen
GILLIES	Benjamin	NEIL	Nathan	WILCE	Stephen
GOMES	Mario	O'HARA	Kevin	WILLARD	Deborah
GROOM	Jeff	O'HARE	Christina	WILLMOTT	Robert
HARDIE	Clark	OLIVER	Veronica	WILSON	Bruce
HARMAN	Ray	OXMAN	John	WRIGHT	Brian
HARMAN	Nathan	OXMAN	John (jnr)		

For years ending 30 June	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
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SUMMARY STATEMENTS OF FINANCIAL PERFORMANCE

Sales revenue	29,820	28,405	29,594	30,116	23,659	18,368
Other revenue	575	584	867	758	1,008	453
Total revenue	30,395	28,989	30,461	30,874	24,667	18,821
Operating profit before depreciation and amortisation	5,791	5,221	5,484	7,216	5,262	4,279
Depreciation and amortisation of equipment	(3,406)	(3,592)	(3,311)	(2,657)	(1,919)	(1,428)
Amortisation of goodwill	(215)	(215)	(215)	(215)	(197)	(153)
Amortisation of brand names	(99)	(99)	(99)	(99)		
Operating profit (loss) before significant items, interest and tax	2,071	1,315	1,859	4,245	3,146	2,698
Interest	(1,549)	(1,557)	(1,671)	(1,169)	(799)	(770)
Operating profit (loss) before significant items and tax	522	(242)	188	3,076	2,347	1,928
Significant items	****(411)	*** (1,192)		** (194)	*(99)	
Operating profit (loss) before tax	111	(1,434)	188	2,882	2,248	1,928
Tax benefit (expense)	(23)	540	(79)	(1,092)	(833)	(620)
Operating profit (loss) after tax	88	(894)	109	1,790	1,415	1,308

SUMMARY STATEMENTS OF FINANCIAL POSITION

Cash	528	126	403	1,020	1,134	1,035
Other current assets	6,510	6,216	5,886	6,853	4,921	4,246
Total current assets	7,038	6,342	6,289	7,873	6,055	5,281
Property, plant and equipment	23,573	24,963	26,925	23,930	15,930	12,718
Intangibles	6,494	6,808	7,122	7,436	7,715	7,238
Other non-current assets	710	785	898	1,003	720	681
Total non-current assets	30,777	32,556	34,945	32,369	24,365	20,637
Total assets	37,815	38,898	41,234	40,242	30,420	25,918
Current liabilities	10,156	10,377	9,217	8,651	6,869	6,751
Non-current liabilities	13,480	14,430	17,032	16,555	9,618	8,433
Total liabilities	23,636	24,807	26,249	25,206	16,487	15,184
Net assets	14,179	14,091	14,985	15,036	13,933	10,734
Issued capital	13,152	13,152	13,152	13,145	12,723	5,141
Reserves						4,860
Retained profits	1,027	939	1,833	1,891	1,210	733
Total shareholders funds	14,179	14,091	14,985	15,036	13,933	10,734

RATIOS AND STATISTICS

No. of shares on issue:	Ordinary	28,109,498	28,109,498	28,109,498	20,716,505	20,563,090	20,563,090
	Preference				4,112,686	4,112,686	
Earnings per share		0.31¢	(3.18¢)	(0.03¢)	7.56¢	6.32¢	6.94¢
Dividends declared/paid \$'000				167	1,109	938	804
Dividend payout ratio				153%	62%	66%	61%
Dividend per ordinary share				0.25¢	4.25¢	4.0¢	4.0¢
Interest cover (EBITDA/interest expense)		3.7X	3.4X	3.3X	6.2X	6.6X	5.6X
Gearing (total liabilities less cash/net assets)		1.63X	1.75X	1.72X	1.61X	1.10X	1.32X
Gearing (convertible notes as quasi equity)		1.16X	1.24X	1.24X	1.15X	1.10X	1.32X
Return on shareholders funds		1%	(6%)	1%	12%	10%	12%
Total assets per ordinary share		135¢	138¢	147¢	194¢	148¢	126¢
Net tangible assets per ordinary share		27¢	26¢	28¢	37¢	30¢	17¢

* amortisation of brand names

** costs of convertible note issue

*** expenses resulting from HIH collapse and redundancies

**** expenses resulting from refinancing and redundancies

Your directors present their report on the consolidated entity consisting of National Hire Group Limited and the entities it controlled for the financial year ended 30 June 2003.

Directors

The following persons were directors of National Hire Group Limited during the whole of the financial year and up to the date of this report.

John Landerer, CBE AM LLB Hon LLD (Macq.)
Non-executive director (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 National Hire 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.

Raymond Martin Kelsey
Executive director
Appointed August 2003

Mr Kelsey has over 40 years experience in the hire industry. Mr Kelsey commenced with Wreckair in 1960 becoming managing director in 1978 until 1990. Following on from Wreckair Mr Kelsey was appointed executive chairman of Australian Highway Plant Services (A.H. Plant) being the successful tenderer

for the privatisation of Vic Roads plant and equipment division. Subsequent to A.H. Plant being sold to Austrim Limited Mr Kelsey pursued private business interests and consulted to the hire industry. Mr Kelsey will be responsible with the managing director for assisting in developing and reviewing National Hire's strategic plan in addition to providing representation and development guidance for the Victorian operation.

Philip Ronald Higginson, FAIM, MAICD
Non-executive director
Appointed April 1997

Mr Philip Higginson's executive role is as Managing Director of PRO:NED Australia Pty Ltd, a company purposefully formed in 1987 to advocate and promote the role of non-executive directors. Its primary commercial functions are to search for, and select, non-executive directors and provide governance advice to company directors and boards. Mr Higginson has served on the board of TransGrid as Chairman since 1st February 1995 and is also Chairman of Employment National Limited, and Chairman of Allen Capital Funds Services Pty Ltd, (the trustee for Allen Capital Private Equity Pty Ltd).

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

A chartered accountant, with over 20 years experience in public practice. Mr Star established a reputation in the field of insolvency work and was previously a partner of Pannell Kerr Forster before establishing the firm of Star Dean-Willcocks in 1990. Mr Star is the principal of Star Corporate Pty Ltd.

