

22 February 2005

ASX Online
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

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Please find attached the following documents:

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

Yours sincerely



Stephen Donnelley
Managing Director
0418 266 844

NATIONAL HIRE GROUP LIMITED (ABN 61 076 688 938)
HALF YEARLY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2004

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of National Hire Group Limited ("the Company") and the entities it controlled at the end of or during the half year ended 31 December 2004.

DIRECTORS

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

- ❑ Raymond John Romano (Non-Executive Chairman)
- ❑ Stephen Sherwood Donnelley (Chief Executive Officer)
- ❑ Peter Joshua Gammell (Non- Executive Director) - appointed December 2004
- ❑ John Edward Star (Non-Executive Director)
- ❑ Clive Isenberg (Non- Executive Director)
- ❑ Andrew Aitken (Non- Executive Director) - appointed December 2004
- ❑ Gavin Gerarde Armstrong, (Non- Executive Director) - resigned December 2004

REVIEW OF OPERATIONS

Net profit after tax for the half year ended 31 December 2004 of \$2,161,000 compares favourably to the previous corresponding period profit of \$359,000. This is a \$1,802,000 improvement for the six month period.

As a result of the company having entered into a tax consolidation regime effective from 1 July 2002, an income tax benefit of \$1,263,000 was recorded.

The result included the trading performance of the Cat Rental Store business in Western Australia and the Allight group for the short period from the date of acquisition on 10 December 2004. These acquisitions provided a revenue and profit before tax contribution of \$7,063,000 and \$774,000.

Total revenue for the half year was \$29,594,000 an increase of 83.0% or \$13,420,000 over the previous corresponding period.

Operating profit for the period (before borrowing costs, tax, goodwill/brand name amortisation and significant items) was \$2,499,000 compared to the previous corresponding period of \$1,405,000 an increase of 77.9% or \$1,094,000.

Profit before tax and before goodwill/brand name amortisation and significant items was \$1,810,000 for the six months ended 31 December 2004 compared to \$747,000 an improvement \$1,063,000 or 142.3% to the corresponding period last year.

The profit before tax for the year increased by \$927,000 or 157.1% from \$590,000 in the previous corresponding period to \$1,517,000.

BUSINESS ACQUISITIONS

On the 10 December 2004 National Hire Group Limited completed the acquisition of the assets of the Cat Rental Store business (“CRS”) operated by WesTrac Pty Ltd in Western Australia and 100% of the shares in Allight Holdings Pty Ltd for a combined equity consideration of \$122.4 million. The consideration was satisfied through the issue of 298.4 million shares in National Hire Group Limited at a negotiated contract price of \$0.375 per share. In accordance with accounting standards these transactions were accounted for at \$0.41 per share, being the prevailing market price of National Hire shares immediately after the company assumed control of the acquired assets. Subsequent cash completion adjustments pertaining to the CRS acquisition amounted to \$6.1million.

Other acquisitions during the period included the purchase of Beeline Rental & Hire on 3 December 2004 and Ark Hire Portaloo and Site Shed on 2 November 2004, situated on the NSW Central Coast and Newcastle respectively. The contribution to the half year result from these businesses was not material given the timing of the acquisitions.

EQUITY RAISING

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

On 29 December 2004 the Company offered to existing shareholders the opportunity to participate in a share purchase plan. The offer allows each shareholder to subscribe for up to \$5,000 worth of new fully paid ordinary shares in the Company. The closing date of the offer was the 28 January 2005. As at the 31 December applications totaling \$0.3 million had been received in relation to this offer. The offer has since closed and \$4.8 million was raised with 13.6 million shares issued and allotted.

