**National Hire Group Limited**
PO Box 195
Matraville NSW 2036
**A.B.N 61 076 688 938**

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22 August 2003

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

Release by eLodge

**Preliminary Final Results and Appendix 4E 2003**

The Company wishes to release to the market the following Preliminary Final Results and Appendix 4E for the Year Ended 30 June 2003.

Yours sincerely,

**STEPHEN DONNELLEY**
**MANAGING DIRECTOR**
**0418 266 844**

## NATIONAL HIRE REPORTS AFTER TAX PROFIT AND CONTINUING IMPROVED PERFORMANCE

| | 2003<br>$'000 | 2002<br>$'000 | Amount Change<br>$'000 | % Change |
|---|---|---|---|---|
| Total Revenue | 30,395 | 28,989 | 1,406 | 4.9 |
| Earnings before interest, tax, depreciation, amortisation and significant items | 5,791 | 5,221 | 570 | 10.9 |
| Profit from ordinary activities before interest, tax and significant items | 2,071 | 1,314 | 757 | 57.6 |
| Profit before tax and before goodwill and brand name amortisation and significant items | 836 | 72 | 764 | N/A |
| Net profit/(loss) from ordinary activity before tax and after significant items | 111 | (1,434) | 1,545 | N/A |
| Net profit from ordinary activities after tax and before significant items | 499 | 298 | 201 | 67.4 |
| Significant Items | 411 | 1,192 | 781 | N/A |
| Net profit/(loss) after tax and significant items | 88 | (894) | 982 | N/A |
| Basic earnings per share - cents | 0.31 | (3.18) | 3.49 | N/A |
| Dividend per share | 0 cents | 0 cents | 0 cents | N/A |

National Hire Group Limited (ASX Code: NHR), a leading equipment hirer supplying the construction, industrial and DIY markets, today announced 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).

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

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

EBITDA and before significant items increased by $570,000 or 10.9% to $5,791,000.

No dividend was declared.

Mr Donnelley said "this result reflects the improving operations of the business. The improvements are being driven by the strategic repositioning of the business by the 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 from the dwelling, alterations and additions and non-dwelling construction sectors and in the last quarter from infrastructure projects that have commenced including the Sydney cross-city Tunnel and the M7 West Link Road project. The Company also enjoyed a stable business environment following the major distractions and impact caused in the previous year by the collapse of HIH Casualty and General Insurance Ltd which was a significantly greater consumer of time and financial distraction than anticipated".

**Financial Review**

Revenue increased by 4.9% or $1,406,000 over the year to $30,395,000 from $28,989,000.

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.

The pre tax profit of $111,000 for the year ended 30 June 2003 is an improvement of $1,545,000 compared to the previous year's loss of ($1,434,000).

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).

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.

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 debt to equity was 116%.

**Strategic Review**

During the past year the Group has focused on a total review of the Business and market strategy which has emphasised the importance of scale and volume to achieve profitability. This 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 in the growth stage of its life cycle[1]. This is as a result of the preference of end users to outsource their short-term requirements of equipment ownership and responsibility. 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 ameliorate 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.

[1] IBIS L774 31 January 2003

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 both currently studying for an MBA.

Today, the Board has appointed Mr Ray Kelsey as an Executive Director of the Company. Being resident in Victoria, Mr Kelsey will strengthen and improve regional representation and he will play a key role in assisting, developing and reviewing the Group's strategic plan and it's implementation. Please refer to ASX Announcement of today "Appointment of Executive Director" for further details.

**Information Technology**

Our IT platform was upgraded in June 2001 with the introduction of the Baseplan Hire and Accounting system, efficiently manages the business and provides reporting allowing all sectors of the business to improve performance.

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

**Capital Raising**

To take advantage of this increasing demand the Company has announced today a Renounceable Rights Issue to raise $6.3M. The shares are to be issued at 16 cents per share. 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 noteholders. 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 to expand it's equipment hire fleet by the acquisition of new equipment, to effect a payment of loans provided by related party lenders (which monies will be used to subscribe for New Shares) and for payment of expenses incurred in the Rights Issue.