Mr Star holds Bachelor of Arts and Bachelor of Commerce degrees and 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 and convertible notes are:

Name	Ordinary shares	Convertible notes
J Landerer	264,117	
S S Donnelley	8,871,826	333,334
R M Kelsey	198,980	
P R Higginson	20,000	
J E Star	101,925	

Principal activities

The principal activities of the consolidated entity during the year were the hire of general tools and equipment, pumps, access equipment, temporary site accommodation 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 income tax expense was \$88,000.

Dividends

No dividend was paid or provided for during the reporting financial year. Subsequent to the end of the financial year the directors have not recommended the payment of a dividend.

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

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On the 27 September 2002 the company concluded its refinancing arrangements. The funding facility is limited to \$15,200,000 of which \$11,000,000 is currently available. The remaining \$4,200,000 is available depending on the level of receivables outstanding.
- During the year National Hire implemented cost reductions of \$148,000 which involved management restructuring and staff redundancies.
- On the 25 June 2003 7 non trading wholly owned subsidiary companies were liquidated.

The companies liquidated were:

Grepon Pty Limited
A1 Equipment Rental Pty Limited

Sandena Holdings Pty Limited
St George Hire Centre Pty Limited
Hi-Lift Rentals (Australia) Pty Limited
Stephen Donnelley Hire (Australia) Pty Limited
Ronet Pty Limited

All companies were non trading entities and were liquidated for ongoing efficiencies and cost savings.

After balance date event

The company has announced the offer of approximately 39,381,397 fully paid ordinary shares to raise approximately \$6,301,024 with the shares being issued at 16 cents each. The offer is a renounceable rights issue. The offer made is by way of 6 new shares for every 5 shares held by existing shareholders and 6 new shares for every 5 convertible unsecured notes held by existing note holders. The offer will be fully underwritten by Hindal Securities Pty Limited and will be sub underwritten in part by parties associated with the directors.

National Hire intends to use the funds raised for the following purposes:

- to expand National Hire's equipment hire fleet by the acquisition of new equipment in accordance with the company's capital expenditure program;
- to effectively repay loans made by certain directors and a shareholder of National Hire in aggregate sum of \$1,996,000 (which moneys will be used in the subscription for new shares); and
- to meet the expenses incurred in the rights issue of approximately \$525,000 (exclusive of GST).

There has been no matter or circumstance, since 30 June 2003, except the matter referred to in above that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years; or
- the results of those operations in future financial years; and
- the consolidated entity's state of affairs in future 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 regulation

The consolidated entity's operations are not subject to any significant environmental regulation under 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

Details of the nature and amount of each element of the emoluments of each director of National Hire

Group Limited and each of the 4 executive officers of the consolidated entity receiving the highest emoluments are set out in the following table.

The remuneration committee consists of the 3 non-executive directors who consider remuneration policies and practises generally, and make specific recommendations on remuneration packages and other terms of employment for the executive director and other senior executives as considered appropriate.

The remuneration structure of the company is based on market rates to attract and retain the appropriate staff for the company.

Non-executive directors and executive director of National Hire Group Limited

Name	Salary \$	Superannuation \$	Motor vehicle \$	Total \$
J Landerer, Chairman	50,000	4,500		54,500
P R Higginson	30,000	2,700		32,700
J E Star	30,000	2,700		32,700
S S Donnelley, Executive director	192,189	16,999	23,723	232,911

Superannuation equates to the amount of contribution paid into the approved scheme. During the year ended 30 June 2003 this contribution was 9%.

Executives of the consolidated entity

Name	Salary \$	Superannuation \$	Motor vehicle \$	Non cash benefits \$	Total \$
R Lawson	*287,873	8,046	14,941	468	311,328
R B Harman	135,363	20,250	13,835	2,190	171,638
G R Parfitt	111,005	9,890	10,425		131,320
A Manning	102,022	8,690			110,712

* Includes redundancy and employee entitlement benefits payable on termination of \$196,689.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Name	Board		Safety, health and environmental committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
J Landerer	14	11	3	3	2	2
P R Higginson	14	12	3	3	2	2
J E Star	14	13	3	3	2	2
S S Donnelley	14	14	3	3		

Mr S Donnelley is not a member of the audit committee.

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 reporting period by virtue of the exercise of an option. There are no unissued ordinary shares of the company under option at the date of this report.

Indemnification of auditors

The company has not, during or since the end of the financial year, in respect of the current or past auditors of the company or a related body corporate indemnified or paid or made any relevant agreement for indemnifying against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings.

Insurance of officers

During the financial year, National Hire Group Limited paid a premium of \$17,737 to insure the directors, secretary and officers of the company and its controlled entities.

The insurers will indemnify specified directors or officers against loss arising from any claim made against them jointly or severally by reason only of any wrongful act as defined whenever or wherever the same was or may have been committed by them in their capacity as directors and officers of the company subject to the definitions, extensions, exceptions and conditions of the policy.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to 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.

Rounding of amounts

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

Auditor

Weston Woodley and Robertson continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate governance statement

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 in the directors' report. Except for the managing director and Mr Raymond Kelsey who was appointed on 22 August 2003, all directors are non-executive, including the chairman.

Non-executive directors are required to seek re-election by shareholders at least every 3 years. The composition of the board is determined by all directors, using the following principles:

- (a) the chairman of the board should be a non-executive director
- (b) 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 may select 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 managing director of the company, and monitoring the corporate conduct of its officers.

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

- (a) reviewing the composition of the board
- (b) reviewing published reports and stock exchange announcements to ensure their accuracy and compliance with statutory requirements

- (c) identification of areas of significant business risk and the management of those risks
- (d) 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.

Nomination committee

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.

Independent professional advice

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.

Continuous disclosure and shareholder communication

The managing director has been nominated as the person to be responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's web site as soon as possible after it

is disclosed to the ASX. When analysts are briefed on aspects of the group's operation, the material used in the presentation is released to the ASX and posted on the company's web site.

All shareholders receive a copy of the company's annual (full) and half yearly reports.