EMPLOYEE OPTIONS

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

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

OUTLOOK

The first half result means that the group is well positioned to achieve the pre-tax earnings forecast as set out in the Explanatory Statement dated 2 November 2004.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

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

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

Dated: 22 February 2004

APPENDIX 4D

NATIONAL HIRE GROUP LIMITED (ABN 61 076 688 938) HALF YEARLY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2004

Results for announcement to the market

	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000	Change \$A'000	Change %
Revenue from ordinary activities	29,594	16,174	13,420	83.0
Profit from ordinary activities after tax attributable to members	2,161	359	1,802	501.9
Net profit for the period attributable to members	2,161	359	1,802	501.9

Dividends

No dividend was paid and no dividend is proposed.

Audit

The accounts have been subject to review.

Consolidated statement of financial performance for the half year ended 31 December 2004

	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000	Change \$A'000	Change %
Sales revenues from ordinary activities	28,480	15,717	12,763	81.2
Other revenues from ordinary activities	1,114	457	657	143.8
Total revenue	29,594	16,174	13,420	83.0
Cost of goods sold	(19,116)	(10,869)	(8,247)	(75.9)
Administration and marketing costs	(4,227)	(1,936)	(2,291)	(118.3)
Other Overheads	(298)	(192)	(106)	(55.2)
Depreciation and amortisation costs	(3,747)	(1,929)	(1,818)	(94.2)
Borrowing costs	(689)	(658)	(31)	(4.7)
Profit from ordinary activities before income tax expense	1,517	590	927	157.1
Income tax benefit /(expense) relating to ordinary activities	644	(231)	875	378.8
Profit from ordinary activities after related income tax expense attributable to members of the parent entity	2,161	359	1,802	501.9
Total change in equity other than those resulting from transactions with owners as owners	2,161	359	1,802	501.9

Earnings per share

	Current period 31 Dec 2004 Cents	Previous period 31 Dec 2003 Cents
Basic earnings per share	1.01	0.79
Diluted earnings per share	1.01	0.79
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative earnings per share	214,595,162	45,680,614
Profit after tax	2,161,000	359,000
Earnings used in calculating earnings per share	2,161,000	359,000

Commentary

Net profit after tax for the half year ended 31 December 2004 of \$2,161,000 compares favourably to the previous corresponding period profit of \$359,000. This is a \$1,802,000 improvement for the six month period.

As a result of the company having entered into a tax consolidation regime effective from 1 July 2002, an income tax benefit of \$1,263,000 was recorded.

The result included the trading performance of The Cat Rental Store business in Western Australia and the Allight group for the short period from the date of acquisition on 10 December 2004. These acquisitions provided a revenue and profit before tax contribution of \$7,063,000 and \$774,000.

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Business Acquisitions

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Equity raising

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Employee Options:

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

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

Contingent liabilities

The parent entity and controlled entities have agreed to indemnify Australia and New Zealand Banking Group Limited and GE Capital Finance Pty Limited in respect of guarantees given by the Group in favour of third parties. At 31 December 2004 the maximum amount of the guarantees was \$604,880.

Segment reporting

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

Adoption of International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB is replacing relevant existing AASB Standards with Australian Standards equivalent to those of the IASB (known as the Australian equivalent to International Financial Reporting Standards or A-IFRS). National Hire will be required to prepare financial statements in compliance with the new standards for half years commencing 31 December 2005 and financial years ending 30 June 2006.

In accordance with AASB1 – "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" the company will be required to restate comparative information reflecting the adoption of the A-IFRS standards. This process involves the preparation of an *opening Australian-equivalents-to-IFRSs balance sheet* at the *date of transition to Australian equivalents to IFRSs*. The majority of the adjustments under the new A-IFRS standards will be made against opening retained earnings.

National Hire has established a working group to manage the transition to the A-IFRS standards. The working group is working with external advisors to ensure that the group will be properly prepared for the implementation. Many of the A-IFRS standards have been evaluated and a number of key differences have been identified. This analysis is expected to be completed during the current financial year.

Changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

Goodwill on Consolidation

Under the pending Australian Accountant Standard AASB 3: Business Combinations, goodwill is to be capitalised to the statement of financial position and subject to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

Income Tax

The Company currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred tax liabilities or deferred tax assets. Under the pending Australian Accountant Standard AASB112, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Share Based Payments

Under the pending Australian Accounting Standard AASB2 – “Share Based Payment, the company will be required to determine the fair value of share-based remuneration issued to employees and recognise the expense in the statement of financial performance. The standard applies to all share based payments issued after 7 November 2002 that have not vested by the date of adoption. On adoption of the standard, National Hire will recognise the cost of issuing share-based remuneration over the vesting period of the scheme.

Impairment of Assets

Under pending Australian Accounting Standard AASB136 – “Impairment of Assets” impairment testing must be undertaken for both current and non-current assets. This standard prescribes that an entity is required to make a formal estimate of the recoverable amount of an asset where there is present any indication of an assets impairment. An annual test for impairment is required where an intangible asset has an indefinite useful life, or where an intangible asset is not yet available for use.

Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

Basis of preparation

The half yearly consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards AASB 1029, Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

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

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

The half year report does not include full disclosures of the type normally included in an annual financial report.

Consolidated statement of financial position as at 31 December 2004

	31 Dec 2004 SA'000	30 June 2004 SA'000
Current assets		
Cash assets	31,030	22,796
Receivables	25,443	6,636
Other financial assets		
Inventories	21,925	11
Other assets	1,265	671
Total current assets	79,663	30,114
Non-current assets		
Receivables	121	125
Other financial assets	15	13
Property, plant and equipment	133,116	30,612
Intangibles	50,709	6,180
Deferred tax assets	3,109	932
Total non-current assets	187,070	37,862
Total assets	266,733	67,976
Current liabilities		
Payables	33,980	7,774
Interest bearing liabilities	8,363	3,185
Tax liabilities	2,206	81
Provisions	325	98
Total current liabilities	44,874	11,138
Non-current liabilities		
Payables		
Interest bearing liabilities	14,184	9,332
Deferred tax liabilities	248	1,776
Provisions	459	306
Total non-current liabilities	14,891	11,414
Total liabilities	59,765	22,552
Net assets	206,968	45,424
Contributed equity	202,990	43,526
Reserves	(81)	
Retained profits	4,059	1,898
Total equity	206,968	45,424

Consolidated statement of cash flows

	Notes	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000
Cash flows from operating activities			
Receipts from customers		28,542	16,066
Payments to suppliers and employees		(28,365)	(11,697)
Interest and other items of similar nature received		511	46
Interest and other costs of finance paid		(482)	(464)
Income taxes paid		(55)	(38)
Net cash inflows from operating activities	1	151	3,913
Cash flows from investing activities			
Payment for purchases of property, plant and equipment		(3,586)	(2,396)
Proceeds from sale of property, plant and equipment		406	349
Cash paid for purchase of businesses net of cash acquired	2	(7,543)	
Purchase of investments			(28)
Proceeds from investments			500
Net cash outflows from investing activities		(10,723)	(1,575)
Cash flows from financing activities			
Net proceeds from the renounceable rights issue			3,740
Net proceeds from the equity raising		36,655	
Proceeds from borrowings			1,007
Proceeds from director related loans			100
Repayment of borrowings		(17,799)	(4,227)
Net cash inflows from financing activities		18,856	620
Net increase in cash held		8,284	2,958
Effects of exchange rate fluctuations on the balance of cash held denominated in foreign currencies		(7)	
Cash at beginning of period		22,753	527
Cash at end of period		31,030	3,485

