

A N N U A L



R E P O R T 2 0 0 2

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**Notice of Meeting**

The Annual General Meeting of the Company will be held at the Green Room, Wesley Conference Centre, 220 Pitt Street, Sydney on Tuesday 26 November 2002 at 10.00am

**Registered Office**

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HILLSDALE NSW 2036  
Telephone: (02) 9582 7922  
Facsimile: (02) 9666 3701  
[www.nationalhire.com.au](http://www.nationalhire.com.au)

**Auditors**

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

**Solicitors**

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

**Bankers**

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

**Share Registry**

Registries Limited  
Level 2,  
28 Margaret Street  
SYDNEY NSW 2000  
Telephone: (02) 9279 0677  
Facsimile: (02) 9279 0664

**Directors**

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

**Company Secretary**

K J Stanton ACA, FCIS

**Executive Group**

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

## Our Company

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

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## Our Vision

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

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

## Our Strategic Intent

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

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

## Our Success

Will be achieved through:

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

**OVERVIEW**

The past year has allowed us to clearly demonstrate the resilience of National Hire and the determination of staff and management. The adverse and volatile business conditions that continued to confront the building and construction industry post the Olympics and the introduction of the GST have presented considerable challenges. Along with this have been the concerns, distraction and financial impact caused to the Group having to bear direct liability in a damages claim due to the collapse of HIH Casualty and General Insurance Ltd (HIH).

The Group has focused on cost restructuring, debt management and procedure improvement, including upgrading and expanding of the IT system. Accordingly as market conditions improve National Hire is in a position to take advantage of this growth.

Most pleasingly the second half saw the company return to profitability excluding the costs associated with the damages claim previously mentioned.

**REVIEW**

Comparing the two half year periods the decline in the first half-year was 8.8% and in the second half of the year the result was static (compared to the period Jan-Jun 2001). The revenue decline is a result of lower utilisation caused by slower demand from the building and construction industry. Revenue has declined this year by 4.8% or \$1,472,000 to \$28,989,000.

Following the post GST and Olympics building and construction industry downturn the market was affected by the collapse of HIH and the impact on the Homeowners Warranty insurance scheme.

The events of September 11 again interrupted the market, with considerable impact on revenue.

Operating costs before significant items fell by \$1,209,000. This flows from an aggressive attitude on cost cutting and cost control and some reduction from lower variable costs. The lower cost base will assist in delivering higher profits as the revenue line grows.

\$5,221,000 earnings were generated before interest, tax, depreciation, amortisation and the significant items clearly demonstrating the strong cash flow of National Hire and a key strength of the hire business.

This year depreciation charges increased by \$281,000 to \$3,593,000.

Earnings before interest, tax and significant items was \$1,315,000

Interest costs declined by \$114,000 as a result of net interest bearing liability reductions of \$2,060,000 during the year.

The year's operating loss before tax and significant items (damages claim cost and redundancy) was \$242,000.

A cost of around \$1,000,000 relates to the damages claim as mentioned above and detailed later.

The after tax loss of \$894,000 for the 12 months to 30 June 2002 compares to a profit of \$109,000 for the previous corresponding period.

**Impact of the collapse of HIH Casualty and General Insurance Ltd**

The settlement figure of \$1,000,000 follows negotiations with GIO/WorkCover and Allianz (the insurers of the first and second defendants in the matters). The amount of \$1,000,000 was paid by an initial installment of \$250,000 and then, commencing August 2003, semi-annual installments of \$75,000 concluding in February 2008. No interest is payable on the future installments.

The initial payment of \$250,000 to GIO/WorkCover and Allianz is being made from funds provided to the Company by Stirhill Pty Ltd being the largest shareholder in the Company and a company associated with the Company's Chief Executive Officer, Mr. Stephen Donnelley. This amount will be repaid and/or converted to equity with shareholder approval.

Now that the Company has reached settlement of the above matter, it will seek legal advice as to recovery rights.

**Redundancy and Branch Restructuring**

The anticipated recovery following the downturn post the Olympics and the introduction of the GST did not materialise. Further set-backs were caused to the building industry by the disruptions in obtaining home warranty insurance and the unsettling events of 11th September 2001. This demanded the need to reduce costs by branch restructuring and redundancies resulting in an expense of \$250,000 in October/November 2001.

**Dividends**

As it is the strategic intent to grow National Hire to being an ASX 300 listed company there will be a balance between retaining earnings to facilitate internal growth and the payment of dividends. No dividends have been paid or declared during or in relation to the reporting period. The Directors will declare dividends after considering the requirements of the business including growth opportunities and capital expenditure.

**Outlook**

It is pleasing to note that the demand in the building and construction sector combined with the cost reductions and efficiencies being achieved in the second half of this year has resulted in National Hire Group recording a profit in that period.

The resolution of the HIH insurance matter allows the focus of management and resources towards the further recovery and growth of the business.

National Hire has relocated one Victorian branch from Mt Waverley to Dandenong and in October will relocate the Penrith branch to a new site. The organic growth from these relocations will continue in parallel with National Hire's objective to grow through strategic acquisitions and by pursuing appropriate growth opportunities.

The building and construction industry is in a cyclical upswing. Non-dwelling construction, infrastructure projects and alterations and additions to existing residences are poised for strong recovery whilst it can be expected that new residential construction will soften. It is expected that this increasing activity will drive demand for hire services over the next few years.

National Hire is introducing a reporting process to set and monitor time and dollar utilisation, budgets and achievement called Hire Realisation. The information will be used for the sales team to refine the selling process and to assist in equipment purchasing decisions.

Continuing development of the skills and quality of the National Hire Team remains a key strategy. Training, appropriate incentives and concentration on safety will deliver industry leading customer service at the lowest cost. Succession planning to facilitate growth and business continuity is continually being addressed.

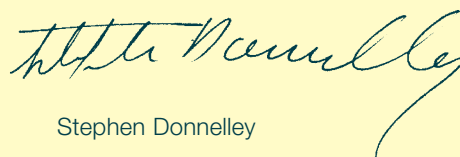
It is recognised that for National Hire to deliver true value to shareholders and best deliver the benefits from being an Australian Stock Exchange listed company we need to be relevant. Relevance will come as a result of market capitalisation and liquidity. That is why as a first target we have set the goal of becoming an ASX 300 company as a priority. The potential market of \$2.2 billion a year hire industry, identified by the Australian Bureau of Statistics, suggests that the possibility of closing the gap from today's market capitalisation to the goal is achievable. The growth will come from acquisitions, mergers and organic growth. There will always be balance required between short-term earnings growth and delivering on the target, particularly in a capital intensive and cyclical business. In the coming year the focus will be on improving the distribution network, maximising returns from delivering scale to our specialist businesses, appropriate acquisitions and reducing costs associated with rehire and equipment transfers.

Based on the above the Directors are confident that the recent positive trends will continue. The Group however recognises that the Australian economy can be affected by unstable external factors. The economy is currently in a low inflationary cycle and therefore focus on cost control and debt reduction must be maintained.

The past year has been both challenging and rewarding allowing us to demonstrate the resilience of National Hire and the determination of staff and management. Thank you to all our Team, shareholders and suppliers.



John Landerer  
Chairman



Stephen Donnelley  
Managing Director

## NATIONAL HIRE TOOLS AND EQUIPMENT

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

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

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

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

**Progress:** The 2001-2002 financial year has been challenging for the Division. Turnover was \$17.9 million which is 5% down on last year. The reduction is due to continued price pressure and discounting, the closure of Hornsby and Arncliffe branches as a cost reduction initiative as well as a reduction in market confidence as a result of September 11th.

The second half performance produced improved results and the market is showing signs of recovery. Our major construction customers remained strong due to activity in multi-dwelling construction. We did not manage expected gains in the Industrial sector due to lower than expected capital investment.

**Outlook:** 2002-2003 will provide growth of over 10% for this Division. This will be achieved due to better market conditions as well as improvements in pricing strategy. Our focus will be on improving equipment realisation, which will be achieved as a result of improved IT capabilities.

## NATIONAL HIRE PORTALOO

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

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

Business strengths include the brand name, leading edge product and experienced management team. Portaloo's customer base comprises film, function, building and government customers focusing on event, industrial and construction sectors. The product range covers a growing variety of single and multi amenity units available in deluxe and regular models.

**Progress:** The sales drop of 10% can be directly attributed to the absence of Olympic sales. The reduction in demand and subsequent over supply resulted in price erosion. Whilst the housing market continued with strong demand during the year, some of our major customers who are at the more exclusive end of the price range did not benefit as much from the first home buyers grant.

The event market was also under pressure due to a general lack of confidence in the market with some major annual events being cancelled.

**Outlook:** We are budgeting on an improved result for the year ahead. This will be as a result of improved cross-sell within our customer base, due to the consolidation of the National Hire sales force. Other factors influencing the improvement will be increased construction demand as well as our continued focus on expanding our exposure to the function and event market.

We will continue to capitalise on our strong Port-a-loo brand name.

## NATIONAL HIRE SITE-SHED

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

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

The Division's strengths are its flexible and responsive service. Target markets include the education, building, film and sporting sectors with a growing emphasis on the event market.

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

**Progress:** This Division produced an excellent result, with an increase of 14% over the past financial year. This increase can be largely attributed to our commitment to improving the quality of our product as well as improved cross-sell results within our customer base.

# D I V I S I O N S

The result was inhibited by our inability to meet demand due to a lack of available product. Pricing remains a problem with this product, however the lack of available product should start to result in increases in the New Year.

**Outlook:** We anticipate continued improvement during the 2002-2003 financial year both due to increased demand and continued improvements in cross-sell initiatives.

As a result of expected demand from our existing customer base, substantial investment will be required in this area.

