Managing Director's Review

Business conditions

Demand for National Hire's service has been strong throughout 2003/04 driven by 4 key factors.

- Continued strength in the building, construction and engineering sectors
- A longer-term trend to outsourcing and equipment management through hire rather than direct ownership
- Customer service dedication of the entire National Hire team that aims to anticipate the needs of customers to develop realistic and cost effective solutions for their needs
- Investment in plant and equipment has been increased during the year

Increased demand is assisting National Hire to improve business volume and become more cost competitive. In a market environment where it is important to continually deliver improved service and value National Hire is growing market share. The hire market continues to be competitive and will require National Hire to redouble our efforts on delivering scale and volume and extracting synergies from our business.

Strategy

National Hire provides a "One Stop Hire Solution" to customers who are increasingly demanding that they be able to source all of their equipment hire needs from one supplier. Our customers want friendlier ways of doing business with us and to be provided with numerous management benefits. They want equipment and service that can support a safe workplace, improve productivity, better utilise capital resources, and reduce waste and complex administrative paperwork.

National Hire provides equipment that is capital intensive and distributes the equipment through a conveniently located branch network. This builds in a relatively high fixed cost structure to the operating business.

To take advantage of the growth opportunities National Hire has built a business model that allows for a comprehensive equipment range and therefore "One Stop Shop" supply point. This facilitates the comprehensive equipment supply to customers and provides the benefits of scale and synergies of a focused business. Improved customer service levels, better utilisation of capital equipment, higher revenue per location and employee are the results.

Last year we referred to our strategic review and commented that it was the company's intention to source capital that would be used to build equipment stock levels. This was done initially with the $6.3 million renounceable rights issue and continued with the $25 million placement to WesTrac.

The immediate strategic focus for the company is to expand our distribution branch network in NSW /ACT by opening new National Hire The Cat Rental Stores. These Cat Rental Stores will be either standalone facilities or whenever possible co-located with the WesTrac Caterpillar dealership facilities. The ability to leverage off WesTrac customers and the strong and highly respected Caterpillar brand provide National Hire with a competitive advantage. This initial focus will be supported by the extension of our specialist businesses across NSW/ACT and interstate growth.

Milestones

Head and shoulders above all else is the WesTrac partnership and responsibility to roll out The Cat Rental Stores in NSW/ACT. The Caterpillar brand, access to Caterpillar equipment and the benefit of the experienced WesTrac and Caterpillar management have been a company transforming event. As previously discussed this provides the opportunity for sustained growth over the next number of years.

The South-East Queensland market provides good long-term growth and the acquisition of the Ready Hire business provides an excellent platform to capitalise on that market. Along with our Coopers Plains branch the 3 branches of Ready Hire (now re-branded as National Hire) provide coverage of Brisbane and the Gold Coast. Planning is underway to strengthen the distribution capabilities and make provision for the introduction of our specialist services.

Our Baseplan information system continues to provide a stable reliable platform that is user friendly. The flexibility of the system and the expertise of our IT management team came to the fore during the

Managing Director's Review (continued)

Ready Hire acquisition when the change over was completed in 48 hours.

A number of planned improvements will be introduced during the coming 12 months.

Customers

Putting the customer first is imperative at National Hire. We focus on a customer service culture that is constantly checked through satisfaction surveys, focus groups and by just simply asking the customer at the front counter. We impose disciplines and guarantees on ourselves that ensure that we provide "real service". We guarantee to provide the right equipment; on time and that it will be reliable.

We don't own our customers and we have to work hard to maintain their respect and repeat business. We trust that by going that extra little bit, and doing that extra bit more we will earn the customers' loyalty. By being attentive to the changing market and leading the way with new equipment and ideas we will assist our customers to improve safety and productivity.

Our People

The past year has truly been a year that has seen the benefits of hard work and dedication of the National Hire team rewarded. The support and confidence shown by shareholders and WesTrac during the capital raising and placement and the responsibility for The Cat Rental Store brand in NSW/ACT is a strong endorsement of the National Hire team.

The value of our people, their safety and welfare, and the impact they have on the performance of our business is reflected in our results. The level of service leads to strong customer retention and loyalty.

The leadership qualities and values that are the basis of the recruitment and development of our team are continually reinforced and developed in our training programmes.

National Hire is focused on becoming the number one employer of choice in the Australian hire industry.

Brand Management

The National Hire Group is the umbrella for the strong brands we hold in each of our specialist divisions; Portaloo, The Cat Rental Store, Tools & Equipment, Hi Lift, Site Shed and Pumps.

Market strengths of these divisions include the quality of staff, the levels of service, the enhanced distribution footprint, the extensive product range and the Teams' dedication to solving customer needs.

Tools & Equipment

This division provides a tailored equipment hire service to a diverse customer base.

With the introduction of the Caterpillar compact range of mini excavators, rollers and skid steer loaders together with a substantial capital investment in new equipment this year, National Hire is able to offer a complete range of tools & equipment for the hire customer. These customers range from industrial, contractor, and construction, commercial and civil sectors.

Portaloo and Site Shed

With a very strong brand name, leading edge product and experienced management team this division provides a flexible and responsive service taking advantage of the strong conditions in the construction sector. The division is also strong in the industrial and event sectors and provides the most up to date and highest quality portable sanitation hire service and site accommodation to cater from the smallest function to the largest construction project.

Hi Lift

The access division provides an extensive fleet with an emphasis on safety together with strong expertise in the management team to tailor the products to customer needs. This division aims to be the industry leader in response times, product innovation and safety. Customers include commercial, industrial maintenance, film, entertainment, building and government with a focus on the industrial sector.

Managing Director's Review (continued)

Pumps

This is a young division within National Hire. National Hire Pumps has developed through growing market awareness in the government, utilities, building, mining and industrial sectors with a particular focus on civil contractors. The expected growth in major infrastructure projects in the civil sector will be a strong contributor to the growth of this division.

Geographic Locations

National Hire operates in Queensland, New South Wales and Victoria.

National Hire commenced operations in Wollongong in 1981 and currently in NSW has 10 branches including The Cat Rental Stores and the specialist divisions of Portaloo, Hi Lift, Site Shed and Pumps in Sydney and the Illawarra. With the introduction of The Cat Rental Store into NSW/ACT there will be a number of new branches opening across both the metropolitan and regional areas.

In Victoria and Queensland National Hire operates 7 branches offering tools & equipment and access equipment.

Environmental

National Hire continues to develop the environmental improvement programme that follows on from both the internal and external audits that are conducted on a regular basis. These audits drive corrective and preventive actions focused on improving the company best practice in relation to environmental impact.

Key achievements for the year include continued fuel and oil storage management, mobile service and delivery vehicles outfitted with spillage kits and a general improvement in the control of business practices that could impact the environment such as waste removal.

Future improvements will continue to be made in staff training and internal auditing activities.

Occupational Health and Safety

National Hire continues to drive safe systems of work as the way we do work at National Hire. The highlights for the year can be summarised as:

- The introduction of dedicated OH&S induction training in addition to general company and site induction
- The continued development of the job safety analysis library for internal activity
- Continued progress toward the NSW premium discount scheme
- The ongoing green card training for fresh employees working in the construction sector
- Ongoing use of the internal "safety notice" system to broadcast response to actual and near miss incidents
- Continued upgrade and review of safety and presentation standards
- Improved personal protective equipment for employees
- Upgraded lifting equipment on delivery trucks
- OH&S committee audits of branches

Outlook

The outlook for National Hire is very promising over the next few years. With strong demand from key markets together with a clear strategy and a mandate to build branch numbers, National Hire will deliver the results to achieve an increased share of business and deliver shareholders' returns.

