

National Hire Group Limited

ACN 076 688 938 ABN 61 076 688 938

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ASX Announcement

21 October 2011

NATIONAL HIRE GROUP LIMITED (“NHR”) MAIL OUT TO SHAREHOLDERS

The following documents which will be posted to the Company’s shareholders early next week:

1. Notice of Annual General Meeting
2. Proxy Form

The 2011 Annual Report, which was lodged on 14 October 2011 under a separate announcement and which is available on the Company’s website (www.nationalhire.com.au), will be sent to those shareholders who have elected to receive a copy.

Contact

Gayle McGarry

Company Secretary

08 9302 0000

About National Hire

National Hire Group Limited owns equipment sales and support businesses which operates under the name Allight, Sykes and Primax and a 46.1% interest in Coates Group Holdings Pty Ltd which owns the Coates Hire business.

Allight manufactures, assembles, sells and supports mobile lighting and power generation equipment and distributes Perkins engines, FG Wilson power generation sets and Rotair compressors. Sykes and Primax manufacture, sell and support dewatering solutions globally.

Coates Hire is the largest rental business in Australia and is one of the largest rental businesses globally. Coates Hire has been hiring equipment to the mining construction and event management sectors for more than a century, and today has a network of over 200 branches across Australia.

Notice of 2011 Annual General Meeting

National Hire

National Hire Group Limited ABN 61 076 688 938

Notice is given that the Annual General Meeting of members of National Hire Group Limited (**National Hire** or **Company**) will be held at The University Club of Western Australia, University of Western Australia, Hackett Drive, Entrance #1, Carpark #3, Crawley, Western Australia on Thursday 24 November 2011 at 1.30 pm Western Standard Time (4:30 pm Eastern Daylight Savings Time).

Financial Reports

To receive and consider the financial report and the reports of the directors and auditors of National Hire and its controlled entities for the year ended 30 June 2011.

No resolution is required to be moved in respect of this item.

Resolution 1 – Remuneration Report

To consider, and if thought fit, to pass the following as an *ordinary resolution*:

‘To approve the Remuneration Report for the year ended 30 June 2011.’

Note: The vote on this resolution is advisory only and does not bind the directors or National Hire.

Resolution 2 – Re-election of Mr Clive Isenberg

To consider, and if thought fit, to pass the following as an *ordinary resolution*:

‘That Mr Clive Isenberg, who retires in accordance with rule 7.1(d) of National Hire’s Constitution and, being eligible for re-election, be re-elected as a director of National Hire.’

Resolution 3 – Financial Assistance

To consider, and if thought fit, to pass the following as a *special resolution*:

‘That for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for financial assistance to be provided by:

- (a) Pump Rentals Pty Ltd (ABN 86 057 090 561), Sykes Group Pty Ltd (ABN 61 004 093 752) and Sykes Fleet Services Pty Ltd (ABN 38 074 656 027) to Allight Holdings Pty Ltd (ABN 73 070 926 555), as described in the Explanatory Memorandum which accompanies this Notice of Annual General Meeting; and
- (b) any company not within paragraph (a) that is or becomes a subsidiary of Pump Rentals Pty Ltd (ABN 86 057 090 561) or any of its subsidiaries, to Allight Holdings Pty Ltd (ABN 73 070 926 555), where the giving of the financial assistance is required by the terms of the Finance Documents as described in the Explanatory Memorandum which accompanies this Notice of Annual General Meeting.’

The Explanatory Memorandum which accompanies this Notice of Annual General Meeting contains an explanation of the financial assistance to be approved and the information known to National Hire that is material to the decision on how to vote on the resolution.

Resolution 4 – Grant of Performance Rights to Mr Andrew Aitken

To consider, and if thought fit, pass the following resolution as an *ordinary resolution*:

‘That approval be given for all purposes, including under Listing Rule 10.14, for the grant of 300,000 performance rights to the Managing Director of National Hire, Mr Andrew Aitken, in accordance with the National Hire Long Term Incentive Plan and on the terms set out in the Explanatory Memorandum which accompanies this Notice of Annual General Meeting.’

Other business

To transact any other business which may be brought forward pursuant to National Hire’s Constitution or by law.

Dated: 20th October 2011

By order of the Board



Gayle McGarry
Company Secretary

Who can vote

You will be entitled to vote at the Annual General Meeting if you are registered as a holder of National Hire shares at 4.00 pm Western Standard Time (7:00pm Eastern Daylight Savings Time) on 22 November 2011.