The Managing Director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the board and that the company's risk management and internal control is operating efficiently and effectively in all material respects.

Others matters

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 29 September 2003.



John Landerer
Chairman



Stephen Donnelley
Managing Director

Statements of financial performance for the year ended 30 June 2003

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sales revenues from ordinary activities		29,820	28,405		
Other revenues from ordinary activities		575	584	2,076	1,101
Total revenue	2	30,395	28,989	2,076	1,101
Cost of goods sold		(20,248)	(20,604)		
Administration and marketing costs		(4,046)	(3,803)	(483)	(260)
Other overheads		(721)	(552)	(439)	(1,030)
Depreciation and amortisation costs	3	(3,720)	(3,907)		
Borrowing costs	3	(1,549)	(1,557)	(905)	(491)
Profit (loss) from ordinary activities before related income tax expense		111	(1,434)	249	(680)
Income tax benefit (expense) relating to ordinary activities	4	(23)	540	(131)	100
Profit (loss) from ordinary activities after related income tax expense attributable to members of the parent entity		88	(894)	118	(580)
Total changes in equity other than those resulting from transactions with owners as owners		88	(894)	118	(580)
Basic earnings per share	5	Cents 0.31	Cents (3.18)		
Diluted earnings per share	5	0.31	(3.18)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position as at 30 June 2003

Current assets

Cash assets	6	528	126	5	6
Receivables	7	5,697	5,913	19,262	16,776
Inventories	8	5	14		
Other financial assets	14	500		500	
Other assets	9	308	289		29
Total current assets		7,038	6,342	19,767	16,811

Non-current assets

Receivables	7	127	188	127	156
Investments	10			7,040	7,040
Property, plant and equipment	11	23,573	24,963		
Deferred tax assets	12	570	584	570	69
Intangibles	13	6,494	6,808		
Other financial assets	14	13	13	13	13
Total non-current assets		30,777	32,556	7,750	7,278
Total assets		37,815	38,898	27,517	24,089

Current liabilities

Payables	15	4,216	3,770	306	247
Interest-bearing liabilities	16	5,787	5,630	2,668	950
Tax liabilities	17	81	79	19	19
Provisions	18	72	898		55
Total current liabilities		10,156	10,377	2,993	1,271

Statements of financial position as at 30 June 2003 (cont)

Non-current liabilities

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Payables	15	1,896	1,050	1,896	800
Interest-bearing liabilities	16	10,004	11,813	7,700	7,663
Tax liabilities	17	1,334	1,403	1,131	680
Provisions	18	246	164	7	3
Total non-current liabilities		13,480	14,430	10,734	9,146
Total liabilities		23,636	24,807	13,727	10,417
Net assets		14,179	14,091	13,790	13,672
Equity					
Contributed equity	19	13,152	13,152	13,152	13,152
Retained profits	20	1,027	939	638	520
Total equity		14,179	14,091	13,790	13,672

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 30 June 2003

Cash flows from operating activities

Receipts from customers		29,601	27,672	2,060	1,100
Payments to suppliers and employees		(24,405)	(23,040)	(1,063)	(519)
Interest received		26	6	16	1
Interest and other costs of finance paid		(933)	(793)	(842)	(452)
Income tax refund (paid)		(77)	246	(19)	41
Net cash inflows from operating activities	21(a)	4,212	4,091	152	171
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,962)	(336)		
Proceeds from sale of property, plant and equipment		506	441		
Purchase of investments		(500)		(500)	
Net cash inflows (outflows) from investing activities		(1,956)	105	(500)	
Cash flows from financing activities					
Loans to related parties				(2,459)	(371)
Proceeds from borrowings		8,906	800	8,906	800
Borrowing repayments		(10,760)	(5,273)	(6,100)	(600)
Net cash outflows from financing activities		(1,854)	(4,473)	347	(171)
Net decrease in cash held		402	(277)	(1)	
Cash at the beginning of the financial year		126	403	6	6
Cash at end of the financial year	21(b)	528	126	5	6

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTE 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 Act 2001. 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 parent entity and its controlled entities. A list of all entities controlled by the parent entity is contained in note 33. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

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 earned commencing on receipt of equipment by the customer and recognized for the period of the hire contract. 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. All revenue is stated net of the amount of goods and services tax (GST).

Goods & services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statements of financial position are shown inclusive of 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 were 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 asset's remaining useful life.

Cash

For the purposes of the statements 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 in relation to tax losses are not brought to account unless the benefit is virtually certain of realisation.

National Hire Group Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. National Hire Group Limited is responsible for recognising the current and deferred tax assets and liabilities for the consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the notional tax liability of the tax consolidated group.

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 consolidated 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.

Employee benefits

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

Employee benefits expected to be settled within twelve months together with entitlements arising from wages, salaries and annual leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Liabilities for wages and salaries including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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 benefits.

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

Ownership-based remuneration is provided to nominated employees via the National Hire Group Limited option plan and employee share schemes.

No accounting entries are made in relation to the National Hire Group Limited option plan until options are exercised, at which time the amounts receivable from employees are recognised in the statements of financial position as share capital.

Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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 note holders, 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.

Providing for dividends

The new accounting standard on provisions requires an entity to declare, determine or publicly recommend the payment of a dividend prior to the end of the reporting period. AASB1044

If the dividend announcement, determination or declaration is made between the end of the reporting period and the completion of the financial report, the amount of the dividend cannot be recognised in the financial statements as a provision. The amount of the dividend must be disclosed in the notes to the financial statements.