Directors' Report

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 2004.

Directors

The following persons were directors of the company during the financial year and up to the date of this report.

Raymond John Romano
Non-executive director (Chairman)
Appointed March 2004

Mr Ray Romano is a director of WesTrac Holdings Pty Ltd, WesTrac Pty Ltd and Allight Pty Ltd. His current operational responsibility is that of managing director of WesTrac in New South Wales. Before joining WesTrac in November 2000, Mr Romano worked for Caterpillar Inc. and Caterpillar dealers for in excess of 25 years which included focused experience in the rental and used equipment markets.

Special responsibilities - Mr Romano is a member of the Audit Committee, Nomination committee (chairman), Remuneration Committee and Safety, Health and Environmental Committee.

Clive Isenberg
Non-executive director
Appointed March 2004

Mr Isenberg is an associate of the Institute of Chartered Accountants in Australia, a fellow of CPA Australia and a graduate of accounting. Mr Clive Isenberg was until the end of August 2004 Managing Director of Scottish Pacific Business Finance Pty Ltd a position held for the past 18 years and for the past 4 years General Manager of St. George Bank Business Customer Division. Mr Isenberg is the founder and inaugural Chairman of the Institute for Factors and Discounters of Australia and New Zealand and was chairman of Factors Chain International (an international association of leading cash flow financiers) between 1997 and 1999.
Mr Isenberg has extensive experience in financial services and for many years was a Director of Bank of Scotland subsidiaries in Australia including Capital Finance Ltd, BOS International Ltd and the holding company of Bank of Western Australia.

Special responsibilities - Mr Isenberg is a member of the Audit Committee, Remuneration Committee (chairman) and Nomination Committee.

Gavin Gerarde Armstrong
Non-executive director
Appointed March 2004

Mr Gavin Armstrong is currently the chief financial officer of the business operated by WesTrac Pty Ltd in New South Wales, which became in April 2004 an authorised Caterpillar dealer for New South Wales and the Australian Capital Territory. Prior to commencing with WesTrac, Mr Armstrong was employed as the group treasurer of Seven Network Limited. Mr Armstrong is a member of the South African and Australian Institute of Chartered Accountants.

Special responsibilities - Mr Armstrong is a member of the Remuneration Committee and Audit Committee.

Stephen Sherwood Donnelley
Managing director
Appointed December 1996

With 25 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 (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.

Mr Star holds Bachelor of Arts and Bachelor of Commerce degrees and is a member of the Institute of Chartered Accountants Australia, Institute of Credit Management and Institute of Company Directors.

Directors' Report (continued)

Special responsibilities - Mr Star is a member of the Audit Committee (chairman), Nomination Committee and Safety, Health and Environmental Committee.

Resignation of directors

Mr John Landerer was a non-executive director (chairman) from the beginning of the financial year until his resignation in March 2004.

Mr Raymond Martin Kelsey was an executive director from the beginning of the financial year until his resignation in March 2004.

Mr Philip Ronald Higginson was a non-executive director from the beginning of the financial year until his resignation in March 2004.

The directors' relevant interests in the company's shares and convertible notes are:

Name	Ordinary shares	Convertible notes
Mr S S Donnelley	19,930,813	333,334
Mr J E Star	298,320	

Principal activities

The principal activity of the consolidated entity during the year was 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 $872,000.

Dividends

No dividends were 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 1 to 3.

Significant changes in state of affairs

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

(a) Equity raising

During the twelve month period the company completed a successful 6-for-5 renounceable rights issue raising $6,301,007 and issuing 39,381,299 fully paid ordinary shares.

The company effected repayment of $1,996,000 loans provided by related party lenders which monies were used to subscribe for new shares in National Hire. Additionally, payments were made of $568,000 relating to expenses incurred in the rights issue.

The capital raising was completed in October 2003.

During December 2003 the company advised by way of an ASX market announcement that it had agreed (subject to shareholder approval and other conditions precedent) to place 100,000,000 fully paid ordinary shares at $0.25 each to WesTrac Pty Ltd. Upon allotment WesTrac emerged as the major shareholder with approximately 60% of the enlarged capital base.

WesTrac is a wholly owned subsidiary of Australian Capital Equity Pty Ltd.

At a General Meeting held in February 2004 shareholders considered and voted in favour of the placement of the aforementioned 100,000,000 fully paid ordinary shares at an issue price of $0.25 each to raise $25,000,000.

Expenses to the placement amounted to $756,000 and the transaction was completed in March 2004.

(b) Business acquisition

On 30 April 2004 the Company settled on the acquisition of the business of Ready Hire Australia Pty Ltd.

Directors' Report (continued)

The purchase increased the National Hire branch network from a single branch to 4 branches in the South East Queensland region.

The 3 new branches are in Mayne and Beenleigh, both suburbs of Brisbane, and Bundall a suburb of the Gold Coast.

(c) Employee options

During November 2003 the Company issued 600,000 employee options, under its employee share option plan.

The period during which the options may be exercised is between 20 November 2005 and 20 November 2007. Further details on the employee share option plans are set out in note 24.

Consolidation of operating branch

During 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 and plant and equipment were transferred to other branches.

After balance date event

There has been no matter or circumstance, since 30 June 2004, that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, and

(c) 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 the company and each of the 3 officers of the consolidated entity receiving the highest emoluments are set out in note 26 and note 27.

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 2004, 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	9	8	1	1	2	2
P R Higginson	9	8	1	1	2	2
J E Star	15	14	2	2	2	2
S S Donnelley	15	15	2	2		
R M Kelsey	7	7				
G G Armstrong	6	6				
C Isenberg	6	5	1			
R J Romano	6	6	1	1		

Mr S Donnelley is not a member of the audit committee.
There was no meeting of the remuneration committee or nomination committee during the year.

Directors' Report (continued)

Options

During November 2003 the company issued 600,000 employee options under its employee share option plan.

The period during which the options may be exercised is between 20 November 2005 and 20 November 2007.

No shares have been issued by the company 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. Further details on the employee share option plans are set out in note 24.

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, the company paid a premium of $17,737 to insure the directors, secretary and officers of the company and its' controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to gain for themselves or someone else or to cause detriment to the company.

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 company and the board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework was completed and approved by the board in August 2004 in light of the best practice recommendations released by the Australian Stock Exchange corporate governance council in March 2003.

The relationship between the board and senior executives is critical to the company's long term success. The directors are responsible to the shareholders for the performance of the company in both the short term and long term. Their focus is to enhance the interest of shareholders and other key stakeholders and to ensure the company is properly managed.

Day to day management of the company affairs and the implementation of the corporate strategy and policies are delegated by the board to the managing director and senior executives.

A description of the company's main corporate governance is set out below. The company did not have all the required charters and policies formalised by the end of the financial year, but were formalising the charters and policies during the latter half of the financial year.

Board composition

The board of National Hire comprises 5 directors. At present the board consists of 2 directors who are considered by the board to be independent. The board acknowledges the ASX corporate governance council recommends that a majority of the board be independent and that the chairman should be an independent director. At present, 3 of the 5 directors, one of whom is the non-executive chairman, are not considered to be independent directors. The board views their inclusion as an advantage because of the particular experience and skills that the chairman, the other non-executive directors and the managing director bring to the governance of the company. The board is of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of the company.