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf.

Proxies

If you wish to appoint a proxy, please complete the enclosed form of proxy that accompanies this Notice of Meeting.

Please note that:

- a member who is entitled to attend and cast a vote at the meeting may appoint a person as the member’s proxy (**Proxy**) to attend and vote for the member at the meeting;
- the appointment may specify the proportion or number of votes that the Proxy may exercise;
- a member who is entitled to cast two or more votes at the meeting may appoint two Proxies and may specify the proportion or number of votes each Proxy is appointed to exercise;
- if the member appoints two Proxies and the appointment does not specify the proportion or number of the member’s votes each Proxy may exercise, each Proxy may exercise half of the votes;
- if the member appoints one Proxy only, that Proxy is entitled to vote on a show of hands. If a member appoints two Proxies, neither Proxy is entitled to vote on a show of hands;

- where two Proxies are appointed, any fractions of votes resulting from the appointment of two Proxies will be disregarded;
- a Proxy need not be a member of National Hire; and
- if a member appoints a body corporate as Proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of the appointment of its corporate representative.

Unless the member specifically directs the Proxy how to vote, the Proxy may vote as he or she thinks fit or abstain from voting, subject to applicable legal requirements.

If you wish to appoint a Proxy, you should complete the attached Proxy Form. Your Proxy Form must be received by no later than 1:30 pm Western Standard Time (4.30pm Eastern Daylight Savings Time) on Tuesday 22 November 2011 at the address below:

Hand deliveries:

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

Postal address:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Fax number:

(02) 9290 9655

Voting Exclusion Statement

For resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (**KMP**) of the Company, being Resolutions 1 and 4, the *Corporations Act 2001* (Cth) (**Corporations Act**) restricts KMP and their closely related parties from voting in their own right and as proxies in certain circumstances.

Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, a voting restriction applies in respect of Resolution 4 under the ASX Listing Rules.

Resolution 1 – Remuneration Report

The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of KMP named in the Company's Remuneration Report or that KMP's closely related party, as well as any votes cast as a Proxy on Resolution 1 by a member of KMP or a closely related party of that KMP unless the vote is cast by a person as Proxy for a person entitled to vote in accordance with a direction on the Proxy Form.

Resolution 4 – Grant of Performance Rights to Mr Andrew Aitken

The Company will disregard any votes cast on Resolution 4 by Mr Andrew Aitken (being the only director eligible to participate in any employee incentive scheme in relation to National Hire) and any of his associates, as well as any votes cast as a Proxy on Resolution 4 by a member of KMP or a KMP's closely related party.

However, the Company need not disregard a vote if it is cast:

- as Proxy for a person entitled to vote in accordance with a direction on the Proxy Form; or
- by the Chair of the meetings as Proxy for a person entitled to vote in accordance with a direction on the proxy form to vote as the Proxy decides.

What this means for shareholders: If you intend to appoint a member of the KMP (such as the Chairman of the Meeting or one of the directors) as your Proxy, please ensure that you direct them how to vote on Resolutions 1 and 4. If you intend to appoint the Chairman of the Meeting as your Proxy, you can direct the Chairman how to vote by either marking the boxes for Resolutions 1 and 4 (for example if you wish to vote for, against or abstain from voting), or by marking the Chairman's box on the Proxy Form (in which case the Chairman of the meeting will vote in favour of Resolutions 1 and 4).

Financial Reports

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated annual financial statements of National Hire for the financial year ended 30 June 2011 together with the directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of National Hire.

The Chairman will also provide shareholders a reasonable opportunity to ask the auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by National Hire in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

Resolution 1 – Remuneration Report

The consolidated annual financial report of National Hire for the year ended 30 June 2011 contains a remuneration report which sets out the remuneration policy for National Hire and reports the remuneration arrangements in place for the Managing Director and non-executive directors. A copy of the remuneration report is set out on pages 18 to 24 of the consolidated annual financial report of National Hire and can also be found on National Hire's website at www.nationalhire.com.au.

Under the Corporations Act, the shareholder vote is advisory only and will not require National Hire to alter any arrangements detailed in the remuneration report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the board has determined that it will take the outcome of the vote into account when considering the remuneration policy.

Shareholders will be given reasonable opportunity at the Annual General Meeting to ask questions and make comments on the remuneration report.

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Resolution 2 – Re-election of Mr Clive Isenberg

Mr Clive Isenberg retires by rotation in accordance with rule 7.1(d) of National Hire's Constitution. However, the retiring director may, if eligible in accordance with National Hire's Constitution, offer himself for re-election.

