2010 ANNUAL REPORT

National Hire

National Hire Group Ltd ACN 076 688 938

CORPORATE DIRECTORY

Directors

Hon. Richard Court, AC
Chairman

Andrew Aitken
Managing Director

Stephen Donnelley
Non-executive Director

Dale Elphinstone
Non-executive Director

Clive Isenberg
Non-executive Director

Jim Walker
Non-executive Director

Chief Financial Officer

Adrian Bautista

Company Secretaries

Adrian Bautista

Gayle McGarry

REGISTERED OFFICE

12 Hoskins Road, Landsdale
Western Australia

Telephone +61 8 9302 0000
Fax +61 8 9302 0001

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street, Sydney
New South Wales

SHARE REGISTRY ENQUIRIES

Shareholders requiring information about their holdings should contact the company's share registry:

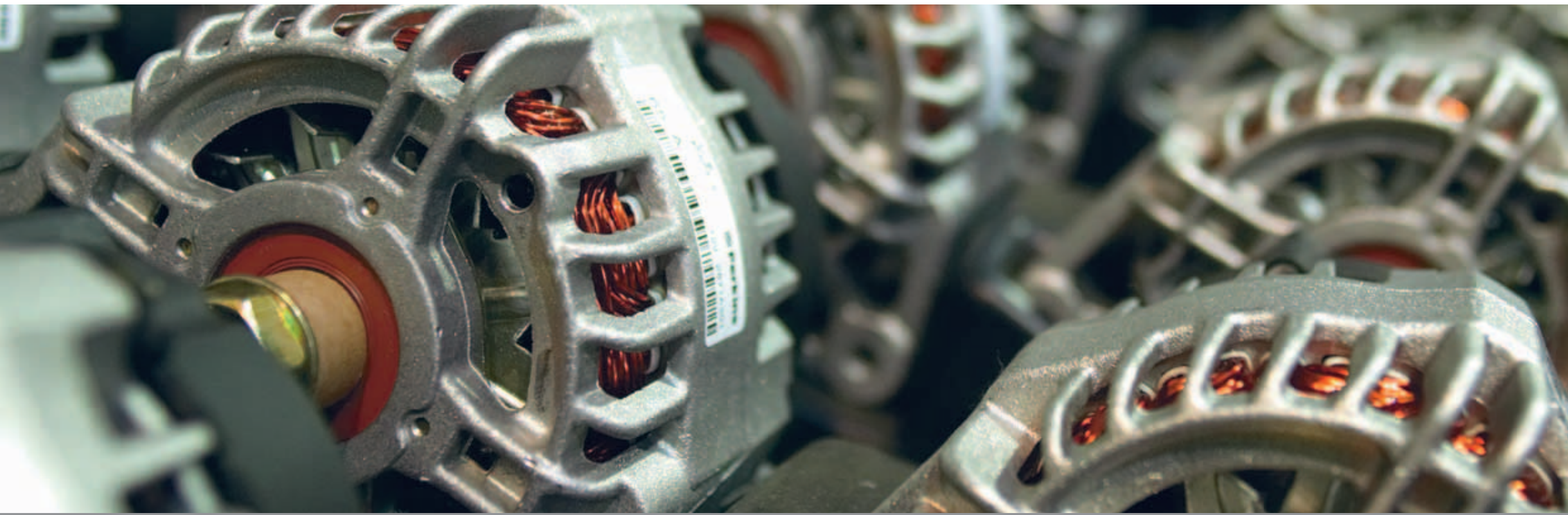
Registries Limited
Level 7
207 Kent Street
SYDNEY NSW 2000

Telephone: 1300 737 760
Fax: 1300 653 459
Web: www.registries.com.au
Email: registries@registries.com.au

AGM

Thursday 25 November 2010 at 2.30 pm

The University Club of Western Australia
University of Western Australia
Hackett Drive
Entrance #1, Carpark #3
Crawley, Western Australia



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ABOUT **NATIONAL HIRE**

NATIONAL HIRE GROUP LIMITED

Following the merger of Coates Hire Ltd and National Hire's Rental Services division in January 2008, National Hire Group Limited consists of a wholly-owned equipment sales and support business which operates under the Allight name and a 46.1% investment in Coates Group Holdings Pty Ltd which owns the Coates Hire business.

coateshire

Coates Hire is Australia's largest general equipment hire company with over 120 years experience in industry. With more than 200 branches and satellite locations in Australia and its own maintenance and transport capability, Coates Hire is well positioned to satisfy the equipment hire needs of an ever increasing customer base.

It supplies a broad product range to a wide variety of markets including engineering and building construction and maintenance, mining and resources, manufacturing, government and events.

The product range includes compaction, access, generator, compressor, welding and general equipment, portable buildings, commercial buildings, portable toilets, temporary fencing and containers. The business also specialises in the supply of pumps, shoring, dewatering systems, traffic management, confined space and laser equipment.

In addition to its Australian business activities, Coates Hire also includes:

- Coates Indonesia, which provides dewatering equipment, mobile lighting solutions, power generation and a range of other equipment to the bouyant mining, oil, gas and civil construction markets in Indonesia.
- Coates Offshore, which serves the needs of the global offshore industry via its operations in Europe and the Asia Pacific, specialising in providing compressed air, power, welding and lighting equipment.

The wide variety of businesses and markets in which Coates Hire participates provides a sound platform for continued growth both in product range and geographic coverage, thus enabling it to further enhance its service to customers.


coateshire
P40550

ALLIGHT

Allight sees the innovation, service, support and quality of its products being the key to its continued growth both domestically and internationally.

Since 1988, Allight has been providing equipment solutions across the globe and has grown over the last 20 years to employ over 150 people in Australia.

The extensive range of Allight engineered and manufactured equipment includes Allight mobile lighting towers and Allight pumps. Allight is also proud to be recognised as distributor for some of the world's leading manufacturers of industrial equipment, including FG Wilson diesel and gas generators, Perkins and Perkins Sabre diesel engines, Geminiani power packs, Godwin pumps and Rotair compressors. Allight has also recently added BBA piston pumps to its product line up.

Allight sees the innovation, service, support and quality of its products being the key to its continued growth both domestically and internationally. Over the past financial year, Allight has delivered on its vision to adopt a holistic and solutions-driven approach to customers. These changes meant sales engineers were able to offer customers Allight's complete range of equipment solutions for the first time.

Allight's service and support division has also experienced growth in the past financial year. The division includes fully equipped workshop facilities accredited to Perkins L3 level, together with full onsite service, commissioning and installation support, and preventative maintenance. The division combines the highest level of customer service with an extensive inventory of spare parts for all manufactured and distributed products, as well as some third party equipment.


DO NOT OPERATE WITH GLASS OPEN
ALLIGHT

CHAIRMAN & MANAGING DIRECTOR'S **REPORT**

The last financial year again reflected a tough trading environment for both Coates Group and Allight, driven by responses to continued global economic uncertainty. We began to see some improvements in the business environment as we exited the financial year reflected by improved margins in Coates Group in the second half. Combined with continued good working capital management and sound cost control, both businesses have achieved strong cash flows during the period and are well placed to capitalise on improved trading conditions and opportunities.

Highlights

- Cash of $15.7m with undrawn debt facilities at balance date of $30m
- Net operating cash flow improvement from improved working capital management
- Net assets per share of $2.42
- Net profit after tax of $5.8m
- Allight Equipment Sales and Support revenue of $86.9m
- Coates Group contribution to net profit after tax of $4.1m
- Coates Group revenue of $887.5m
- Coates Group cash of $334m at balance date, resulting in effective net senior debt of $1.451bn

Result for Year Ended 30 June 2010

Reported net profit after tax for the 12 months ended 30 June 2010 was $5.8m, compared with a net profit of $25.0m for the previous corresponding period. The result included a $4.1m share of profit from equity accounted investments, being the company's share of profits from Coates Group. The Coates Group result was affected by revenues being 9% lower than last year and losses incurred through the divestment of the assets of the discontinued Allied business. The balance was delivered by Allight, the company's Equipment Sales and Support business, whose results on a consolidated basis were also impacted by increased corporate costs at a company level.

As indicated in the half year results announcement, there has been improvement in both underlying businesses when compared with the first half. This improvement has resulted in significant increases in the cash holdings of both businesses.

Key Financial Result Comparatives

12 months ended 30 June ($million)	2010	2009	Change
Revenue	**86.9**	**106.7**	**(19%)**
EBITDA	**3.4**	**7.6**	**(55%)**
Depreciation & amortisation	(0.7)	(0.6)	17%
EBIT	**2.7**	**7.0**	**(61%)**
Finance costs	(0.2)	(0.4)	(50%)
Share of net profits of associates accounted for using the equity method	**4.1**	**20.2**	**(80%)**
Profit before tax	6.6	26.7	(75%)
Tax expense	(0.8)	(1.6)	(50%)
NPAT	5.8	25.0	(77%)
EPS (cents)	3.9	16.9	(77%)

At the end of the period, the company had cash and cash equivalents on hand of $15.7m. It also had available undrawn debt facilities of $25m and an overdraft facility of $5m, placing the company in a solid fiscal position to take advantage of both organic and acquisitive growth opportunities that may emerge.

Dividend

The board decided not to pay an interim or a final dividend in relation to the financial year. No dividends were declared or paid by Coates Group during or in relation to the financial year, which impacts on the company's ability to pay a dividend. The company is focused at this time on retaining funds within the businesses to fund organic and acquisitive growth opportunities.

Balance Sheet

As at 30 June 2010, total assets were $422.8m. The largest asset on the balance sheet was the company's investment in Coates Group which was shown at the equity accounted amount of $319.2m, an increase from $307.4m at the end of the previous reporting period.

Cash balances increased by $10m to $15.7m at the end of the period. This was a result of improved working capital management with inventory levels optimised to $35.5m. The equity accounted investment in associates increased by $11.8m to $319.2m, to recognise the current year's share of profits and movement in hedge reserves.

Trade and other payables increased to $39m mainly driven by carry forward tax losses in associates and better creditor management.

Operational Commentary

Allight – Equipment Sales and Support

The principal activities of Allight during the past financial year were the manufacture, assembly and sale of mobile lighting, power generation and dewatering equipment and distribution of Perkins engines, FG Wilson power generation sets and Godwin wetends.

After a tough first half, there was revenue improvement in the second half ($44.5m vs $42.5m) with signs of emerging confidence. Revenue for the period was 19% lower than last year, reflecting continued difficult general trading conditions as result of global uncertainty and deferral of capital expenditure in the Australian mining sector. Margins were also lower on the back of lower volumes, with earnings before interest and tax of $2.7m, compared with $7.0m in the prior financial year. Earnings before interest and tax for the second half of $1.3m was broadly in line with first half result, with the second half results affected by one-off pre- tax costs of $0.3m arising

from the strategic decision to cease manufacturing in China. Production has been consolidated into one location to maximise the benefits from improved productivity at the manufacturing operations in WA.

Through this period management has focused on cash generation; as a result, net operating cash flow for the financial year was up strongly at $12.7m (compared to net operating cash flow of negative $14.7m in the prior corresponding period). Cash flow improvements were driven by improved working capital management, reduced inventories and lower taxes paid.

Encouragingly, Allight has started the new financial year with its order book back to pre-global financial crisis levels as investment confidence began to return to the mining sector. This was due in no small part to a decision to adopt a holistic and solutions-driven approach to customers. These changes meant sales engineers were able to offer customers Allight's complete range of equipment solutions for the first time.

Other key initiatives in the Allight business over the year have been:

Enviro-Friendly Lighting Tower: Allight's engineers developed Australia's first wildlife-friendly mobile lighting system in response to calls for a lifeline for WA's Barrow Island flat backed turtle population. A new mobile lighting tower with sodium vapour lamps instead of the normal metal halide units helped the island's project engineers to significantly reduce the threat to the turtles without any loss of production efficiency or impact on site safety.

Urban Lighting Tower Relaunch: When civil construction contractors started to struggle to complete billion dollar stimulus-funded infrastructure projects, Allight helped improve site safety during overnight shifts by bringing its best-selling Urban lighting tower back into production. Originally launched in 2002, much of the tower's success stemmed from its Australian-built durability, smaller footprint and whisper quiet sound levels of just 62 dBA (at 7 metres). The new Urban is just as quiet as its predecessor, is powered by a clean, quiet, fuel efficient Perkins 403D-11 engine meeting all requirements of EU Stage IIIA and EPA Tier 4 emissions legislation and comes with Allight's fuel spill containment tray as standard. It also features four efficient 1000W metal halide lamps, light tilt and hydraulic 360° mast rotation.

Compressor Launch: Allight added 'air' to its light, power and water solutions with the launch of a range of Rotair portable air compressors. Italian-designed and made, the compressors are compact and powerful, and have been developed to meet the needs of the construction, mining, rental and industrial sectors. Their patented air-oil filtration system is recognized as a major breakthrough in compressed air technology. All models in the range feature Rotair's new rotary air screw technology, which is designed to produce minimum noise and maximum compressed air quality. All are powered by Perkins engines and the line-up offers a free air delivery range of 74 to 251 cfm (MDVN range) and 354 to 424cfm (MDVS range).