Each director is bound by all of the company's charters, policies, and codes of conduct including:

- Securities trading policy
- Directors' code of conduct
- Corporate code of conduct
- Nomination committee charter
- Remuneration committee charter
- Safety, health and environment charter and terms of reference
- Continuous disclosure policy
- Risk management guidelines and policy
- Shareholders communication and guidelines policy

Responsibilities

The board is responsible for the management of the affairs of the company including;

- Financial strategic objectives
- Evaluating, approving and monitoring the strategic and financial plans of the company
- Evaluating, approving and monitoring the annual budgets and business plans
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities in the company
- Approving all financial reports and material reporting and external communications by the company in accordance with the company's applicable policies

Board members

Details of the members of the board, their experience, expertise, qualification, term of office and independent status are set out in the directors' report. There are 4 non-executive directors, 2 are deemed to be independent under the principles set out below. The other 2 directors, one of whom is the non-executive chairman, are not considered to be independent directors. The board views their inclusion as an advantage because of the particular experience and skills that the chairman, the other non-executive directors and the managing director bring to the governance of the company.

Directors' independence

When determining whether a non-executive director is independent, the director must be a non-executive and:

- Not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- Within the last 3 years, not have been employed in an executive capacity by the company or any other group member, or been a director after ceasing to hold any such employment
- Within the last 3 years not have been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided
- Not be a material supplier or customer of the company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Must have no material contractual relationship with the company or a controlled entity other than as a director of the company
- Not have been on the board for a period which could, or could reasonably perceived to, materially interfere with the director's ability to act in the best interests of the company
- Be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company

Directors' Report (continued)

Terms of office

Non-executive directors are required to seek re-election by shareholders at least every 3 years.

Chairman and managing director.

The chairman is responsible for leading the board, facilitating board discussion and managing the board's relationship with the company's senior executives.

The managing director is responsible for implementing the company strategies and policies.

Commitment

The board held 15 board meetings during the year. The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the number of meetings attended by each director is disclosed on page 6.

Performance assessment

The National Hire board believes that regular assessment of the board's effectiveness and the contribution of individual directors is essential to improve governance of the company.

At least once every financial year, there must be a performance evaluation:

- Of the board which compares the performance of the board with respect to the requirements of this charter and current principles of corporate governance
- Individual director's contributions to the board
- The board's committees
- Establishing the goals and objectives of the board for the upcoming year

Risk assessment and management

A key function of the board is to identify and more importantly prioritise risk arising from business strategies and activities. Risk must be identified to allow the company to plan, assess and execute its strategies. Once risk has been identified and assessed, the management and the board will have the capacity to determine the level of risk that is acceptable to the company. This assessment will also allow for the acceptance of risk designed to accomplish the company's strategic plans. The system will also inform investors of material changes to the company's risk profile.

The guidelines assist the company to establish a sound system of risk oversight and management and internal control.

The board has overall responsibility for the company's internal control environment, and ensures that the company has an integrated framework of control, based on formal procedures and appropriate delegation of authority and responsibility. There is a disciplined approach to identification and management of risk. Management has established and implemented a system for identifying, assessing, monitoring and managing material risk through the organisation. This system includes the company's internal compliance and control systems.

Code of conduct

The corporate code of conduct for the company is designed to maintain confidence in the integrity of the company and the responsibilities and accountability of individuals in the company.

The code sets out the standards that the company will adhere to whilst conducting its' business and includes the approval of the code by the board and senior management as it is their view that the code will benefit the company in all that it strives to achieve and will be the key to the success of the company in the implementation of its' strategies.

The company acknowledges and endorses the expectation that funds of shareholders will be used in a manner that results in the best possible return. In achieving this aim, the directors, officers and employees will undertake their duties with honesty, integrity, care, skill and diligence.

Directors' Report (continued)

The company employees must comply with the letter and the spirit of all laws and regulations by both understanding them and complying with them.

All the company's business activities will be carried out so as to protect the health and safety of employees, contractors, customers and the community while paying proper regards to the protection of the environment.

The company is committed to the health and safety of all employees. The company will work to eliminate hazardous practices and behaviour, which could cause accidents, injuries or illness to employees, contractors, visitors and the general public. The company strives to have injury free workplaces.

The company seeks to develop a diverse workforce and provide a work environment in which everyone is treated fairly and with respect. Merit is the primary basis for employment with the company.

Confidentiality is a key characteristic of an efficient and successful business. Employees are required to protect proprietary, commercial and other information that is confidential to the company.

Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the company.

Board committees

The board has established the following committees:

- Audit committee
- Remuneration committee
- Safety, health and environmental committee
- Nomination committee

These committees are designed to consider specific matters and make recommendations to the board.

Audit committee

The audit committee consists of the following non-executive directors:

Mr J E Star (chairman)
Mr R J Romano
Mr G G Armstrong
Mr C Isenberg

Details of the directors' qualifications and attendance at audit committee meetings are set out in the directors report on pages 4 to 6.

The objective of the audit committee is to assist the board of the company to fulfill its' responsibilities in relation to the company's accounting and financial reporting practices. The audit committee is made up of non-executive directors who are appropriately financially literate and independent of management.

The committee considers:

- The adequacy of the company's accounting system and internal control environment
- The adequacy of the company's system for compliance with relevant laws, regulations, standards and codes
- The effectiveness of their internal accounting controls
- The identification of improvements that can or should be made to the company's internal controls, policies and financial disclosures
- The frequency and significance of all transactions with related parties and assesses their propriety
- The integrity and quality of the company's financial information including financial information provided to ASIC, ASX and shareholders
- The independence, objectivity, scope and quality of the external audit. The board is responsible for the appointment of the external auditor which is ratified at the annual general meeting. When a vacancy occurs the audit committee will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method. The selection and appointment process is the responsibility of the committee

Directors' Report (continued)

Remuneration committee

The remuneration committee consists of the following non-executive directors:

Mr C Isenberg (chairman)
Mr R J Romano
Mr G G Armstrong

Details of the directors' qualifications and attendance at remuneration committee meetings are set out in the directors report on pages 4 to 6.

The remuneration committee charter for the company governs the procedures of the remuneration committee and outlines the procedures and guidelines in relation to the remuneration of directors and senior executives of the company.

The committee is comprised of the 3 non-executive directors. The board will appoint one of these members as the chairman of the committee.

The role of the committee is to review and make recommendations to the board in respect of:

- An executive remuneration and incentive policy
- The remuneration of the managing director and any other executive director, the company secretary and all senior executives reporting directly to the managing director
- An executive incentive plan
- An equity based incentive plan
- The remuneration of non-executive directors
- Superannuation arrangements
- Recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the managing director and any other executive director, the company secretary and all senior executives reporting directly to the managing director
- The disclosure of remuneration in the company's public materials including ASX filings and the annual report.

Further the committee is entitled to direct any special investigation that the committee considers appropriate and to consult any independent expert that the committee considers appropriate to carry out its duties.

Equity-share options granted under the employee share option plan is disclosed in note 24.

Information on directors and executive remuneration is set out in note 26 and note 27 to the financial statements.