Mr Isenberg offers himself for re-election.

Mr Isenberg is Managing Director of Octet Finance Pty Ltd, a company providing supply chain finance and working capital finance solutions in Australia and internationally between China, the USA and Canada. Mr Isenberg was, until May 2000, the owner and Managing Director of Scottish Pacific Business Finance Pty Ltd, a position he held for 18 years. He has also held the position of General Manager of the St. George Bank Business Customer Division.

Mr Isenberg is an associate of the Institute of Chartered Accountants in Australia, a fellow of the Certified Practising Accountants and a graduate of accounting. He has extensive experience in financial services and for many years was a director of Bank of Scotland subsidiaries in Australia, including Capital Finance Ltd, BOS International Ltd and the holding company of the Bank of Western Australia. Mr Isenberg was the founder and past chairman of the Institute for Factors and Discounters of Australia and was chairman of Factors Chain International (an international association of leading cash flow financiers) between 1997 and 1999.

He is the Chair of both the Audit and Remuneration Committees and is also a member of the Nomination Committee.

The Board (other than Mr Isenberg) recommends that shareholders vote in favour of the re-election of Mr Isenberg.

The Chairman of the meeting intends to vote all available proxies in favour of this resolution.

Resolution 3 – Financial Assistance

3.1 Financial assistance in relation to the acquisition by Allight Holdings of Pump Rentals

(a) Acquisition of Pump Rentals

On 23 November 2010, National Hire through its wholly-owned subsidiary, Allight Holdings, acquired all of the issued shares in Pump Rentals. Pump Rentals and its subsidiaries, trading under the names Sykes Group or Primax, constitute one of the world's largest manufacturers and distributors of auto prime pumps for the mining, construction and civil engineering sectors. The acquisition was consistent with National Hire's strategy to pursue value accretive acquisition opportunities to expand the product offering and export market penetration of its equipment sales and support business, Allight.

The initial purchase price for Pump Rentals was \$50 million (enterprise value), with \$7 million of the initial consideration being deferred until the vendors satisfy certain conditions. The vendors may receive an additional

earn-out amount of up to \$5 million if the combined equipment sales and support business achieves certain earnings before interest and tax (EBIT) hurdles before 31 December 2012 or, failing that, 31 December 2013.

The acquisition had been funded by utilising an existing but undrawn \$25 million debt facility provided by ANZ in November 2008 (the **Existing ANZ Debt**) and an unsecured loan of \$25 million from a subsidiary of Seven Group on arms length terms (the **SGH Loan**). These facilities and loans were due to mature in November 2011 and have been refinanced by the financing arrangements described in paragraph (e) below.

(b) What is financial assistance

Pursuant to section 260A(1) of the Corporations Act a company may financially assist a person to acquire shares in the company or a holding company of the company only if:

- (1) giving the assistance does not materially prejudice:
 - the interests of the company or its shareholders; or
 - the company's ability to pay its creditors; or
- (2) the assistance is approved by shareholders under section 260B of the Corporations Act; or
- (3) the assistance is exempted under section 260C of the Corporations Act.

A company may be regarded as providing financial assistance if it furnishes something which is needed or wanted in order for the acquisition of shares to take place. Common examples include giving a guarantee or granting security over a company's assets to secure another person's liability.

(c) Requirement for shareholder approval in relation to financial assistance

Under section 260B(1) of the Corporations Act for a company to financially assist a person to acquire shares in itself or a company of which it is a subsidiary, the financial assistance must be approved by its shareholders by:

- (1) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (2) a resolution agreed to, at a general meeting, by all ordinary shareholders.

Under section 260B(2) of the Corporations Act, if a company will be a subsidiary of a listed domestic corporation immediately after the acquisition of its shares, the financial assistance must also be approved by a special resolution passed at a general meeting of the listed domestic corporation. The Sykes Group Subsidiaries are subsidiaries of two listed domestic corporations, namely National Hire and Seven Group, as Seven Group indirectly held 66.2% of National Hire as at the date of the Facilities.

This Explanatory Memorandum explains in further detail the proposed resolution which must be passed under section 260B(2) of the Corporations Act to enable the

Sykes Group Subsidiaries to enter into and perform obligations under loan and security documentation (including guarantees and charges over its assets) to secure the amounts payable under the Finance Documents. The Facilities (as defined below) provided under the Finance Documents were used, amongst other things, to refinance the Existing ANZ Debt and repay funds advanced under the SGH Loan which were originally used by Allight Holdings to acquire Pump Rentals.