Rounding of amounts

The chief entity has applied the relief available to it under ASIC Class Order 98/0100 and accordingly amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 2. REVENUE					
Revenue from operating activities					
Sales Revenue		29,820	28,405		
Interest received		26	4	16	
Other revenue		10	94		1
Management fees				2,060	1,100
		29,856	28,503	2,076	1,101
Revenue from outside the operating activities					
Proceeds on sale of non-current assets		521	450		
Proceeds on sale of small equipment		18	36		
		539	486		
Revenue from ordinary activities		30,395	28,989	2,076	1,101
NOTE 3. PROFIT FROM ORDINARY ACTIVITIES					
Individually significant items included in the profit and loss from ordinary activities before income tax expense:					
Refinancing expenses		263			
Company restructure redundancy expenses		148	250		
HIH settlement and legal expenses			942		
Diminution of non-current investment	10				710
Profit and loss from ordinary activities before income tax includes the following net gains and expenses:					
Net losses					
Net loss (profit) on disposal of plant and equipment		104	(127)		
Expenses					
Borrowing costs					
Interest expense and hire purchase interest		1,462	1,416	905	491
Finance charges on capitalised leases		87	141		
Amortisation of non-current assets					
Goodwill		215	215		
Brand names		99	99		
Leasehold improvements		115	104		
Plant and equipment under lease		214	505		
Depreciation of non-current assets					
Plant and equipment		3,077	2,984		
Bad and doubtful debts – trade debtors		531	407		
Diminution of employee share plan loans	7	12	49	12	49
Diminution of non-current investment	10				710
Operating lease rental expense		2,028	2,046		

NOTE 4. INCOME TAX EXPENSE

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit (loss) from ordinary activities before income tax expense

Income tax calculated @ 30% (2002 – 30%)

Other members of the income tax consolidated group net of intercompany transactions

Tax effect of permanent differences:

Non-deductible depreciation and amortisation

Non-deductible interest

Over (under) provision for tax prior years

Other non-deductible items

Less tax effect of:

Tax losses brought to account as a result of the reduction in deferred income tax liability.

Income tax expense (benefit) attributable to operating profit (loss)

Allocation of income tax expense to wholly-owned subsidiaries under the tax sharing agreements

Income tax attributable to parent entity

NOTE 5. EARNINGS PER SHARE

Basic earnings per share

Diluted earnings per share

Weighted average number of ordinary shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative earnings per share

Operating profit (loss) after tax

Earnings used in calculating earnings per share

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	111	(1,434)	249	(680)
	33		75	
	33		32	
	33		107	
	94	94		
	31	45	12	26
		(264)	66	(1)
	47	39	99	204
	(182)	(454)	(121)	(329)
	23	(540)	163	(100)
			(32)	
			131	
	Cents	Cents		
	0.31	(3.18)		
	0.31	(3.18)		
	Number	Number		
	28,109,498	28,109,498		
	\$'000	\$'000		
	88	(894)		
	88	(894)		

It has been determined diluted earnings per share was not materially different from basic earnings per share at 30 June 2003.

Potential ordinary shares not considered dilutive:

(a) As at 30 June 2003 190,106 ordinary shares were under option. On 22 August 2003 an Option Cancellation Deed was executed by all parties cancelling 190,106 available options. As at the date of this report there are no ordinary shares under option.

As a result of an option holder terminating his employment in October 2001 166,343 options lapsed.

As a result of an option holder being made redundant in March 2003 237,633 options lapsed.

(b) On 4 May 2000 the company issued 4,708,334 convertible notes with a maturing date of 30 April 2007.

Each note has a face value of 75 cents and is convertible into 1 ordinary share or if not converted within 5 days after maturity date is refundable at face value together with any interest payable. Based on the current market conditions it is expected the notes may not be converted and will be redeemed. Therefore the effect of these convertible notes is considered to have a negligible impact on the diluted earnings per share.

NOTE 6. CASH ASSETS

Cash at bank

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

NOTE 7. RECEIVABLES**Current assets**

Trade debtors

Provision for doubtful debts

Amounts other than trade debts receivable:

Other debtors

Employee share plan

Provision for diminution

Controlled entities

Non-current assets

Trade debtors

Amounts other than trade debts receivable from related parties:

Employee share plan

Provision for diminution

NOTE 8. INVENTORIES**Current assets**

Fuel at cost

NOTE 9. OTHER ASSETS**Current assets**

Prepayments

NOTE 10. INVESTMENTS**Non-current assets**

Controlled entities:

DWB Unit Trust at cost

Provision for diminution – Investment in DWB Trust

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	528	126	5	6
	528	126	5	6
	6,091 (633)	6,155 (496)		
	5,458	5,659		
	190	254		
19	110		110	
3	(61)		(61)	
33			19,213	16,776
	5,697	5,913	19,262	16,776
	16	32	16	
	111	205	111	205
19		(49)		(49)
3	127	188	127	156
	5	14		
	308	289		29
			7,750	7,750
33			(710)	(710)
			7,040	7,040

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 11. PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements					
At cost		841	758		
Accumulated amortisation		(441)	(326)		
		400	432		
Plant and equipment					
At cost		36,560	30,822		
Accumulated depreciation		(14,004)	(10,066)		
		22,556	20,756		
Plant and equipment under lease					
At capitalised cost		1,063	5,617		
Accumulated amortisation		(460)	(1,847)		
		603	3,770		
Capital works in progress		14	5		
Total plant and equipment		23,573	24,963		
Reconciliations					
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:					
Leasehold improvements					
Carrying amount at beginning of year		432	445		
Additions		83	93		
Disposals			(1)		
Amortisation		(115)	(105)		
Carrying amount at 30 June 2003		400	432		
Plant and equipment					
Carrying amount at beginning of year		20,756	22,152		
Additions		2,533	1,835		
Transfer from capital works in progress		19	59		
Disposals		(576)	(307)		
Transfer from plant and equipment under lease		3,041			
Depreciation		(3,217)	(2,983)		
Carrying amount at 30 June 2003		22,556	20,756		
Plant and equipment under lease					
Carrying amount at beginning of year		3,770	4,284		
Additions			41		
Disposals		(34)	(50)		
Transfer to plant and equipment		(3,041)			
Amortisation		(92)	(505)		
Carrying amount at 30 June 2003		603	3,770		
Capital works in progress					
Carrying amount at beginning of year		5	44		
Additions		28	20		
Transfer to property, plant and equipment		(19)	(59)		
Carrying amount at 30 June 2003		14	5		
Total property, plant and equipment					
Carrying amount at 30 June 2003		23,573	24,963		

NOTE 12. DEFERRED TAX ASSETS

Future income tax benefit

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	570	584	570	69

NOTE 13. INTANGIBLES

Goodwill – at cost

Less: Accumulated amortisation

Brand names – at cost

Less: Accumulated amortisation

	4,310	4,310		
	(1,272)	(1,057)		
	3,038	3,253		
	3,950	3,950		
	(494)	(395)		
	3,456	3,555		
	6,494	6,808		

NOTE 14. OTHER FINANCIAL ASSETS**Current other financial assets**

Investments

	500		500	
--	-----	--	-----	--

On the 4 September 2003 \$500,000 was effectively repaid with the proceeds applied to the repayment of outstanding hire purchase and finance lease agreements.