Safety, health and environmental committee

The safety, health and environmental committee consists of the following executive and non-executive directors:

Mr S S Donnelley (chairman)
Mr R J Romano
Mr J E Star
Mr C Isenberg

Details of the directors' qualifications and attendance at the safety, health and environmental committee meetings are set out in the directors report on pages 4 to 6.

The company recognises the importance of environmental and occupational health and safety (OH & S) issues and is committed to the highest levels of performance.

The 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.

Information on compliance with significant environmental regulations is set out in the directors' report.

Directors' Report (continued)

Nomination committee

The nomination committee consists of the following non-executive directors:

Mr R J Romano (chairman)
Mr J E Star
Mr C Isenberg

Details of the directors' qualifications and attendance at nomination committee meetings are set out in the directors report on pages 4 to 6.

The nomination committee is a committee of the board which has a primary purpose to support and advise the board in fulfilling its responsibilities to shareholders in ensuring the board consists of members who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance.

For the selection of new directors to the board, the nomination committee will have regard to the skills required and the skills already represented and will implement a process for the identification of suitable candidates for appointment to the board of non-executive directors. The search will be undertaken by an independent third party based on the brief provided by the committee. Re-nomination of non-executives will be reviewed by the committee and then recommendations will be made to the board as to whether the board should support the re-nomination of the retiring director.

Notices of meeting for the election of directors comply with the ASX corporate governance council's best practice recommendations.

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 company has a desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements will be complied with in accordance with their spirit, intention and purpose. In order to achieve this, the company has adopted a continuous disclosure policy, which is crucial for employees and management at all levels to understand and comply with.

The company's main continuous disclosure obligations are set out in:

- ASX Listing Rules
- The Corporations Act 2001

The company makes the following periodic disclosures:

- Annual and half yearly financial reports
- Trading halts and related events
- Information relating to equity securities

The other information that the company is obliged to disclose includes:

- Price sensitive information
- Information required to correct a false market
- Managing director remuneration

The purpose of the shareholders' communications policy is to improve shareholder communication with the company, providing them with useful information about the company and facilitating shareholder participation in company meetings.

The board aims to ensure that shareholders are kept informed of all major developments affecting the company. Examples of the way this is done are:

- Through the distribution of the annual and half yearly reports
- Releases made to the ASX by the company throughout the year with respect to changes in the business, future developments, and other pertinent issues
- In the chairman's address delivered at the annual general meeting.
- Through the National Hire Group Limited website

Directors' Report (continued)

Trading policy

In order to preserve the reputation and integrity of the company, it is vital that when people associated with the company deal in the company's securities those dealings are fair. The general terms of the policy are that employees and directors dealing in the company's securities should:

- Never engage in short term trading of the company's securities and not deal in the company's securities while in possession of price sensitive information
- Notify the company secretary of any material intended transactions involving the company's securities
- Restrict the buying and selling of the company's securities within the 'trading window'

Other 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 2004.

Ray Romano
Chairman

Stephen Donnelley
Managing Director

Financial Statements

Statements of financial performance for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Sales revenues from ordinary activities		**33,221**	29,820	**1,666**	
Other revenues from ordinary activities		**1,274**	575	**432**	2,076
Total revenue	2	**34,495**	30,395	**2,098**	2,076
Cost of goods sold		**(22,609)**	(20,248)		
Administration and marketing costs		**(4,428)**	(4,046)	**(345)**	(483)
Other overheads		**(665)**	(721)	**(352)**	(439)
Depreciation and amortisation costs	3	**(4,091)**	(3,720)		
Borrowing costs	3	**(1,259)**	(1,549)	**(935)**	(905)
Profit from ordinary activities before related income tax expense		**1,443**	111	**466**	249
Income tax expense relating to ordinary activities	4	**(571)**	(23)	**(171)**	(131)
Profit from ordinary activities after related income tax expense attributable to members of the parent entity		**872**	88	**295**	118
Total changes in equity other than those resulting from transactions with owners as owners		**872**	88	**295**	118
		Cents	Cents		
Basic earnings per share	5	**0.97**	0.31		
Diluted earnings per share	5	**0.97**	0.31		

Statements of financial position as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6	**22,796**	528	**22,100**	5
Receivables	7	**6,636**	5,697	**25,117**	19,262
Inventories	8	**11**	5		
Other financial assets	14		500		500
Other assets	9	**671**	308		
Total current assets		**30,114**	7,038	**47,217**	19,767
Non-current assets					
Receivables	7	**125**	127	**125**	127
Investments	10			**7,040**	7,040
Property, plant and equipment	11	**30,612**	23,573		
Deferred tax assets	12	**932**	570	**932**	570
Intangibles	13	**6,180**	6,494		
Other financial assets	14	**13**	13	**13**	13
Total non-current assets		**37,862**	30,777	**8,110**	7,750
Total assets		**67,976**	37,815	**55,327**	27,517

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

Statements of financial position as at 30 June 2004 - continued

	Notes	Consolidated		Parent entity	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current liabilities					
Payables	15	7,774	4,216	302	306
Interest-bearing liabilities	16	3,185	5,787	1,727	2,668
Tax liabilities	17	81	81	19	19
Provisions	18	98	72		
Total current liabilities		11,138	10,156	2,048	2,993
Non-current liabilities					
Payables	15		1,896		1,896
Interest-bearing liabilities	16	9,332	10,004	7,157	7,700
Tax liabilities	17	1,776	1,334	1,655	1,131
Provisions	18	306	246	8	7
Total non-current liabilities		11,414	13,480	8,820	10,734
Total liabilities		22,552	23,636	10,868	13,727
Net assets		45,424	14,179	44,459	13,790
Equity					
Contributed equity	19	43,526	13,152	43,526	13,152
Retained profits	20	1,898	1,027	933	638
Total equity		45,424	14,179	44,459	13,790

Statements of cash flows for the year ended 30 June 2004

	Notes	Consolidated 2004	Consolidated 2003	Parent entity 2004	Parent entity 2003
Cash flows from operating activities					
Receipts from customers		31,945	29,601	1,329	2,060
Payments to suppliers and employees		(22,940)	(24,405)	(293)	(1,063)
Interest received		499	26	432	16
Interest and other costs of finance paid		(890)	(933)	(885)	(842)
Income tax paid		(77)	(77)	(19)	(19)
Net cash inflows from operating activities	21(a)	8,537	4,212	564	152
Cash flows from investing activities					
Acquisition of property, plant and equipment		(7,504)	(1,962)		
Cash paid for purchase of buisness	21(c)	(3,049)			
Proceeds from sale of property, plant and equipment		533	506		
Purchase of investments		500	(500)	500	(500)
Net cash inflows (outflows) from investing activities		(9,520)	(1,956)	500	(500)

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

Statements of cash flows for the year ended 30 June 2004 - continued

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from financing activities					
Loans to related parties				(5,516)	(2,459)
Proceeds from issue of shares		28,081		28,081	
Proceeds from borrowing		1,107	8,906	1,107	8,906
Borrowing repayments		(5,937)	(10,760)	(2,640)	(6,100)
Net cash outflows from financing activities		23,251	(1,854)	21,032	347
Net decrease in cash held		22,268	402	22,095	(1)
Cash at the beginning of the financial year		528	126	5	6
Cash at end of the financial year	21(b)	22,796	528	22,100	5

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

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 company, 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.