## NATIONAL HIRE HI-LIFT

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

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

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

**Progress:** The Hi-Lift business experienced an increase of 3% over last financial year. This can be largely attributed to the full year impact of the ASSCO equipment. This Division is heavily effected by pricing pressure caused by the dramatic increase of competitors over the past 3 years as a result of manufacture finance assistance.

National Hire remains committed to holding our position as a higher priced, quality provider. This has resulted in pressure on equipment utilisation.

**Outlook:** Forecasts predict improved demand in the construction, industrial and civil sectors over the next year. This increase in demand should help relieve some of the price pressure. We will grow our business through capitalising on these conditions and by ensuring improved cross sell to the National Hire customer base as a result of our recently integrated sales force.

## NATIONAL HIRE PUMPS

**Objective:** To be the first choice pumping solution.

**Profile:** National Hire Pumps provides a medium size pump hire service.

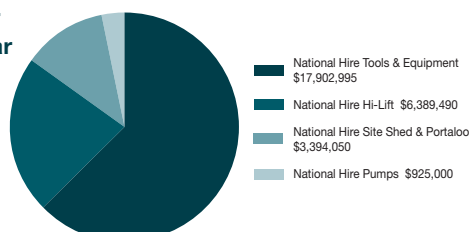
This is a young Division within National Hire. The major strengths are our experienced management team, up to date product line and the ability to provide prompt service. National Hire Pumps has established growing market awareness in the government, utilities, building, mining, and industrial sectors,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

**Progress:** The division grew by over 50% during the 2001-2002 financial year. Our growth can be attributed to successful sales to our existing customer base as well as market acceptance that we are a viable and capable "alternate supplier".

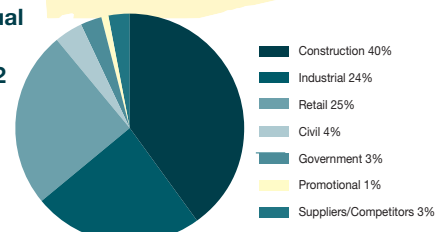
**Outlook:** The year ahead should provide further opportunity for growth. We will continue to invest in consolidating and expanding our fleet. We will continue to exploit the rationalisation that has occurred in this market.

We will continue to cement our position with our traditional customer base as well as develop new markets for this product. It is important that we grow this business and capitalise on current market conditions, which offer less price pressure and excellent returns.

**\$ Turnover for the Year 2001-2002**



**% of Actual Sales 2001-2002**



**HUMAN RESOURCE**

During the financial year National Hire reduced the number of permanent employees from 175 to 142. Due to the difficult business environment, it was necessary to reduce our employee numbers in order to balance our operating costs in line with lower operating revenues.

This did not change the priority that the Company places on its people. During the year we continued the emphasis on leadership development. The implementation of the performance management system was the major focus of the HR plan.

During the year the Company identified the leadership qualities and behaviours that are expected of all leaders within National Hire. These are being progressively implemented throughout the Company. They provide a benchmark for the recruitment of new employees, as well as in measuring the strengths of existing leaders in the Company and identifying where they should improve their leadership behaviour.

In line with the performance management system, which has been adopted by the Company, the Company's vision, values and business direction, have been clarified. Meetings have been held with employees during the year to communicate the Company's vision, values, strategic intent and goals. In support of the business direction the Company's structure was reviewed and changed.

This has led to a review of job roles within the Company, starting with the senior managers and branch managers, and will progressively flow through the Company. While job roles are reviewed steps are being taken to align the skills and attributes of people to what is required in each job role.

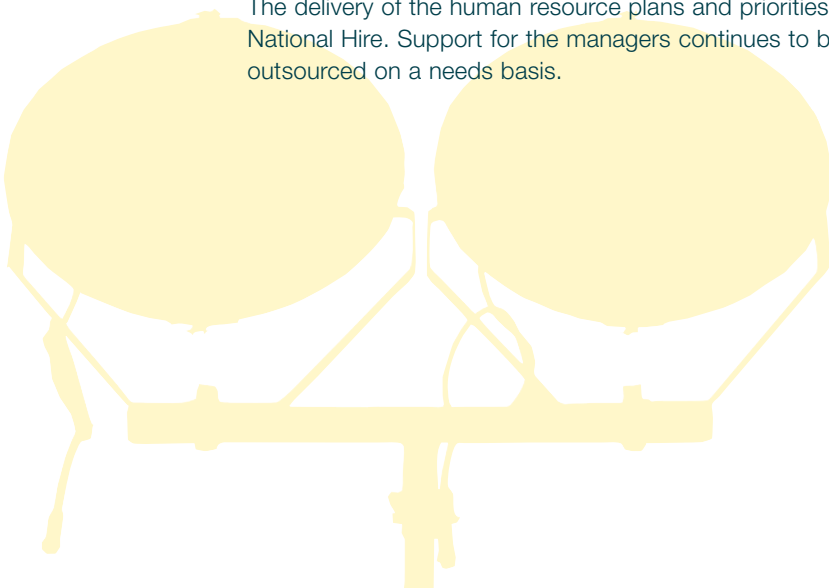
To assist managers in improving their selection decision-making skills, the Company introduced an Internet based jobsite through which applicants apply and are automatically screened prior to being interviewed. A number of key appointments have been made using the new system.

New employees are now being given improved support through the Induction Booklet. The booklet has been prepared to inform all employees (new and existing) of the Company's values, work practices and what is considered important in National Hire. It aims to help people feel a part of National Hire and to assist them contribute to our mutual success.

Development plans for all National Hire employees are progressively being introduced. These involve one on one meetings with individual employees where the skill matrix is completed and training and development needs are identified and planned. Where there is a general need for particular training this is arranged, for example, during the year Branch Managers were involved in a financial skills development workshop and courses were completed on Workplace Training in regard to Elevated Work Platforms, Front Counter Sales, Selling Customer Solutions and Effective Debtor Management.

In line with the review of job roles, agreed outcomes and measures for each job are being identified. National Hire management is committed to providing feedback to all employees on their performance. This is progressing throughout the Company. With the improved information, which is now starting to flow from the Management Information System, performance measurement can become more specific and timely. This will also provide the opportunity for the Company to introduce more effective rewards and incentive programs.

The delivery of the human resource plans and priorities are the responsibility of all managers throughout National Hire. Support for the managers continues to be provided by specialist HR assistance that is outsourced on a needs basis.





### ENVIRONMENTAL

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

In 2001-2002 these measures included closing the fuel tanks at Nth Wollongong, ongoing upgrade of spill containment response kits for all service vehicles and yards and the continued training of staff on environmental policy and procedures.

Future improvements in environmental management will focus on:

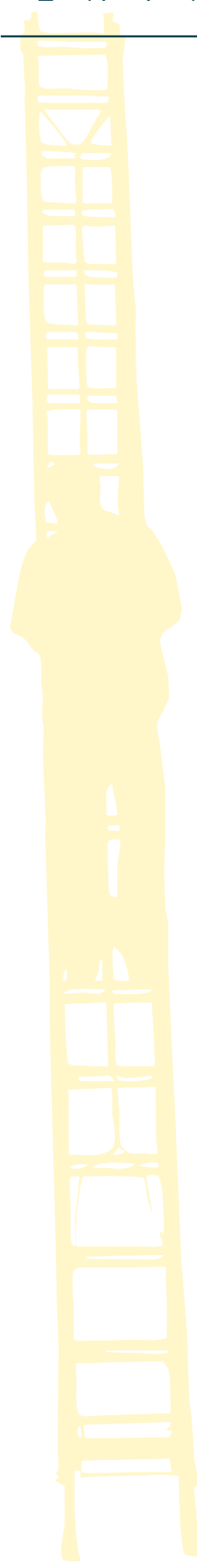
- Staff training to improve work practices.
- Further sample auditing by external accredited auditors.

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

### OCCUPATIONAL HEALTH AND SAFETY

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

- The Company has maintained the zero medical treatment rate inside BHP.
- A significant reduction of workers compensation premiums by improved management of Claims, Training of Employees and increased awareness of Safety.
- Update of Induction Training Booklet and OHS Induction Training Booklet.
- Training employees in OHS "Green Card" to allow safe access to Construction Sites.
- Use of the safety warning system to broadcast "Safety Notices" responding to actual/near miss incidents with corrective/preventative actions identified. These are broadcast through the Company and to select major customers. In 2001/2002 12 notices were issued.
- Continual upgrade of the policies on OH&S, rehabilitation and non-smoking in the workplace.
- The addition of a Return to Work Policy and the training of a Return to Work Coordinator to ensure that employees are returned to the workforce as soon as possible after injury and are provided with appropriate work during the rehabilitation process.
- Upgrade/review of safety and presentation standards to improve identification of hazards during operation, maintenance and storage of equipment.