Non-current other financial assets

Investment in associated company

31	13	13	13	13
----	----	----	----	----

NOTE 15. PAYABLES**Current liabilities**

Trade creditors

Other creditors

	2,250	2,223		
	1,966	1,547	306	247
	4,216	3,770	306	247

Non-current liabilities

Trade creditors

	1,896	1,050	1,896	800
--	-------	-------	-------	-----

NOTE 16. INTEREST-BEARING LIABILITIES**Current liabilities**

Secured

Bank loan

Other financiers and hire purchase liabilities

Lease liabilities-finance leases

		950		950
	5,418	3,395	2,668	
23	369	1,285		
	5,787	5,630	2,668	950

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

Non-current liabilities

Secured

Bank loan

Other financiers and hire purchase liabilities

Lease liabilities-finance leases

		4,400		4,400
	6,652	3,736	4,393	
23	45	414		
	6,697	8,550	4,393	4,400

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.

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 16. INTEREST-BEARING LIABILITIES (cont)					
The financing facility agreement requires:					
(a) to ensure that, at all times, the tangible net worth of the reporting group is at least \$5,400,000; and					
(b) to ensure that, at all times, the fixed charges coverage ratio of the company is not less than 1.0					
The consent of National Hire's major financier is required prior to the declaration of any dividend by National Hire. Accordingly, unless the trading performance and financial position of National Hire permits the declaration of a dividend and, in addition, the financier gives its consent to the declaration of a dividend, the company will be unable to declare a dividend.					
Unsecured					
Convertible notes		3,307	3,263	3,307	3,263
		10,004	11,813	7,700	7,663
Convertible notes					
In May 2000 the parent entity issued 4,708,334 unsecured convertible notes with a face value of 75 cents. The notes have a coupon rate of 10% per annum and mature on 30 April 2007.					
The notes are convertible into ordinary shares of the parent 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 in subscription for ordinary shares at an issue price of 75 cents.					
Reconciliation of convertible notes:					
Balance at beginning of year		3,263	3,224	3,263	3,224
Interest accrued during the year applied to non-current liabilities		44	39	44	39
Balance at end of year		3,307	3,263	3,307	3,263
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
Bank overdrafts			250		250
Bank loans			2,650		2,650
Bank bill acceptance facility			2,700		2,700
Other financiers		16,400		16,400	
		16,400	5,600	16,400	5,600
Facilities utilised at balance date:					
Bank loans			2,650		2,650
Bank bill acceptance facility			2,700		2,700
Other financiers		7,060		7,060	
		7,060	5,350	7,060	5,350
Facilities not utilised at balance date:					
Bank overdrafts			250		250
Other financiers		9,340		9,340	
The current funding facility is limited to \$15,200,000 of which approximately \$11,000,000 is currently available. The remaining \$4,200,000 is available depending on the level of receivables outstanding.					
NOTE 17. TAX LIABILITIES					
Current liabilities					
Provision for income tax		81	79	19	19
Non-current liabilities					
Provision for income tax		146	225	39	59
Provision for deferred income tax		2,791	2,123	2,695	656
Less future income tax benefits attributable to tax losses		(1,603)	(945)	(1,603)	(35)
		1,334	1,403	1,131	680

NOTE 18. PROVISIONS**Current liabilities**

Employee benefits
Deferred income

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
24	72	879		55
		19		
	72	898		55

Non-current liabilities

Employee benefits
Deferred income

24	246	155	7	3
		9		
	246	164	7	3

NOTE 19. CONTRIBUTED EQUITY**Issued and paid up share capital**

28,109,498 fully paid ordinary shares
Other contributed equity
4,708,334 convertible notes – equity portion

	12,827	12,827	12,827	12,827
	325	325	325	325
	13,152	13,152	13,152	13,152

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

Balance at end of year

	12,827	12,827	12,827	12,827
--	--------	--------	--------	--------

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

As a result of an option holder terminating his employment in October 2001 166,343 options lapsed.

As a result of an option holder being made redundant in March 2003 237,633 options lapsed.

At balance date there were 190,106 unissued ordinary shares under option. On the 22 August 2003 an Option Cancellation Deed was executed by all relevant parties cancelling 190,106 options.

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

On 7 May 1998 the parent 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 notes

Balance at end of year

	325	325	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 in note 16.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTE 20. RETAINED PROFITS

Retained profits at beginning of year
 Net profit (loss) attributable to members
 of the parent entity
 Retained profits at end of year

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	939	1,833	520	1,100
	88	(894)	118	(580)
	1,027	939	638	520

NOTE 21. STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities:

Profit (loss) from ordinary activities after income tax
 Depreciation of non-current assets
 Amortisation of non-current assets
 Loss (profit) on disposal of property, plant and equipment
 Interest expense for equipment acquisitions
 Non cash interest expense
 Decrease in provision for rationalisation
 Increase in provision for diminution of non-current investment
 Increase in provision for diminution – employee share plan
 Change in operating assets and liabilities
 Decrease (increase) in trade debtors
 Decrease in inventories
 Decrease (increase) in other receivables
 Decrease (increase) in prepayments
 Decrease (increase) in future income tax benefit
 Increase (decrease) in deferred income tax payable
 Increase (decrease) in trade and other creditors
 Increase (decrease) in employee entitlements
 Increase (decrease) in provision for taxation
 Increase in employee share plan
 Net cash inflows from operating activities

	88	(894)	118	(580)
	3,332	2,987		
	407	912		
	104	(127)		
	509	714		
	107	39	44	39
		(67)		
10				710
7	12	49	12	49
	200	(327)		
	9	3		
	64	(12)	(12)	(111)
	(18)	34	18	(10)
	14	142	(501)	28
	9	(723)	471	(97)
	(549)	1,143	22	163
	1	(36)	(1)	7
	(77)	287	(19)	(19)
		(33)		(8)
	4,212	4,091	152	171

(b) Reconciliation of cash

Cash balance comprises:
 Cash on hand
 Closing cash balance

	528	126	5	6
	528	126	5	6

(c) Non cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with an aggregate value of \$663,335 (2002: \$1,616,421) by means of finance leases and hire purchase agreements. These acquisitions are not reflected in the statement of cash flows.