Notes (continued)

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 to the profit and loss 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	10% - 50%
Leased plant and equipment	10% - 50%

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 deferred tax assets or a provision for deferred tax liabilities at future taxation rates. Amounts are offset where the tax payable and realisable benefit are expected to occur in the same financial year.

Deferred tax assets in relation to tax losses are not brought to account unless the benefit is virtually certain of realisation.

The company and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The company 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 net profit before tax 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 20 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 12 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 12 months are measured as the present value of the estimated future cash flows to be made for those benefits.

Notes (continued)

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 company option plan and employee share schemes.

No accounting entries are made in relation to the company 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.

Transactions costs on the issue of equity instrument

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of these equity instruments and which would not have been incurred had those instruments not been issued.

Providing for dividends

The new accounting standard on provisions for dividends 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.

Adoption of australian equivalents to international financial reporting standards

Australia is currently preparing for the introduction of international financial reporting standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The key differences in the company accounting policies which will arise from the adoption of International financial reporting standards are:

Goodwill on consolidation

(i) 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.

Notes (continued)

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.

(ii) 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.

Note 2. Revenue

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
Revenue from operating activities					
Sales revenue		**33,221**	29,820		
Interest received		**499**	26	**432**	16
Other revenue		**241**	10		
Management fees				**1,666**	2,060
		33,961	29,856	**2,098**	2,076
Revenue from outside the operating activities					
Proceeds on sale of non-current assets		**534**	521		
Proceeds on sale of small equipment			18		
		534	539		
Revenue from ordinary activities		**34,495**	30,395	**2,098**	2,076

Notes (continued)

Note 3. Profit from ordinary activities

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Individually significant items included in the profit and loss from ordinary activities before income tax expense:					
The Cat Rental Store implementation		416			
Ready Hire Australia Pty Ltd business acquisition		231			
Refinancing expenses			263		
Company restructure and redundancy expenses			148		
Profit and loss from ordinary activities before income tax includes the following net gains and expenses:					
Net losses					
Net loss on disposal of plant and equipment		76	104		
Expenses					
Borrowing costs					
Interest expense and hire purchase interest		1,246	1,462	935	905
Finance charges on capitalised leases		13	87		
Amortisation of non-current assets					
Goodwill		215	215		
Brand names		99	99		
Leasehold improvements		119	115		
Plant and equipment under lease		30	214		
Depreciation of non-current assets					
Plant and equipment		3,628	3,077		
Bad and doubtful debts - trade debtors		572	531		
Diminution of employee share plan loans	7	2	12	2	12
Operating lease rental expense		2,017	2,028		

Note 4. Income tax

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

	Consolidated 2004	Consolidated 2003	Parent entity 2004	Parent entity 2003
Profit from ordinary activities before income tax expense	1,443	111	466	249
Income tax calculated @ 30% (2003 - 30%)	433	33	140	75
Other members of the income tax consolidated group net of intercompany transactions			424	32
	433	33	564	107

Note 4. Income tax - continued

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
Tax effect of permanent differences:					
Non-deductible depreciation and amortisation		**94**	94		
Non-deductible interest		**26**	31	**13**	12
Over provision for tax prior years					66
Other non-deductible items		**18**	47	**18**	99
Less tax effect of:					
Tax losses brought to account as a result of the reduction in deferred income tax liability.			(182)		(121)
Income tax expense attributable to operating profit		**571**	23	**595**	163
Allocation of income tax expense to wholly-owned subsidiaries under the tax sharing agreements				**(424)**	(32)
Income tax attributable to parent entity				**171**	131

Note 5. Earnings per share

	Cents	Cents
Basic earnings per share	**0.97**	0.31
Diluted earnings per share	**0.97**	0.31

	Number	Number
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	**89,936,608**	28,109,498
	$'000	$'000
Operating profit after tax	**872**	88
Earnings used in calculating earnings per share	**872**	88

It has been determined diluted earnings per share was not materially different from basic earnings per share at 30 June 2004.

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 a result of an option holder being made redundant in June 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.

Notes (continued)

Note 6. Cash assets

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash at bank		22,796	528	22,100	5
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		22,796	528	22,100	5

Note 7. Receivables

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Trade debtors		6,802	6,091		
Provision for doubtful debts		(659)	(633)		
		6,143	5,458		
Amounts other than trade debts receivable:					
Other debtors		493	190	339	
Employee share plan	19		110		110
Provision for diminution	3		(61)		(61)
Controlled entities	33			24,778	19,213
		6,636	5,697	25,117	19,262
Non-current assets					
Trade debtors		16	16	16	16
Amounts other than trade debts receivable from related parties:					
Employee share plan	19	111	111	111	111
Provision for diminution	3	(2)		(2)	
		125	127	125	127

Note 8. Inventories

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Fuel at cost		11	5		

Note 9. Other assets

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Prepayments		671	308		

Notes (continued)

Note 10. Investments

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Non-current assets					
Controlled entities:					
DWB Unit Trust at cost	33			7,750	7,750
Provision for diminution - Investment in DWB Trust				(710)	(710)
				7,040	7,040

Note 11. Property, plant and equipment

	2004 $'000	2003 $'000
Leasehold improvements		
At cost	853	841
Accumulated amortisation	(502)	(441)
	351	400
Plant and equipment		
At cost	46,506	36,560
Accumulated depreciation	(16,327)	(14,004)
	30,179	22,556
Plant and equipment under lease		
At capitalised cost	254	1,063
Accumulated amortisation	(181)	(460)
	73	603
Capital works in progress	9	14
Total plant and equipment	30,612	23,573

Reconciliations

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

	2004 $'000	2003 $'000
Leasehold improvements		
Carrying amount at beginning of year	400	432
Additions	90	83
Disposals	(20)	
Amortisation	(119)	(115)
Carrying amount at 30 June	351	400
Plant and equipment		
Carrying amount at beginning of year	22,556	20,756
Additions	8,423	2,533
Additions through acquisition of business	2,938	

Note 11. Property, plant and equipment - continued

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Transfer from capital works in progress		5	19		
Disposals		(585)	(576)		
Transfer from plant and equipment under lease		527	3,041		
Depreciation		(3,685)	(3,217)		
Carrying amount at 30 June		30,179	22,556		
Plant and equipment under lease					
Carrying amount at beginning of year		603	3,770		
Additions					
Disposals		(4)	(34)		
Profit brought to account on sale of leased back transaction		17			
Transfer to plant and equipment		(527)	(3,041)		
Amortisation		(16)	(92)		
Carrying amount at 30 June		73	603		
Capital works in progress					
Carrying amount at beginning of year		14	5		
Additions			28		
Transfer to property, plant and equipment		(5)	(19)		
Carrying amount at 30 June		9	14		
Total property, plant and equipment					
Carrying amount at 30 June		30,612	23,573		

Note 12. Deferred tax assets

Future income tax benefit	932	570	932	570

Note 13. Intangibles

Goodwill - at cost	4,310	4,310
Less: Accumulated amortisation	(1,488)	(1,272)
	2,822	3,038
Brand names - at cost	3,950	3,950
Less: Accumulated amortisation	(592)	(494)
	3,358	3,456
	6,180	6,494

Notes (continued)

Note 14. Other financial assets

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current other financial assets					
Investments			500		500
Non-current other financial assets					
Investment in associated company	31	**13**	13	**13**	13

Note 15. Payables

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current liabilities					
Trade creditors		**2,049**	2,250		
Other creditors		**5,725**	1,966	**302**	306
		7,774	4,216	**302**	306
Non-current liabilities					
Trade creditors			1,896		1,896

Note 16. Interest-bearing liabilities

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current liabilities					
Secured					
Other financiers and hire purchase liabilities		**3,140**	5,418	**1,727**	2,668
Lease liabilities-finance leases	23	**45**	369		
		3,185	5,787	**1,727**	2,668
Non-current liabilities					
Secured		**5,975**	6,652	**3,800**	4,393
Lease liabilities-finance leases	23		45		
		5,975	6,697	**3,800**	4,393
Unsecured					
Convertible notes		**3,357**	3,307	**3,357**	3,307
		9,332	10,004	**7,157**	7,700

Lease and hire purchase liabilities

Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.
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 charge cover 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.