Switch to Continuous Production: After 20 years of batch production, Allight's manufacturing facility in Perth switched to faster and more efficient continuous production. Underpinned by a series of offline subassemblies, the move was carefully designed to enable Allight to increase output and reduce lead times while remaining competitive and efficient.

Coates Group

The continued weakness in general business activity also impacted the company's equity accounted share of profits from Coates Group in the last financial year. The company has a 46.1% economic interest in Coates Group, resulting in a contribution of $4.1m to the company's net profit after tax, down from $19.5m[2] in the prior corresponding period.

Coates Group completed the closure of the Allied equipment business in April 2010. The divestment of the relevant business assets produced a loss after tax of $3.4m.

Coates Group also delivered a better second half performance. Stronger margins in the second half of the financial year, resulting in net profit after tax of $4.7m for the half and $8.9m for the full year, reflected the benefits of cost management and efficiency initiatives.

Operating cash flows and asset sales were used to fund a $100m reduction in senior debt during the financial year. Together with cash at bank, net senior debt has been further reduced to $1.451bn from $2.025bn at the time of transaction implementation. Coates Group continues to be in compliance with its banking covenants.

Coates Group has also undertaken a number of initiatives over the past year including:

- Launch of the new Coates Hire brand in September 2009 supported by radio, television and print advertising campaigns;
- Conclusion of a 3 year national agreement with the unions that will operate until 30 March 2012;
- Announcing the acquisition of Monash Hire in Victoria to enhance its footprint and services in the Victorian market just prior to balance date;

Coates Group Business Update

12 months ended 30 June ($million)	2010	2009	Change
Revenue from continuing operations	887.5	978.1	(9%)
Net profit after tax	8.9	42.3[1]	(79%)
Profit for the period attributed to members	8.9	42.3[1]	(79%)
Profit from continuing operations	12.3	31.74	(61%)
(Loss)/Profit from discontinued operations	(3.4)	10.6	(132%)
Total Assets	2,844	2,922	(3%)
Total Liabilities	2,071	2,176	(5%)

1 Note that the comparative figure has reduced by $1.4m from that reported in 2009 as a result of a change in accounting policy with respect to the valuation of derivatives.

2 Note that the comparative figure has reduced by $0.7m from that reported in 2009 as a result of a change in accounting policy with respect to the valuation of derivatives.

- Approving a return to capital expenditure levels more in line with the National Hire and Coates Hire businesses pre-merger during the new financial year to replace old fleet and to expand the fleet offering. Capital expenditure on equipment within Coates Group was restrained whilst conditions were uncertain over the last 12-18 months;
- Continued enforcement of the Coates Group zero harm policy which has significantly improved safety outcomes across the organization.

No dividends were declared or paid by Coates Group during or in relation to the financial year.

Customer Focus

The company recognizes that success comes from meeting and exceeding customer service expectations every time they do business with our group. We value the relationships we have with customers in both our Allight and Coates Group businesses and continually strive to let them know that.

Employees

Each year, employees across the group demonstrate that they are critical to the company's success. We commend wholeheartedly all staff within the company, Allight and Coates Group for their hard work, dedication and enthusiastic support.

Outlook

Coates Group is cautiously optimistic about market activity over the next 12 months. Several clear signs of recovery have been seen in certain markets in which Coates Group operates, including the resources sector. Coates Group remains focused on ensuring the continuation of this trend and has committed to a program of new capital investment based on the uplift in demand.

The Allight business has also seen an increased interest in capital sales, most particularly in those industries servicing the mining and oil and gas sectors, and this is reflected in its forward order book.

Whilst it is too early to be certain that the current trends will prevail throughout the coming year, we feel confident that we will see an improvement across both businesses. The board continues to look for value accretive acquisition opportunities to expand the Allight business.

Finally, we would like to thank our customers, suppliers and shareholders for the continued support during the year.

Hon. Richard Court, AC
Chairman

Andrew Aitken
Managing Director

HIGHLIGHTS

- Net assets per share of $2.42
- Net profit after tax of $5.8m, including Coates Group contribution of $4.1m
- Allight Equipment Sales and Support revenue of $86.9m
- Coates Group revenue of $887.5m
- Cash of $15.7m at balance date with undrawn debt facilities of $30m
- Coates Group cash of $334m at balance date, resulting in effective net senior debt of $1.451bn

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DIRECTORS' **REPORT**

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of National Hire Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

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, unless otherwise stated:

John Langoulant (resigned 20 May 2010)

Andrew Aitken

Hon. Richard Court, AC

Stephen Donnelley

Dale Elphinstone

Clive Isenberg

James Walker

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the group consisted of:

(a) manufacture, assembly and sale of mobile lighting, power generation and dewatering equipment;
(b) distribution of Perkins engines, FG Wilson power generation sets, Godwin wetends and parts; and
(c) investment in Coates Group Holdings Pty Ltd (Coates Group).

There were no significant changes in the nature of the group's principal activities during the financial year.

DIVIDENDS NATIONAL HIRE GROUP LIMITED

Dividends paid to members during the financial year were as follows:

	2010 $'000	2009 $'000
	–	2,965
	–	2,965

No interim or final ordinary dividend was paid during the current financial year (2009: Final ordinary dividend for the year ended 30 June 2008 of 2 cents per fully paid share was paid on 10 October 2008).

The directors have not recommended the payment of a final dividend for the year ended 30 June 2010. No dividend was recommended in the prior year.

REVIEW OF OPERATIONS

(a) *Operations of the group*
The sales revenue from the equipment sales and support division was down 19% from the prior corresponding period to $86.9m. The decline in revenue reflects the continued tough trading environment driven by sluggish capital investment and below trend growth due to the global economic uncertainty.

The decision was made to consolidate all manufacturing within Australia during the year given improvements made in the manufacturing process that will result in improved capacity through the Landsdale facility. During the year, Allight produced its 7,000th Australian lighting tower, which was delivered to Coates Group.

(b) *Financial position of the group*
The group's net assets increased by 4% to $383m as at 30 June 2010 (2009: $368m).

The group has minimal debt of $0.3m (2009: nil) on its balance sheet with cash of $15.7m (2009: $5.7m). The strong fiscal position of the group is complemented by undrawn facilities of $30m, both of which are available to fund both organic and acquisitive growth opportunities.

(c) *Business strategies and its prospects for future financial years*
Whilst it is too early to be certain that current trends will prevail throughout the coming year, the company feels confident that it will see an improvement across both the Allight and Coates Group businesses. The board continues to look at value accretive acquisition opportunities to expand the Allight business.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since 30 June 2010 that have significantly affected, or may significantly affect:

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

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

(c) the group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the group.

ENVIRONMENTAL REGULATION

The group's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation. However, the board believes that the group has adequate systems in place for the management and rectification of its environmental requirements.

INFORMATION ON DIRECTORS

John Langoulant
Non-executive director, Chairman
Appointed May 2008 (Resigned May 2010)

Mr Langoulant holds a Bachelor of Economics with Honours from the University of Western Australia. Mr Langoulant is currently the Chief Executive of Oakajee Port and Rail. He was previously the Chief Executive of Australian Capital Equity Pty Limited from February 2008 until January 2010 and the Chief Executive of the Chamber of Commerce and Industry of Western Australia between 2004 and 2008. Prior to that, Mr Langoulant was the Western Australian Under Treasurer between 1995 and 2004.

Mr Langoulant has a range of other interests through a number of bodies. These include being a Senator of University of Western Australia, Chair of the Board of the Telethon Institute for Child Health Research and member of the Boards of the Western Australian Ballet and the Committee for Perth. Mr Langoulant is also a member of the Council of Australian Governments' Reform Council.

Special responsibilities
- Chair of the board
- Member of audit committee
- Member of remuneration committee

Interests in shares and options
Mr Langoulant holds no interests in shares or options of National Hire Group Limited.

Andrew Aitken
Managing Director
Appointed December 2004

Mr Aitken was a non-executive director of the company up until his appointment as Managing Director in May 2008. He is also a non-executive director of Coates Group Holdings Pty Ltd.

Mr Aitken joined Australian Capital Equity Pty Limited in 2003 where his focus was on the development of its equipment rental businesses.

Prior to coming to Australia in 2003, Mr Aitken worked in the South African financial services industry for 13 years. The majority of his experience was as managing director of various funds management and private banking operations. As a result of the consolidation of the industry, Mr Aitken has been involved with the integration and merger of a number of financial services businesses.

Mr Aitken holds a Bachelor of Commerce degree and an honours degree from the University of Natal and the University of Cape Town respectively and a post graduate diploma in social studies from Oxford University.

Interests in shares and options
Mr Aitken is the holder of 1 million options over ordinary shares in National Hire Group Limited.

Hon. Richard Court, AC
Non-executive director, Chairman.
Appointed July 2008 (Appointed Chairman May 2010)

Mr Court was Premier and Treasurer of Western Australia from 1993–2001. He retired from Parliament after 19 years as the Member for Nedlands. He was appointed Companion in the General Division of the Order of Australia in June 2003 for service to the Western Australian Parliament and to the community. His Government led the LNG marketing push into new markets, the successful deregulation of the Western Australian gas markets and the successful privatisations of SGIO, BankWest, AlintaGas, Westrail Freight and the Dampier to Bunbury Natural Gas Pipeline.

Mr Court holds a Bachelor of Commerce degree from the University of Western Australia.

Mr Court is a director of WesTrac Pty Ltd, chairman of RISC Pty Ltd and chairman of Channel 7 Telethon Trust. The other listed public companies of which he is or was a director in the last 3 years are GRD Limited (appointed July 2004 and resigned November 2009) and Iron Ore Holdings Ltd (appointed November 2007).

Special responsibilities
- Member of audit committee

Interests in shares and options
Mr Court holds no interests in shares or options of National Hire Group Limited.

Stephen Donnelley
Non-executive director
Appointed December 1996

Mr Donnelley has over 20 years experience in the equipment hire industry, both as an employee and principal. Mr Donnelley was Managing Director of National Hire from 1988 to May 2008 being its founder and having been involved with the company since 1981. He is also a member of the Hire and Rental Association of Australia, an association of which he was previously a Vice President and a President and Vice President of its NSW region.

Mr Donnelley is also a non-executive director of Coates Group Holdings Pty Limited.

Special responsibilities
- Member of audit committee
- Chairman of nomination committee
- Chairman of safety, health and environmental committee
- Member of remuneration committee (appointed June 2010)

Interests in shares and options
Mr Donnelley has a relevant interest in 1,991,877 ordinary shares in National Hire Group Limited.
Mr Donnelley is the holder of 261,000 options over ordinary shares in National Hire Group Limited.

Dale Elphinstone
Non-executive director
Appointed January 2008

Mr Elphinstone is the Executive Chairman of the Elphinstone/ William Adams group of companies, which includes the Caterpillar Dealerships in Victoria and Tasmania and other business interests in Australia and New Zealand.

The other listed public companies of which he is or was a director in the last 3 years were Coote Industrial Limited (appointed July 2010) and Queensland Gas Company Limited (appointed October 2002 and resigned November 2008).

Special responsibilities
- Member of audit committee
- Member of nomination committee
- Member of remuneration committee
- Member of safety, health and environmental committee

Interests in shares and options
Mr Elphinstone has a relevant interest in 32,559,745 ordinary shares in National Hire Group Limited.

Clive Isenberg
Non-executive director
Appointed March 2004

Mr Isenberg is Managing Director of Octet Finance Pty Ltd, a company providing supply chain finance and working capital finance solutions in Australia, China and the USA. 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 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 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.

Special responsibilities

- Chairman of audit committee
- Member of nomination committee
- Chairman of remuneration committee

Interests in shares and options
Mr Isenberg holds no interests in shares or options of National Hire Group Limited.

James Walker
Non-executive director
Appointed June 2008

Mr Walker is the Chief Executive Officer of WesTrac Group. WesTrac Group is the dealer for Caterpillar in Western Australia, New South Wales and the ACT as well as provinces in North East China. Mr Walker has been with WesTrac Group for more than 20 years. As a result of the recent acquisition of WesTrac Group by Seven Group Holdings Limited, Mr Walker has become an executive director of WesTrac group's new parent company. He is also a non-executive director of Coates Group Holdings Pty Limited.

Prior to his employment at WesTrac Pty Ltd, Mr Walker spent considerable time with other Australian Caterpillar dealers, namely Hastings Deering and Morgan Pty Ltd and the Bougainville Dealership in Papua New Guinea.

Mr Walker is National President of the Australian Institute of Management and a member of the Executive Council of the Chamber of Minerals and Energy.

The other listed public company of which he is or was a director in the last 3 years is Seven Group Holdings Limited (appointed February 2010).

Special responsibilities

- Member of audit committee
- Member of safety, health and environmental committee

Interests in shares and options
Mr Walker holds no interests in shares or options of National Hire Group Limited.

COMPANY SECRETARY

Gayle McGarry (Joint Company Secretary)

Ms McGarry joined the company in August 2008 in a special projects role and was appointed joint company secretary in March 2009. Ms McGarry has a law degree from the University of Western Australia and a Graduate Certificate in Applied Finance and Investment from FINSIA (formerly Securities Institute of Australia). She spent 9 years with a national law firm advising listed companies before taking up in house legal roles with Paladin Energy Limited and Australian Capital Equity Pty Ltd.