Notes to statement of cash flows

Note 1

	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000
Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities		
Profit from ordinary activities after income tax	2,161	359
Depreciation & amortisation of non-current assets	3,747	1,929
Profit on disposal of property, plant and equipment	16	(1)
Interest expense	192	202
Exchange loss on foreign currency	7	
Increase in provision for dimunition - employee share plan		(8)
Change in operating assets and liabilities		
Decrease / (increase) in trade debtors	(5,279)	633
(Increase) in inventories	(226)	
Decrease in other receivables	293	48
Decrease / (increase) in prepayments	1,325	(69)
(Increase) in future income tax benefit	(585)	(46)
Increase / (decrease) in deferred income tax payable	1,689	(38)
Increase / (decrease) in trade and other creditors	(1,479)	546
Increase in employee entitlements	93	81
Increase / (decrease) in provision for taxation	(1,803)	277
Net cash inflows from operating activities	151	3,913
Reconciliation of cash		
Cash balance comprises:		
Cash at bank and on hand	31,030	3,485
Closing cash balance	31,030	3,485

Notes to statement of cash flows (continued)

Note 2

Acquisition of businesses for the period ended 31 December 2004				
	Allight Holdings Pty Ltd	The Cat Rental Store (W.A)	Ark Hire & Beeline Rentals & Hire	Total
<i>Consideration</i>				
173,333,333 ordinary shares issued at 41.0 cents	71,067			
125,104,053 ordinary shares issued at 41.0 cents		51,293		
Cash	-	6,096	2,940	
Transaction costs on acquisition	305	327		
Transaction costs unpaid at balance date	400	2,173		
Total	71,772	59,889	2,940	
<i>Fair value of net assets of entity acquired</i>				
Plant and equipment	45,761	50,486	1,879	
Intangible assets	471			
Inventories	21,689			
Receivables	13,791			
Cash	2,125			
Other Assets	2,000		288	
Investments	2			
Deferred Tax Assets	498			
Trade creditors & Accruals	(23,630)			
Interest Bearing Liabilities	(23,028)			
Tax Liabilities	(710)	29	8	
Provisions	(1,284)	(98)	(27)	
Goodwill on acquisition	34,087	9,472	792	
Total	71,772	59,889	2,940	
<i>Outflow of cash to acquire entity net of cash acquired</i>				
Cash consideration	305	6,423	2,940	
Less balances acquired				
Cash	(2,125)			
Bank overdraft				
(Inflow) / outflow of cash	(1,820)	6,423	2,940	7,543

Income tax expense

	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	1,517	590
Income tax calculated @ 30%	455	177
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation	88	47
Non-deductible interest	12	14
Tax benefit resulting from adjustment to deferred tax balances on implementation of tax consolidation	(1,263)	
Over provision for tax prior years		(14)
Other non-deductible items	64	7
Income tax benefit /(expense) attributable to operating profit (loss)	(644)	231

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

An income tax benefit of \$1,263,000 was recorded.

Significant Items

	Before Tax \$A,000	Related Tax \$A,000	Amount (After tax) attributable to members \$A,000
Significant items affecting the revenues and expenses of the Group in the current period are:			
Effective 1 July 2002, National Hire and its 100% Australian owned subsidiaries formed a tax consolidated group. Entry of the group into the tax consolidation regime is expected to provide a tax benefit totaling \$1,263,000 on the restatement of the tax values of depreciating assets.	-	1,263	1,263

Net tangible asset backing

	Current period 31 Dec 2004	Previous period 31 Dec 2003
Number of ordinary shares on issue	580,213,995	67,490,797
Net tangible asset backing per ordinary share	27¢	21¢

Statement of retained earnings

	Current period 31 Dec 2004 \$A'000	Previous period 31 Dec 2003 \$A'000
Retained profits at beginning of the period	1,898	1,027
Net profit attributable to members of the parent entity	2,161	359
Retained profits at end of the period	4,059	1,386

Segment reporting

	Sale of Goods \$'000	Equipment Hire \$'000	Inter-segment eliminations/ Unallocated \$'000	Consolidation \$'000
Sales to external customers	3,792	24,688		28,480
Intersegment sales	2,091	44	(2,135)	-
Total sales segment	5,883	24,732	(2,135)	28,480
Other revenue		422	(11)	411
Total segment revenue	5,883	25,154	(2,146)	28,891
Segment result	225	4,672	-	4,897
Unallocated revenue less unallocated expenses				703 (4,083)
Profit from ordinary activities before related income tax expense				1,517
Income tax benefit				644
Profit from ordinary activities after related income tax expense				2,161
Net Profit				2,161

Auditor's Independence Declaration

As lead auditor for the review of National Hire Group Limited for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of National Hire Group Limited and the entities it controlled during the period.