Note 16. Interest-bearing liabilities - continued

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.

	Notes	Consolidated		Parent entity	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Reconciliation of convertible notes:					
Balance at beginning of year		**3,307**	3,263	**3,307**	3,263
Interest accrued during the year applied to non-current liabilities		**50**	44	**50**	44
Balance at end of year		**3,357**	3,307	**3,357**	3,307
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
Other financiers		**16,400**	16,400	**16,400**	16,400
Facilities utilised at balance date:					
Other financiers		**5,527**	7,060	**5,527**	7,060
Facilities not utilised at balance date:					
Other financiers		**10,873**	9,340	**10,873**	9,340

The current funding facility is limited to $13,600,000 of which approximately $9,550,000 is currently available. The remaining $4,050,000 is available depending on the level of receivables outstanding.

Note 17. Tax liabilities

Current liabilities				
Provision for income tax	**81**	81	**19**	19
Non-current liabilities				
Provision for income tax	**70**	146	**39**	39
Provision for deferred income tax	**2,340**	2,791	**2,250**	2,695
Less future income tax benefits attributable to tax losses	**(634)**	(1,603)	**(634)**	(1,603)
	1,776	1,334	**1,655**	1,131

Notes (continued)

Note 18. Provisions

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current liabilities					
Employee benefits	24	**98**	72		
Non-current liabilities					
Employee benefits	24	**306**	246	**8**	7

Note 19. Contributed equity

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Issued and paid up share capital				
167,490,797 fully paid ordinary shares	**43,201**	12,827	**43,201**	12,827
Other contributed equity				
4,708,334 convertible notes - equity portion	**325**	325	**325**	325
	43,526	13,152	**43,526**	13,152
Movements in issued and paid up capital:				
(a) Ordinary shares				
At the beginning of the financial year				
28,109,498 fully paid ordinary shares	**12,827**	12,827	**12,827**	12,827
Ordinary shares issued during the year:				
39,381,299 renounceable rights issue	**5,903**		**5,903**	
100,000,000 fully paid ordinary shares	**24,471**		**24,471**	
Balance at end of year	**43,201**	12,827	**43,201**	12,827

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.

During October 2003 the company successfully completed a 6 for 5 renounceable rights issue raising $6,301,007 and issuing 39,381,299 fully paid ordinary shares.

During March 2004 the company successfully completed the placement of 100,000,000 fully paid ordinary shares at $0.25 each to WesTrac Pty Ltd.

Employee share option plan

During November 2003 the company issued 600,000 employee options, under its employee share option plan.

The period during which the options may be exercised is between 20 November 2005 and 20 November 2007.

On 17 April 2000 the parent entity issued 594,082 free options to selected employees to acquire ordinary shares at an exercise price of $0.58 each. The options were to be exercised no later than 14 April 2005.

On the 30 June 2003 there were 190,106 unissued ordinary shares under option. On 22 August 2003 an Option Cancellation Deed was executed by all relevant parties cancelling 190,106 options.

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

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

Note 19. Contributed equity - continued

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(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.

Note 20. Retained profits

Retained profits at beginning of year		**1,027**	939	**638**	520
Net profit attributable to members of the parent entity		**871**	88	**295**	118
Retained profits at end of year		**1,898**	1,027	**933**	638

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 from ordinary activities after income tax		**872**	88	**295**	118
Depreciation of non-current assets		**3,658**	3,332		
Amortisation of non-current assets		**358**	407		
Loss on disposal of property, plant and equipment		**76**	104		
Interest expense for equipment acquisitions		**280**	509		
Non cash interest expense		**90**	107	**49**	44
Increase in provision for diminution - employee share plan	7	**2**	12	**2**	12
Change in operating assets and liabilities					
Decrease (increase) in trade debtors		**(685)**	200		
Decrease (increase) in inventories		**(5)**	9		
Decrease (increase) in other receivables		**(260)**	64	**(337)**	(12)
Decrease (increase) in prepayments		**(358)**	(18)		18
Decrease (increase) in future income tax benefit		**52**	14	**35**	(501)
Increase in deferred income tax payable		**520**	9	**543**	471
Increase (decrease) in trade and other creditors		**3,801**	(549)	**(4)**	22
Increase (decrease) in employee entitlements		**213**	1		(1)
Decrease in provision for taxation		**(77)**	(77)	**(19)**	(19)
Net cash inflows from operating activities		**8,537**	4,212	**564**	152
(b) Reconciliation of cash					
Cash balance comprises:					
Cash on hand		**22,796**	528	**22,100**	5
Closing cash balance		**22,796**	528	**22,100**	5

Notes (continued)

Note 21. Statements of cash flows - continued

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(c) Acquisition of business					
During the year the business of Ready Hire Australia Pty Ltd was acquired.					
Details of this transaction are as follows:					
Purchase consideration		3,049			
Assets and liabilities held at acquisition date:					
Property, plant & equipment		2,788			
Receivables		298			
Future tax benefit		16			
Provisions		(53)			
		3,049			
Outflow of cash to acquire the business of Ready Hire Australia Pty Ltd.					
Cash consideration		3,049			
Outflow of cash		3,049			

(d) Non cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with an aggregate value of $1,038,933 (2003: $663,335) 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.		1,178	1,102	1,178	1,102

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		2,137	2,025		
Later than 1 year and not later than 10 years		6,907	5,034		
Aggregate lease expenditure contracted for at end of year		9,044	7,059		

Property leases are non-cancellable leases of 5 or 10 year terms with options for further 5 year periods.

Note 23. Commitments for expenditure - continued

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Finance leases					
Not later than 1 year		**45**	387		
Later than 1 year and not later than 5 years			45		
Total minimum lease payments		**45**	432		
Future finance charges			(18)		
Lease liability contracted for at end of year		**45**	414		
Shown in the financial statements under the following headings:					
Lease liability (current)	16	**45**	369		
Lease liability (non-current)	16		45		
		45	414		

Finance leases of equipment are non cancellable and are over 3 to 5 year terms.

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

Note 24. Employee benefits

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Employee benefits					
Aggregate liability for employee benefits, including on-costs:					
Current					
Included in other creditors - current	15	**898**	716		
Provision for employee benefits - current	18	**98**	72		
		996	788		
Non-current					
Provision for employee benefits - non current	18	**306**	246	**8**	7
Aggregate employee benefits liability		**1,302**	1,034	**8**	7

	Number	Number	Number	Number
Number of employees				
Number of permanent employees at year end	**183**	137	**1**	1
Employee share option plan				
(a) The number of share options held by employees are as follows :				
Opening balance	**190,106**	427,739	**190,106**	427,739
Granted during the year	**600,000**		**600,000**	
Lapsed during the year	**(190,106)**	(237,633)	**(190,106)**	(237,633)
Closing balance	**600,000**	190,106	**600,000**	190,106

(b) Details of share options outstanding as at end of year:

Grant Date	Expiry and exercise date	Exercise price $				
20-Nov-2003	20-Nov-2007	0.20	**600,000**		**600,000**	

Note 24. Employee benefits - continued

Employee share option plan

During November 2003 the company issued 600,000 employee options, under its employee share option plan.