Adrian Bautista (Chief Financial Officer and Joint Company Secretary)

Mr Bautista joined the company in October 2009 and was appointed as chief financial officer and joint company secretary of National Hire Group Limited on 18 December 2009. Mr Bautista has extensive accounting and banking exposure and previously held senior accounting roles with HBOS Australia. Mr Bautista holds a Bachelor of Business degree and an MBA from the University of the Philippines, and completed the Program for Management Development at Harvard Business School. He is a qualified Chartered Accountant (ICAA) and spent 5 years with accounting firms KPMG and Ernst & Young.

Antoinette du Preez (Chief Financial Officer and Joint Company Secretary)

Ms du Preez was appointed as chief financial officer of National Hire Group Limited on 19 August 2008 and was appointed company secretary on 25 September 2008. Ms du Preez has previously held senior accounting roles with Peabody Pacific Pty Limited, Emperor Mines Limited and Placer Dome Australia Pty Limited. Ms du Preez qualified as a chartered accountant in South Africa and spent 7 years with accounting firms KPMG and Arthur Andersen. Ms du Preez resigned in her role as chief financial officer and joint company secretary on 18 December 2009.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each director, were:

	Full Meetings of directors – Board		Meetings of committees: Safety Health and environmental committee		Audit committee		Nomination committee		Remuneration committee	
	A	B	A	B	A	B	A	B	A	B
Hon. Richard Court, AC	6	8	*	*	2	2	*	*	*	*
Andrew Aitken	8	8	*	*	*	*	*	*	*	*
John Langoulant (resigned 20/5/10)	7	7	*	*	2	2	*	*	–	1
Stephen Donnelley	8	8	3	3	2	2	1	1	1	1
Dale Elphinstone	8	8	3	3	2	2	1	1	2	2
Clive Isenberg	7	8	*	*	2	2	1	1	2	2
James Walker	7	8	1	3	2	2	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share based compensation
- Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of remuneration

The objective of the group's executive remuneration framework is to ensure that the group:
- attracts and retains the right calibre of business professionals
- offers remuneration that is competitive in the marketplace (within its budgetary framework)
- motivates the right behaviours to drive business profitability and growth
- creates a performance culture where rewards are directly and inextricably linked to achievement of business goals, targets and KPIs.

The group has an executive remuneration strategy and framework that is market competitive and complimentary to the reward strategy of the organisation.

The remuneration committee is responsible for ensuring that executive remuneration policies and practices are aligned with:

Shareholders' interests, including:
- having economic profitability as a core component of plan design
- focusing executives on key non-financial drivers of value resulting in longer term share price appreciation
- attracting and retaining high calibre executives.

Program participants' interests, including:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in company profitability
- providing a clear structure for earning rewards
- providing recognition for contribution.

The framework provides for a mix of fixed and variable pay, and a blend of short-term and long-term incentives.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of

employment for executive directors, other senior executives and non-executive directors. Further information on the role of this committee is set out on the company's website.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed as considered appropriate by the remuneration committee which makes a recommendation to the board. The maximum aggregate sum for directors' fees payable by National Hire Group Limited must be approved by the shareholders in general meeting and the recommendations of the remuneration committee in total must not exceed the approved amount. The current maximum yearly aggregate sum for non-executive directors is $500,000 and was approved by shareholders at the annual general meeting held on 21 November 2008.

Directors' fees

The current base remuneration of non-executive directors was amended with effect from 1 December 2008 following shareholder approval at general meeting. Directors who chair, or are members of, a committee receive additional yearly fees.

The following annual fees (exclusive of superannuation) have applied:

	From 1 December 2008
Base fees	
Chair	$55,000
Non-executive director	$40,000
Additional fees	
Audit committee – Chair	$10,000
Nomination committee – Chair	$5,000
Safety, health and environmental committee – Chair	$5,000
Committee membership fee*	$5,000

* Committee membership fees are capped at $10,000 per annum. However, where a director receives fees as chair of a committee, the cap will not apply to the relevant fees for chair of that committee.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short term performance incentives, and
- long term incentives through participation in the National Hire Group Limited 2005 Share Option Plan.

The combination of these comprises an executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package, an executive's base pay may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Where appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any executives' contracts. Any adjustments to executive remuneration packages are based on formal performance reviews, conducted annually by the non-executive chairman or managing director.

Superannuation

The group provides executives a minimum of the statutory employer contribution to superannuation funds, currently legislated at 9%. Executives may make additional salary sacrifice and post tax contributions at their own discretion.

Short-term incentives (STI)

Short-term incentives are based on the achievement of a combination of performance criteria as detailed below. The STI plan allows for a cash incentive bonus of up to 50% of fixed remuneration to be paid to executives, subject always to the absolute discretion of the board.

The use of a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. Additionally, the actual amount of incentive bonus paid is subject to the individual executive achieving certain performance targets and key performance indicators (KPIs).

Each year, the remuneration committee considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of an STI.

For the year ended 30 June 2010, the KPIs linked to STI plans were based on earnings before interest and tax; individual goals and objectives; strategic initiatives; and group safety measures.

The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

Long-term incentives (LTI)

Long-term incentives are based on the achievement of a combination of targets as detailed below. The LTI plan allows for granting of options to executives. The remuneration committee determines the appropriate targets incorporated into the LTI agreements. This includes setting any maximum number of options granted under the LTI plan, and minimum levels of performance to trigger the exercise of any granted options.

The targets linked to long-term incentive plans are currently based on achievement of certain financial targets.

National Hire Group Limited 2005 Share Option Plan

Long-term incentives are provided to certain employees via the National Hire Group Limited 2005 Share Option Plan. See note 39 for further information.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the group (as defined in AASB 124 Related Party Disclosures) and specified executives of National Hire Group Limited and the group are set out in the following tables.

The key management personnel of the group are the directors of National Hire Group Limited (see pages 15 to 17 above) and those executives that report directly to the managing director being:

- Patrick Walsh – Managing Director, Allight Pty Ltd
- Adrian Bautista – Chief Financial Officer and Joint Company Secretary (appointed 18 December 2009)
- Antoinette du Preez – Chief Financial Officer and Joint Company Secretary (resigned 18 December 2009)
- Gayle McGarry – Joint Company Secretary (appointed 4 August 2008)

No additional persons must be disclosed under the Corporations Act 2001 as among the 5 highest remunerated group and/or company executives.

Key management personnel of the group and other executives of the company and the group

2010	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Long service leave $**	**Termination benefits $**	**Options*** $**	**Total $**
Non-executive directors								
R Court, Chairman	45,000	–	–	–	–	–	–	45,000
J Langoulant (resigned 20/5/10)	59,583	–	–	5,363	–	–	–	64,946
S Donnelley**	50,000	–	–	4,500	–	–	–	54,500
S Donnelley%	100,000	–	–	9,000	–	–	–	109,000
D Elphinstone	50,000	–	–	–	–	–	–	50,000
C Isenberg	–	–	–	59,950	–	–	–	59,950
J Walker	50,000	–	–	4,500	–	–	–	54,500
Sub-total non-executive directors	**354,583**	**–**	**–**	**83,313**	**–**	**–**	**–**	**437,896**
Executive directors								
Andrew Aitken	431,421	–	–	18,578	–	–	225,556	675,555
Other key management personnel (group)								
P Walsh^	264,908	–	–	23,842	–	–	–	288,750
A Bautista ^# (appointed 18/12/10)	153,658	–	18,824	13,829	–	–	–	186,311
A du Preez ^# (resigned 18/12/10)^	103,964	–	–	8,935	-	–	–	112,899
G McGarry ^#	147,963	–	–	13,317	–	–	–	161,280
Total key management personnel compensation (group)	**1,456,497**	**–**	**18,824**	**161,814**	**–**	**–**	**225,556**	**1,862,691**

** Remuneration received in Mr Donnelley's capacity as director of National Hire Group Limited.

% Remuneration received as nominated representative of National Hire Group Limited on Coates Group Holdings Pty Ltd board of directors.

*** Options disclosed represent a valuation based on the Binomial Model.

^ denotes one of the 5 highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*. No other executives were paid by the group during the year.

# denotes one of the 5 highest paid executives of the company, as required to be disclosed under the *Corporations Act 2001*. No other executives were paid by National Hire Group Limited during the year.

Key management personnel of the group and other executives of the company and the group

2009	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	**Cash salary and fees $**	**Cash bonus[##] $**	**Non monetary benefits $**	**Super-annuation $**	**Long service leave[#] $**	**Termination benefits $**	**Options*** $**	**Total $**
Non-executive directors								
J Langoulant	54,583	–	–	4,913	–	–	–	59,496
R Court (appointed 29/7/08)	40,000	–	–	–	–	–	–	40,000
S Donnelley**	45,833	175,000	–	19,875	–	–	–	240,708
S Donnelley%	50,000	–	–	4,500	–	–	–	54,500
D Elphinstone	50,000	–	–	–	–	–	–	50,000
C Isenberg	–	–	–	57,304	–	–	–	57,304
J Walker	45,833	–	–	4,125	–	–	–	49,958
Sub-total non-executive directors	**286,249**	**175,000**	**–**	**90,717**	**–**	**–**	**–**	**551,966**
Executive directors								
A Aitken	412,843	–	–	37,156	–	–	225,656	675,655
Other key management personnel (group)								
P Walsh^	264,907	35,000	–	26,992	–	–	–	326,899
R Harman^# (resigned 25/9/08)	52,500	75,000	–	–	–	–	–	127,500
A du Preez^# (appointed 19/8/08)	183,144	–	–	16,483	–	–	–	199,627
G McGarry^# (appointed 4/8/08)	100,844	–	–	7,847	–	–	–	108,691
S McCullough^# (resigned 31/7/08)	50,128	–	1,667	1,718	45,338	250,000	–	348,851
Total key management personnel compensation (group)	**1,350,615**	**285,000**	**1,667**	**180,913**	**45,338**	**250,000**	**225,656**	**2,339,189**

** Remuneration received in Mr Donnelley's capacity as director of National Hire Group Limited.

% Remuneration received as nominated representative of National Hire Group Limited on Coates Group Holdings Pty Ltd board of directors.

*** Options disclosed represent a valuation based on the Binomial Model.

^ denotes one of the 5 highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*.

# denotes one of the 5 highest paid executives of the company, as required to be disclosed under the *Corporations Act 2001*. No other executives were paid by National Hire Group Limited during the year.

The cash bonus relates to the achievement of targets during the 2007/08 financial year, which is only paid to executives in the first quarter of the financial year immediately after the relevant financial year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2010 %	At risk STI 2010 %	At risk LTI 2010 %
Executive directors of National Hire Group Limited			
A Aitken	67	–	33
Other key management personnel of group			
P Walsh	100	–	–
A Bautista	100	–	–
A du Preez	100	–	–
G McGarry	100	–	–

Service agreements

The group has contracts of employment with all current executive key management personnel that provides the provision for remuneration.

All contracts with executives are unlimited in term and may be terminated by either the relevant company or the employee. The group is not contractually liable to make any termination payments on providing such notice.

A Aitken, Managing Director

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $450,000 to be reviewed annually by the remuneration committee
- Notice period 6 months.

P Walsh, Managing Director – Allight Pty Ltd

- The contract has no fixed-term
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $288,750, to be reviewed annually
- Notice period 3 months by employee; 6 months by employer.

G McGarry, Joint Company Secretary

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $150,000 (pro rata), to be reviewed annually
- Notice period 4 weeks.

A Bautista, Chief Financial Officer / Joint Company Secretary (appointed 18 December 2009)

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $230,000, to be reviewed annually
- Notice period 6 months.

A du Preez, Chief Financial Officer / Joint Company Secretary (resigned 18 December 2009)

- The contract had no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $230,000, to be reviewed annually
- Notice period 6 months.

Options

Options over shares in National Hire Group Limited are granted under the National Hire Group Limited 2005 Share Option Plan (referred to hereafter as the plan). All staff are eligible to participate in the plan, however granting of options is at the discretion of the board who will consider several factors including seniority within the organisation, record of employment and potential contribution to growth.

Options are granted under the plan for no consideration and do not carry rights to dividends or voting rights. Upon exercise each option is converted into one ordinary share.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Date first exercisable	Expiry Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Exercisable
21 Nov 2008	21 Nov 2011	21 Nov 2013	$2.00**	$0.58	To be determined	n/a
1 Dec 2005	30 Jun 2008	1 Dec 2010	$1.85*	$0.57	100%	100
26 Nov 2005	30 Jun 2008	26 Nov 2010	$1.85*	$0.57	100%	100

* The exercise price of options was based on the weighted average price at which the company's shares were traded on the Australian Stock Exchange during the 5 days trading immediately before the options were granted.

** The exercise price of options was determined by the board at a premium to the prevailing market price of the company's shares trading on the Australian Stock Exchange at the time of agreement on the Managing Director's remuneration.

Under the company's Policy for Trading in Company's Securities, directors, officers and employees must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the company without first seeking and obtaining written acknowledgement from the chairman. Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements. Compliance with the Policy for Trading in Company's Securities forms part of each employee's contract of employment.