It is also possible that future subsidiaries of Pump Rentals will provide further financial assistance to Allight Holdings.

Shareholders are asked to consider and, if thought fit, pass the resolution under section 260B(2) of the Corporations Act to permit National Hire to approve these arrangements.

(d) *The proposed Financial Assistance Resolution*

The proposed Financial Assistance Resolution is a proposed special resolution to approve:

- (1) the financial assistance to be provided by the Targets to Allight Holdings; and
- (2) the financial assistance to be provided by any company not within paragraph (1) that is or becomes a subsidiary of Pump Rentals or any of its subsidiaries, to Allight Holdings, where the giving of the financial assistance is required by the terms of the Finance Documents.

Shareholders are being asked to approve these arrangements because the Sykes Group Subsidiaries are subsidiaries of National Hire, a listed domestic corporation.

Seven Group shareholders will also be asked to approve these arrangements by a special resolution at the Seven Group annual general meeting to be held on 9 November 2011.

(e) *Financing*

Facilities

Allight Holdings utilised the Existing ANZ Debt and funds advanced under the SGH Loan to acquire Pump Rentals. A new facility agreement was entered into with ANZ on 23 August 2011 (**Facility Agreement**) for the purpose of, amongst other things, refinancing the Existing ANZ Debt and repaying the funds advanced under the SGH Loan as both were due to expire in November 2011. Under the Facility Agreement and a facility offer letter dated 23 August 2011, ANZ agreed to provide the National Hire group with:

- (1) A\$60 million cash advance facility for a term of 3 years (**Cash Advance Facility**);
- (2) A\$10 million revolving working capital facility for a term of 3 years (**Working Capital Facility**); and
- (3) A\$1.55 million of transactional banking facilities

(Transactional Facilities),

together the **Facilities**.

Borrowers and Purpose

The Cash Advance Facility is available to Allight Holdings to:

- (1) repay the Existing ANZ Debt and the SGH Loan (including capitalised interest accrued but unpaid) and intra group debt used to acquire Pump Rentals; and
- (2) satisfy the payment of deferred and contingent consideration to the vendors of Pump Rentals.

The Working Capital Facility is available to Allight Holdings and Allight for the purpose of assisting with the day to day working capital requirements of the group. It may be made available to the Sykes Group Subsidiaries if the Financial Assistance Resolution is passed.

The Transactional Facilities are available to National Hire, Allight Holdings, Allight and Sykes Group Pty Ltd (ABN 61 004 093 752).

Representations, warranties, undertakings and defaults

The Facilities are subject to representations and warranties, undertakings and events of default as are customary for facilities of this kind.

(f) *Hedging Agreements*

Allight Holdings was required to enter into interest rate hedging arrangements to hedge certain of its interest rate exposure under the Cash Advance Facility (**Hedging Agreements**) before 26 September 2011. ANZ has subsequently extended the date for putting the Hedging Agreements in place.

(g) *Security by each Target*

At the date that the Facilities were put in place, each of National Hire, Allight Holdings and Allight provided guarantees and fixed and floating charges in favour of ANZ in support of their obligations under the Finance Documents. While the fixed and floating charges granted by Allight Holdings and Allight extend to all of their assets, the National Hire charge excludes the Company's shareholding in Coates Group Holdings Pty Ltd.

It is a condition of the Finance Documents that National Hire, Allight Holdings and Allight use their best endeavours to ensure that all necessary approvals and lodgements are obtained and made pursuant to section 260B of the Corporations Act so that each Target incurs all obligations of a guarantor and an obligor under the Finance Documents and each fixed and floating charge granted by the Targets secures all secured money owing to ANZ under the Finance Documents. If:

- (1) the Financial Assistance Resolution is passed; and
- (2) shareholders of Seven Group pass a corresponding special resolution;

then:

- (3) each Target will irrevocably and unconditionally guarantee to ANZ the payment of all secured money under the Finance Documents and the performance

by each obligor of all its other obligations under the Finance Documents;

- (4) the fixed and floating charge granted by each Target over all of its assets in favour of ANZ will extend to the payment of all secured money under the Finance Documents and the performance by each obligor of all its other obligations under the Finance Documents; and
- (5) each Target will assume all other obligations of the obligors under the Finance Documents which includes making various representations and giving (and complying with) undertakings, negative covenants and indemnities.