The pricing of the Offer is at a substantial discount to the average sale price in August 2003. In setting the price it has been a priority to ensure the success of the raising and to encourage existing shareholders and noteholders to take up their rights in total or provide them with some opportunity to renounce and sell their right. For further details on the capital raising please refer to announcement of today's date "Renounceable Rights Issue to Raise $6.3M" on our website: www.nationalhire.com.au and click on Investor Relations

For further information contact:

Visit our website at www.nationalhire.com.au and click on Investor Relations

Stephen Donnelley, Managing Director 0418 266 844
Ray Harman, Chief Financial Officer 0438 144 134

**APPENDIX 4E**
**PRELIMINARY FINAL REPORT**

**NATIONAL HIRE GROUP LIMITED (ABN 61 076 688938)**
**FULL YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2003**

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## Results for announcement to the market

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 | Amount Change $A'000 | % Change |
|---|---|---|---|---|
| Revenue from ordinary activities | 30,395 | 28,989 | 1,406 | 4.9 |
| Profit/(loss) from ordinary activities after tax attributable to members | 88 | (894) | 982 | N/A |
| Net profit /(loss) for the period attributable to members | 88 | (894) | 982 | N/A |

### Dividends
No interim dividend was paid and no final dividend is proposed.

### Audit
This report is based on accounts which have been audited.

### Statement of financial performance

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 | Amount Change $A'000 | % Change |
|---|---|---|---|---|
| Sales revenues from ordinary activities | 29,820 | 28,405 | 1,415 | 5.0 |
| Other revenues from ordinary activities | 575 | 584 | (9) | (1.5) |
| Total revenue | 30,395 | 28,989 | 1,406 | 4.9 |
| Cost of goods sold | (20,248) | (20,604) | 356 | 1.7 |
| Administration and marketing costs | (4,767) | (4,355) | (412) | (9.5) |
| Depreciation and amortisation costs | (3,720) | (3,907) | 187 | 4.8 |
| Borrowing costs | (1,549) | (1,557) | 8 | 0.5 |
| **Profit (loss) from ordinary activities before income tax expense** | **111** | **(1,434)** | **1,545** | **N/A** |
| Income tax benefit (expense) relating to ordinary activities | (23) | 540 | (563) | N/A |
| **Profit (loss) from ordinary activities after related income tax expense** | **88** | **(894)** | **982** | **N/A** |

- EBITDA and before significant items at $5,791,000 for the reporting year represents an improvement of $570,000 or 10.9% compared to the previous corresponding period.

- Included in the net profit of $88,000 compared to the previous corresponding period loss of ($894,000) were significant items which reduced profits by $411,000. These significant items include $263,000 for refinancing expenses and $148,000 for employee redundancies. The 2002 significant item expense of $1,192,000 was a result of the HIH Casualty and General Insurance Ltd collapse and company restructure.

## Earnings per share

| | Year ended 30 June 2003 Cents | Year ended 30 June 2002 Cents |
|---|---|---|
| Basic earnings per share | 0.31 | (3.18) |
| Diluted earnings per share | 0.31 | (3.18) |
| | **Number** | **Number** |
| **Weighted average number of ordinary shares used as the denominator**<br>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative earnings per share | 28,109,498 | 28,109,498 |
| Profit (loss) after tax | 88,000 | (894,000) |
| Earnings used in calculating earnings per share | **88,000** | **(894,000)** |

## Commentary

Revenue increased by 4.9% or $1,406,000 over the year to $30,395,000 from $28,989,000.

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.

The pre tax profit of $111,000 for the year ended 30 June 2003 is an improvement of $1,545,000 compared to the previous year's loss of ($1,434,000).

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.