NOTE 22. DIVIDENDS

Balance of franking account at year end arising from payment of provision for income tax and franking debits arising from payment of proposed dividends.

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	1,102	1,025	1,102	93

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits. In accordance with this legislation the comparative results have been amended.

NOTE 23. COMMITMENTS FOR EXPENDITURE**(a) Capital expenditure commitments**

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

(b) Lease expenditure commitments

Operating leases non-cancellable

Not later than 1 year

2,025	1,633		
-------	-------	--	--

Later than 1 year and not later than 10 years

5,034	2,701		
-------	-------	--	--

Aggregate lease expenditure contracted for at end of year

7,059	4,334		
-------	-------	--	--

Property leases are non-cancellable leases of five or 10 year terms with options for further five year periods.

Finance leases

Not later than 1 year

387	1,368		
-----	-------	--	--

Later than 1 year and not later than 5 years

45	432		
----	-----	--	--

Total minimum lease payments

432	1,800		
-----	-------	--	--

Future finance charges

(18)	(101)		
------	-------	--	--

Lease liability contracted for at end of year

414	1,699		
-----	-------	--	--

Shown in the financial statements under the following headings:

Lease liability – current

16	369	1,285		
----	-----	-------	--	--

Lease liability – non-current

16	45	414		
----	----	-----	--	--

414	1,699		
-----	-------	--	--

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

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

NOTE 24. EMPLOYEE BENEFITS**Employee benefits**

Aggregate liability for employee benefits, including on-costs:

Included in other creditors – current

15	716			
----	-----	--	--	--

Provision for employee benefits – current

18	72	879		55
----	----	-----	--	----

Provision for employee benefits – non current

18	246	155	7	3
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	1,034	1,034	7	58
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Number of employees

Number of permanent employees at year end

	137	142	1	1
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Employee share plan

The company has established an employee share plan for selected employees as detailed in the Prospectus dated April 1997.

	Notes	CONSOLIDATED		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 24. EMPLOYEE BENEFITS (cont)					
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.					
Shares allotted under the plan will rank equally with all existing shares from the date of issue in respect of voting rights and all rights issues, bonus share issues and dividends made or declared after allotment.					
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 12 employees were contributing.					
At balance date the National Hire Staff Superannuation fund was valued with assets of approximately \$2.33 million.					
NOTE 25. CONTINGENT LIABILITIES					
The parent entity and controlled entities have agreed to indemnify the Group's bankers in respect of guarantees by the Group in favour of third parties. The maximum amount of the guarantee is:			280,000		280,000
NOTE 26. REMUNERATION OF DIRECTORS					
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.		352,811	357,444	352,811	357,444
The number of directors of National Hire Group Limited whose income, including superannuation contributions falls within the the following bands is as follows:					
\$30,000 — \$39,999		2	2	2	2
\$50,000 — \$59,999		1	1	1	1
\$230,000 — \$240,999		1	1	1	1
NOTE 27. REMUNERATION OF EXECUTIVES					
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by executive officers (including directors) whose remuneration is \$100,000 or more.		866,725	684,505	232,911	238,644
The number of executives (including directors) of the parent entity and of controlled entities whose remuneration falls within the following bands are as follows.					
\$110,000 — \$119,999		1			
\$120,000 — \$139,999		1			
\$140,000 — \$149,999			1		
\$150,000 — \$159,999			2		
\$170,000 — \$179,999		1			
\$220,000 — \$229,999		1			
\$230,000 — \$239,999		1	1	1	1

NOTE 28. REMUNERATION OF AUDITORS

During the year the auditor of the parent entity and its related parties earned the following remuneration:

Audit or review of financial reports of the entity or any entity in the consolidated entity auditing or reviewing the financial report

Other services including taxation returns, accounting assistance and advice on group structure

Notes	CONSOLIDATED		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	67,300	49,175	67,300	49,175
	94,460	55,820	94,460	55,820
	161,760	104,995	161,760	104,995

NOTE 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:

	Weighted average effective interest rate		Fixed interest rate maturing									
	2003	2002	Floating interest rate \$'000		Within year \$'000		1 to 5 years \$'000		Non-interest bearing \$'000		Total \$'000	
			2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Financial assets												
Cash	2.30	2.80							528	126	528	126
Receivables									5,824	6,101	5,824	6,101
Total financial assets									6,352	6,227	6,352	6,227
Financial liabilities												
Bank loans and overdraft		6.33		5,350								5,350
Trade and sundry creditors									6,112	4,820	6,112	4,820
Other loans	8.02	7.86	7,060		2,749	3,395	2,260	3,736			12,069	7,131
Lease liabilities	8.60	7.44			369	1,285	45	414			414	1,699
Convertible notes	10.00	10.00					3,307	3,263			3,307	3,263
Total financial liabilities			7,060	5,350	3,118	4,680	5,612	7,413	6,112	4,820	21,902	22,263
Net financial assets (liabilities)			(7,060)	(5,350)	(3,118)	(4,680)	(5,612)	(7,413)	240	1,407	(15,550)	(16,036)

(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 of those assets, as disclosed in the statement of financial position and notes to 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.

NOTE 29. FINANCIAL INSTRUMENTS (cont)

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

Financial assets

	2003		2002	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Cash	528	528	126	126
Receivables	5,824	5,824	6,101	6,101
	6,352	6,352	6,227	6,227

Financial liabilities

Bank loans			5,350	5,350
Trade and other creditors	6,112	6,112	4,820	4,820
Other loans	12,069	12,069	7,131	7,131
Lease liabilities	414	414	1,699	1,699
Convertible notes	3,307	3,307	3,263	3,263
	21,902	21,902	22,263	22,263

NOTE 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 unless otherwise stated.