Details of options over ordinary shares in the company provided as remuneration to each director of National Hire Group Limited and each of the key management personnel of the company and the group are set out below. When exercisable, each option is convertible into one ordinary share of National Hire Group Limited. Further information on the options is set out in note 39 to the financial statements.

Name	Number of options granted during the year		Number of options exercisable during the year	
	2010	2009	**2010**	2009
Directors of National Hire Group Limited				
Andrew Aitken	–	1,000,000	–	–

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to date first exercisable, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

There were no shares provided on exercise of remuneration options for the financial year ended 30 June 2010.

Loans to directors and executives

There is no loan to any director or executive.

Share options granted to directors and the most highly remunerated officers

There were no options granted over unissued ordinary shares of National Hire Group Limited during or since the end of the financial year to the directors or the 5 most highly remunerated officers of the company as part of their remuneration.

Shares under option

Unissued ordinary shares of National Hire Group Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
26 Nov 2005	26 Nov 2010	$1.85	723,000
1 Dec 2005	1 Dec 2010	$1.85	261,000
21 Nov 2008	21 Nov 2013	$2.00	1,000,000
			1,984,000

Shares issued on the exercise of options

No ordinary shares were issued on the exercise of options during the year ended 30 June 2010.

Insurance of officers

During the financial year, the company paid an insurance premium in respect of an insurance policy for the benefit of those named including the directors, secretaries, executive officers and employees of the company and its controlled entities as defined in the insurance policy.

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.
No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below. The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Non-audit services *continued*

During the year the following fees were paid or payable for non-audit services provided by the auditor of the company, its related practices and non-related audit firms:

	Consolidated	
	2010	2009
	$	$
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	**110,000**	99,500
Total remuneration for audit services	**110,000**	99,500
2. Non-audit services		
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other services	**6,762**	–
Total remuneration for other assurance services	**6,762**	–
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**12,000**	4,000
Total remuneration for taxation services	**12,000**	4,000
Other services		
PricewaterhouseCoopers Australian firm:		
Advisory services	**7,600**	–
Total remuneration for other services	**7,600**	–
Total remuneration for non-audit services	**26,362**	4,000

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and 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
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.
This report is made in accordance with a resolution of directors.

Hon. Richard Court, AC
Chairman

Andrew Aitken
Managing Director

Perth, Western Australia
24 August 2010

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Auditor's Independence Declaration

As lead auditor for the audit of National Hire Group Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of National Hire Group Limited and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
24 August 2010

CONSOLIDATED **INCOME STATEMENT**
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Revenue from continuing operations	5	**86,934**	106,712
Other income	6	**70**	155
Changes in inventories of finished goods and work in progress		**7,475**	10,227
Raw materials and consumables used		**(74,059)**	(91,734)
Depreciation and amortisation expense	7	**(740)**	(594)
Occupancy and communication		**(2,969)**	(2,656)
Advertising and promotion		**(692)**	(396)
Employee benefits expense		**(9,196)**	(11,063)
Travel and accommodation		**(749)**	(763)
Other expenses		**(3,352)**	(2,936)
Finance costs	7	**(230)**	(421)
Share of net profits of associates accounted for using the equity method		**4,103**	20,155
Profit before income tax		**6,595**	26,686
Income tax expense	8	**(825)**	(1,637)
Profit for the year attributable to equity holders of the parent entity		**5,770**	25,049
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	38	**3.89**	16.88
Diluted earnings per share	38	**3.89**	16.88
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	38	**3.89**	16.88
Diluted earnings per share	38	**3.89**	16.88

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	$'000	$'000
Profit for the year	**5,770**	25,049
Other comprehensive income		
Exchange differences on translation of foreign operations	**14**	4
Share of other comprehensive income (loss) of associates	**8,559**	(15,060)
Other comprehensive income (loss) for the year, net of tax	**8,573**	(15,056)
Total comprehensive income for the year	**14,343**	9,993
Total comprehensive income for the year is attributable to:		
Owners of National Hire Group Limited	**14,343**	9,993

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED **BALANCE SHEET**
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Notes	**2010 $'000**	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**15,697**	5,694
Trade and other receivables	10	**21,954**	19,109
Inventories	11	**35,494**	41,538
Derivative financial instruments	12	**124**	–
Current tax receivables	13	**274**	5,009
Total current assets		**73,543**	71,350
Non-current assets			
Receivables	14	**42**	42
Investments accounted for using the equity method	15	**319,185**	307,429
Property, plant and equipment	16	**2,096**	1,379
Deferred tax assets	17	**5,170**	–
Intangible assets	18	**22,788**	21,148
Total non-current assets		**349,281**	329,998
Total assets		**422,824**	401,348
LIABILITIES			
Current liabilities			
Trade and other payables	19	**39,008**	24,039
Borrowings	20	**346**	–
Derivative financial instruments	12	**–**	109
Provisions	21	**308**	326
Total current liabilities		**39,662**	24,474
Non-current liabilities			
Deferred tax liabilities	22	**–**	8,258
Provisions	23	**156**	177
Total non-current liabilities		**156**	8,435
Total liabilities		**39,818**	32,909
Net assets		**383,006**	368,439
EQUITY			
Contributed equity	24	**293,771**	293,771
Reserves	25(a)	**(2,526)**	(12,582)
Retained earnings	25(b)	**91,761**	87,250
Total equity		**383,006**	368,439

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 30 JUNE 2010

2009 — **Attributable to owners of National Hire Group Limited**

Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Total equity $'000**
Balance at 1 July 2008		**293,771**	**2,248**	**65,166**	**361,185**	**361,185**
Restated total equity at the beginning of the financial year		**293,771**	**2,248**	**65,166**	**361,185**	**361,185**
Total comprehensive income for the year as reported in the 2009 financial statements		–	(15,056)	25,049	9,993	9,993
Restated total comprehensive income for the year		**–**	**(15,056)**	**25,049**	**9,993**	**9,993**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	26	–	–	(2,965)	(2,965)	(2,965)
Employee share scheme	25	–	226	–	226	226
Balance at 30 June 2009		**293,771**	**(12,582)**	**87,250**	**368,439**	**368,439**

2010 — **Attributable to owners of National Hire Group Limited**

Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Total equity $'000**
Balance at 1 July 2009		**293,771**	**(12,582)**	**87,250**	**368,439**	**368,439**
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)						
Associate	25	–	1,258	(1,259)	(1)	(1)
Restated total equity at the beginning of the financial year		**293,771**	**(11,324)**	**85,991**	**368,438**	**368,438**
Total comprehensive income for the year		**–**	**8,573**	**5,770**	**14,343**	**14,343**
Restated total comprehensive income for the year		**–**	**8,573**	**5,770**	**14,343**	**14,343**
Transactions with owners in their capacity as owners:						
Employee share scheme	32	–	225	–	225	225
Balance at 30 June 2010		**293,771**	**(2,526)**	**91,761**	**383,006**	**383,006**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**99,979**	126,425
Payments to suppliers and employees (inclusive of GST)		**(86,545)**	(138,425)
		13,434	(12,000)
Interest received		**412**	770
Interest and other costs of finance paid		**(322)**	(526)
Income taxes (paid)/refunded		**(854)**	(2,943)
Net cash inflow (outflow) from operating activities	36	**12,670**	(14,699)
Cash flows from investing activities			
Payments for property, plant and equipment	16	**(793)**	(335)
Payments for intangibles – computer software		**(1,888)**	–
Proceeds from sale of investment in associates		**–**	4,715
Proceeds from sale of property, plant and equipment		**70**	483
Net cash (outflow) inflow from investing activities		**(2,611)**	4,863
Cash flows from financing activities			
Proceeds from borrowings		**–**	5,000
Repayment of borrowings		**–**	(5,000)
Finance lease payments		**(69)**	–
Dividends paid to company's shareholders	32	**–**	(2,965)
Net cash (outflow) from financing activities		**(69)**	(2,965)
Net increase (decrease) in cash and cash equivalents		**9,990**	(12,801)
Effects of exchange rate changes on cash and cash equivalents		**13**	4
Cash and cash equivalents at the beginning of the financial year		**5,694**	18,491
Cash and cash equivalents at end of year	9	**15,697**	5,694
Financing arrangements			
Non cash financing and investing activities	37		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of National Hire Group Limited and its subsidiaries, and the group's interests in associates.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
The consolidated financial statements of National Hire Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards
The group has not elected to early adopt any of the Australian Accounting Standards for the annual reporting period beginning 1 July 2009.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation
The company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Hire Group Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. National Hire Group Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity. Subsidiaries, for the purpose of this financial report, are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the company (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Associates
Associates are all entities over which the company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 34).

The company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

(c) Segment reporting

Operating segments are reported in a manner consistent with the management reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is National Hire Group Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- revenue from the sale of goods is recognised upon the delivery of goods to customers;
- other revenue comprises sundry income and is earned when goods and services are rendered; and
- interest revenue is recognised on a time proportion basis using the effective interest rate method.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

National Hire Group Limited and its tax consolidated Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(i) Tax consolidation legislation

National Hire Group Limited and its tax consolidated Australian controlled entities have implemented the tax consolidation legislation.

The head entity, National Hire Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, National Hire Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) tax consolidated entities.

(g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition- related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the company's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statements.

(l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Classification

The group classifies its investments in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables (note 14) in the consolidated balance sheet.

(ii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statements. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statements within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statements as part of revenue from continuing operations when the group's right to receive payments is established.

Impairment
The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or

- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheets date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the - counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheets date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(p) Property, plant and equipment

Land and buildings are shown at cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Leasehold improvements — Term of lease
- Plant and equipment — 2–10 years
- Furniture, fittings and equipment — 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Brand names
Brand names have a finite useful life and are amortised on a straight-line basis over 40 years, being the period over which the related benefits are expected to be utilised.

(iii) IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

(iv) Distribution agreements
Distribution agreements are indeterminably lived assets and consequently the impact of any amortisation has been assessed as immaterial. Distribution agreements are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the determination of the useful life of such agreements being indeterminable and the resulting assessment of the impact of any amortisation being immaterial, is that the agreements do not require specific renewal over set intervals thus the distributorship rights continue uninterrupted unless a cause to terminate is triggered.

(v) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, being 7 years.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the National Hire Group Limited 2005 Share Option Plan and an employee share scheme. Information relating to these schemes is set out in note 39.

The fair value of options granted under the National Hire Group Limited 2005 Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes/Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefit expense with a corresponding increase in equity over the period between the grant date and the date that employees become entitled to shares.

(iv) Profit-sharing and bonus plans
The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 24).

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(aa)Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts

in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 Amendments to Australian Accounting Standards-Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. However, as the amendments only affect the accounting in the individual entities there will be no impact on the financial statements of the group.

(ii) AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's or the company's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)
AASB 9 addresses the classification and measurement of financials assets. The standard is not applicable until 1 January 2013 and the group is yet to assess its full impact, however early indications are that it is not expected to have an impact on the amounts recognised in the financial statements.

(iv) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The company will apply the amended standard from 1 July 2011. When the amendments are applied, the company will need to disclose any transactions between its subsidiaries and its associates. The group is yet to assess its full impact, however early indications are that it is not expected to have an impact on the amounts recognised in the financial statements.

(v) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(vi) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. National Hire Group

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the company.

(ac) Parent entity financial information

The financial information for the parent entity, National Hire Group Limited, disclosed in note 40 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries and associates are accounted for at cost in the financial statements of National Hire Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
National Hire Group Limited and its tax consolidated Australian controlled entities have implemented the tax consolidation legislation.

The head entity, National Hire Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, National Hire Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the tax consolidated entities fully compensate National Hire Group Limited for any current tax payable assumed and are compensated by National Hire Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to National Hire Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the tax consolidated entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the company, which is issued as soon as practicable after the end of each financial year. The company may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework across the group. Risk management is carried out by the finance department in accordance with policies approved by the board of directors. The group identifies and evaluates financial risk and proposes a course of action to the board for approval. Necessary action is then taken to mitigate any identified risks as approved. The group, through their training and management standards and procedures, have a control environment in which all employees understand their roles and obligations.

The group holds the following financial instruments:

	Consolidated	
	2010	2009
	$'000	$'000
Financial assets		
Cash and cash equivalents	**15,697**	5,694
Trade and other receivables	**21,719**	18,826
Derivative financial instruments	**124**	–
	37,540	24,520
Financial liabilities		
Trade and other payable	**38,327**	23,361
Borrowings	**346**	–
Derivative financial instruments	**–**	109
	38,673	23,470

(a) Market risk

(i) Foreign exchange risk

The group purchases equipment and parts internationally and is thus exposed to fluctuations in pounds sterling and US dollars. The group sells its manufactured products internationally and is exposed to fluctuations in US dollars with regards to revenue from these sales.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The group uses forward foreign exchange contracts to manage its currency risk, most with a maturity of less than four months from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is kept to an acceptable level by buying and selling foreign exchange at spot rates when necessary to address short-term imbalances. In addition, the group maintains bank accounts in pounds sterling and US dollars to manage its exposures to currency risk.