The period during which the options may be exercised is between 20 November 2005 and 20 November 2007.

Employee share options carry no rights to dividends or voting rights.

In accordance with the terms of the employee share scheme, options issued during the year ended 30 June 2004 vest at the date of their issue.

In accordance with the terms of the employee share options scheme, options may be exercised at any time from the date of their issue to the date of their expiry.

Employee share plan

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

Shares acquired by employees are funded by interest free loans which are repaid by the dividends paid on the shares. The outstanding loan balance is repayable on cessation of employment with the consolidated entity.

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 the company and certain controlled entities contributed to the National Hire Staff Superannuation Plan administered by AMP Custom Superannuation Fund. 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 13 employees were contributing.

At balance date the National Hire Staff Superannuation fund was valued with assets of approximately $3.12 million.

Note 25. Contingent liabilities

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$	$	**$**	$
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:		**88,500**		**88,500**	

Note 26. Director and executive remuneration

The following persons were directors of the company during the financial year:

Chairman - non-executive director

Mr R J Romano (appointed March 2004)

Managing director

Mr S S Donnelley, executive director

Non-executive directors

Mr J E Star

Mr C Isenberg (appointed in March 2004)

Mr G G Armstrong (appointed in March 2004)

Mr J Landerer was an non-executive director (chairman) from the beginning of the financial year until his resignation in March 2004.

Mr R M Kelsey was an executive director from the beginning of the financial year until his resignation in March 2004.

Mr P R Higginson was an non-executive director from the beginning of the financial year until his resignation in March 2004.

Parent entity directors' remuneration

Details of the remuneration of each director of the Company are set out in the following table.

2004	Primary		Post Employment	
Name	Cash Salary and fees $	Non-monetary benefits $	Superannuation $	Total $
R J Romano, chairman	16,393			16,393
J Landerer*	33,333		3,000	36,333
P R Higginson*	20,000		1,800	21,800
G G Armstrong	9,836			9,836
C Isenberg	9,836			9,836
J E Star	30,000		2,700	32,700
S S Donnelley, managing director	188,884	27,070	16,999	232,953
Total	308,282	27,070	24,499	359,851

Superannuation equates to the amount of contribution paid into the approved scheme. During the year ended 30 June 2004 this contribution was 9%.
Directors remuneration payments for Mr R J Romano and Mr G G Armstrong are paid to WesTrac Pty Ltd.
* Includes non-executive directors remuneration from the beginning of the financial year until their resignations in March 2004

Note 26. Director and executive remuneration - continued

Specific directors

2004	Primary		Post Employment	
Name	Cash Salary and fees $	Non-monetary benefits $	Superannuation $	Total $
R Kelsey resigned in March 2004	78,876		7,099	85,975
Less: Remuneration as employee	(24,483)		(2,204)	(26,687)
Total	54,393		4,895	59,288
2003				
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, managing director	192,189	23,723	16,999	232,911
Total	302,189	23,723	26,899	352,811

Note 27. Executive remuneration

Executives (other than directors) with the greatest authority for strategic direction and management

Name	Position	Employer
R B Harman	Chief Financial Officer	National Hire Administration Pty Limited
G R Parfitt	NSW State Manager and National Sales & Marketing Manager	National Hire Administration Pty Limited
A Manning	NSW Operations Manager	National Hire Administration Pty Limited

All the above persons were executives during the year ended 30 June 2004.
Details of the remuneration of each executive of the Company are set out in the following table.

Executives of the consolidated entity

2004	Primary		Post Employment	Equity	
Name	Cash Salary and fees $	Non-monetary benefits $	Superannuation $	Options $	Total $
R B Harman	149,204	11,230	21,562	698	182,694
G R Parfitt	137,090	12,150	698		149,938
A Manning	113,374	4,207	10,090	698	128,369
Total	399,668	15,437	43,802	2,094	461,001
2003					
R Lawson*	287,873	15,409	8,046		311,328
R B Harman	135,363	16,025	20,250		171,638
G R Parfitt	111,005	10,425	9,890		131,320
A Manning	102,022		8,690		110,712
Total	636,263	41,859	46,876		724,998

*Includes R Lawson redundancy and employee entitlement benefit payable on termination of $196,689.

Notes (continued)

Note 27. Executive remuneration - continued

2004 Options -Series	Vested No.	Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date
R B Harman, executive	200,000	20-Nov-2003	0.20	20-Nov-2005	20-Nov-2007
G R Parfitt, executive	200,000	20-Nov-2003	0.20	20-Nov-2005	20-Nov-2007
A Manning, executive	200,000	20-Nov-2003	0.20	20-Nov-2005	20-Nov-2007
Total	600,000				

The formula rewards executives against the extent of the company's and individual's performance against both qualitative and quantitative criteria from the following financial and customer service measures:

* improvement in share price
* improvement in net profit
* improvement in return to shareholders

Shareholdings

Number of shares held by parent entity directors and executives

Parent entity directors	Balance as at 1 July 2003	Net change other*	Balance as at 30 June 2004
S S Donnelley	8,871,826	11,058,987	19,930,813
J E Star	101,925	196,395	298,320
Executives			
R B Harman		300,641	300,641
G R Parfitt	43,012	40,570	83,582
A Manning	41,699		41,699
Total	9,058,462	11,596,593	20,655,055

* Net change other refers to shares purchased or sold during the financial year

Note 28. Remuneration of auditors

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$	$	**$**	$
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		**61,000**	67,300	**61,000**	67,300
Other services including taxation returns, taxation advice, due diligence, accounting assistance and advice on group structure		**70,008**	94,460	**70,008**	94,460
		131,008	161,760	**131,008**	161,760

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:

Fixed interest rate maturing

	Weighted average effective interest rate		Floating interest rate		Within year		1 to 5 years		Non-interest bearing		Total	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Financial assets												
Cash	2.65	2.30							22,796	528	22,796	528
Receivables									6,761	5,824	6,761	5,824
Total financial assets									29,557	6,352	29,557	6,352
Financial liabilities												
Bank loans and overdraft												
Trade and sundry creditors									7,774	6,112	7,774	6,112
Other loans	8.26	8.02	5,527	7,060	1,413	2,749	2,175	2,260			9,115	12,069
Lease liabilities	13.57	8.60			45	369		45			45	414
Convertible notes	10.00	10.00					3,357	3,307			3,357	3,307
Total financial liabilities			5,527	7,060	1,458	3,118	5,532	5,612	7,774	6,112	20,291	21,902
Net financial assets (liabilities)			(5,527)	(7,060)	(1,458)	(3,118)	(5,532)	(5,612)	21,783	240	9,266	(15,550)

(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.