Each Target currently has no rights or obligations under the Facility Agreement other than under the terms of the guarantee. The guarantee given by each Target to ANZ under the Facility Agreement and the security granted by each Target in favour of ANZ is currently limited to the obligation to repay that part of the secured money payable in respect of the Working Capital Facility, the Transactional Facilities and any amount of debt in connection with any Hedging Agreements.

Under the Finance Documents, each Target is not permitted to mortgage, pledge, charge or otherwise grant a security interest with respect to any of their property subject to certain exceptions.

(h) *Other support*

Subsidiary Guarantors may, in certain circumstances, be required to provide the same guarantees and security as given by the Targets above.

In addition, the Subsidiary Guarantors (including the Targets) may be required to do one or more of the following:

- subordinate intercompany claims;
- assume other liabilities of Allight Holdings or other subsidiaries or related parties of Allight Holdings; and
- make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable Allight Holdings and the other obligors to comply with their payment and other obligations in respect of the Finance Documents.

If any of the Facilities, Hedging Agreements or Finance Documents are amended, replaced or refinanced from time to time, the Subsidiary Guarantors (including the Targets) may be required to consent to such amendments and/or to provide additional support which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges on the same or different terms to the security referred to above.

In addition to the above benefits, the Subsidiary Guarantors (including the Targets) may otherwise provide such financial assistance as Allight Holdings may request.

3.2 Shareholder approval

The transactions contemplated by the Sykes Group

Subsidiaries (including the Targets) under the Finance Documents and described in this Explanatory Memorandum may constitute financial assistance of the type referred to in section 260A of the Corporations Act because those transactions enable Allight Holdings to comply with its obligations under the Finance Documents, being the refinancing of the Existing ANZ Debt and repayment of funds advanced under the SGH Loan which were used by Allight Holdings to acquire the shares in Pump Rentals.

Section 260B of the Corporations Act allows financial assistance to be given by a company (if it does not cause the company to become insolvent or would otherwise result in the directors breaching their duties) if it is approved by:

- (1) a unanimous resolution by the shareholders of the relevant company giving the financial assistance (namely the Targets and, if required, other Sykes Group Subsidiaries); and
- (2) a special resolution by the shareholders of each listed domestic corporation that is the holding company of the companies to be acquired.

Under the second limb, being section 260B(2) of the Corporations Act, shareholder approval of National Hire is sought because the Sykes Group Subsidiaries (including the Targets) are subsidiaries of National Hire.

3.3 Advantages of the proposed Resolution

The advantages of the proposed Financial Assistance Resolution include:

- (1) ANZ requires the financial assistance as described in this Explanatory Memorandum to be given under the Facility Agreement. If the Financial Assistance Resolution is not passed, it will result in the occurrence of a "review event" under the Facility Agreement, which gives ANZ a right to change the terms and conditions of the Finance Documents or cancel the Facilities and require them to be repaid;
- (2) the directors of National Hire believe that the Facilities are the most efficient form of financing available to Allight Holdings and the Subsidiary Guarantors at this time;
- (3) the Subsidiary Guarantors may benefit from the synergies and cost savings through their integration with Allight Holdings and each other; and
- (4) the Subsidiary Guarantors will have access to additional working capital, capex and transactional banking facilities available under the Facilities.

3.4 Disadvantages of the proposed Resolution

The disadvantages of the proposed Financial Assistance Resolution include the fact that ANZ may become entitled to enforce any of their rights under the guarantee and security granted by the Targets and any other Sykes Group Subsidiaries. However, it should be noted that each of National Hire, Allight Holdings and Allight has already granted security in support of the obligations on the group under the Finance Documents and therefore ANZ already has recourse to substantial assets of the group in the event of any default under the Facilities.

3.5 Recommendation

The Board unanimously recommends that shareholders vote in favour of this Resolution.

Resolution 4 – Grant of Performance Rights to Mr Andrew Aitken

Resolution 4 seeks shareholder approval for the grant of performance rights to the Company's Managing Director, Mr Andrew Aitken, under the National Hire Long Term Incentive Plan (LTIP) and on the terms and conditions set out in this Notice of Meeting.

The LTIP forms the basis of National Hire's long term incentive arrangements for the key employees of the National Hire group. The LTIP provides for the grant of performance rights to eligible employees, which will only vest to the extent specified performance conditions are satisfied. The Board adopted the LTIP in October 2011.