2 FINANCIAL RISK MANAGEMENT *continued*

The group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	30 June 2010		30 June 2009	
	USD $'000	**GBP $'000**	USD $'000	GBP $'000
Cash and cash equivalents	**1,518**	**272**	687	13
Trade receivables	**2,690**	**–**	982	155
Trade payables	**(3,232)**	**(1,663)**	(2,868)	(905)
Forward exchange contracts				
–buy foreign currency	**1,635**	**–**	1,881	–
Net exposure	**2,611**	**(1,391)**	682	(737)

Sensitivity
Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 15% (2009: 15%) against the US dollar with all other variables held constant, the group's post-tax profit and equity for the year would have been $391,000 higher/$391,000 lower (2009–$102,000 higher/$102,000 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 15% (2009: 15%) against the GB pound with all other variables held constant, the group's post-tax profit and equity for the year would have been $209,000 lower/$209,000 higher (2009–$110,000 lower/$110,000 higher), mainly as a result of foreign exchange gains/losses on translation of GB pound denominated financial instruments as detailed in the above table.

(ii) Cash flow and fair value interest rate risk
The group is exposed to interest rate risk arising mainly from cash balances held. The risk is considered minimal as a majority of the group's cash balances are at a fixed rate. The group is exposed to interest rate risk on its facilities when utilised.

Sensitivity
At 30 June 2010, if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $117,562 higher/$117,562 lower (2009 changes of 100 bps: $21,000 higher/$21,000 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The group's process for managing credit risk is to use independent third parties to provide them with credit checks, though the group does not obtain official credit ratings. The group also reviews the results of these checks to determine the credit limit applied to the customer. In some cases the group requests that new customers make upfront payments or provide it with letters of support in order to secure their purchase. The group also maintains credit insurance against some customers in order to manage credit risk to an acceptable level.

Goods are generally sold subject to retention of title clauses, so that in the event of non payment the group may have a secured claim.

The group has policies in place to ensure that sales of products and services are made only to customers with an appropriate credit history. All counterparties for the group's derivative and cash transactions are investment grade financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that the group does not have sufficient financial resources to meet its obligations when they come due, or will have to do so at excessive cost.

The group's process for managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2010 **$'000**	2009 $'000
Bank loan facility	**25,000**	25,000
Bank overdraft	**5,000**	–
Bank guarantee facility	**246**	297
Other	**200**	200
	30,446	25,497

2 FINANCIAL RISK MANAGEMENT *continued*

Maturities of financial liabilities
The tables below analyse the group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At 30 June 2010	**Less than 6 months $'000**	**6–12 months $'000**	**Between 1 and 5 years $'000**	**Total contractual cash flows $'000**	**Carrying Amount (assets)/ liabilities $'000**
Non-derivatives					
Trade and other payables	38,327	–	–	38,327	38,327
Finance lease liabilities	379	–	–	379	346
Total non-derivatives	38,706	–	–	38,706	38,673
Derivatives					
Gross settled					
–(inflow)	(1,759)	–	–	(1,759)	(1,759)
–outflow	1,635	–	–	1,635	1,635
Total derivatives	(124)	–	–	(124)	(124)

At 30 June 2009	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives					
Trade and other payables	23,361	–	–	23,361	23,361
Total non-derivatives	23,361	–	–	23,361	23,361
Derivatives					
Gross settled					
–(inflow)	(1,772)	–	–	(1,772)	(1,772)
–outflow	1,881	–	–	1,881	1,881
Total derivatives	109	–	–	109	109

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.
(a) Critical accounting estimates and assumptions
The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill
The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes
The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

i) Impairment of available-for-sale financial assets
The group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* on determining when an available for sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

4 SEGMENT INFORMATION

(a) Description of segments

Business segments
The group operates in the Australian market with a minor operation in the USA. For the purposes of segment reporting, the results of the USA operation are not disclosed separately as they are not considered material and therefore do not meet the definition of a reportable operating segment.

Management has determined the Group's reportable segments based on the reports and information reviewed by the board of directors. Management has identified two reportable segments which are its Allight business (Allight) and the equity accounted investment in Coates Hire. The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2010 is as follows:

2010	**Segment 1** Allight $'000	**Segment 2** Investment in Coates Hire $'000	**Segment 3** All other segments $'000	**Total** $'000
External segment revenue	84,986	–	1,504	86,490
EBIT	**3,396**	**–**	**(1,316)**	**2,080**
Share of profit from associates	–	4,103	–	4,103
Total segment assets	117,855	319,185	43,688	480,728
Total segment liabilities	42,806	–	62,184	104,990

2009	Segment 1 Allight $'000	Segment 2 Investment in Coates Hire $'000	Segment 3 All other segments $'000	Total $'000
External segment revenue	104,549	–	1,468	106,017
EBIT	**6,923**	**–**	**(973)**	**5,950**
Share of profit from associates	–	20,155	–	20,155
Total segment assets	107,686	307,429	32,858	447,973
Total segment liabilities	35,552	–	50,323	85,875

(c) Notes to, and forming part of, the segment information

(i) Segment revenue

Sale between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Total segment revenue	**86,490**	106,017
Interest revenue	**444**	695
Total revenue from continuing operations (note 5)	**86,934**	106,712

(ii) EBIT

The board of directors assesses the performance of the operating segments based on a measure of EBIT. This measurement basis includes the effects of inter-segment eliminations. Interest income and expenditure are not allocated to segments, nor is income tax expense.

A reconciliation of EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2010	2009
	$'000	$'000
EBIT	**2,080**	5,950
Share of profit from associates	**4,103**	20,155
Interest revenue	**444**	695
Interest expense	**(32)**	(114)
Profit before income tax from continuing operations	**6,595**	26,686

(iii) Segment assets

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Segment assets	**480,728**	447,973
Intersegment eliminations	**(78,239)**	(66,960)
Unallocated:		
Intangible assets	**20,335**	20,335
Total assets as per the consolidated balance sheet	**422,824**	401,348

4 SEGMENT INFORMATION *continued*

(iv) Segment liabilities
The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Segment liabilities	**104,990**	85,875
Intersegment eliminations	**(78,242)**	(67,171)
Unallocated:		
Deferred tax	**13,070**	14,205
Total liabilities as per the consolidated balance sheet	**39,818**	32,909

5 REVENUE

	Consolidated	
	2010	2009
	$'000	$'000
From continuing operations		
Sales revenue		
Sale of goods	**84,982**	104,436
Interest	**444**	698
Other revenue	**1,508**	1,578
	86,934	106,712

6 OTHER INCOME

	Consolidated	
	2010	2009
	$'000	$'000
Net gain on disposal of property, plant and equipment	**70**	155
	70	155

7 EXPENSES

	Consolidated	
	2010	2009
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**457**	441
Leasehold improvements	**6**	–
Plant and equipment under finance leases	**28**	–
Total depreciation	**491**	441
Amortisation		
Research and development	**155**	153
Software	**94**	–
Total amortisation	**249**	153
Total depreciation and amortisation	**740**	594
Finance costs		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**(230)**	(421)
Rental expense relating to operating leases		
Minimum lease payments	**1,870**	1,666
Foreign exchange gains and losses		
Net foreign exchange losses	**211**	358
Defined contribution superannuation expense	**627**	887

8 INCOME TAX EXPENSE

(a) Income tax expense

Current tax	**14**	1,553
Deferred tax	**811**	463
Adjustments for current tax of prior periods	**–**	(379)
	825	1,637
Income tax expense is attributable to:		
Profit from continuing operations	**825**	1,637
Aggregate income tax expense	**825**	1,637
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 17)	**92**	90
(Decrease) increase in deferred tax liabilities (note 22)	**719**	373
	811	463

8 INCOME TAX EXPENSE *continued*

	Consolidated	
	2010	2009
	$'000	$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	**6,595**	26,686
	6,595	26,686
Tax at the Australian tax rate of 30% (2009–30%)	**1,979**	8,006
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**5**	9
Share-based payments	**68**	28
Share of net profit of associates	**(1,231)**	(6,046)
Other non-deductible items	**4**	19
Adjustments for current tax of prior periods	**–**	(379)
Total income tax expense	**825**	1,637

(c) Tax consolidation legislation (note 1(ac))

National Hire Group Limited and its tax consolidated Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the board of directors, limits the joint and several liability of the tax consolidated entities in the case of a default by the head entity, National Hire Group Limited.

The entities have also entered into a tax funding agreement under which the tax consolidated entities fully compensate National Hire Group Limited for any current tax payable assumed and are compensated by National Hire Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to National Hire Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the tax consolidated entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the company, which is issued as soon as practicable after the end of each financial year. The company may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 31(e)).

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank and in hand	**3,941**	3,590
Deposits at call	**11,756**	2,104
	15,697	5,694

(a) Risk exposure

The group's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and on hand

These are non-interest bearing.

(c) Deposits at call

The deposits bear interest at rates between 4.5% and 5.0% . These deposits have an average period to repricing of 30 days.

(d) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010	2009
	$'000	$'000
Net trade receivables		
Trade receivables	**19,225**	18,697
Provision for impairment of receivables (note (a))	**(91)**	(161)
	19,134	18,536
Other receivables	**2,543**	248
Prepayments	**277**	325
	21,954	19,109

(a) Impaired trade receivables

As at 30 June 2010 current trade receivables of the group with a nominal value of $91,000 (2009 – $161,000) were impaired, with the amounts being fully provided for. The ageing of these receivables is as follows:

	Consolidated	
	2010	2009
	$'000	$'000
31 to 60 days	**–**	9
61 to 90 days	**–**	–
91 to 120 days	**–**	1
121 days or over	**91**	151
	91	161

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES *continued*

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2010	2009
	$'000	$'000
At 1 July	**161**	281
Provision for impairment recognised during the year	**20**	150
Receivables written off during the year as uncollectible	**–**	(98)
Unused amount reversed	**(90)**	(172)
	91	161

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Past due but not impaired

As of 30 June 2010, trade receivables of $7,371,000 (2009 – $10,355,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2010	2009
	$'000	$'000
31 to 60 days	**2,166**	5,580
61 to 90 days	**2,782**	3,564
91 to 120 days	**2,294**	466
121 days or over	**129**	745
	7,371	10,355

Goods are sold subject to retention of title clauses; the value of 'collateral' held against the trade receivables as at 30 June 2010 is $18,813,000 (2009: $18,208,000).

(c) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Refer to note 2 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

11 CURRENT ASSETS – INVENTORIES

	Consolidated	
	2010	2009
	$'000	$'000
Raw materials and stores		
–at cost	**7,511**	6,097
Work in progress		
–at cost	**851**	198
Finished goods		
–at cost	**27,431**	35,752
Net realisable value adjustment		
–at net realisable value	**(299)**	(509)
	35,494	41,538

12 CURRENT ASSETS – DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2010	2009
	$'000	$'000
Current assets		
Forward foreign exchange contracts – fair value hedges	**124**	–
Current liabilities		
Forward foreign exchange contracts – fair value hedges	**–**	(109)
	124	(109)

(i) Forward exchange contracts – fair value hedges

The equipment sales segment is a distributor of products purchased from the United States of America and United Kingdom. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars and GB pounds.

These contracts are hedging actual purchases and are timed to mature when payments for major shipments are scheduled to be made.

(a) Risk exposures

Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

13 CURRENT ASSETS – CURRENT TAX RECEIVABLES

	Consolidated	
	2010	2009
	$'000	$'000
Current tax receivable	**274**	5,009

14 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2010	2009
	$'000	$'000
Trade receivables	**11**	11
Employee share plan	**36**	36
Provision for doubtful receivable	**(5)**	(5)
	42	42

15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2010	2009
	$'000	$'000
Shares in associates (note 34)	**319,185**	307,429

16 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Total $'000
At 1 July 2008					
Cost	318	4,795	–	–	5,113
Accumulated depreciation	–	(3,488)	–	–	(3,488)
Net book amount	318	1,307	–	–	1,625
Year ended 30 June 2009					
Opening net book amount	318	1,307	–	–	1,625
Additions	–	506	–	–	506
Disposals	(318)	(10)	–	–	(328)
Depreciation charge	–	(441)	–	–	(441)
Other	–	17	–	–	17
Closing net book amount	–	1,379	–	–	1,379
At 30 June 2009					
Cost	–	5,225	–	–	5,225
Accumulated depreciation	–	(3,846)	–	–	(3,846)
Net book amount	–	1,379	–	–	1,379

	Freehold land $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2010					
Opening net book amount	–	1,379	–	–	1,379
Additions	–	579	214	415	1,208
Depreciation charge	–	(457)	(6)	(28)	(491)
Closing net book amount	–	1,501	208	387	2,096
At 30 June 2010					
Cost	–	5,804	214	415	6,433
Accumulated depreciation	–	(4,303)	(6)	(28)	(4,337)
Net book amount	–	1,501	208	387	2,096

17 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Doubtful debts	**27**	48
Employee benefits	**304**	301
Inventory and equipment provisions	**278**	332
Accruals	**44**	81
Provision for warranties	**40**	53
Finance leases	**104**	–
Other	**–**	33
Share issue expenses	**–**	41
Tax losses	**20,741**	7,638
Total deferred tax assets	**21,538**	8,527
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	**(16,368)**	(8,527)
Net deferred tax assets	**5,170**	–

	Consolidated	
	2010 $'000	2009 $'000
Movements:		
Opening balance at 1 July	**8,527**	979
Credited/(charged) to the income statements (note 8)	**(92)**	(90)
Assumption of tax losses from tax consolidated entities	**13,103**	7,638
Closing balance at 30 June	**21,538**	8,527
Deferred tax assets to be recovered within 12 months	**562**	616
Deferred tax assets to be recovered after more than 12 months	**20,976**	7,911
	21,538	8,527

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill $'000	Distribution agreements $'000	Computer software $'000	Research & development $'000	Total $'000
At 1 July 2008					
Cost	12,350	7,985	–	1,087	21,422
Accumulated amortisation	–	–	–	(122)	(122)
Net book amount	12,350	7,985	–	965	21,300
Year ended 30 June 2009					
Opening net book amount	12,350	7,985	–	965	21,300
Amortisation charge	–	–	–	(152)	(152)
Closing net book amount	12,350	7,985	–	813	21,148
At 30 June 2009					
Cost	12,350	7,985	–	1,087	21,422
Accumulated amortisation	–	–	–	(274)	(274)
Net book amount	12,350	7,985	–	813	21,148

	Goodwill $'000	Distribution agreements $'000	Computer software $'000	Research & development $'000	Total $'000
Year 30 June 2010					
Opening net book amount	12,350	7,985	–	813	21,148
Additions	–	–	1,889	–	1,889
Amortisation charge	–	–	(94)	(155)	(249)
Closing net book amount	12,350	7,985	1,795	658	22,788
At 30 June 2010					
Cost	12,350	7,985	1,889	1,087	23,311
Accumulated amortisation	–	–	(94)	(429)	(523)
Net book amount	12,350	7,985	1,795	658	22,788

* Software includes capitalised development costs being an internally generated intangible asset.