# CONSOLIDATED FINANCIAL PERFORMANCE

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	2002	2001	For the years ending 30 June			
	\$'000	\$'000	2000	1999	1998	
			\$'000	\$'000	\$'000	
<b>SUMMARY PROFIT STATEMENTS</b>						
Sales revenue	28,409	29,594	30,116	23,659	18,368	
Other revenue	580	867	758	1,008	453	
Total revenue	28,989	30,461	30,874	24,667	18,821	
Operating profit before depreciation and amortisation	5,221	5,484	7,216	5,262	4,279	
Depreciation and amortisation of equipment	(3,592)	(3,311)	(2,657)	(1,919)	(1,428)	
Amortisation of goodwill	(215)	(215)	(215)	(197)	(153)	
Amortisation of brand names	(99)	(99)	(99)			
Operating profit before abnormal items, interest and tax	1,315	1,859	4,245	3,146	2,698	
Interest	(1,557)	(1,671)	(1,169)	(799)	(770)	
Operating profit (loss) before abnormal items and tax	(242)	188	3,076	2,347	1,928	
Significant items	*** (1,192)		** (194)	* (99)		
Operating profit (loss) before tax	(1,434)	188	2,882	2,248	1,928	
Tax benefit (expense)	540	(79)	(1,092)	(833)	(620)	
Operating profit (loss) after tax	(894)	109	1,790	1,415	1,308	
<b>SUMMARY BALANCE SHEETS</b>						
Cash	126	403	1,020	1,134	1,035	
Other current assets	6,216	5,886	6,853	4,921	4,246	
Total current assets	6,342	6,289	7,873	6,055	5,281	
Property, plant and equipment	24,963	26,925	23,930	15,930	12,718	
Intangibles	6,808	7,122	7,436	7,715	7,238	
Other non-current assets	785	898	1,003	720	681	
Total non-current assets	32,556	34,945	32,369	24,365	20,637	
Total assets	38,898	41,234	40,242	30,420	25,918	
Current liabilities	10,376	9,217	8,651	6,869	6,751	
Non-current liabilities	14,431	17,032	16,555	9,618	8,433	
Total liabilities	24,807	26,249	25,206	16,487	15,184	
Net assets	14,091	14,985	15,036	13,933	10,734	
Issued capital	13,152	13,152	13,145	12,723	5,141	
Reserves					4,860	
Retained profits	939	1,833	1,891	1,210	733	
Total shareholders funds	14,091	14,985	15,036	13,933	10,734	
<b>RATIOS AND STATISTICS</b>						
No. of shares on issue:	Ordinary	28,109,498	28,109,498	20,716,505	20,563,090	20,563,090
	Preference			4,112,686	4,112,686	
Earnings per share		(3.18c)	(0.03c)	7.56c	6.32c	6.94c
Dividends declared/paid \$'000			167	1,109	938	804
Dividend payout ratio			153%	62%	66%	61%
Dividend per ordinary share			0.25c	4.25c	4.0c	4.0c
Interest cover (EBITDA/interest expense)		3.4X	3.3X	6.2X	6.6X	5.6X
Gearing (total liabilities less cash/net assets)		1.75X	1.72X	1.61X	1.10X	1.32X
Gearing (convertible notes as quasi equity)		1.24X	1.24X	1.15X	1.10X	1.32X
Return on shareholders funds		(6%)	1%	12%	10%	12%
Total assets per ordinary share		138c	147c	194c	148c	126c
Net tangible assets per ordinary share		26c	28c	37c	30c	17c

\*amortisation of brand names

\*\*costs of convertible note issue

\*\*\*expenses resulting from HIH collapse and redundancies

# D I R E C T O R S ' R E P O R T

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

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 2002.

## **Directors**

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

### **John Landerer, CBE AM LLB Hon LLD (Macq.)**

#### **Non-executive director (Chairman)**

#### **Appointed April 1997**

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

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

### **Stephen Sherwood Donnelley**

#### **Managing director**

#### **Appointed December 1996**

Over 20 years experience in the equipment hire industry, both as employee and principal. Mr Donnelley has been managing director of the National Hire group since 1988 and is a member of the Hire and Rental Association of Australia. He was previously a vice president of that association and a president and vice president of its NSW region.

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

### **Philip Ronald Higginson, FAIM, MAICD**

#### **Non-executive director**

#### **Appointed April 1997**

Mr Higginson's executive career was spent primarily with 30 years at ICI Australia Ltd in various senior management positions including his final position as manager for New South Wales. Mr Higginson is presently managing director of PRO:NED Australia Pty Ltd (Board & Executive Search Consultants), chairman of TransGrid, a non-executive director of the HPAA (Home Purchase Assistance Authority) and chairman of Employment National Limited, the Federal Government organisation created from the former Commonwealth Employment Service. He was also a visiting fellow with the Faculty of Engineering, University of New South Wales whilst a member of the UNSW Foundation, and has previously served as chairman of the Royal Botanic Gardens and Domain Trust (1992-1998), a member of the Salvation Army Advisory Board, including chairman of the Red Shield Appeal (1997-1998), vice president of the NSW Chamber of Manufacturers and federal president of the Australian British Chamber of Commerce (1996-1999).

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

### **John Edward Star, B.Com, B.A., FCA**

#### **Non-executive director**

#### **Appointed April 1997**

A chartered accountant, with over 20 years experience in public practice.

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

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

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

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

Name	Ordinary Shares	Convertible Notes
J Landerer	264,117	
J E Star	101,925	
P R Higginson	20,000	
S S Donnelley	8,871,826	333,334

### Principal activities

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

### Operating results

The loss of the consolidated entity for the year after income tax expense was \$894,000.

### Dividends

No dividends were paid or provided for during the reporting financial year.

### Review of operations

Details of the operations of the consolidated entity during the period are included in the chairman's and managing director's review on pages 2 and 3 of this annual report.

### Significant changes in state of affairs

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

- On 24 October 2001 the Company announced a restructure which would include redundancies. The after tax loss of \$176,000 for the six (6) month period ending 31 December 2001 included redundancy costs incurred of \$250,000.
- In the 1997 prospectus for the initial public offering and subsequent annual reports the Company advised DWB (NH) Pty Ltd (DWB) formally National Hire Pty Ltd was the Third Cross Defendant in two (2) public liability claims. In the June 2001 Annual Report the Company advised the matters were being heard in the Supreme Court. The Company was advised the claims, at that point in time, amounted to a potential liability of \$600,000 however the directors were of the opinion, based on legal advice, no provision was required. DWB did not admit any liability and advised it would vigorously defend the claim. At the time of the relevant incident, being 1996, DWB public liability insurance was held by HIH. Resulting from the HIH collapse and a judgement entered against DWB a liability of \$1,737,500 was determined.

On the 11 September 2002, a deed of settlement was executed by all relevant parties reducing the liability against DWB to \$1,000,000. Included in the financial statements for the year ending June 2002 and in accordance with Accounting Standard AASB1014 Set Off and Extinguishment of Debt the discounted amount of the settlement payment has been brought to account as a liability. This amounts to \$871,424 and the resulting difference of \$128,576 will be brought to account as an interest expense over the term of the settlement agreement. Associated legal costs of approximately \$70,000 were expensed during the financial year.

The cash affect of the settlement includes an initial payment of \$250,000 which has been made. Funding for this payment was by a loan from Stirhill Pty Limited a Company associated with the managing director Mr Stephen Donnelley. The remaining balance of \$750,000 is payable by DWB by instalments between August 2003 and August 2008.

### After balance date events

There has been no matter or circumstance, since 30 June 2002, except the matter referred to in above "Significant changes in state of affairs" clause b. that has significantly affected, or may significantly affect:

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

### Likely developments and results

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

### Environmental regulation

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

### Directors and executives emoluments

Details of the nature and amount of each element of the emoluments of each director of National Hire Group Limited and each of the 4 officers of the consolidated entity receiving the highest emoluments are set out in the following table.

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

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

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

Name	Salary \$	Superannuation \$	Non cash benefits \$	Total \$
J Landerer, Chairman	50,000	4,000		54,000
P R Higginson	30,000	2,400		32,400
J E Star	30,000	2,400		32,400
S S Donnelley, Executive director	190,790	15,110	32,744	238,644

#### Executives of the consolidated entity

Name	Salary \$	Superannuation \$	Non cash benefits \$	Total \$
R B Harman	127,329	19,100	5,959	152,388
R G Lawson	125,638	10,044	15,472	151,154
G R Parfitt	128,485	10,230	3,604	142,319
A Manning	89,275	7,142		96,417

### 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 2002, 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	18	16	3	3	2	1
P R Higginson	18	18	3	3	2	2
J E Star	18	17	3	2	2	2
S S Donnelley	18	17	3	3		

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

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

### Options

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

No shares have been issued by National Hire Group Limited during or since the end of the reporting period by virtue of the exercise of an option. There are 594,082 unissued ordinary shares of the Company under option at the date of this report. They represent options granted to employees under the Employee Share Option Plan are exercisable at 58 cents each and expire on 14 April 2005.

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During the reporting period 300,000 options granted to non-executive directors to subscribe for ordinary shares at 60 cents each lapsed as they were not exercised by the expiry date of 31 March 2002.

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

#### **Indemnification of auditors**

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

#### **Insurance of officers**

During the financial year, National Hire Group Limited paid a premium of \$20,857 to insure the directors, secretary and officers of the Company and its controlled entities.

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

#### **Proceedings on behalf of 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 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### **Auditor**

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

#### **Corporate governance statement**

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

The directors of the Company in office at the date of this statement are set out in the directors' report. Except for the managing director, all directors are non-executive, including the chairman.

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

The composition of the board is determined by all directors, using the following principles:

- a. the chairman of the board should be a non-executive director
- b. the board should comprise a majority of non-executive directors.

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

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

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

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

- a. reviewing the composition of the board
- b. reviewing published reports and stock exchange announcements to ensure their accuracy and compliance with statutory requirements
- c. identification of areas of significant business risk and the management of those risks
- d. the establishment and maintenance of appropriate ethical standards for the Company.

The board has formed the following separate formally constituted committees:

**Audit committee**

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

**Remuneration committee**

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

**Safety, health and environmental committee**

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

**Nomination committee**

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

**Independent professional advice**

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

**Continuous disclosure**

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

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

**Others matters**

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

Signed in accordance with a resolution of the board of directors and dated 27 September 2002.