National Hire is seeking approval for the grant of performance rights to Mr Aitken in accordance with the ASX Listing Rules, both as a matter of good, transparent corporate governance and to preserve flexibility as to how it sources any shares allocated on vesting of the performance rights (i.e. whether the shares are purchased on market or newly issued).

Shareholder approval is sought for the grant to Mr Aitken of 300,000 performance rights. These performance rights will be granted in three equal tranches, each of 100,000 performance rights. Each tranche will be subject to a similar performance condition, tested over differing performance periods. It is intended that all performance rights will be granted to Mr Aitken shortly after the Annual General Meeting.

Each performance right granted in respect of the LTIP entitles Mr Aitken to one fully paid ordinary share in National Hire at no cost, subject to satisfaction of the performance conditions described below. If the performance conditions are satisfied, the performance rights will vest and fully paid ordinary shares in National Hire ranking equally with shares in the same class will be allocated to Mr Aitken. The Board's view is that the performance conditions impose challenging but achievable targets for the Managing Director and contributes to the creation of shareholder wealth. In particular, if the performance conditions resulting in full vesting of the performance rights are achieved substantial cumulative growth in earnings per share (EPS) will have been achieved by National Hire.

Performance conditions

The performance conditions applying to the proposed grant of performance rights to Mr Aitken (and which will be used to determine the number of performance rights that vest) are based on EPS. EPS is defined as net profit after tax divided by the weighted average number of ordinary shares and options / rights on issue for the year. The performance conditions are determined by reference to cumulative basic EPS, aggregated over the relevant performance periods, measured against specified EPS growth targets. That is the actual EPS performance of National Hire over the relevant performance periods will be measured against targets set by the Board.

The Board has determined target and stretch EPS hurdles in respect of each tranche. If the target hurdles are met, 50% of the tranche will vest. If the stretch hurdles are met, 100% of the tranche will vest. Pro-rata vesting will occur between the target

and stretch hurdles. There is limited re-testing of the hurdles, described below.

The target EPS hurdles applying to each of the tranches are:

- Tranche 1 – EPS target of 19.72 cents per share;
- Tranche 2 – EPS target of 21.20 cents per share; and
- Tranche 3 – EPS target of 22.79 cents per share.

The target EPS hurdles are based on a 7.5% annual growth rate in EPS, over the FY11 base year EPS of 17.86 cents per share.

The stretch EPS hurdles applying to each of the tranches are:

- Tranche 1 – EPS target of 21.11 cents per share;
- Tranche 2 – EPS target of 24.26 cents per share; and
- Tranche 3 – EPS target of 27.90 cents per share.

The target EPS hurdles are based on a 15% annual growth rate in EPS over the FY11 base year EPS of 17.86 cents per share.

The applicable performance periods are:

- Tranche 1 – the period comprising FY12 (i.e. the period commencing on 1 July 2011 and ending on 30 June 2012) (with the possibility of two re-tests, as described below);
- Tranche 2 – the period comprising FY 12 and FY13 (i.e. the period commencing on 1 July 2011 and ending on 30 June 2013) (with the possibility of one re-test, as described below); and
- Tranche 3 – the period comprising FY12, FY13 and FY14 (i.e. the period commencing on 1 July 2011 and ending on 30 June 2014).

The Board will determine National Hire's EPS for the purposes of the performance condition. In determining such EPS, the Board may determine how EPS is calculated, having regard to the accounting standards. In particular, in accordance with the rules of the LTIP, in the event of a change in circumstances of the Company (for example, the acquisition or sale of an asset) which would impact on the Company's EPS, the Board may make such adjustments to the performance condition, and / or the calculation of EPS, as it considers appropriate in the circumstances, so that no material advantage or disadvantage accrues to Mr Aitken relative to what was reasonably anticipated at the time of grant.

Following the end of the relevant performance period, the Board will determine the extent to which the performance condition has been achieved and the number of performance rights that will vest. Vesting will occur on the first date in the trading window following the announcement of National Hire's full year results for the relevant financial year, unless the Board determines, or National Hire's securities trading policy requires, otherwise.