(a) Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to reportable operating segment and country of operation.

A segment-level summary of the goodwill allocation is presented below.

2010	**Australia $'000**
Allight – capital sales	12,350
	12,350

2009	Australia $'000
Allight – capital sales	12,350
	12,350

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

	Budget cash flow*		**Average revenue growth rate over 5 years****		**Discount rate**	
	2010 $'000	2009 $'000	**2010 %**	2009 %	**2010 %**	2009 %
Allight – capital sales	**6,600**	6,100	**4.0**	3.0	**11.4**	10.3

* Management has determined budget cash flow based on past performance. The figure includes an allowance for capital replenishment and income tax.

** The weighted average growth rates used are consistent with forecasts included in independent reports.
Management believe that no change to key assumptions would reasonably occur which would cause the carrying amount of each CGU to exceed its recoverable amounts for the foreseeable future.

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $'000	2009 $'000
Trade payables	**6,712**	5,262
Other payables	**9,639**	5,270
Tax related amounts payable to related parties	**21,872**	13,209
Unearned income	**785**	298
	39,008	24,039

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES *continued*

(a) Amounts not expected to be settled within the next 12 months

Other payables include accruals for annual leave. The entire obligation is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2010	2009
	$'000	$'000
Annual leave obligation expected to be settled after 12 months	**179**	183
	179	183

(b) Risk exposure

Information about the group's exposure to foreign exchange risk is provided in note 2.

20 CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2010	2009
	$'000	$'000
Lease liabilities (note 30)	346	–

21 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits – long service leave (b)	**175**	148
Service warranties (a)	**133**	178
	308	326

(a) Service warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

(b) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	2010	2009
	$'000	$'000
Leave obligations expected to be settled after 12 months	**164**	136

22 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2010	2009
	$'000	$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Depreciation	**7**	–
Distribution agreements	**2,395**	2,395
Finance leases	**116**	–
Gain on sale of discontinued operations	**13,069**	14,205
Receivables	**728**	145
Other	**53**	40
	16,368	16,785
Set-off of deferred tax liabilities pursuant to set-off provisions (note 17)	**(16,368)**	(8,527)
Net deferred tax liabilities	**–**	8,258

	Consolidated	
	2010	2009
	$'000	$'000
Movements:		
Opening balance at 1 July	**16,785**	17,561
Charged/(credited) to the income statements (note 8)	**719**	373
Portion of sale of discontinued operation transferred to current tax	**(1,136)**	(1,149)
Closing balance at 30 June	**16,368**	16,785
Deferred tax liabilities to be settled		
Deferred tax liabilities to be settled within 12 months	**780**	185
Deferred tax liabilities to be settled after more than 12 months	**15,588**	16,600
	16,368	16,785

23 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits – long service leave	**156**	177
	156	177

24 CONTRIBUTED EQUITY

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares				
Fully paid	**148,401,945**	148,401,945	**293,446**	293,446
(b) Other equity securities				
Value of conversion rights – convertible notes			**325**	325
Total contributed equity			**293,771**	293,771

(c) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2008	Opening balance	148,401,945	293,446
30 June 2009	Balance	148,401,945	293,446
1 July 2009	Opening balance	148,401,945	293,446
30 June 2010	Balance	148,401,945	293,446

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of, and amounts paid on, the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

(e) Options

Information relating to the National Hire Group Limited 2005 Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 39.

(f) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheets (including minority interest) plus net debt.
During 2010, the group's strategy, which was unchanged from 2009, was to maintain a gearing ratio within 0% to 5%. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Total borrowings	**16,697**	10,532
Less: cash and cash equivalents	**(15,697)**	(5,694)
Net debt	**1,000**	4,838
Total equity	**383,006**	368,439
Total capital	**384,006**	373,277
Gearing ratio	**0.26%**	1.30%

25 RESERVES AND RETAINED EARNINGS

	Consolidated	
	2010	2009
	$'000	$'000
(a) Reserves		
Hedging reserve – cash flow hedges	**(3,051)**	(14,433)
Share-based payments reserve	**4,253**	3,114
Foreign currency translation reserve	**(3,728)**	(1,263)
	(2,526)	(12,582)

	Consolidated	
	2010	2009
	$'000	$'000
Movements:		
Hedging reserve – cash flow hedges		
Balance 1 July	**(14,433)**	–
Adjustment on adoption of accounting standard in associate	**1,258**	–
Share of movement in reserve of associate	**10,124**	(14,433)
Balance 30 June	**(3,051)**	(14,433)

25 RESERVES AND RETAINED EARNINGS *continued*

Movements:

	Consolidated	
	2010	2009
	$'000	$'000
Share-based payments reserve		
Balance 1 July	**3,114**	2,257
Employee share plan expense	**225**	226
Share of movement in reserve of associate	**914**	631
Balance 30 June	**4,253**	3,114

	Consolidated	
	2010	2009
	$'000	$'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(1,263)**	(9)
Currency translation differences arising during the year		
Company	**14**	4
Associates	**(2,479)**	(1,258)
Balance 30 June	**(3,728)**	(1,263)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Balance 1 July	**87,250**	65,166
Net profit for the year	**5,770**	25,049
Dividends	**–**	(2,965)
Adjustment on adoption of accounting standard in associate	**(1,259)**	–
Balance 30 June	**91,761**	87,250

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(n). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of retention bonus shares issued to employees

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

26 DIVIDENDS

	Consolidated	
	2010	2009
	$'000	$'000
(a) Ordinary shares		
No final dividend was paid for the year ended 30 June 2009. Final dividend for the year ended 30 June 2008 of 2 cents per fully paid share was paid on 10 October 2008		
Fully franked based on tax paid @ 30% – 2 cents per share	**–**	2,965
No interim dividend was paid during the current year or for the year ended 30 June 2009.	**–**	–
Total dividends provided for or paid	**–**	2,965
(b) Dividends not recognised at year end		
The directors have not recommended the payment of a final dividend for the year ended 30 June 2010. No dividend was recommended in the prior year	**–**	–

(c) Franked dividends

	Consolidated	
	2010	2009
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 – 30%)	**42,923**	38,469

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from any dividends receivable at reporting date; and

(d) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

27 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) Chairman – non-executive
John Langoulant (resigned 20 May 2010)
Hon. Richard Court, AC (appointed 20 May 2010)

(ii) Executive directors
Andrew Aitken, Managing Director

(iii) Non-executive directors
Stephen Donnelley
Dale Elphinstone
Clive Isenberg
James Walker

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	Position	Employer
Patrick Walsh	Managing Director	Allight Pty Ltd
Antoinette du Preez (resigned 18 December 2009)	Chief Financial Officer/ Company Secretary (Joint)	National Hire Group Limited
Gayle McGarry	Company Secretary (Joint)	National Hire Group Limited
Adrian Bautista (appointed 18 December 2009)	Chief Financial Officer/ Company Secretary (Joint)	National Hire Group Limited

(c) Key management personnel compensation

	Consolidated	
	2010	2009
	$	$
Short-term employee benefits	**1,475,321**	1,637,282
Post-employment benefits	**161,814**	180,913
Termination benefits	**–**	250,000
Share-based payments	**225,556**	225,656
Other	**–**	45,338
	1,862,691	2,339,189

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 25.

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of the company and other key management personnel of the group, including their personally related parties, are set out below.

2010 Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Exercisable	Not yet exercisable
Directors of National Hire Group Limited							
A Aitken	1,000,000	–	–		1,000,000	–	1,000,000
S Donnelley	261,000	–	–		261,000	261,000	–

2009 Name	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Exercisable	Not yet exercisable
Directors of National Hire Group Limited							
A Aitken	–	1,000,000	–	–	1,000,000	–	1,000,000
S Donnelley	261,000	–	–	–	261,000	261,000	–
Other key management personnel of the group							
R Harman	90,000	–	–	–	90,000	90,000	–
S McCullough	174,000	–	–	–	174,000	174,000	–

(ii) Share holdings

The numbers of shares in the company held during the financial year by each director of the company and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of National Hire Group Limited				
Ordinary shares				
S Donnelley (indirectly)	1,991,877	–	–	1,991,877
D Elphinstone (indirectly)	31,554,089	–	1,005,656	32,559,745

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of National Hire Group Limited				
Ordinary shares				
S Donnelley (indirectly)	1,991,877	–	–	1,991,877
D Elphinstone (indirectly)	29,500,000	–	2,054,089	31,554,089
Other key management personnel of the group				
Ordinary shares				
R Harman	96,727	–	–	96,727

(e) Loans to key management personnel

There were no loans with or made to directors or key management personnel during the year.

27 KEY MANAGEMENT PERSONNEL DISCLOSURES *continued*

(f) Other transactions with key management personnel

(i) Directors of National Hire Group Limited
During the year commercial transactions were entered into with William Adams Pty Ltd, a company of which Mr D Elphinstone is a director and principal. The transactions were based on normal commercial terms and conditions.

During the year commercial transactions were entered into with WesTrac Pty Ltd and WesTrac (China) Machinery Equipment Ltd. Mr J Walker, Mr J Langoulant and Mr R Court are/or were directors of WesTrac Pty Ltd during the reporting period and Mr J Walker is a director of WesTrac (China) Machinery Equipment Ltd. The transactions were based on normal commercial terms and conditions. Disclosure of these amounts are made in Note 31 (d).

Aggregate amounts of each of the above types of other transactions with key management personnel of the group (with the exception of those detailed in Note 31 Related Party Transactions) are as follows:

	2010 $	2009 $
Amounts recognised as revenue		
Equipment sales to William Adams Pty Ltd	**8,049**	194,176
	8,049	194,176

Aggregate amounts of assets at balance date relating to the above types of other transactions with key management personnel of the group:

	2010 $	2009 $
Trade and other receivables to William Adams Pty Ltd	**851**	211,600

28 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

	Consolidated	
	2010 $	2009 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports	**110,000**	99,500
Other assurance services	**6,762**	–
Total remuneration for audit and other assurance services	**116,762**	99,500
Taxation services		
Tax compliance services	**12,000**	4,000
Total remuneration for taxation services	**12,000**	4,000
Other services		
Advisory services	**7,600**	–
Total remuneration of PricewaterhouseCoopers Australia	**136,362**	103,500

It is the group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the group are important. These assignments are principally tax advice and business services, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

29 CONTINGENCIES

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2010 in respect of:

Guarantees – Rental Bond
Allight Pty Ltd has agreed to indemnify its bankers in respect of guarantees for rental bonds, amounting to $173,396 at 30 June 2010, given in favour of third parties.

These guarantees may give rise to liabilities in the event that Allight Pty Ltd defaults on its obligations under the terms of the lease agreements for its premises located in Murarrie, Queensland and Clayton, Victoria.

Guarantees – Retention
Allight Pty Ltd has agreed to indemnify its bankers in respect of guarantees for retention security on contracts, amounting to $80,228 at 30 June 2010, given in favour of third parties.

These insurance bonds may give rise to liabilities in the event Allight Pty Ltd fails to meet performance under the sale of goods and services contract.

No material losses are anticipated in respect of any of the above contingent liabilities.