John Star  
Non-executive Director



Stephen Donnelley  
Managing Director

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Statements of financial performance for the year ended 30 June 2002</b>					
Sales revenues from ordinary activities		<b>28,405</b>	29,594		
Other revenues from ordinary activities		<b>584</b>	867	<b>1,101</b>	1,518
Total revenue	2	<b>28,989</b>	30,461	<b>1,101</b>	1,518
Cost of goods sold		<b>(20,604)</b>	(20,689)		
Administration and marketing costs		<b>(3,803)</b>	(3,525)	<b>(260)</b>	(306)
Other overheads		<b>(552)</b>	(763)	<b>(1,030)</b>	(220)
Depreciation and amortisation costs	3	<b>(3,907)</b>	(3,625)		
Borrowing costs	3	<b>(1,557)</b>	(1,671)	<b>(491)</b>	(558)
Profit (loss) from ordinary activities before related income tax expense		<b>(1,434)</b>	188	<b>(680)</b>	434
Income tax benefit (expense) relating to ordinary activities	4	<b>540</b>	(79)	<b>100</b>	(245)
Profit (loss) from ordinary activities after related income tax expense attributable to members of the parent entity		<b>(894)</b>	109	<b>(580)</b>	189
Total changes in equity other than those resulting from transactions with owners as owners		<b>(894)</b>	109	<b>(580)</b>	189
		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	5	<b>(3.18)</b>	(0.03)		
Diluted earnings per share	5	<b>(3.18)</b>	(0.03)		
<b>Statements of financial position as at 30 June 2002</b>					
<b>Current assets</b>					
Cash assets	6	<b>126</b>	403	<b>6</b>	6
Receivables	7	<b>5,913</b>	5,581	<b>16,776</b>	16,294
Inventories	8	<b>14</b>	17		
Other assets	9	<b>289</b>	288	<b>29</b>	8
Total current assets		<b>6,342</b>	6,289	<b>16,811</b>	16,308
<b>Non-current assets</b>					
Receivables	7	<b>188</b>	197	<b>156</b>	197
Investments	10			<b>7,040</b>	7,750
Property, plant and equipment	11	<b>24,963</b>	26,925		
Deferred tax assets	12	<b>584</b>	688	<b>69</b>	97
Intangibles	13	<b>6,808</b>	7,122		
Other financial assets	14	<b>13</b>	13	<b>13</b>	13
Total non-current assets		<b>32,556</b>	34,945	<b>7,278</b>	8,057
<b>Total assets</b>		<b>38,898</b>	41,234	<b>24,089</b>	24,365
<b>Current liabilities</b>					
Payables	15	<b>3,770</b>	3,700	<b>247</b>	73
Interest-bearing liabilities	16	<b>5,630</b>	4,568	<b>950</b>	700
Tax liabilities	17	<b>79</b>	17	<b>19</b>	97
Provisions	18	<b>898</b>	932	<b>55</b>	49
Total current liabilities		<b>10,377</b>	9,217	<b>1,271</b>	919

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



# S T A T E M E N T S

	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Statements of financial position as at 30 June 2002 (cont)</b>					
<b>Non-current liabilities</b>					
Payables	15	<b>1,050</b>	632	<b>800</b>	
Interest-bearing liabilities	16	<b>11,813</b>	14,260	<b>7,663</b>	8,474
Tax liabilities	17	<b>1,403</b>	1,863	<b>680</b>	718
Provisions	18	<b>164</b>	277	<b>3</b>	
Total non-current liabilities		<b>14,430</b>	17,032	<b>9,146</b>	9,192
Total liabilities		<b>24,807</b>	26,249	<b>10,417</b>	10,111
Net assets		<b>14,901</b>	14,985	<b>13,672</b>	14,254
<b>Equity</b>					
Contributed equity	19	<b>13,152</b>	13,152	<b>13,152</b>	13,152
Retained profits	20	<b>939</b>	1,833	<b>520</b>	1,102
Total equity		<b>14,091</b>	14,985	<b>13,672</b>	14,254

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

## Statements of cash flows for the year ended 30 June 2002

<b>Cash flows from operating activities</b>					
Receipts from customers		<b>27,672</b>	29,158	<b>1,100</b>	1,518
Payments to suppliers and employees		<b>(23,040)</b>	(22,817)	<b>(519)</b>	(583)
Interest received		<b>6</b>	16	<b>1</b>	
Interest and other costs of finance paid		<b>(793)</b>	(447)	<b>(452)</b>	(518)
Income tax refund (paid)		<b>246</b>	(828)	<b>41</b>	(146)
<b>Net cash inflows from operating activities</b>	21(a)	<b>4,091</b>	5,082	<b>171</b>	271
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		<b>(336)</b>	(1,181)		
Proceeds from sale of property, plant and equipment		<b>441</b>	873		
Cash paid for purchase of controlled entity	21(c)		(1,161)		
<b>Net cash inflows (outflows) from investing activities</b>		<b>105</b>	(1,469)		
<b>Cash flows from financing activities</b>					
Loans to related parties				<b>(371)</b>	(942)
Cash proceeds from issue of shares			15		15
Dividends paid			(852)		(852)
Proceeds from borrowing		<b>800</b>	1,500	<b>800</b>	1,500
Borrowing repayments		<b>(5,273)</b>	(4,893)	<b>(600)</b>	
<b>Net cash outflows from financing activities</b>		<b>(4,473)</b>	(4,230)	<b>(171)</b>	(279)
<b>Net decrease in cash held</b>		<b>(277)</b>	(617)		(8)
Cash at the beginning of the financial year		<b>403</b>	1,020	<b>6</b>	14
<b>Cash at end of the financial year</b>	21(b)	<b>126</b>	403	<b>6</b>	6

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

For the year ended 30 June 2002

### **Note 1. Summary of significant accounting policies**

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

#### **Basis of accounting**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or fair values of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity, unless otherwise stated.

#### **Principles of consolidation**

The consolidated accounts have been prepared in accordance with Australian Accounting Standard AASB 1024, "Consolidated Accounts", and include the assets and liabilities of all entities that comprise the National Hire Group, being the parent entity and its controlled entities. A list of all entities controlled by the parent entity is contained in note 33. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

All inter-Company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

#### **Operating revenue**

Operating revenue comprises income derived from hire rental. Hire revenue is earned commencing on receipt of equipment by the customer and recognised 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.

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

## **Maintenance and equipment rebuilds**

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

## **Cash**

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

## **Inventories**

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

## **Depreciation of property, plant and equipment**

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

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

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Leasehold Improvements	Term of Lease
Plant and Equipment	5% – 33%
Leased Plant and Equipment	5% – 33%

## **Income tax**

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

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

Future income tax benefits are not brought to account unless the benefit is virtually certain of realisation.

## **Leased assets**

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

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

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

## **Goodwill**

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

For the year ended 30 June 2002

### **Employee entitlements**

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

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

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

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

Ownership-based remuneration is provided to nominated employees via the National Hire Group Limited Option Plan and employee share schemes. Information relating to these is set out in note 24.

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

### **Change in basis of determining earnings per share**

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax and preference share dividends attributable to members of the Company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in determination of basis earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures were made to comply with AASB 1027 Earnings per Share, issued in June 2001.

### **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.

### **Rounding of amounts**

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

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 2. Revenue</b>					
<b>Revenue from operating activities</b>					
Sales Revenue		28,405	29,594		
Interest received		4	16		
Other revenue		94		1	
Management fees				1,100	830
		<b>28,503</b>	29,610	<b>1,101</b>	830
<b>Revenue from outside the operating activities</b>					
Proceeds on sale of non-current assets		450	654		
Proceeds on sale of small equipment		36	197		
Trust distribution					688
		<b>486</b>	851		688
Revenue from ordinary activities		<b>28,989</b>	30,461	<b>1,101</b>	1,518
<b>Note 3. Profit from ordinary activities</b>					
<b>Individually significant items included in profit/loss from ordinary activities before income tax expense:</b>					
HIH settlement and legal expenses		942			
Company restructure redundancy expenses		250			
Diminution of non-current investment	10			710	
<b>Profit and loss from ordinary activities before income tax includes the following net gains and expenses:</b>					
Net gains					
Net profit on disposal of property, plant and equipment		(127)	(136)		
Expenses					
Borrowing costs					
Interest expense and hire purchase interest		1,416	1,405	491	558
Finance charges on capitalised leases		141	266		
Amortisation of non-current assets					
Goodwill		215	215		
Brand names		99	99		
Leasehold improvements		104	75		
Plant and equipment under lease		505	639		
Depreciation of non-current assets					
Plant and equipment		2,984	2,597		
Net bad and doubtful debts expense including movements in provision for doubtful debts		407	543		
Diminution of employee share plan loans	7	49	38	49	38
Diminution of non-current investment	10			710	
Operating lease rental expense		2,046	2,276		

# N O T E S   T O   T H E   F I N A N C I A L

For the year ended 30 June 2002

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 4. Income tax expense</b>					
<b>(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:</b>					
Profit (loss) from ordinary activities before income tax expense		<b>(1,434)</b>	188	<b>(680)</b>	434
Income tax calculated @ 30% (2001 – 34%)			64		148
Tax effect of permanent differences:					
Non-deductible depreciation and amortisation		<b>94</b>	107		
Non-deductible interest		<b>45</b>	19	<b>26</b>	12
Over (under) provision for tax prior years		<b>(264)</b>		<b>(1)</b>	21
Other non-deductible items		<b>39</b>	46	<b>204</b>	28
Timing difference brought to account					167
Less tax effect of:					
Dividend rebate					(48)
Tax losses brought to account as a result of the reduction in deferred income tax liability.		<b>(454)</b>		<b>(329)</b>	
Adjustment to future income tax benefit and provision for deferred income tax for the change in Company tax rate to 30% (2001: from 34% to 30%)			(157)		(83)
Income tax expense (benefit) attributable to operating profit (loss)		<b>(540)</b>	79	<b>(100)</b>	245
<b>Note 5. Earnings per share</b>					
		2002 cents	2001 cents		
Basic earnings per share		<b>(3.18)</b>	(0.03)		
Diluted earnings per share		<b>(3.18)</b>	(0.03)		
		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		<b>28,109,498</b>	22,785,133		
Operating Profit (loss) after tax		<b>(894)</b>	109		
Less Interim fully franked non cumulative preference share dividend			(115)		
Earnings used in calculating earnings per share		<b>(894)</b>	(6)		

It has been determined diluted earnings per share was not materially different from basic earnings per share at 30 June 2002.