Controlled entity transacting	Related party	Transaction type	2003 \$'000	2002 \$'000
National Hire Group Limited	Landerer & Company	A	139	77
DWB (NH) Pty Limited	Nusuna Pty Limited	B	296	278
DWB (NH) Pty Limited	Abbott Properties Pty Limited	B	325	294
DWB (NH) Pty Limited	Brooke Developments Pty Limited	B	73	126
DWB (NH) Pty Limited	Bendshaw Pty Limited	B	47	47
DWB (NH) Pty Limited	St George Plant Hire Pty Limited	B	122	110
National Hire Group Limited	N S Donnelley (Holdings) Pty Limited	C		500
National Hire Group Limited	Stirhill Pty Limited	C	746	550
National Hire Group Limited	Ganeden Investments Pty Limited	C	100	

Transaction types

A Provision of legal advice B Property rentals C Loans

Particulars of the above transactions with directors and related parties:

A director of National Hire Group Limited, Mr J Landerer, is the principal partner of Landerer & Company, Solicitors, a firm which 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 \$139,728 (2002: \$77,074).

DWB (NH) Pty Limited rents premises at locations from companies associated with the family of managing director Mr S Donnelley. DWB (NH) Pty Limited 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 \$538,710 (2002: \$561,373).

NOTE 30. RELATED PARTY DISCLOSURES (cont)

DWB (NH) Pty Limited has entered into agreements to lease properties from Abbott Properties Pty Limited, a company of which Mr J Landerer and Mr J Star are directors. Another director, Mr S Donnelley, is a potential beneficiary of a family trust, which owns shares in Abbott Properties Pty Limited. The total rent paid for the period was \$324,852 (2002: \$293,732).

During the reporting period Ganeden Investments Pty Limited an entity associated with Mr J Landerer funded the company \$100,000 by way of an interest free unsecured loan.

During the reporting period Stirhill Pty Limited an entity associated with Mr S Donnelley funded the company \$746,000 by way of an interest free unsecured loan.

Other related party transactions are disclosed elsewhere in the annual report.

Transactions within the wholly owned group**Management services**

National Hire Trading Pty Limited incurs management fees, hires equipment, rents premises and utilises staff from other entities in the wholly owned group on normal terms and conditions.

Controlling entities

The ultimate parent entity is National Hire Group Limited.

NOTE 31. INVESTMENTS IN ASSOCIATES

The investment in the associated company is accounted for in the consolidated financial statements and is carried at cost in the parent entity (see note 14). Information relating to the associate is set out below.

Name of company	Principal activity	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
		%	%	\$'000	\$'000	\$'000	\$'000
		2003	2002	2003	2002	2003	2002
Unity Plant Services Pty Ltd	Hire of plant and equipment	25	25	13	13	13	13

NOTE 32. EVENTS OCCURRING AFTER BALANCE DATE**Renounceable rights issue to raise \$6.3 million**

The company has announced the offer of approximately 39,381,397 fully paid ordinary shares to raise approximately \$6,301,024 and the shares are to be issued at 16 cents per share. The offer is a renounceable rights issue. The offer made is by way of 6 new shares for every 5 shares held by existing shareholders and 6 new shares for every 5 convertible unsecured notes held by existing note holders. The offer will be fully underwritten by Hindal Securities Pty Limited and will be sub underwritten in part by parties associated with the directors.

National Hire intends to use the funds raised for the following purposes:

- to expand National Hire's equipment hire fleet by the acquisition of new equipment in accordance with the company's capital expenditure program,
- to effectively repay loans made by certain directors and a shareholder of National Hire in aggregate sum of \$1,996,000 (which moneys will be used in the subscription for new shares); and
- to meet the expenses incurred in the rights issue of approximately \$525,000 (exclusive of GST).

Appointment of Mr Raymond Kelsey as an executive director

Mr Raymond Kelsey was appointed to the board of National Hire as an executive director on 22 August 2003.

Mr Kelsey brings a wealth of hire industry experience to the board of National Hire having over 40 years experience in the hire industry. Mr Kelsey was with Wreckair from 1960 to 1990, the last 12 years as chief executive officer.

Since leaving Wreckair Mr Kelsey has continued to consult to the hire industry and has pursued private business interests.

Mr Kelsey will be responsible, with the managing director, for assisting in developing and reviewing National Hire's strategic plan as well as providing Victorian representation for National Hire and developing the company's Victorian business unit.

**NOTE 32. EVENTS OCCURRING AFTER BALANCE DATE (cont)****Consolidation of operating branch**

As of 31 August 2003 the Marrickville branch was consolidated with existing National Hire branches of Camperdown, Bexley and Hillsdale. The closure was a contributor to a cost reduction program aimed at reducing the company's operating costs while minimising any impact on its hire revenue. All employees, plant and equipment have been transferred to other branches.

Reallocation of cash security

As of 4 September 2003, the interest bearing cash security deposit of \$500,000 (other financial assets note 14) was effectively repaid with the proceeds applied to the repayment of outstanding hire purchase and finance lease agreements.

NOTE 33. CONTROLLED ENTITIES**Parent entity**

National Hire Group Limited controlled entities:

	Percentage owned	State of incorporation
DWB Unit Trust	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 Properties Pty Limited	100%	NSW
National Hire Trading Pty Limited	100%	NSW
DWB (NH) Pty Limited formally		
National Hire Pty Limited	100%	NSW

During the year the company liquidated the following entities;

Grepon Pty Limited
A1 Equipment Rentals Pty Limited
Sandena Holdings Pty Limited
St George Hire Centre Pty Limited
Hi-Lift Rentals (Australia) Pty Limited
Stephen Donnelley Hire (Australia) Pty Limited
Ronet Pty Limited

All companies were non trading entities and were liquidated for ongoing efficiencies and cost savings.

NOTE 34. SEGMENT INFORMATION

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

The directors of the company declare that the financial statements and notes set out on pages 14 to 32:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as reported by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors dated 29 September 2003.