The proportion of the performance rights which may vest will be determined based on performance against the performance condition, as set out in the table below:

EPS growth targets determined by cumulative compound EPS growth over the performance period	Proportion of performance rights that vest
Less than EPS target hurdle	0
EPS target hurdle achieved	50%
Between EPS target hurdle and EPS stretch hurdle	Pro-rata straight line vesting between 50% and 100%
EPS stretch hurdle	100%

To the extent that the Tranche 1 performance condition is not met, the unvested Tranche 1 performance rights will be re-tested as part of the Tranche 2 performance condition. To the extent that the Tranche 2 performance condition is not met, the unvested Tranche 2 performance rights (and any unvested Tranche 1 performance rights which are also subject to the Tranche 2 performance condition) will be re-tested as part of the Tranche 3 performance condition. To the extent that the Tranche 3 performance condition is not met, there will be no retesting of the Tranche 3 performance condition, and the unvested Tranche 3 performance rights (and any unvested Tranche 1 and Tranche 2 performance rights which are also subject to the Tranche 3 performance condition) will not vest and will lapse.

Cessation of Employment

If Mr Aitken ceases to be an employee of the National Hire group before his performance rights vest, due to termination for cause or gross misconduct, or for any other reason determined by the Board (which may include, for example, where he resigns), all performance rights he holds will lapse.

If Mr Aitken ceases to be an employee of the National Hire group before his performance rights vest due to any other reason, his performance rights will remain on foot and to the extent the performance condition is satisfied, the performance rights may vest following the end of the performance period. Alternatively, the Board may determine that vesting will occur upon the cessation of employment, or the Board may determine that additional conditions, such as compliance with non-compete obligations or a disposal period, apply to those performance rights which remain 'on foot'. The Board may also determine in its discretion that the number of performance rights available for vesting will be reduced for the portion of the performance period for which Mr Aitken is no longer a National Hire group employee. In exercising its discretion, the Board will have regard to the applicable requirements of the Corporations Act as they apply to benefits given to employees on cessation of employment.

Forfeiture / Lapse

Mr Aitken may forfeit his performance rights in certain circumstances. In particular, if, in the Board's opinion, Mr Aitken acts fraudulently or dishonestly, or is in breach of his material obligations to National Hire or a subsidiary, the Board may:

- deem any of his unvested performance rights to be lapsed;
- deem all or any shares allocated to him following vesting of his performance rights to be forfeited; and / or
- where he has sold any shares allocated to him following vesting of his performance rights, require him to pay all or part of the net proceeds of that sale to National Hire.

Further if, in the Board's opinion, the performance condition is satisfied as a result of the fraud, dishonesty or breach of conditions of another person, and the performance condition would not otherwise have been satisfied, the Board may determine the performance condition has not been satisfied and that the performance condition should be reset, or any other treatment the Board determines to ensure no unfair benefit is obtained by Mr Aitken as a result of the actions of another person.

General provisions applying to performance rights

Mr Aitken is not required to pay any amount at the time of grant of the performance rights, nor on vesting of those performance rights.

Once vested, the performance rights are automatically exercised on the vesting date and one share per vested performance right

will be allocated to Mr Aitken. It is currently intended that shares allocated on vesting of the performance rights will be issued to Mr Aitken by the Company. However, the Board retains the discretion to instead acquire the shares on-market on behalf of Mr Aitken.

In general, the performance rights may not be traded or otherwise dealt with. In particular, Mr Aitken may not enter into any hedging or similar arrangement (including any dealing with a derivative instrument intended to "lock in" a profit relating to performance rights, and any other transactions in financial products that operate to limit the economic risk associated with holding performance rights) in relation to his performance rights.

Following vesting of performance rights and allocation of the relevant shares, any dealing by Mr Aitken in relation to those shares must be in accordance with the Company's securities dealing policy.

Performance rights carry no voting or dividend entitlements. It is only once performance rights have vested and shares allocated that Mr Aitken has a right to receive dividends and to vote at meetings of shareholders of the Company.

The rules of the LTIP contain provisions relating to the treatment of performance rights in the event of a takeover or change in control and in the event of a bonus issue or capital reorganisation. Generally, in the event of a bonus issue or capital reorganisation, the Board may, subject to the ASX Listing Rules, adjust the number of rights, so as to ensure no advantage or disadvantage to Mr Aitken. The performance rights carry no other entitlement to participate in new share issues made by the Company. In the event of a takeover, merger or other corporate action affecting the control of National Hire, the Board will have a broad discretion to determine the extent to which the performance rights vest (if any), having regard to the proportion of the performance period that has elapsed and the extent to which the performance condition has been satisfied.

The rules of the LTIP provide that where performance rights remain on foot and the Board determines that a performance condition is no longer appropriate or applicable (including in the event of extraneous economic circumstances or a corporate action such as a merger, reorganisation or major asset acquisition or sale), the Board may waive, amend or replace any performance condition, provided in the opinion of the Board, the participant's interests are not materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.