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

	2004		2003	
	Carrying amount	Net fair value	Carrying amount	Net fair value
Financial assets				
Cash	22,796	22,796	528	528
Receivables	6,761	6,761	5,824	5,824
	29,557	29,557	6,352	6,352
Financial liabilities				
Trade and other creditors	7,774	7,774	6,112	6,112
Other loans	9,115	9,115	12,069	12,069
Lease liabilities	45	45	414	414
Convertible notes	3,357	3,357	3,307	3,307
	20,291	20,291	21,902	21,902

Notes (continued)

Note 30. Related party disclosures

The directors of the company during the financial year were:

- R J Romano (chairman) appointed on 2 March 2004
- S S Donnelley (managing director)
- J E Star (non-executive director)
- G G Armstrong (non-executive director) appointed 2 March 2004
- C Isenberg (non-executive director) appointed 2 March 2004

As a result of the issue of the placement shares to WesTrac Pty Ltd, 3 non-executive directors resigned in March 2004. The directors were:

- J Landerer (chairman) resigned on 2 March 2004
- P R Higginson (non-executive director) resigned 2 March 2004
- R M Kesley (executive director) resigned 2 March 2004

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	2004 $'000	2003 $'000
National Hire Group Limited	Landerer & Company	a	**46**	139
DWB (NH) Pty Limited	Nusuna Pty Limited	b	**307**	296
DWB (NH) Pty Limited	Brooke Developments Pty Limited	b	**73**	73
DWB (NH) Pty Limited	Bendshaw Pty Limited	b	**47**	47
DWB (NH) Pty Limited	St George Plant Hire Pty Limited	b	**160**	122
DWB (NH) Pty Limited	Abbott Properties Pty Limited	b	**401**	325
National Hire Group Limited	Stirhill Pty Limited	c		746
National Hire Group Limited	Ganeden Investments Pty Limited	c		100
National Hire Group Limited	Permian Holdings Pty Limited	c	**100**	
National Hire Group Limited	WesTrac Pty Ltd	d	**67**	

Transaction types

a	Provision of legal advice
b	Property rentals
c	Loans
d	Commercial transactions

Notes (continued)

Note 30. Related party disclosures - continued

Particulars of the above transactions with directors and related parties:

Mr J Landerer, is the principal partner of Landerer & Company, Solicitors, a firm which rendered legal services to companies in the consolidated entity. All transactions were on normal commercial terms and conditions and in the ordinary course of business. Mr Landerer resigned as director of the company in March 2004. Total fees paid and payable to Landerer & Company, for services rendered during the period up to March 2004 was $45,747 (2003: $139,728).

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 $587,166 (2003: $538,710).

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 $400,723 (2003: $324,852).

During the reporting period Permian Holdings Pty Limited an entity associated with Mr J Star funded the company $100,000 by way of an interest free unsecured loan. The loan was effectively repaid.

During the reporting period the company effected repayment of $100,000 provided by Ganeden Investments Pty Limited an entity associated with Mr J Landerer. The money was used to subscribe for new shares in the company.

During the reporting period the company effected repayment of 746,000 provided by Stirhill Pty Limited an entity associated with Mr S Donnelley. The money was used to subscribe for new shares in the company.

During the reporting period commercial transactions were entered into with the related party WesTrac Pty Ltd. Hire of equipment to WesTrac Pty Ltd totalled $502,219 and purchase of property, plant and equipment from WesTrac Pty Ltd totalled $569,957.

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	
		2004	2003	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Unity Plant Services Pty Ltd	Hire of plant and equipment	25%	25%	**13**	13	**13**	13

Note 32. Events occurring after balance date

There are no events or circumstance occurring after balance date that has a significant affect on the financial accounts.

Note 33. Controlled entities

Parent Entity

National Hire Group Limited controlled entities:

	Percentage	State of owned 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

Note 34. Segment information

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

Directors’ Declaration

The directors of the company declare that the financial statements and notes set out on pages 14 to 39:

(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 2004 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 2004.

John Star
Non-executive Director

Stephen Donnelley
Managing Director

Auditor's Report

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 2004 as set out on pages 14 to 39.

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 2004 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 2004

Weston Woodley & Robertson

Cameron Johnstone
Partner

Chartered Accountants
Level 18, 201 Elizabeth Street
Sydney NSW 2001

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

Investor Information

The shareholder information set out below was applicable as at 30 August 2004.

20 Largest shareholders

Ordinary shares

Name	Number held	Percentage of shares issued
WesTrac Pty Limited	100,000,000	59.7
Stirhill Pty Limited	19,930,813	11.9
Nusuna Pty Limited	2,764,214	1.7
Mrs Katherine Boden	1,988,357	1.2
Mr Robert Felton Newman	1,984,721	1.2
Hochma Developments Fund	1,045,016	0.6
Blaironia Pty Limited	912,681	0.5
Bernie No 132 Nominees Pty Limited	878,229	0.5
Gasweld Pty Limited	846,462	0.5
Citicorp Nominees Pty Limited	700,000	0.4
Rennel Pty Limited	600,000	0.4
Mr Hugh Maitland Prettejohn	500,000	0.3
Warana Holdings Pty Limited	461,685	0.3
Mr Steven John Palamara	445,000	0.3
Questor Financial Services	434,514	0.3
Mr Michael Richard Ellis	400,000	0.2
Ms Patricia Grace Walker	400,000	0.2
Mrs Jane Holyman	384,738	0.2
Digger Industrial Group Pty Limited	350,000	0.2
Mr Raymond Barry Harman	300,641	0.2
	135,327,071	80.8
Number of issued ordinary shares	**167,490,797**	

Investor Information (continued)

Convertible unsecured notes

Name	Number held	Percentage of notes issued
ANZ Nominees Limited	1,025,000	21.8
National Nominees Limited (Equipsuper 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
M Hurwitz Pty Limited	112,000	2.4
S F Ewen Enterprises Pty Limited (Super Fund A/C)	100,000	2.1
Rag Superannuation Pty Limited	80,000	1.7
Invia Custodian Pty Limited	78,000	1.7
Eddagate Pty Limited	42,000	0.9
Warren Investments Pty Limited	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
Mr Robert Henry Caldicott & Mrs Barbara Caldicott	30,000	0.6
	3,913,667	83.1
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
WesTrac Pty Limited	100,000,000	59.7
Stirhill Pty Limited	19,930,813	11.9

Distribution schedule of holders of the company's equity securities

	Ordinary shares	Convertible notes
1 - 1,000	106	1
1,001 - 5,000	340	10
5,001 - 10,000	417	27
10,001 - 100,000	737	40
100,001 and Over	60	12
	1,660	90

There are 119 holders of ordinary shares having less than a marketable parcel of 1,190 ordinary shares.

Investor Information (continued)

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

Corporate Calendar
Corporate Directory
Share Registry Enquiries

Corporate calendar

Convertible note interest payable	31 October 2004
2004 annual general meeting	16 November 2004
Half year end	31 December 2004
Half year profit announcement	February 2005
Convertible note interest payable	30 April 2005
Financial year end	30 June 2005
Financial year profit announcement	August 2005

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

Corporate directory

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

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

Directors
R J Romano
Chairman

C Isenberg
Non-executive director

G G Armstrong
Non-executive director

S S Donnelley
Managing director

J E Star B. COM, B.A. FCA
Non-executive director

Company secretary
R B Harman FCPA, FCIS, MFTA,

Executive group
R B Harman FCPA, FCIS, MFTA,

G R Parfitt B.EC,

A C Manning B.ED,

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