Cameron Johnstone - Partner
Sydney
22 February 2005

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 5 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that National Hire Group Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:



JOHN STAR
Director



STEPHEN DONNELLEY
Chief Executive Officer

Sydney,
22 February 2005

Independent Review Report to the Members of National Hire Group Limited

Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the Consolidated Statement of Financial Position, Consolidated Statement of Financial Performance, Consolidated Statement of Cash Flows, accompanying notes to the Financial Statements and the Directors' Declaration for the National Hire Group Limited Consolidated Entity ("the Consolidated Entity") for the half-year ended 31 December 2004. The Consolidated Entity comprises National Hire Group Limited ("the Company") and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the Company to lodge the Financial Report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- Enquiries of company personnel; and
- Analytical procedures applied to the financial data.

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

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

A review cannot guarantee that all material misstatements have been detected.

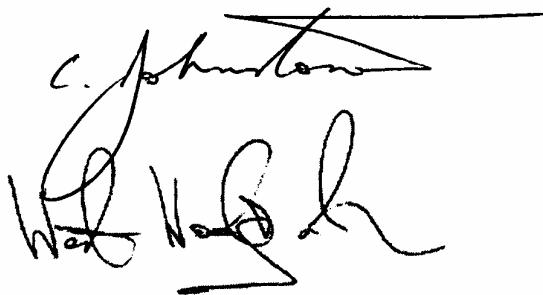
Independence

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the Financial Report of National Hire Group Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink, appearing to read 'C. Johnstone', with a horizontal line above it. Below the signature is another handwritten mark, possibly initials or a second signature, also in black ink.

Cameron Johnstone
Partner
Weston Woodley & Robertson

Sydney
22 February 2005

National Hire

22 February 2005

NATIONAL HIRE FY2005 INTERIM RESULT

COMPANY REPORTS CONTINUED FINANCIAL IMPROVEMENTS WITH YEAR END FORECAST ON TRACK

National Hire Group Limited (ASX: NHR) today announced a net profit after tax for the half year to 31 December 2004 of \$2,161,000 on sales revenue of \$28,480,000. The financial results included a three week contribution from the major acquisitions of the Cat Rental Store business in Western Australia and Allight Holdings Pty Ltd ("Allight") which were completed on 10 December 2004. These acquisitions contributed revenue of \$7,063,000 and profit before tax of \$774,000. No interim dividend has been declared.

National Hire is now Australia's second largest equipment hire company with an expanding national network.

Managing Director, Stephen Donnelley said "The first half results largely reflect the old National Hire business which enjoyed good underlying growth in revenue."

"Most importantly the acquisitions of the Cat Rental Store business and Allight are performing in line with expectations and the integration is proceeding smoothly. Together with our strong relationships with Caterpillar and our largest shareholder, WesTrac, National Hire has a very strong platform for growth," Mr Donnelley said.

The highlights of the 1H05 results are:

- Acquisition of the Cat Rental Store business in WA and Allight
- Integration proceeding smoothly
- Institutional placement, raising \$40 million before costs
- Total revenue \$29.6 million (1H04 \$16.2 million)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) \$5.3 million (1H04 \$3.1 million)
- Pre-tax profit \$1.5 million (1H04 \$0.6 million)
- An after tax benefit of \$1.3 million, being a significant item
- Net profit after tax of \$2.2 million (1H04 \$0.4 million)