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	2010 $'000	2009 $'000
Property, plant and equipment		
Within one year	–	208
	–	208

30 COMMITMENTS *continued*

(b) Lease commitments: Group as lessee

	Consolidated	
	2010	2009
	$'000	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,823**	1,250
Later than one year but not later than five years	**4,688**	2,260
	6,511	3,510
Representing:		
Non-cancellable operating leases	**6,511**	3,510
	6,511	3,510

(i) Non-cancellable operating leases

The group leases premises and equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2010	2009
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,823**	1,250
Later than one year but not later than five years	**4,688**	2,260
Commitments not recognised in the financial statements	**6,511**	3,510

(ii) Finance leases

The group leases computer hardware with a carrying amount of $387,000 (2009 – $Nil) under finance leases expiring within one year. Under the terms of the lease, the group has the option to acquire the leased assets.

	Consolidated	
	2010	2009
	$'000	$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**379**	–
Minimum lease payments	**379**	–
Future finance charges	**(33)**	–
Total lease liabilities	**346**	–
Representing lease liabilities:		
Current (note 20)	**346**	–
Non-current	**–**	–
	346	–
The present value of finance lease liabilities is as follows:		
Within one year	**379**	–
Later than one year but not later than five years	**–**	–
Minimum lease payments	**379**	–

The weighted average interest rate implicit in the leases is 18.74%.

31 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the group is National Hire Group Limited. National Hire Group Limited's immediate parent entity is WesTrac Pty Ltd and its ultimate Australian parent entity is Australian Capital Equity Pty Limited, which at 30 June 2010 indirectly owned 66% (2009: 66%) of the ordinary shares of National Hire Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 27.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2010	2009
	$'000	$'000
Sales of goods and services		
Revenue from inventory sales to immediate parent entity	**286,485**	292,361
Revenue from inventory sales to associate	**16,442,283**	23,017,371
	16,728,768	23,309,732
Purchases of goods		
Purchase of property, plant, equipment and related parts from immediate parent entity and associated subsidiary	**2,085,813**	15,136,943
Purchase of property, plant, equipment and related parts from associate	**5,221**	68,358
	2,091,034	15,205,301
Tax consolidation legislation		
Current tax payable (receivable) assumed from tax consolidated entities associate	**(1,131,000)**	(5,571,780)
	(1,131,000)	(5,571,780)
Other transactions		
Property rent and operating lease payments paid to associate	**–**	244,226
Reimbursement of expenses to ultimate parent entity	**3,567**	62,561
Management fee receivable from associate	**1,500,000**	1,467,742
Management fee payable to ultimate parenty entity	**352,917**	283,333
	1,856,484	2,057,862

31 RELATED PARTY TRANSACTIONS *continued*

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2010	2009
	$'000	$'000
Current receivables (sales of goods and services)		
Parent entity	**321,023**	197,016
Associates	**5,491,179**	7,455,891
	5,812,202	7,652,907
Current payables (purchases of goods and services)		
Parent entity	**27,510**	2,517,068
Associates	**–**	7,853
Ultimate parent entity	**–**	104,406
	27,510	2,629,327
Current payables (tax funding agreement)		
Tax consolidated entities – associates	**21,872,000**	13,209,000

A provision for doubtful debts in the amount of $63,076 has been reversed during the current year in relation to the outstanding receivables balance from associates at 30 June 2009.

(f) Guarantees

No bank guarantees have been provided by the parent entity on behalf of its subsidiaries. Refer to Note 33 for details of deed of cross guarantee.

(g) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 8(c).
All other transactions were made on normal commercial terms and conditions and at market rates.

32 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

			Equity holding**	
	Country of		**2010**	2009
Name of entity	**incorporation**	**Class of shares**	**%**	%
Allight Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Allight Pty Ltd*	Australia	Ordinary	**100**	100
Allight USA Inc	USA	Ordinary	**100**	100
FGW Pacific Pty Ltd	Australia	Ordinary	**100**	100
National Hire Facilitation Pty Limited	Australia	Ordinary	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

** The proportion of ownership interest is equal to the proportion of voting power held.

33 DEED OF CROSS GUARANTEE

National Hire Group Limited, Allight Holdings Pty Ltd and Allight Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by National Hire Group Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2010 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd and Allight Pty Ltd.

	2010 $'000	2009 $'000
Income statement		
Revenue from continuing operations	**86,934**	106,712
Other income	**70**	155
Changes in inventories of finished goods and work in progress	**7,475**	10,227
Raw materials and consumables used	**(74,059)**	(91,734)
Occupancy and communication expense	**(2,952)**	(2,638)
Advertising and promotion	**(691)**	(391)
Employee benefits expense	**(9,067)**	(10,894)
Travel and accommodation	**(660)**	(640)
Finance costs	**(230)**	(421)
Other expenses	**(3,710)**	(3,308)
Depreciation and amortisation expense	**(740)**	(594)
Share of net profits of associates accounted for using the equity method	**4,103**	20,155
Profit before income tax	**6,473**	26,629
Income tax expense	**(825)**	(1,637)
Profit for the year	**5,648**	24,992
Statement of comprehensive income		
Profit for the year	**5,648**	24,992
Other comprehensive income		
Share of other comprehensive income of associates	**8,559**	(15,060)
Other comprehensive income for the year, net of tax	**8,559**	(15,060)
Total comprehensive income for the year	**14,207**	9,932
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**84,954**	62,927
Profit for the year	**5,648**	24,992
Adjustment on adoption of accounting standard	**(1,259)**	–
Dividends provided for or paid	**–**	(2,965)
Retained earnings at the end of the financial year	**89,343**	84,954

33 DEED OF CROSS GUARANTEE *continued*

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2010 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd and Allight Pty Ltd.

	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	**15,633**	5,640
Trade and other receivables	**21,945**	19,252
Inventories	**35,494**	41,538
Derivative financial instruments	**124**	–
Current tax receivables	**274**	5,009
Total current assets	**73,470**	71,439
Non current assets		
Receivables	**42**	42
Investments accounted for using the equity method	**319,185**	307,429
Other financial assets	**83**	83
Property, plant and equipment	**2,096**	1,379
Deferred tax assets	**5,170**	–
Intangible assets	**22,702**	21,062
Total non-current assets	**349,278**	329,995
Total assets	**422,748**	401,434
Current liabilities		
Trade and other payables	**41,356**	26,418
Borrowings	**346**	–
Derivative financial instruments	**–**	109
Provisions	**308**	326
Total current liabilities	**42,010**	26,853
Non-current liabilities		
Deferred tax liabilities	**–**	8,258
Provisions	**156**	177
Total non-current liabilities	**156**	8,435
Total liabilities	**42,166**	35,288
Net assets	**380,582**	366,146
Equity		
Contributed equity	**293,769**	293,769
Reserves	**(2,530)**	(12,577)
Retained earnings	**89,343**	84,954
Total equity	**380,582**	366,146

34 INVESTMENTS IN ASSOCIATES

	Consolidated	
	2010	2009
	$'000	$'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**307,429**	309,887
Sale of share of investment in associate	**–**	(4,715)
Share of profits after income tax	**4,103**	20,155
Share of movement in hedging reserve	**10,124**	(14,433)
Share of movement in share-based payments reserve	**914**	631
Share of movement in foreign currency translation reserve	**(2,479)**	(1,258)
Elimination of unrealised profits to associates	**(906)**	(1,247)
Adjustment to net assets	**–**	(1,591)
Carrying amount at the end of the financial year	**319,185**	307,429

(b) Summarised financial information of associates

The group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

		Company's share of:			
	Ownership Interest %	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profit $'000**
2010					
Coates Group Holdings Pty Ltd	46.1	1,310,925	1,292,006	410,395	4,103
		1,310,925	1,292,006	410,395	4,103
2009					
Coates Group Holdings Pty Ltd	46.1	1,347,182	1,003,088	502,337	20,155
		1,347,182	1,003,088	502,337	20,155

Coates Group Holdings Pty Ltd is incorporated in Australia.

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

(a) the group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the group's state of affairs in future financial years.

36 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2010	2009
	$'000	$'000
Profit for the year	**5,770**	25,049
Depreciation and amortisation	**740**	592
Non-cash employee benefits expense – share-based payments	**225**	226
Net gain on sale of property, plant and equipment	**(70)**	(155)
Share of profits of associates	**(4,103)**	(20,155)
Unrealised profits to associates	**907**	1,247
Change in operating assets and liabilities		
(Increase) decrease in trade debtors and other receivables	**(2,845)**	9,139
Decrease (Increase) in inventories	**6,044**	(12,426)
Decrease (increase) in current tax receivable	**4,736**	(5,009)
Decrease (increase) in deferred tax assets	**(20,648)**	(7,684)
(Increase) decrease in other operating assets	**(124)**	409
Increase (decrease) in trade creditors and other payables	**22,605**	3,293
(Decrease) increase in other operating liabilities	**(109)**	109
Increase (decrease) in provision for income taxes payable	**–**	(8,872)
(Decrease) increase in deferred tax liabilities	**(419)**	(640)
(Decrease) increase in other provisions	**(39)**	178
Net cash inflow (outflow) from operating activities	**12,670**	(14,699)

37 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated	
	2010	2009
	$'000	$'000
Acquisition of plant and equipment by means of finance leases	415	–
	415	–

38 EARNINGS PER SHARE

	Consolidated	
	2010	2009
	Cents	Cents

(a) Basic earnings per share

From continuing operations attributable to the ordinary equity holders of the company	3.89	16.88
Total basic earnings per share attributable to the ordinary equity holders of the company	3.89	16.88

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	3.89	16.88
Total diluted earnings per share attributable to the ordinary equity holders of the company	3.89	16.88

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2010	2009
	$'000	$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	**5,770**	25,049
	5,770	25,049
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**5,770**	25,049
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**5,770**	25,049

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2010	2009
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**148,401,945**	148,401,945
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**148,401,945**	148,401,945

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the National Hire Group Limited 2005 Share Option Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they are not considered dilutive at this time. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 39.

39 SHARE-BASED PAYMENTS

(a) 2005 Share Option Plan

The 2005 share option plan is designed to provide long-term incentives for senior management (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only become exercisable if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

39 SHARE-BASED PAYMENTS *continued*

When exercisable, each option is convertible into one ordinary share. The exercise price of options granted on 26 November 2005 and 1 December 2005 was based on the weighted average price at which the company's shares were traded on the Australian Stock Exchange during the 5 days trading immediately before the options were granted. The exercise price of those options granted on 21 November 2008 was determined by the board of directors at a premium to the prevailing market price of the company's shares trading on the Australian Stock Exchange at the time of agreement on the Managing Director's remuneration.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2010								
26 November 2005	26 November 2010	$1.85	723,000	–	–	–	723,000	723,000
1 December 2005	1 December 2010	$1.85	261,000	–	–	–	261,000	261,000
21 November 2008	21 November 2013	$2.00	1,000,000	–	–	–	1,000,000	–
Total			1,984,000	–	–	–	1,984,000	984,000
Weighted average exercise price			$1.92	$	$	$	$1.92	$1.85

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated – 2009								
26 November 2005	26 November 2010	$1.85	723,000	–	–	–	723,000	723,000
1 December 2005	1 December 2010	$1.85	261,000	–	–	–	261,000	261,000
21 November 2008	21 November 2013	$2.00	–	1,000,000	–	–	1,000,000	–
Total			984,000	1,000,000	–	–	1,984,000	984,000
Weighted average exercise price			$1.85	$2.00	$	$	$1.92	$1.85

No options expired during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.92 years (2009–2.92 years).

(b) Employee share plan

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

Shares were acquired on market on behalf of employees and were 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.

(c) Employee retention bonus shares

During December 2004 the company offered retention bonus shares to 66 employees under the National Hire Group Limited deferred employee share plan. The offer was accepted by all nominated employees and consequently in January 2005 the company issued 857,045 ordinary shares at $2.20 each. The rights to these shares vested with the employees in December 2006.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were $225,000 (2009: $226,000).

40 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2010	2009
	$'000	$'000
Balance sheet		
Current assets	**15,718**	8,960
Non-current assets	**371,260**	369,493
Total assets	**386,978**	378,453
Current liabilities	**24,493**	15,667
Total liabilities	**24,493**	15,667
Shareholders' equity		
Contributed equity	**293,771**	293,771
Reserves	**2,708**	2,483
Retained earnings	**66,006**	66,532
	362,485	362,786
Profit or loss for the year	**(526)**	(157)
Total comprehensive income	**(526)**	(157)

(b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity at 30 June 2010 other than those disclosed in Note 33.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

DIRECTORS' **DECLARATION**

In the directors' opinion:

(a) the financial statements and notes set out on pages 29 to 83 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Hon. Richard Court, AC
Chairman

Andrew Aitken
Managing Director

Perth, Western Australia
24 August 2010

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of National Hire Group Limited

Report on the financial report

We have audited the accompanying financial report of National Hire Group Limited (the company, which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the National Hire Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of National Hire Group Limited (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of National Hire Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001,* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 25 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of National Hire Group for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
24 August 2010

CORPORATE GOVERNANCE **STATEMENT**

The company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles & Recommendations), the company has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the company's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the company's corporate governance practices depart from a recommendation, the board has offered full disclosure and reasons for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the company has followed the Principles & Recommendations.

2 Indicates where the company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure — information required is either provided or it is not.

