



NATIONAL HIRE GROUP LIMITED

Dear Shareholder,

This August 2003 update incorporates the following announcements:

- After tax profit and continuing improved performance for year ended 30 June 2003
- Renounceable Rights Issue to Raise \$6.3 Million
- Appointment of an Executive Director – Mr Ray Kelsey

Shareholders are reminded that our web page www.nationalhire.com.au is continually updated with announcements made to the Australian Stock Exchange.

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NATIONAL HIRE REPORTS AFTER TAX PROFIT AND CONTINUING IMPROVED PERFORMANCE

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

This result reflects the improving operations of the business.

The improvements are being driven by the strategic repositioning of the business by the management including; management restructure, focused marketing and sales initiatives to our core customer segments, cost control, capital expenditure to build scale, volume and sub hire replacement. Strong customer demand from the dwelling, alterations and additions and non-dwelling construction sectors and in the last quarter from infrastructure projects that have commenced including the Sydney cross-city Tunnel and the M7 West Link Road project. The Company also enjoyed a stable business environment following the major distractions and impact caused by the collapse of HIH Casualty and General Insurance Ltd, which had a far greater time and financial distraction than anticipated.

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

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

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

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

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

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

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

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

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

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

Net operating cash flow for the year was \$4,212,000. Interest bearing liabilities were reduced to \$15,791,000, a reduction of \$1,652,000. Gearing measured as debt to equity was 116%.

Strategic Review

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

Our business is part of an industry that is growing at around 3.5% per annum and in the growth stage of its life cycle¹. This is as a result of the preference of end users to outsource their short-term requirements of equipment ownership and responsibility. Outsourcing allows users to lower operating costs, improve productivity, reduce capital investment, transfer ownership risk and stay up to date in regard to regulatory, safety and workplace standards.

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

People

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

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

The appointment of Mr Ray Kelsey as an Executive Director will strengthen the Board's hire industry knowledge and expertise. I refer you to the detail regarding Mr Kelsey's appointment later in this update.

Information Technology

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

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

Renounceable Rights Issue to Raise \$6.3 Million

The Company has announced the Offer of approximately 39,381,397 fully paid ordinary shares to raise approximately \$6,301,024. The shares are to be issued at 16 cents per share. The Offer is a Renounceable Rights Issue. The Offer made is by way of 6 New Shares for every 5 shares held by existing shareholders and 6 New Shares for every 5 convertible unsecured notes held by existing noteholders. The Offer will be fully underwritten by Hindal Securities Pty Limited and will be sub underwritten in part by parties associated with the Directors.

¹ IBIS L774 31 January 2003

National Hire intends to use the funds raised to expand its equipment hire fleet by the acquisition of new equipment, to effect a payment of loans provided by related party lenders (which monies will be used to subscribe for New Shares) and for payment of expenses incurred in the Rights Issue.

The pricing of the Offer is at a substantial discount to the average sale price in August 2003. In setting the price it has been a priority to ensure the success of the raising and to encourage existing shareholders and noteholders to take up their rights in total or provide them with some opportunity to renounce and sell their right.

For further information visit our website: www.nationalhire.com.au and click on Investor Relations

Mr Ray Kelsey Appointed As An Executive Director

Mr Ray Kelsey has been appointed as an executive director of the company, and will stand for election at the next AGM.

Mr Kelsey has had a long and successful career in the hire industry, commencing in the 1960's and will strengthen the Board's hire industry knowledge and expertise.

Being resident in Victoria, Mr Kelsey will strengthen and improve regional representation and he will play a key role in developing and reviewing the Group's strategic plan and its implementation. In order to effect this, and the identification of improvements and growth opportunities, Mr Kelsey will be tasked with the special project of assisting the Managing Director in the strategic development of our Victorian business unit. In addition he will provide mentoring, hire industry experience, introduction to potential key clients and public relations assistance.

Mr Kelsey's background is as follows:

Commenced employment with Wreckair in 1960 through to 1990. From 1978 to 1990 he was the Chief Executive Officer and oversaw the growth of Wreckair from revenues of \$17 million to revenues of \$140 million, and in the same period grew EBIT from \$2.8 million to \$27.5 million. Mr Kelsey departed Wreckair on the completion of its acquisition by Brambles Limited.

In 1994 Mr Kelsey was part of the investment team that created AH Plant Hire through the privatisation of Vic Roads. Mr Kelsey's role was Executive Chairman and CEO, growing the business until it was sold to Austrim in 1996. After 1996 Mr Kelsey continued to provide consulting services to the hire industry, including assisting National Hire with its strategic review earlier this year.

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