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 for the financial year ended 30 June 2003 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 end of the year or from time to time during the 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 in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and 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:

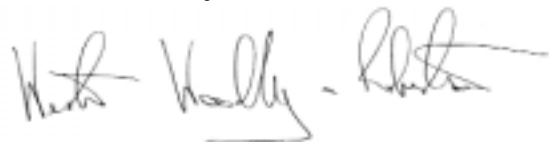
- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Dated Sydney 29 September 2003



Cameron Johnstone
Partner

Weston Woodley & Robertson



Chartered Accountants
Level 18, 201 Elizabeth Street
Sydney NSW 2001

The shareholder information set out below was applicable as at 12 September 2003.

20 Largest shareholders

Ordinary shares

Name	Number held	Percentage of shares issued
Stirhill Pty Limited	8,871,826	31.6
Nusuna Pty Limited	3,734,614	13.3
Hochma Development Fund Pty Limited	1,045,016	3.7
National Nominees Limited (Equisuper Account)	1,027,473	3.6
Questor Financial Services Limited (TPS RF A/C)	803,135	2.9
Rennel Pty Limited	500,000	1.8
Mr John Scott Stewart Richardson	450,000	1.6
Bernie No 132 Nominees Pty Limited	399,195	1.4
Mrs Jane Holyman	384,738	1.4
Wales Corporation Pty Limited (The Nolan Family A/C)	355,000	1.3
Mr Steven John Palamara	340,000	1.2
Contemplator Pty Limited (ARG Pension Fund A/C)	304,761	1.1
Gasweld Pty Limited	292,462	1.0
ARG Pty Limited	279,501	1.0
Rag Superannuation Pty Limited	245,178	0.9
National Nominees Limited	203,850	0.7
A & J Anderson Management Pty Limited	200,000	0.7
Lionel McFadyen & Jenny McFadyen (Super Fund A/C)	185,097	0.6
Frantel Pty Limited	184,040	0.6
Australian Pioneer Pty Ltd	157,400	0.6
	19,963,286	71.0
Number of issued ordinary shares	28,109,498	

20 Largest convertible unsecured noteholders

Name	Number held	Percentage of notes issued
National Nominees Limited	950,000	20.2
National Nominees Limited (Equisuper Account)	350,000	7.4
Stirhill Pty Limited	333,334	7.1
Contemplator Pty Limited (ARG Pension Fund A/C)	323,000	6.9
Kemdona Pty Limited	320,000	6.8
Mitchelstown Holdings Limited	248,000	5.3
Janytte Investments Pty Limited	200,000	4.2
Weyitin Trading Pty Limited (Weyitin Super Fund A/C)	159,000	3.4
ARG Pty Limited	150,000	3.2
Sir Tristan Venus Antico	140,000	3.0
Kaleman Pty Limited	133,333	2.8
Australian Pioneer Pty Limited	105,000	2.2
S F Ewen Enterprises Pty Limited (Super Fund A/C)	100,000	2.1
Rag Superannuation Pty Limited	80,000	1.7
Jana Super Pty Limited	65,000	1.4
Mrs Rosemary Raad	40,000	0.8
Warren Investments Pty Limited	30,000	0.6
Mr Robert Henry Caldicott & Mrs Barbara Caldicott	30,000	0.6
Mr Tom Arthur Atkinson (Tom Atkinson Super Fund A/C)	30,000	0.6
Mr John Haslingden (Haslingden Super Fund A/C)	30,000	0.6
	3,816,667	80.9
Number of issued convertible unsecured notes	4,708,334	

Substantial shareholders

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

Name	No. of ordinary shares held	Percentage of shares issued
Stirhill Pty Limited	8,871,826	31.6
Nusuna Pty Limited	3,734,614	13.3

Distribution schedule of holders of the company's equity securities

	Ordinary shares	Convertible notes
1 – 1,000	100	
1,001 – 5,000	137	10
5,001 – 10,000	112	25
10,001 – 100,000	186	43
100,001 and Over	31	12
	566	90

There are 148 holders of ordinary shares having less than a marketable parcel of 2,439 ordinary shares.

Voting rights

Holders of the company's ordinary shares are entitled to one vote on a show of hands, and, on a poll, one vote for every fully paid up ordinary share held.

Quotation of the company's securities

The company's securities are quoted only on the Australian Stock Exchange Limited (ASX) as under:

Class of security	ASX Code
Ordinary shares	NHR
Convertible notes	NHRG

Other information relating to the company's securities:

There are no restricted securities on issue
There is no current on-market buy-back
There is no quotation on any other stock exchange

C O R P O R A T E C A L E N D A R

Convertible note interest payable	31 October 2003
2003 Annual General Meeting	21 November 2003
Half year end	31 December 2003
Half year profit announcement	February 2004
Convertible note interest payable	30 April 2004
Financial year end	30 June 2004
Financial year profit announcement	August 2004

Share registry enquiries

Shareholders requiring information about their holdings should contact the company's share registry:

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000
Telephone: (02) 9279 0677
Facsimile: (02) 9279 0664
Web: www.registriesltd.com.au
Email: registries@registries.com.au



New South Wales

Bexley (02) 9582 2922
560 Forest Road
Camperdown (02) 8512 4000
Cnr Booth & Pyrmont Bridge Roads
Caringbah (02) 9545 8722
Cnr Parraweena & Taren Point Roads
Concord (02) 9747 3866
3 Parramatta Road
Hillsdale (02) 9582 7900
Cnr Smith & Denison Streets
Penrith (02) 4735 6333
Cnr Wolseley & Mulgoa Roads
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

West Melbourne (03) 9396 1688
388-398 Dynon Road
St Kilda (03) 9534 0831
38 Inkerman Street

Queensland

Coopers Plains (07) 3277 7744
800 Beaudesert Road



Melbourne (03) 9791 7800
Sydney (02) 9897 7211
Wollongong (02) 4275 1777
Brisbane (07) 3277 7744



Sydney (02) 9897 7077
Wollongong (02) 4275 1777



Sydney (02) 9897 7921
Wollongong (02) 4275 1777

2003 Annual Report
National Hire Group Limited
ABN 61 076 688 938

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