## Statement of financial position

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 |
|---|---|---|
| **Current assets** | | |
| Cash assets | 528 | 126 |
| Receivables | 5,697 | 5,913 |
| Investments | 500 | |
| Inventories | 5 | 14 |
| Other assets | 308 | 289 |
| **Total current assets** | **7,038** | **6,342** |
| **Non-current assets** | | |
| Receivables | 127 | 188 |
| Other investments | 13 | 13 |
| Other property, plant and equipment | 23,573 | 24,963 |
| Intangibles | 6,494 | 6,808 |
| Tax assets | 570 | 584 |
| **Total non-current assets** | **30,777** | **32,556** |
| **Total assets** | **37,815** | **38,898** |
| **Current liabilities** | | |
| Payables | 3,500 | 3,770 |
| Interest bearing liabilities | 5,787 | 5,630 |
| Tax liabilities | 81 | 79 |
| Provisions | 788 | 898 |
| **Total current liabilities** | **10,156** | **10,377** |
| **Non-current liabilities** | | |
| Payables | 1,896 | 1,050 |
| Interest bearing liabilities | 10,004 | 11,813 |
| Tax liabilities | 1,334 | 1,403 |
| Provisions | 246 | 164 |
| **Total non-current liabilities** | **13,480** | **14,430** |
| **Total liabilities** | **23,636** | **24,807** |
| **Net assets** | **14,179** | **14,091** |
| Contributed equity | 13,152 | 13,152 |
| Retained profits | 1,027 | 939 |
| **Total equity** | **14,179** | **14,091** |

### Other property, plant and equipment

The reduction of $1,390,000 resulted from depreciation exceeding new capital expenditure.

### Interest bearing liabilities

During the year the company reduced its interest bearing debt by $1,652,000.

### Statement of cash flows

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 |
|---|---|---|
| **Cash flows related to operating activities** | | |
| Receipts from customers | 29,601 | 27,672 |
| Payments to suppliers and employees | (24,405) | (23,040) |
| Interest and other items of similar nature received | 26 | 6 |
| Interest and other costs of finance paid | (933) | (793) |
| Income taxes refunded/(paid) | (77) | 246 |
| **Net operating cash flows** | **4,212** | **4,091** |
| Payment for purchases of property, plant and equipment | (1,962) | (336) |
| Proceeds from sale of property, plant and equipment | 506 | 441 |
| Other (payment for purchase of investment) | (500) | |
| **Net investing cash flows** | **(1,956)** | **105** |
| Proceeds from director related entities | 1,096 | 800 |
| Proceeds from new financier | 7,810 | |
| Repayment of commercial bills & fully drawn advance to previous financier | (5,350) | |
| Repayments to new financier | (750) | |
| Repayment of other loan | (449) | |
| Repayment of borrowings | (4,211) | (5,273) |
| **Net financing cash flows** | **(1,854)** | **(4,473)** |
| Net increase (decrease) in cash held | 402 | (277) |
| Cash at beginning of period | 126 | 403 |
| **Cash at end of period** | **528** | **126** |

## Statement of cash flows continued

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 |
|---|---|---|
| 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 | 88 | (894) |
| Depreciation of non-current assets | 3,332 | 2,987 |
| Amortisation of non-current assets | 407 | 912 |
| Loss (profit) on disposal of property, plant and equipment | 104 | (127) |
| Interest expense for equipment acquisitions | 509 | 714 |
| Interest expense for convertible notes, scissor lift & other loan | 107 | 39 |
| Decrease in provision for rationalization | | (67) |
| Increase in provision for diminution -- employee share plan | 12 | 49 |
| **Change in operating assets and liabilities** | | |
| Decrease (Increase) in trade debtors | 200 | (327) |
| Decrease in inventories | 9 | 3 |
| Decrease (Increase) in other receivables | 64 | (12) |
| Decrease (Increase) in prepayments | (18) | 34 |
| Decrease in future income tax benefit | 14 | 142 |
| Increase (decrease) in deferred income tax payable | 9 | (723) |
| Increase (decrease) in trade and other creditors | (549) | 1143 |
| Increase (decrease) in employee entitlements | 1 | (36) |
| Increase (decrease) in provision for taxation | (77) | 287 |
| Decrease in employee share plan | | (33) |
| **Net cash inflows from operating activities** | 4,212 | 4,091 |
| **Reconciliation of cash** | | |
| Cash balance comprises: | | |
| Cash on hand | 528 | 126 |
| **Closing cash balance** | 528 | 126 |