**Potential ordinary shares not considered dilutive:**

(a) At balance date the parent entity had on issue options over unissued ordinary shares. There are 594,082 options exercisable by 14 April 2005 at an exercise price of 58 cents. It is expected these options will not be exercised based on the current market conditions. Therefore the effect of these options is considered to have a negligible impact on the diluted earnings per share.

(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 one (1) ordinary share or if not converted within five (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.

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 6. Cash assets</b>					
Cash at bank		126	382	6	6
Deposits at call			21		
		<b>126</b>	403	<b>6</b>	6
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		126	403	6	6
<b>Note 7. Receivables</b>					
<b>Current assets</b>					
Trade debtors		6,155	5,656		
Provision for doubtful debts		(496)	(324)		
		<b>5,659</b>	5,332		
Amounts other than trade debts receivable:					
Other debtors		254	242		
Employee share plan	19		7		40
Controlled entities	33			16,776	16,254
		<b>5,913</b>	5,581	<b>16,776</b>	16,294
<b>Non-current assets</b>					
Trade debtors		32	444		
Provision for doubtful debts			(444)		
Amounts other than trade debts receivable from related parties:					
Employee share plan	19	205	235	205	235
Provision for diminution	3	(49)	(38)	(49)	(38)
		<b>188</b>	197	<b>156</b>	197
<b>Note 8. Inventories</b>					
<b>Current assets</b>					
Fuel at cost		14	17		
<b>Note 9. Other assets</b>					
<b>Current assets</b>					
Prepayments		289	288	29	8
<b>Note 10. Investments</b>					
<b>Non-current assets</b>					
Controlled entities:					
DWB Unit Trust at cost	33			7,750	7,750
Provision for diminution – Investment in DWB Trust				(710)	
				<b>7,040</b>	7,750

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For the year ended 30 June 2002

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 11. Property, plant and equipment</b>					
<b>Leasehold improvements</b>					
At cost		758	667		
Accumulated amortisation		(326)	(222)		
		<b>432</b>	445		
<b>Plant and equipment</b>					
At cost		30,822	29,667		
Accumulated depreciation		(10,066)	(7,515)		
		<b>20,756</b>	22,152		
<b>Plant and equipment under lease</b>					
At capitalised cost		5,617	5,709		
Accumulated amortisation		(1,847)	(1,425)		
		<b>3,770</b>	4,284		
<b>Capital works in progress</b>					
		5	44		
<b>Total plant and equipment</b>		<b>24,963</b>	26,925		
<b>Reconciliations</b>					
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:					
<b>Leasehold improvements</b>					
Carrying amount at beginning of year		445	374		
Additions		93	130		
Transfer from capital works in progress			15		
Disposals		(1)			
Amortisation		(105)	(74)		
Carrying amount at end of year		<b>432</b>	445		
<b>Plant and equipment</b>					
Carrying amount at beginning of year		22,152	17,301		
Additions		1,835	3,618		
Transfer from capital works in progress		59	493		
Disposals		(307)	(474)		
Transfer from plant and equipment under lease			1,530		
Acquisitions through entity acquired			2,426		
Depreciation		(2,983)	(2,742)		
Carrying amount at end of year		<b>20,756</b>	22,152		
<b>Plant and equipment under lease</b>					
Carrying amount at beginning of year		4,284	6,250		
Additions		41	116		
Disposals		(50)	(57)		
Transfer to plant and equipment			(1,530)		
Amortisation		(505)	(495)		
Carrying amount at end of year		<b>3,770</b>	4,284		
<b>Capital works in progress</b>					
Carrying amount at beginning of year		44	5		
Additions		20	547		
Transfer to property, plant and equipment		(59)	(508)		
Carrying amount at end of year		<b>5</b>	44		



# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 12. Deferred tax assets</b>					
Future income tax benefit		<b>584</b>	688	<b>69</b>	97
The future income tax benefit consists of estimated timing differences					
<b>Reconciliation</b>					
A reconciliation of the consolidated carrying amounts of future income tax benefits at the beginning and end of the current and previous financial year are set out below:					
Carrying amount at beginning of year		<b>688</b>	807	<b>97</b>	120
Movements during the year		<b>(104)</b>	(27)	<b>(28)</b>	(10)
Adjustments due to tax rate change			(92)		(13)
Carrying amount at end of year		<b>584</b>	688	<b>69</b>	97
<b>Note 13. Intangibles</b>					
Goodwill – at cost		<b>4,310</b>	4,310		
Less: Accumulated amortisation		<b>(1,057)</b>	(842)		
		<b>3,253</b>	3,468		
Brand names – at cost		<b>3,950</b>	3,950		
Less: Accumulated amortisation		<b>(395)</b>	(296)		
		<b>3,555</b>	3,654		
		<b>6,808</b>	7,122		
<b>Note 14. Other financial assets</b>					
Investment in associated Company	31	<b>13</b>	13	<b>13</b>	13
<b>Note 15. Payables</b>					
<b>Current liabilities</b>					
Trade creditors		<b>2,223</b>	2,974		
Other creditors		<b>1,547</b>	726	<b>247</b>	73
		<b>3,770</b>	3,700	<b>247</b>	73
<b>Non-current liabilities</b>					
Trade creditors		<b>1,050</b>	632	<b>800</b>	
<b>Note 16. Interest-bearing liabilities</b>					
<b>Current liabilities</b>					
<b>Secured</b>					
Bank loan		<b>950</b>	700	<b>950</b>	700
Other financiers and hire purchase liabilities		<b>3,395</b>	2,439		
Lease liabilities-finance leases	23	<b>1,285</b>	1,429		
		<b>5,630</b>	4,568	<b>950</b>	700

The bank loans are secured by a floating charge over the assets of the group.

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

# N O T E S   T O   T H E   F I N A N C I A L

For the year ended 30 June 2002

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Non-current liabilities</b>					
<b>Secured</b>					
Bank loan		<b>4,400</b>	5,250	<b>4,400</b>	5,250
Other financiers and hire purchase liabilities		<b>3,736</b>	4,086		
Lease liabilities-finance leases	23	<b>414</b>	1,700		
		<b>8,550</b>	11,036	<b>4,400</b>	5,250
The bank loans are secured by a floating charge over the assets of the Group.					
Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.					
<b>Unsecured</b>					
Convertible notes		<b>3,263</b>	3,224	<b>3,263</b>	3,224
		<b>11,813</b>	14,260	<b>7,663</b>	8,474
<b>Convertible notes</b>					
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.					
<b>Reconciliation of convertible notes:</b>					
Balance at beginning of year		<b>3,224</b>	3,190	<b>3,224</b>	3,190
Interest accrued during the year applied to non-current liabilities		<b>39</b>	34	<b>39</b>	34
Balance at end of year		<b>3,263</b>	3,224	<b>3,263</b>	3,224
<b>Financing arrangements</b>					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
Bank overdrafts		<b>250</b>	250	<b>250</b>	250
Bank loans		<b>2,650</b>	2,950	<b>2,650</b>	2,950
Bill acceptance facility		<b>2,700</b>	3,000	<b>2,700</b>	3,000
		<b>5,600</b>	6,200	<b>5,600</b>	6,200
Facilities utilised at balance date:					
Bank loans		<b>2,650</b>	2,950	<b>2,650</b>	2,950
Bill acceptance facility		<b>2,700</b>	3,000	<b>2,700</b>	3,000
		<b>5,350</b>	5,950	<b>5,350</b>	5,950
Facilities unutilised at balance date:					
Bank overdrafts		<b>250</b>	250	<b>250</b>	250

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 17. Tax liabilities</b>					
<b>Current liabilities</b>					
Provision for income tax		79	17	19	97
<b>Non-current liabilities</b>					
Provision for income tax		225		59	
Provision for deferred income tax		2,123	1,916	656	718
Less future income tax benefits attributable to tax losses		(945)	(53)	(35)	
		<b>1,403</b>	<b>1,863</b>	<b>680</b>	<b>718</b>
<b>Reconciliation</b>					
A reconciliation of the consolidated carrying amounts of deferred income tax liabilities at the beginning and end of the current and previous financial year are set out below:					
Carrying amount at beginning of year		1,863	1,903	718	701
Movements during the year		(685)	208	(97)	113
Adjustment due to tax rate change			(248)		(96)
Carrying amount at end of year		<b>1,178</b>	<b>1,863</b>	<b>621</b>	<b>718</b>
<b>Note 18. Provisions</b>					
<b>Current liabilities</b>					
Employee entitlements	24	879	820	55	49
Deferred income		19	45		
Rationalisation			67		
		<b>898</b>	<b>932</b>	<b>55</b>	<b>49</b>
<b>Non-current liabilities</b>					
Employee entitlements	24	155	250	3	
Deferred income		9	27		
		<b>164</b>	<b>277</b>	<b>3</b>	
<b>Note 19. Contributed equity</b>					
<b>Issued and paid up share capital</b>					
28,109,498 fully paid ordinary shares		12,827	12,827	12,827	12,827
<b>Other contributed equity</b>					
4,708,334 convertible notes – equity portion		325	325	325	325
		<b>13,152</b>	<b>13,152</b>	<b>13,152</b>	<b>13,152</b>
<b>Movements in issued and paid up capital:</b>					
<b>(a) Ordinary shares</b>					
Balance at beginning of year		12,827	10,097	12,827	10,097
Shares issued during the year:					
10,711 shares issued under employee share plan			7		7
7,382,282 shares issued as a result of the conversion of 4,112,686 non-redeemable preference shares			2,723		2,723
		<b>12,827</b>	<b>12,827</b>	<b>12,827</b>	<b>12,827</b>

On 5 June 1997 the parent entity issued 300,000 free options to non-executive directors to acquire ordinary shares with an exercise price of 60 cents each. The options had an expiry date of 31 March 2002 and as they were not exercised lapsed on that date.