Website Disclosures

Further information about the company's charters, policies and procedures may be found at the company's website at www.nationalhire.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year (Reporting Period).

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1:

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Disclosure:

The company has established the functions reserved to the board. The board is collectively responsible for promoting the success of the company through its key functions of overseeing the management of the company, providing overall corporate governance of the company, monitoring the financial performance of the company, engaging appropriate management commensurate with the company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance.

The company has established the functions delegated to senior executives. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the company, in accordance with the delegated authority of the board.

Senior executives are responsible for reporting all matters which fall within the company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

Formal performance evaluation for senior executives is generally carried out immediately prior to the end of each Reporting Period. The Managing Director is responsible for evaluating the performance of senior executives. The evaluations are undertaken by the completion of performance questionnaires and an interview is conducted by the Managing Director with each of the senior executives. The Remuneration Committee and the chair of the board are responsible for evaluating the performance of the Managing Director. This evaluation is undertaken by way of interview.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

Formal performance evaluation for senior executives is generally carried out immediately prior to the end of each Reporting Period. The Managing Director and each member of the senior management team were the subject of a performance evaluation during the Reporting Period. Interviews and performance questionnaires were completed by the Managing Director for his direct reports immediately prior to the end of the Reporting Period. The chair of the Remuneration Committee and the chair of the board conducted an interview with the Managing Director.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1:

A majority of the board should be independent directors.

Notification of Departure:

The board does not have a majority of independent directors. Only one of the directors is independent.

Explanation for Departure:

The company has two substantial shareholders, WesTrac Pty Ltd (WesTrac) and Elph Pty Ltd (Elph), who hold interests in the company of approximately 66% and 22%, respectively.

Following significant share placements to WesTrac and Elph which were approved by the company's shareholders at the relevant time, WesTrac nominated three individuals, John Langoulant (who resigned 20 May 2010), Richard Court and James Walker, for appointment as non-executive directors and Elph nominated Dale Elphinstone for appointment as a non-executive director. The appointment of these nominees was subsequently approved by shareholders of the company in general meeting.

Andrew Aitken is the current Managing Director of the company and non-executive director, Stephen Donnelley, is the former Managing Director of the company. Non-executive director Clive Isenberg is the sole independent director of the company. None of the other directors are independent under the company's Policy on Assessing the Independence of Directors.

The current composition of the board is considered appropriate given the circumstances explained above and having regard to the company's size and operations. The current composition includes an appropriate mix of skills and expertise, relevant to the company's present business and investments.

Recommendation 2.2:

The Chair should be an independent director.

Notification of Departure:

Neither John Langoulant (who resigned on 20 May 2010) nor Richard Court, who have both served as Chair during the Reporting Period, are considered to be independent.

Explanation for Departure:

Both Mr Langoulant and Mr Court were directors of WesTrac, a substantial shareholder of the company, during the Reporting Period and for this reason neither is considered to be independent. However, when matters of conflict arose, both Messrs Langoulant and Court declared their interest and the board would appoint Clive Isenberg, the independent director, as the Chair where necessary. The board believes that each of Messrs Langoulant and Court made decisions that were in the best interests of the company and that they have been the most appropriate person for the position of Chair at the relevant time.

Recommendation 2.3:

The roles of the Chair and Managing Director should not be exercised by the same individual.

Disclosure:

The Managing Director is Andrew Aitken, who is not Chair of the board.

Recommendation 2.4:

The board should establish a Nomination Committee.

Disclosure:

The board has established a Nomination Committee.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Disclosure:

Evaluation of the performance of the board, its committees and individual directors is carried out by the Nomination Committee and the board. The evaluation process comprises a review by members of the Nomination Committee, the completion of questionnaires by all non-executive directors and a review of the outcomes of those questionnaires by all non-executive directors.

Recommendation 2.6:

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The only independent director of the company is Clive Isenberg. Mr Isenberg is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The board has agreed on the following guidelines for assessing the materiality of matters, as set out in the company's Board Charter:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they:
  - impact on the reputation of the company;
  - involve a breach of legislation;
  - are outside the ordinary course of business;
  - could affect the company's rights to its assets;
  - would trigger the quantitative tests if accumulated;
  - involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items; or
  - they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if:
  - they are outside the ordinary course of business;
  - they contain exceptionally onerous provisions in the opinion of the board;
  - they impact on income or dividend distribution in excess of the quantitative tests;
  - there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests;
  - they are essential to the activities of the company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
  - they contain or trigger change of control provisions;
  - they are between or for the benefit of related parties; or
  - they otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The Nomination Committee held one meeting during the Reporting Period. The directors who are members of the Nomination Committee are:

Name
Stephen Donnelley (Chair)
Clive Isenberg
Dale Elphinstone

Details of each of the director's attendance at Nomination Committee meetings are set out in the Directors' Report.

Performance Evaluation

During the Reporting Period, an evaluation of the performance of the board, its committees and individual directors was carried out by the Nomination Committee and the board in accordance with the process disclosed at Recommendation 2.5.

Selection and (Re)Appointment of Directors

In determining candidates for the board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it evaluates the range of skills, experience and expertise of the existing board. It also considers the balance of independent directors on the board as well as the skills of potential candidates that will best increase the board's effectiveness. A potential candidate is considered with reference to their skills and expertise in relation to other board members. If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the board. Any appointment made by the board is subject to ratification by shareholders at the next annual general meeting.

The board recognises that board renewal is critical to performance and the impact of board tenure on succession planning. Re-appointment of directors is not automatic. The table below sets out the date of first appointment of each director, the date that their appointment was last put to shareholders and the identity of those directors who will retire by rotation and seek re-appointment at this year's annual general meeting.

Director	Appointed	Non-executive	Independent	Last Elected	Seeking re-election in 2010
J Langoulant (Chair until 20/05/10)	2008	Yes	No	2008	No
A Aitken	2004	No	No	n/a	No
R Court (Chair from 20/05/10)	2008	Yes	No	2008	Yes
S Donnelley	1996	Yes	No	2008	Yes
D Elphinstone	2008	Yes	No	2009	No
C Isenberg	2004	Yes	Yes	2008	No
J Walker	2008	Yes	No	2009	No

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The company has established a Code of Conduct as to the practices necessary to maintain confidence in the company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The company has established a policy concerning trading in the company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1:

The board should establish an Audit Committee.

Disclosure:

The board has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:
- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not chair of the board
- has at least three members.

Notification of Departure:

The Audit Committee does not consist of a majority of independent directors.

Explanation for Departure:

The Audit Committee comprises all non-executive directors, being Clive Isenberg, Stephen Donnelley, Dale Elphinstone, John Langoulant (resigned 20 May 2010), James Walker and Richard Court. Clive Isenberg is the only independent director and he Chairs the Audit Committee.

Given the structure of the board, and in particular that there is only one independent director on the board, the company is unable to meet the majority independence requirements under this Recommendation. However, the company satisfies all of the other requirements of the Recommendation.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principal 4.

Disclosure:

The Audit Committee held 2 meetings during the Reporting Period. The directors who are members of the Audit Committee are:

Name
Clive Isenberg (Chair)
Stephen Donnelley
Dale Elphinstone
John Langoulant (resigned 20 May 2010)
James Walker
Richard Court

Details of each of the director's qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.

All directors are financially literate and a number of directors have formal financial or accounting qualifications and experience. Messrs Isenberg, Court and Langoulant have degrees in commerce or economics. Mr Isenberg is a chartered accountant and was formerly a partner of a major international accounting firm. Mr Langoulant ran the Western Australian Treasury Department for approximately 10 years. All directors have an understanding of the industries in which the company operates.

The company has established procedures for the selection, appointment and rotation of its external auditor. The board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the company through the engagement period. The board may otherwise select an external auditor based on criteria relevant to the company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The board has adopted a Risk Management Policy, which sets out the company's risk profile, and the following risk management measures:

- authority limits for management which, if exceeded, require prior board approval;
- preparation of detailed budgets for the group and regular reporting against those budgets;
- a policy on foreign exchange hedging;
- the establishment of the Audit Committee which provides the board with assurance as to the integrity of the company's financial reporting and auditor performance;
- establishment of the Health, Safety and Environmental Committee to monitor the implementation of the group's occupational health and safety system and environmental compliance; and
- a compliance procedure for the purpose of ensuring compliance with the company's continuous disclosure obligations.

Under the Risk Management Policy the board delegates day-to-day management of risk to the Managing Director. The Managing Director is responsible for identifying, assessing, monitoring and managing risks and for updating the company's material business risks to reflect any changes. This is undertaken in conjunction with senior management. A risk register has been developed to identify the group's material business risks and risk management strategies for these risks. The risk register will be reviewed quarterly and updated as required. The categories of risk reported on or referred to as part of the company's systems and processes for managing material business risk include:

- strategic;
- operational;
- financial;
- environmental; and
- people.

Recommendation 7.2:

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Notification of Departure:

The board requires management to design and implement the risk management and internal control system to manage the company's material business risks and to report to it. While material business risks are identified, monitored and reported on to the board by management, full reporting by management to the board separately from general management reporting as to the effectiveness of the company's management of its material business risk was not completed during the Reporting Period.

Explanation for Departure:

The company underwent a significant transformation in its risk profile and operational and systemic capabilities with the sale of the National Hire rental business to Coates Group Holdings Pty Ltd during the financial year ending 30 June 2008. Further, the senior management team was replaced in its entirety and the composition of the company's board changed materially. As a result of these changes, the company undertook an extensive review of its formal risk management processes.

Formalisation of the company's new risk management system has begun by way of documentation including appropriate processes for implementation and monitoring. However, this has not been completed in accordance with the timetable anticipated last year due to delays in the full implementation of a new enterprise resource planning system. It is expected that the risk management system will be fully implemented during the second half of the 2011 financial year.

Given that the risk management system review and subsequent implementation of formal reporting of the monitoring undertaken is not yet complete, management was unable to provide a full report to the board in accordance with the Recommendation.

Recommendation 7.3:

The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer have provided a declaration to the board in accordance with section 295A of the Corporations Act and have assured the board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

The board has not received the report from management under Recommendation 7.2.

The board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1:

The board should establish a Remuneration Committee.

Disclosure:

The board has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. The company does not issue options to non-executive directors.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted or shares issued or allocated at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. The grant of options or issue or allocation of shares is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the satisfaction of performance hurdles. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee held 2 meetings during the Reporting Period. The directors who are members of the Remuneration Committee are:

Name
Clive Isenberg (Chair)
Dale Elphinstone
John Langoulant (resigned 20 May 2010)
Stephen Donnelley (appointed 14 June 2010)

Details of each of the director's attendance at Remuneration Committee meetings are set out in the Directors' Report.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).
The company's Remuneration Committee Charter includes a statement of the company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

INVESTOR **INFORMATION**

The shareholder information set out below was applicable as at 27 September 2010.

20 Largest Shareholders

Ordinary Shares

NAME	NUMBER HELD	%
WesTrac Pty Ltd	98,300,404	66.2
Elph Pty Ltd	32,559,745	21.9
McNeil Nominees Pty Ltd	4,051,405	2.73
National Nominees Limited	3,309,238	2.23
Stirhill Pty Ltd	1,991,877	1.34
Berne No. 132 Nominees Pty Ltd	765,200	0.52
Weebinn Pty Limited	208,572	0.14
Mr Ian Mark Paton	167,500	0.11
RD Catelan Investments Pty Ltd	147,044	0.10
Mr Neville Leslie Esler & Mrs Cheryl Anne Esler	136,273	0.09
Mr Steven John Palamara	130,000	0.09
JP Morgan Nominees Australia Limited	124,653	0.08
Summerview Management Pty Ltd	120,000	0.08
Gasweld Pty Limited	110,641	0.07
Diskhaze Pty Ltd	100,000	0.07
Mr Adrian Richard Creedon	96,000	0.06
Mr Raymond Harman & Mrs Sandra Harman	95,827	0.06
Warana Holdings Pty Limited	95,194	0.06
Mrs Patricia Grace Walker	82,857	0.06
Mrs Jane Holyman	79,805	0.05
	142,672,235	96.14
Number of ordinary issued shares	148,401,945	100.0

Substantial shareholders

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

Seven Group Holdings Limited (WesTrac Pty Ltd)	98,300,404	66.2
Elph Pty Ltd	32,559,745	21.9

Distribution schedule of holders of the company's ordinary shares

Holdings Ranges	Holders	Total Units	%
1–1,000	304	138,850	0.094
1,001–5,000	482	1,338,812	0.902
5,001–10,000	173	1,327,424	0.894
10,001–100,000	135	3,474,307	2.341
100,001–99,999,999,999	17	142,122,552	95.769
Totals	**1,111**	**148,401,945**	**100.000**

There are 166 holders of ordinary shares having less than a marketable parcel of 427 shares.

OPTIONS

The company has issued 1,984,000 options over unissued ordinary shares in the company held by 7 option holders.

VOTING RIGHTS

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

QUOTATION OF COMPANY'S SECURITIES

The company's ordinary shares are quoted on the Australian Securities Exchange under the code NHR. There is no quotation on any other 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.

ALLIGHT coateshire FG WILSON godwin pumps Perkins ROTAIR