## Cash flows

The total GE Capital Finance Pty Ltd funding facility is $16,400,000 of which approximately $12,200,000 is available. The remaining $4,200,000 is available depending on the level of receivables outstanding.

**Liquidation of subsidiary companies**
On the 25th June 2003 seven (7) non trading wholly owned subsidiary companies were liquidated.

The companies liquidated were:
Grepon Pty Ltd
A1 Equipment Rental Pty Ltd
Sandena Holdings Pty Ltd
St George Hire Centre Pty Ltd
Hi-Lift Rentals (Australia) Pty Ltd
Stephen Donnelley Hire (Australia) Pty Ltd
Ronet Pty Ltd

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

**Segment reporting**
National Hire's principal activity is the hire of general equipment, access equipment, temporary site accommodation, containers and portable toilets. These activities are conducted in a single geographical segment being the eastern seaboard of Australia.

**Income tax expense**

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $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 (loss) from ordinary activities before income tax expense | 111 | (1,434) |
| Income tax calculated @ 30% | 33 | |
| **Tax effect of permanent differences:** | | |
| Non-deductible depreciation and amortisation | 94 | 94 |
| Non-deductible interest | 31 | 45 |
| Under provision for tax prior years | | (264) |
| Other non-deductible items | 47 | 39 |
| Tax losses brought to account as a reduction of deferred income tax liability. | (182) | (454) |
| **Income tax expense (benefit) attributable to operating profit (loss)** | **23** | **(540)** |

**Net tangible asset backing**

| | Year ended 30 June 2003 Cents | Year ended 30 June 2002 Cents |
|---|---|---|
| Net tangible asset backing per ordinary security | 27¢ | 26¢ |

**Statement of retained earnings**

| | Year ended 30 June 2003 $A'000 | Year ended 30 June 2002 $A'000 |
|---|---|---|
| Retained profits at beginning of year | 939 | 1,833 |
| Net profit (loss) attributable to members of the parent entity | 88 | (894) |
| **Retained profits at end of year** | **1,027** | **939** |

## INDEPENDENT AUDIT REPORT
## To the members of National Hire Group Limited

**Scope**

We have reviewed the financial report of National Hire Group Limited in the form of Appendix 4E of the Australian Stock Exchange (ASX) Listing Rules, as set out for the year ended 30 June 2003 on pages 1 to 6.

The financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the year or from time to time during the year. The disclosing entity's directors are responsible for the financial report. We have performed an independent audit of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standards and other mandatory professional requirements, statutory requirements and ASX Listing Rules as they relate to Appendix 4E, so as to present a view which is consistent with our understanding of the consolidated entity's financial position , and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge financial report with the Australian Securities & Investment Commission and the ASX.

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

**Audit Opinion**

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

(a) the Corporations Law, including:

 (i) giving a true and fair view of: the consolidated entity's financial position as at 30 June 2003 and its performance for the year ended on that date; and

 (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements and ASX Listing Rules as they relate to Appendix 4E.

| | |
|---|---|
| Date - 22 August 2003 | Weston Woodley & Robertson |
| Address - Level 18, 201 Elizabeth Street, Sydney | Partner - Cameron Johnstone |

The liability of Weston Woodley & Robertson is limited by, and to the extent of , the Accountants' Scheme under the Professional Standards Act 1994 (NSW).