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For the year ended 30 June 2002

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<p>On 17 April 2000 the parent entity issued 594,082 free options to selected employees to acquire ordinary shares at an exercise price of 58 cents each. The options are to be exercised no later than 14 April 2005. At balance date there were 594,082 unissued ordinary shares for which options were outstanding. The parent entity has established an employee share plan for selected employees. Shares acquired by employees are funded by interest free loans, which are repaid by dividends paid on the shares. The outstanding loan balance is repayable on cessation of employment with the economic entity. On 20 February 1998 213,090 ordinary shares were issued under the employee share plan. On 7 May 1998 the parent entity issued 1,850,000 ordinary shares. On 8 February 2000 153,415 ordinary shares were issued under the employee share plan. On 21 December 2000, 10,711 ordinary shares were issued under the employee share plan. On 19 March 2001, 7,382,282 ordinary shares were issued as a result of the conversion of converting non-redeemable preference shares in accordance with the prospectus.</p>					
<b>(b) Converting non-redeemable preference shares:</b>					
Balance at the beginning of the year			2,723		2,723
4,112,686 shares converted to ordinary shares			(2,723)		(2,723)
Balance at the end of the financial year					
<p>On 19 March 1999, the parent entity issued 4,112,686 converting non-redeemable preference shares at 70 cents each. On 19 March 2001, 4,112,686 converting non-redeemable preference shares were converted to ordinary shares.</p>					
<b>(c) Converting notes</b>					
Balance at end of year		<b>325</b>	325	<b>325</b>	325
<p>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.</p>					
<b>Note 20. Retained profits</b>					
Retained profits at beginning of year		<b>1,833</b>	1,891	<b>1,100</b>	1,080
Net profit (loss) attributable to members of the parent entity		<b>(894)</b>	109	<b>(580)</b>	189
Dividends	22		(167)		(167)
Retained profits at end of year		<b>939</b>	1,833	<b>520</b>	1,102
<b>Note 21. Statements of cash flows</b>					
<b>(a) Reconciliation of profit from ordinary activities after income tax to the net cash flows from operating activities</b>					
Profit (loss) from ordinary activities after income tax		<b>(894)</b>	109	<b>(580)</b>	189
Depreciation of non-current assets		<b>2,987</b>	2,824		
Amortisation of non-current assets		<b>912</b>	827		
Profit on disposal of property, plant and equipment		<b>(127)</b>	(333)		
Interest expense for equipment acquisitions		<b>714</b>	780		
Interest expense for convertible notes		<b>39</b>	40	<b>39</b>	40
Decrease in provision for rationalisation		<b>(67)</b>			

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Increase in provision for diminution of non-current investment	10			<b>710</b>	
Increase in provision for diminution – employee share plan	7	<b>49</b>		<b>49</b>	
<b>Change in operating assets and liabilities</b>					
(Increase) decrease in trade debtors		<b>(327)</b>	107		
(Increase) decrease in inventories		<b>3</b>	(10)		
(Increase) decrease in other receivables		<b>(12)</b>	522	<b>(111)</b>	
(Increase) decrease in prepayments		<b>34</b>	306	<b>(10)</b>	(7)
Decrease in future income tax benefit		<b>142</b>	119	<b>28</b>	22
Increase (decrease) in deferred income tax payable		<b>(723)</b>	(40)	<b>(97)</b>	18
Increase in trade and other creditors		<b>1143</b>	488	<b>163</b>	78
Increase (decrease) in employee entitlements		<b>(36)</b>	171	<b>7</b>	23
Increase (decrease) in provision for taxation		<b>287</b>	(828)	<b>(19)</b>	(92)
Decrease in employee share plan		<b>(33)</b>		<b>(8)</b>	
Net cash inflows from operating activities		<b>4,091</b>	5,082	<b>171</b>	271
<b>(b) Reconciliation of cash</b>					
Cash balance comprises:					
Cash on hand		<b>126</b>	44		
Interest bearing deposits			359	<b>6</b>	6
Closing cash balance		<b>126</b>	403	<b>6</b>	6
<b>(c) Acquisition of businesses</b>					
During the year ended 30 June 2001, assets of Allied Shipping Service Company Pty Ltd were acquired.					
Purchase Price			2,426		
Assets and liabilities held at acquisition date:					
Property, plant and equipment			2,426		
Outflow of cash to acquire assets of Allied Shipping Services Company Pty Ltd					
Cash consideration			2,426		
Deferred settlements			(1,265)		
Outflow of cash			1,161		
<b>(d) Non cash financing and investing activities</b>					
During the year the consolidated entity acquired plant and equipment with an aggregate value of \$1,616,421(2001: \$3,639,054) by means of finance leases and hire purchase agreements. These acquisitions are not reflected in the statement of cash flows.					
<b>Note 22. Dividends</b>					
Interim fully franked ordinary dividend of 0.25 cents per share franked at the tax rate of 34%			52		52
Interim fully franked non-cumulative preference dividend of 2.8 cents per share franked at the tax rate of 34%			115		115
			167		167
Balance of franking account at year end arising from payment of provision for income tax and franking debits arising from payment of proposed dividends.		<b>2,829</b>	3,075	<b>217</b>	153

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For the year ended 30 June 2002

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	Notes	CONSOLIDATED		PARENT ENTITY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Note 23. Expenditure commitments</b>					
<b>(a) Capital expenditure commitments</b>					
There are no capital expenditure commitments contracted for at balance date.					
<b>(b) Lease expenditure commitments</b>					
Operating leases (non-cancellable)					
Not later than 1 year					
		<b>1,633</b>	2,045		
Later than 1 year and not later than 5 years					
		<b>2,701</b>	1,995		
Aggregate lease expenditure contracted for at end of year					
		<b>4,334</b>	4,040		
Property leases are non-cancellable leases of five year terms with options for further five year periods.					
Finance leases					
Not later than 1 year					
		<b>1,368</b>	828		
Later than 1 year and not later than 5 years					
		<b>432</b>	2,578		
Total minimum lease payments					
		<b>1,800</b>	3,406		
Future finance charges					
		<b>(101)</b>	(277)		
Lease liability contracted for at end of year					
		<b>1,699</b>	3,129		
Shown in the financial statements under the following headings:					
Lease liability (current)					
	16	<b>1,285</b>	1,429		
Lease liability (non-current)					
	16	<b>414</b>	1,700		
		<b>1,699</b>	3,129		
Finance leases of equipment are non cancellable and are over three to five year terms.					
There are no remuneration commitments or capital expenditure commitments contracted for at balance date.					
<b>Note 24. Employee entitlements and superannuation commitments</b>					
<b>Employee entitlements</b>					
Aggregate liability for employee entitlements, including on-costs					
Current					
	18	<b>879</b>	820	<b>55</b>	49
Non-current					
	18	<b>155</b>	250	<b>3</b>	
		<b>1,034</b>	1,070	<b>58</b>	49
<b>Number of employees</b>					
Number of employees at year end					
		<b>142</b>	175	<b>1</b>	1
<b>Employee share plan</b>					
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.					
<b>Superannuation commitments</b>					
During the year National Hire Group Limited and certain controlled entities contributed to the National Hire Staff Superannuation Plan administered by AMP Superannuation. All permanent and casual employees are members of this fund.					
The default investment option selected is AMP Lifestages option. Members of the plan also have death and disability insurance provided.					
Employee contributions are encouraged and at balance date 11 employees were contributing.					
At balance date the National Hire Staff Superannuation fund was valued with assets of \$2.26 million.					

# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

Notes	CONSOLIDATED		PARENT ENTITY	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>Note 25. Contingent liabilities</b>				
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:				
Resulting from the HIH collapse the parent entity has acknowledged the rights of two (2) insurance companies, relevant to the liability incurred by DWB (NH) Pty Ltd formerly National Hire Pty Ltd.	<b>280,000</b>	280,000	<b>280,000</b>	280,000
	<b>750,000</b>		<b>750,000</b>	
<b>Note 26. Remuneration of directors</b>				
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.	<b>357,444</b>	281,583	<b>357,444</b>	281,583
The number of directors of National Hire Group Limited whose income, including superannuation contributions falls within the the following bands is as follows:				
\$ 30,000 – \$ 39,999	<b>2</b>	2	<b>2</b>	2
\$ 50,000 – \$ 59,999	<b>1</b>	1	<b>1</b>	1
\$160,000 – \$169,999		1		1
\$230,000 – \$239,999	<b>1</b>		<b>1</b>	
<b>Note 27. Remuneration of executives</b>				
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by executive officers (including directors) whose remuneration is \$100,000 or more.	<b>684,505</b>	555,022	<b>238,644</b>	163,383
The number of executives (including directors) of the chief entity and of controlled entities whose remuneration falls within the following bands are as follows.				
\$100,000 — \$109,999		1		
\$110,000 — \$119,999		1		
\$140,000 — \$149,999	<b>1</b>			
\$150,000 — \$159,999	<b>2</b>			
\$160,000 — \$169,999		1		1
\$170,000 — \$179,999		1		
\$230,000 — \$239,999	<b>1</b>		<b>1</b>	
<b>Note 28. Remuneration of auditors</b>				
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	<b>49,175</b>	75,300	<b>49,175</b>	75,300
Other services including taxation returns, accounting assistance and advice on group structure	<b>55,820</b>	48,800	<b>55,820</b>	48,800
	<b>104,995</b>	124,100	<b>104,995</b>	124,100