Summary of Results

HALF YEAR ENDED 31 DECEMBER 2004 (\$'000)	2004	2003	% CHANGE
Total revenue	29,594	16,174	83.0%
EBITDA	5,324	3,130	41.0%
Depreciation	(3,454)	(1,772)	(94.9%)
Operating profit before interest, tax, goodwill/brand name amortisation and significant items	1,870	1,358	37.7%
Interest (Net)	(60)	(611)	90.2%
Amortisation goodwill/brands	(293)	(157)	(86.6%)
Profit before tax	1,517	590	157.1%
Tax benefit /(expense)	644	(231)	
Net profit after tax	2,161	359	501.9%

EBIT	1,577	1,201	31.3%
Profit before tax goodwill/brand name amortisation and significant items	1,810	747	142.2%
Profit after tax before amortisation goodwill and brand names	2,453	516	375.4%
Basic earnings per share (cents)	1.01	0.79	27.8%
Net tangible asset backing (cents)	27.0	21.0	28.6%

Balance sheet

At 31 December 2004 National Hire had cash assets of \$31.0 million (2003 \$22.8 million) and debt of \$22.5 million (2003 \$12.5 million). Shareholder funds stood at \$207.0 million (2003 \$45.4 million). The strength of the balance sheet provides significant financial flexibility to fund further growth and support the capital expenditure program.

Overview of Acquisitions

On the 10 December 2004 National Hire Group Limited completed the acquisition of the assets of the Cat Rental Store business operated by WesTrac Pty Ltd in Western Australia and 100% of the shares in Allight Holdings Pty Ltd for a combined equity consideration of \$122.4 million. The consideration was satisfied through the issue of 298.4 million shares in National Hire Group Limited at a negotiated contract price of \$0.375 per share. In accordance with accounting standards these transactions were accounted for at \$0.41 per share, being the prevailing market rate immediately after the company assumed control of the acquired assets. Subsequent cash completion adjustments pertaining to the CRS acquisition amounted to \$6.1million.

At the time National Hire also completed a \$40 million capital raising from institutional investors to fund the additional plant and equipment needed to be deployed across its enlarged operations and further increase its product and service range. The acquisition of these two businesses have provided National Hire with a strong platform to meet the needs of customers nationwide through improved geographical diversification and increased distribution capability.

Other acquisitions during the period included the purchase of Beeline Rental & Hire on 3 December 2004 and Ark Hire Portaloo and Site Shed on 2 November 2004, situated on the NSW Central Coast and Newcastle respectively. The contribution to the half year result from these businesses was not material given the timing of the acquisitions.

National Hire now trades under the “*National Hire The Cat Rental Store*” brand in NSW and WA. The increased scale of National Hire’s business and strengthened financial position provides the company with a strong base to participate in the expected rationalisation of the Australian equipment hire industry.

The Cat Rental Store WA business and the Allight hire branches will be integrated in the period to 30 June 2005. Allight Capital Sales, which specialises in the sale of mobile lighting equipment, power generation equipment and de-watering pumps, will remain as a stand-alone business and continue to trade as Allight due to its strong brand both domestically and internationally. It will have a clear focus on both domestic and overseas expansion.

On 29 December National Hire announced a Share Purchase Plan offering shareholders the opportunity to subscribe for new shares at 35 cents per share. This was capped at \$5,000 per existing shareholder with an overall cap of \$5 million. On 10 February 2005 National Hire announced that approximately 1050 shareholders, representing a participation rate of around 66%, applied for shares raising \$4.8 million.

Trading Conditions

In respect to each of the major geographic markets, the management and Board note the following:

- Western Australia is proving to be particularly strong due to the construction and mining sectors in that state. National Hire’s substantial presence in WA provides it with a strong platform to leverage off that activity.
- Queensland is also experiencing robust economic conditions and strong building and construction activity.
- New South Wales and Victoria are showing signs of peaking, particularly in the residential building market.

Outlook

Stephen Donnelley said “The first half result means that the group is well positioned to achieve the pre-tax earnings forecast as set out in the Explanatory Statement dated 2 November 2004”.

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