Other information

Mr Aitken is the only director entitled to participate in the LTIP.

As the LTIP was only adopted and implemented in October 2011, no previous grants have been made to Mr Aitken or any other persons to whom ASX Listing Rule 10.14 applies under the LTIP.

No loan will be provided in respect of the performance rights.

Details of any performance rights granted to Mr Aitken under the LTIP will be announced to the ASX at time of grant.

It is intended that all the performance rights will be granted to Mr Aitken shortly after the Annual General Meeting. No performance rights will be issued under this approval later than one year after the date of the Annual General Meeting.

Seven (National) Pty Ltd (**Seven**) has made an unconditional off market takeover bid for all the shares in National Hire in which Seven Group does not already have a relevant interest. Given that the takeover bid is unconditional, the grant of rights will not prevent the takeover bid from proceeding. Seven, Seven Group and WesTrac Pty Ltd have not stated whether they intend to support the grant of the performance rights or whether they will

vote in favour the resolution. If the grant is made at a time when Seven's offer remains open, the Board does not intend to exercise its discretion to allow the performance rights to vest as a result of Seven's offer.

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

The Board (other than Mr Aitken) unanimously recommends that shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote all available proxies in favour of this Resolution.

Definitions

Allight	Allight Pty Ltd (ABN 35 053 434 807)
Allight Holdings	Allight Holdings Pty Ltd (ABN 73 070 926 555)
ANZ	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)
Corporations Act	the Corporations Act 2001 (Cth).
Facilities	as described in 3.1(e) of the Explanatory Memorandum.
Finance Documents	finance documents under which the Facilities are or will be provided by ANZ.
Financial Assistance Resolution	Resolution 3 of the Notice of Meeting.
LTIP	as described in 4 of the Explanatory Memorandum.
National Hire	National Hire Group Limited (ABN 61 076 688 938)
Notice of Meeting	the Notice of Annual General Meeting which this Explanatory Memorandum accompanies.
Pump Rentals	Pump Rentals Pty Ltd (ABN 86 057 090 561)
Seven Group	Seven Group Holdings Limited (ABN 46 142 003 469)
Subsidiary Guarantor	subsidiaries of Allight Holdings from time to time.
Sykes Group Subsidiaries	the Targets and their respective subsidiaries from time to time.
Targets	Pump Rentals, Sykes Group Pty Ltd (ABN 61 004 093 752) and Sykes Fleet Services Pty Ltd (ABN 38 074 656 027).

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

Name and Address

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 1:30 pm
Western Standard Time (4:30 pm Eastern Daylight Savings Time), Tuesday 22
November 2011

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of proxy

Indicate here who you want to appoint as your proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission to the meeting. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders must sign the form.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting (that is, by **1.30 pm Western Standard Time (4:30 pm Eastern Daylight Savings Time) on 22 November 2011**). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged:

BY MAIL - Share Registry – Boardroom Pty Limited, GPO Box 3993,
Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Share Registry – Boardroom Pty Limited,
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

NATIONAL HIRE GROUP LIMITED

<BARCODE>

- <Address 1>
- <Address 2>
- <Address 3>
- <Address 4>
- <Address 5>
- <Address 6>

STEP 1 - Appointment of Proxy

I/we being a member/s of **National Hire Group Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X')
 OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of National Hire Group Limited to be held at the University Club of Western Australia, University of Western Australia, Hackett Drive, Crawley, Western Australia on Thursday 24 November 2011 at 1.30 pm (Western Standard Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Important for Resolutions 1 and 4 – If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with his voting intentions on Resolutions 1 and 4 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 1 and 4, the Chairman of the Meeting will not cast your votes on Resolutions 1 and 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. If you appoint the Chairman of the Meeting as your proxy you can direct him how to vote by either marking the boxes on any or all of items in step 2 below (for example if you wish to vote for or against or to abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolutions 1 and 4).

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 1 and 4.

I/we direct the Chairman of the Meeting to vote in accordance with his voting intentions on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel and even if the Chairman of the Meeting has an interest in the outcome of that Resolution and that votes cast by him, other than as proxy holder, would be disregarded because of that interest.

STEP 2 - Voting directions to your proxy – please mark to indicate your directions

Business		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Clive Isenberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Financial Assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Performance Rights to Mr Andrew Aitken	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote all available proxies in favour of each of the items of business.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3

Sole Director and Sole Company Secretary
Director
Director/Company Secretary

Contact Name Contact Daytime Telephone Date / / 2011