# N O T E S   T O   T H E   F I N A N C I A L

For the year ended 30 June 2002

## Note 29. Financial instruments

### (a) Derivative financial instruments

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

### (b) Interest rate risk

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

	Weighted average effective interest rate		Fixed interest rate maturing								Total \$'000			
			Floating interest rate \$'000		Within year \$'000		1 to 5 years \$'000		Over 5 years \$'000				Non-interest bearing \$'000	
			2002	2001	2002	2001	2002	2001	2002	2001			2002	2001
<b>Financial assets</b>														
Cash	2.80	2.75		359							126	44	126	403
Receivables											6,101	5,778	6,101	5,778
Total financial assets				359							6,227	5,822	6,227	6,181
<b>Financial liabilities</b>														
Bank loans and overdraft	6.33	7.24	5,350	5,950									5,350	5,950
Trade and sundry creditors										4,820	4,332		4,820	4,332
Other loans	7.86	7.93			3,395	2,439	3,736	4,086					7,131	6,525
Lease liabilities	7.44	7.12			1,285	1,429	414	1,700					1,699	3,129
Convertible notes	10.00	10.00					3,263			3,224			3,263	3,224
Total financial liabilities			5,350	5,950	4,680	3,868	7,413	5,786		3,224	4,820	4,332	22,263	23,160
Net financial assets (liabilities)			(5,350)	(5,591)	(4,680)	(3,868)	(7,413)	(5,786)		(3,224)	1,407	1,490	(16,036)	(16,979)

### (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:

	2002		2001	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
<b>Financial Assets</b>				
Cash	126	126	403	403
Receivables	6,101	6,101	5,778	5,778
	6,227	6,227	6,181	6,181
<b>Financial Liabilities</b>				
Bank loans	5,350	5,350	5,950	5,950
Trade and other creditors	4,820	4,820	4,332	4,332
Other loans	7,131	7,131	6,525	6,525
Lease liabilities	1,699	1,699	3,129	3,129
Convertible notes	3,263	3,263	3,224	3,224
	22,263	22,263	23,160	23,160



# S T A T E M E N T S

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

## Note 30. Related party disclosures

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

- J Landerer (Chairman)
- S S Donnelley (Managing director)
- J E Star (Non-executive director)
- P R Higginson (Non-executive director)

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

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

Controlled Entity Transacting	Related Party	Transaction Type	2002 \$'000	2001 \$'000
National Hire Group Limited	Landerer & Company	A	77	59
DWB (NH) Pty Ltd	Nusuna Pty Ltd	B	278	389
DWB (NH) Pty Ltd	Abbott Properties Pty Ltd	B	294	370
DWB (NH) Pty Ltd	Brooke Developments Pty Ltd	B	126	105
DWB (NH) Pty Ltd	Bendshaw Pty Ltd	B	47	47
DWB (NH) Pty Ltd	St George Plant Hire Pty Ltd	B	110	110
National Hire Group Limited	N S Donnelley (Holdings) Pty Ltd	C	500	
National Hire Group Limited	Stirhill Pty Ltd	C	550	

Transaction Types

A Provision of legal advice B Property rentals C Loans

### Particulars of the above transactions with directors and related parties:

A director of National Hire Group Limited, Mr J Landerer, is the principal partner of Landerer & Company, Solicitors, a firm which renders legal services to companies in the consolidated entity. All transactions are on normal commercial terms and conditions and in the ordinary course of business. Total fees paid and payable to Landerer & Company, for services rendered during the period was \$77,074 (2001: \$59,159).

DWB (NH) Pty Ltd rents premises at locations from companies associated with the family of Mr S S Donnelley. DWB (NH) Pty Ltd 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 \$561,373 (2001: \$651,000).

Effective January 2002 Brooke Developments Pty Ltd, a company associated with the family of Mr S S Donnelley, and the owner of the Arncliffe property executed a Surrender of Lease. The Arncliffe Branch was closed during the October-November 2001 company restructure. The lease had an original termination date of December 2003. Rent is not payable on this property from January 2002 with rent foregone for the six (6) months to June 2002 being \$52,500.

DWB (NH) Pty Ltd has entered into agreements to lease properties from Abbott Properties Pty Ltd, a company with which Mr J Landerer and Mr J Star are directors. Another director, Mr S S Donnelley, is a potential beneficiary of a family trust, which owns shares in Abbott Properties Pty Ltd. The total rent paid for the period was \$293,732 (2001: \$370,185). Rent has been reduced effective July 2001 and waived from January 2002 for a property occupied by a branch subject to closure during the October-November 2001 company restructure. Rent foregone for the twelve (12) months to June 2002 is \$81,250.

During the reporting period N S Donnelley (Holdings) Pty Ltd a company associated with the family of Mr S S Donnelley funded the Company \$500,000 by way of an interest free unsecured loan. The loan has a repayment date of 1 July 2003.

During the reporting period Stirhill Pty Ltd a company associated with Mr S S Donnelley funded the Company \$300,000 by way of an interest free unsecured loan. The loan does not carry a specific repayment date.

Subsequent to the financial year end Stirhill Pty Ltd a company associated with Mr S S Donnelley funded the Company \$250,000 by way of an interest free unsecured loan. The payment was made to GIO/WorkCover and Allianz in relation to the scissor lift insurance claim payment resulting from the HIH collapse.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

## Transactions within the wholly owned group

### Management Services

National Hire Trading Pty Limited 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	
		2002	2001	2002	2001	2002	2001
		%	%	\$'000	\$'000	\$'000	\$'000
Unity Plant Services Pty Ltd	Hire of plant and equipment	25	25	13	13	13	13

## Note 32. Event occurring after balance date

In the 1997 prospectus for the initial public offering and subsequent annual reports the Company advised DWB (NH) Pty Ltd (DWB) formally National Hire Pty Ltd was the Third Cross Defendant in two (2) public liability claims. In the June 2001 annual report the Company advised the matters were being heard in the Supreme Court. The Company was advised the claims, at that point in time, amounted to a potential liability of \$600,000 however the directors were of the opinion, based on legal advice, no provision was required. DWB did not admit any liability and advised it would vigorously defend the claim.

At the time of the relevant incident, being 1996, DWB public liability insurance was held by HIH. Resulting from the HIH collapse and a judgement entered against DWB a liability of \$1,737,500 was determined.

On the 11 September 2002, a deed of settlement was executed by all relevant parties reducing the liability against DWB to \$1,000,000. Included in the financial statements for the year ending June 2002 and in accordance with Accounting Standard AASB1014 Set Off and Extinguishment of Debt the discounted amount of the settlement payment has been brought to account as a liability. This amounts to \$871,424 and the resulting difference of \$128,576 will be brought to account as an interest expense over the term of the settlement agreement. Associated legal costs of approximately \$70,000 were expensed during the financial year.

The cash affect of the settlement includes an initial payment of \$250,000 that has been made. Funding for this payment was by a loan from Stirhill Pty Limited a company associated with the managing director Mr Stephen Donnelley. The remaining balance of \$750,000 is payable by DWB by instalments between August 2003 and August 2008.

## Note 33. Controlled entities

### Parent Entity

National Hire Group Limited Controlled Entities:

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

During the reporting period National Hire Pty Limited changed its name to DWB (NH) Pty Limited.

## Note 34. Segment information

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

# D I R E C T O R S ' D E C L A R A T I O N

NATIONAL HIRE GROUP LIMITED ABN 61 076 688 938 and its Controlled Entities

## Directors' Declaration

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

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of the performance, as requested by the results of their operations and their cash flows, for the financial year ended on that date.

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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 27 September 2002.



John Star  
Non-executive Director



Stephen Donnelley  
Managing Director

# A U D I T O R ' S R E P O R T

## 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 year ended 30 June 2002 as set out on pages 14 to 33.

The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the 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 mis-statement. 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 so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

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

### Audit Opinion

In our opinion, the expressed 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 2002 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 27 September 2002

Weston Woodley & Robertson



Cameron Johnstone  
Partner



Chartered Accountants  
Level 18, 201 Elizabeth Street  
Sydney NSW 2001

## 20 Largest shareholders

### Ordinary shares

Name	Number held	Percentage of shares issued
Stirhill Pty Ltd	8,871,826	32.0
Nusuna Pty Ltd	3,783,114	13.6
Hochma Development Fund Pty Ltd	1,087,200	3.9
National Nominees Limited (Equipsuper Account)	1,027,473	3.7
Questor Financial Services Limited (TPS RF A/C)	842,625	3.0
Rennel Pty Limited	500,000	1.8
Warana Holdings Pty Limited	384,738	1.4
Mr John Anthony Nolan	355,000	1.3
Contemplator Pty Ltd (ARG Pension Fund A/C)	304,761	1.1
ARG Pty Ltd	279,501	1.1
Miralanco Investment Pth Ltd	250,000	0.9
Mr Steven Palamara	250,000	0.9
Mr Carl Malouf	249,590	0.9
Rag Superannuation Pty Ltd	245,178	0.9
Gasweld Pty Limited	221,816	0.8
National Nominees Limited	203,850	0.7
Favermead Pty Limited (Super. Fund A/C)	200,000	0.7
A & J Anderson Management Pty Limited	199,260	0.7
Lionel McFadyen & Jenny McFadyen (Super Fund A/C)	185,097	0.7
Mr John Scott Stewart Richardson	184,385	0.7
	19,625,414	70.7
Number of issued ordinary shares	28,109,498	

### Convertible unsecured notes

Name	Number held	Percentage of notes issued
National Nominees Limited	950,000	20.2
National Nominees Limited (Equipsuper Account)	350,000	7.4
Stirhill Pty Ltd	333,334	7.1
Contemplator Pty Ltd (ARG Pension Fund A/C)	323,000	6.9
Kemdona Pty Ltd	320,000	6.8
Mitchelstown Holdings Ltd	248,000	5.3
Janytte Investments Pty Ltd	200,000	4.2
ARG Pty Ltd	150,000	3.2
Sir Tristan Venus Antico	140,000	3.0
Kaleman Pty Ltd	133,333	2.8
Weyitin Trading Pty Ltd (Weyitin Super Fund A/C)	119,000	2.5
Australian Pioneer P/L	105,000	2.2
S F Ewen Enterprises Pty Ltd (Super Fund A/C)	100,000	2.1
Rag Superannuation Pty Ltd	80,000	1.7
Jana Super Pty Ltd	65,000	1.4
Mrs Rosemary Raad	40,000	0.8
Warren Investments Pty Ltd	30,000	0.6
Mr Robert Henry Caldicott & Mrs Barbara Caldicott	30,000	0.6
Mr Tom Arthur Atkinson (Tom Atkinson Super Fund A/C)	30,000	0.6
Mitchelstown Holdings Ltd –		
Mr John Haslingden (Haslingden Super Fund A/C)	30,000	0.6
	3,776,667	80.0
Number of issued convertible unsecured notes	4,708,334	

### Substantial shareholders

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

Name	Number held	Percentage of shares issued
Stirhill Pty Ltd	8,871,826	32.0
Nusuna Pty Ltd	3,783,114	13.6

### Distribution schedule of holders of the Company's equity securities

	Ordinary shares	Options	Convertible notes
1-1,000	110		
1,001-5,000	128		13
5,001-10,000	128		24
10,001-100,000	176	3	45
100,001-and Over	33	3	12
	575	6	94

There are 162 holders of ordinary shares having less than a marketable parcel of 2,500 ordinary shares.

**Voting rights**

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

Holders of options issued by the Company are not entitled to vote whilst the options remain unexercised.

**Quotation of the Company's securities**

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

<b>Class of security</b>	<b>ASX code</b>
--------------------------	-----------------

Ordinary shares	NHR
Convertible notes	NHRG

Options issued by the Company are not quoted on any stock exchange.

**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

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**Corporate calendar**

Convertible note interest payable	31 October 2002
2002 Annual General Meeting	26 November 2002
Half year end	31 December 2002
Half year profit announcement	March 2003
Convertible note interest payable	30 April 2003
Financial year end	30 June 2003
Financial year profit announcement	September 2003

**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](http://www.registriesltd.com.au)  
 Email: [registries@registries.com.au](mailto:registries@registries.com.au)

# T H E T E A M

ADAMS	Andrew	FISHER	Ross	LORING	Maxwell	ROSS	Joanne
ALLEN	Jody	FRANKISH	Donald	MACKIE	Vincent	ROTHWELL	Peter
AMMANN	Sven	FRANKISH	Peter	MACRIS	Jim	ROYSTON	Scott
ANDERSON	Mark	FRASER	David	MACRIS	Theo	RYAN	Patrick
ANDERSON	Robert	FRASER	Robyn	MALTBY	Concetta	SALEM	Jihad
ANSLEY	Trevor	GAUCI	Joe	MANNING	Adrian	SAVAGE	Zayne
ARMITAGE	Warren	GIBBONS	George	MARTIN	John	SAVILL	Shaun
ARMSTRONG	Peter	GILLIES	Benjamen	MARTINS	Daniel	SAYERS	Gary
ATKINSON	Matthew	GILLMORE	Joel	MASON	Stephen	SCAGLIONE	Stephanie
AYALA	Javier	GOMES	Mario	MATTARELLI	Sebastian	SCHOFIELD	Ian
BAPTISTE	Leister	GOODALL	Lee	MCALOON	Leigh	SHAW	David
BISHOP	Stephen	GRECH	Sonny	MCDONALD	Jake	SIKORA	Jillian
BORG	Darlene	GRECHE	Corey	MCDONNELL	Jason	SNOOK	Mark
BOYD	Peter	GUERRA	Carlos	MCFARLAND	Keith	SOLOMON	Ivan
BOYD	Stephen	HANSLOW	Murray	MCGENNISKEN	Colin	SPENCE	Graeme
BRACAMONTE	Joseph	HARDAS	Eric	MCGONIGLE	Kathleen	SPILSTED	Bruce
BRADY	Matthew	HARDIE	Clark	MCGRATH	Ross	STANTON	David
BROWN	Maxwell	HARMAN	Ray	MCMAHON	Stuart	STAR	John
BURNS	James	HARRIS	Cameron	MELE	James	STEFANOVSKI	Robert
CAMERON	Tim	HERBERT	Brendon	MILNE	Stuart	STEVENS	Anthony
CAMPBELL	Chris	HERBERT	Grant	MOORCROFT	Craig John	SUCCAR	Danny
CAMPBELL	Scott	HEWSON	Gregory	MORRISON	Danielle	SYMONS	Kevin
CERGOVSKI	Jimmy	HIGGINSON	Philip	MORRISON	Heath	TAYLOR	Rohan
CHENG	Franky	HINTON	Jarrad	MORROW	Trevor	TAYLOR	Chris
CLARK	Stephen	HOGAN	Colleen	NAVIN	Ashley	TE HAARA	Isaac
CLAY	Jarrad	HOLLOW	Jody	NEVILLE	Paul	TERKES	Rudy
CLEVERDON	Andrew	HORLOCK	Ben	NTALLARIS	Nikita	TIRCHETT	Horace
CLINEN	Neil	HORLOCK	Paul	O'HARA	Kevin	TOIA	Paul
CLOUT	Curtis	HORVATH	Shane	OXFORD	Alan	TOMASSIAN	Max
COOK	Adam	HOWARD	Alan	OXMAN	John Jnr	TONG	Annie
COOPER	David	HOWELL	David	OXMAN	John	TRESTRAIL	Simon
CORBIN	Tony	HUTCHINSON	David	PALMER	Walter	TREVETHAN	Ryan
COREA	Steven	JAMES	Ronald	PARFITT	Gregory	TROUNCE	Nathan
CROWTHER	Kylie	JARVIS	Niki	PARFITT	Robert	TUTURESKI	Andrew
CUNDY	Nigel	JORDAN	Steven	PARKER	Dean	TYRRELL	Steven
CUSACK	Robert	KEGG	Ian	PARKER	Darcy	VEGA	Santiago
DALTON	Damian	KELLY	Rhys	PARKINSON	David	VEIT	Martin
DELANEY	Peter	KERR	Des	PATEREK	Shane	VELLA	Margaret
DELL	Kelvin	KING	Stuart	PAUL	Matthew	VICKERS	Adam
DENT	Malcolm	KIRKBY	Grant	PETERS	Michelle	VIEIRA	Jason
DINH	Richmond	KOTEVSKI	Meri	PHIPPEN	Thomas	VINBURG	Joshua
DIXON	James	KUZEVSKI	Tony	PIERCE	Drew	WALLER	Terry
DONNELLEY	Stephen	LANDERER	John	POOLE	Adam	WALTHER	Peggy
DOWD	Glen	LAURIE	Benjamin	POSSEE	Philip	WARD	Michael
EBEJER	Lawerence	LAVERY	Christopher	PROVARONI	Sam	WARNE	Ian
EDDY	Brian	LAWSON	Craig	PSAILA	Vincent	WESTBURY	Stephen
EVANS	Glenn	LAWSON	Ronald	RALSTON	Luke	WESTWOOD	Paul
FARMER	Todd	LE NOURY	Ashley	REEVES	Grant	WHEATLEY	Martin
FARMER	Greg	LE NOURY	Stuart	RICKETTS	Anthony	WHITE	Stephen
FARMER	Trent	LEE	Michelle	RILEY	Belinda	WHITE	Matthew
FAULKS	Anthony	LEWIS	Christopher	RILEY	Leonard	WILLMOTT	Robert
FEAR	Cameron	LIPPOLD	Richard	RIVIERE	Jean	WRIGHT	Brian
FEDERICO	Adam	LITTLE	Wayne	ROCCAZZELLA	Joe	ZAPADLO	Tom
FETCH	Sean	LOGAN	Jay	ROSS	Ian		

**New South Wales**

Bexley (02) 9582 2922  
560 Forest Road  
Camperdown (02) 8512 4000  
Cnr Booth & Pyrmont Bridge Roads  
Caringbah (02) 9545 8722  
Cnr Parraweena & Taren Point Roads  
Concord (02) 9747 3866  
3 Parramatta Road  
Hillsdale (02) 9582 7900  
Cnr Smith & Denison Streets  
Marrickville (02) 9582 5333  
Cnr Meeks & Marrickville Roads  
Penrith (02) 4735 6333  
Wolseley Street (cnr Mulgoa Road)  
Seven Hills (02) 9838 9696  
Cnr Abbott Road & Costello Place  
Willoughby (02) 9242 1444  
66 Penshurst Street  
North Wollongong (02) 4229 7322  
1 Flinders Street  
Port Kembla (02) 4275 1777  
1 Flinders Street

**Victoria**

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

**Queensland**

Coopers Plains (07) 3277 7744  
800 Beaudesert Road



Quality  
Endorsed  
Company

**2002 Annual Report**  
**National Hire Group Limited**  
ABN 61 076 688 938

**Head Office**

Cnr Smith & Denison Streets  
HILLSDALE NSW 2036  
Telephone: (02) 9582 7922  
Facsimile: (02) 9666 3701  
www.nationalhire.com.au

**NATIONAL HI-LIFT**

Melbourne (03) 9791 7800  
Sydney (02) 9897 7211  
Wollongong (02) 4275 1777

**NATIONAL PORTALOO**

**NATIONAL SITE-SHED**

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

**NATIONAL PUMPS**

Marrickville (02) 9582 5333

