National Hire Group Limited

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ASX Announcement

23 August 2011

Full Year Results for 12 months ended 30 June 2011

National Hire Group Limited (ASX code: NHR) today reported a net profit after tax (NPAT) of $26.5 million for the 12 months ended 30 June 2011, up from $5.8 million for the previous financial year. The significantly better result reflects improved trading environments and performance from both the equipment rental business operated by Coates Group and the equipment sales and support business operated under the AllightSykes banner.

The result included a $22.8 million share of profit from equity accounted investments, being the company's share of profits in Coates Group, compared with $4.1 million in FY2010. Coates Group saw a substantial turn around in trading activity, with improved conditions in the mining and civil construction sectors.

Managing Director of National Hire, Mr Andrew Aitken said:

"This is a very pleasing result driven by stronger performances from both Coates Group and AllightSykes. Our acquisition of Sykes Group has further strengthened our equipment sales and support business and contributed strongly in the seven months since acquisition. The improvements in the business environment that we began to see at the end of last financial year continued into the first half of FY2011, with the second half remaining relatively steady."

National Hire's Board has determined not to declare a final dividend for FY2011 and retain funds to pay down debt in relation to the Sykes Group acquisition and fund organic growth.

Results Highlights for FY2011

- NPAT increased to $26.5 million in FY2011 ($5.8 million in FY2010)
- Coates Group revenue up 20% year on year
- Coates Group (46.1%) NPAT improved over fivefold from $4.1 million in FY2010 to $22.8 million (equity accounted) in FY2011
- Allight revenue up 56% to $135.6 million compared to $86.9 million in FY10 (including 7 month contribution from Sykes Group)
- Allight NPAT $3.7 million in FY2011 compared to $1.7 million in FY2010 (including 7 month contribution from Sykes Group)
- Sykes Group acquisition contributing significantly to AllightSykes: synergies, operating leverage and global distribution platform
- Net assets per share of $2.75

Results Summary for Year Ended 30 June 2011

12 months ended (A$ million)	2011	2010	Change
Revenue	135.6	86.9	+56%
EBITDA	**11.0**	**3.4**	**+224%**
Depreciation & amortisation	(2.0)	(0.7)	
EBIT	**9.0**	**2.7**	**+233%**
Finance costs	(2.7)	(0.2)	
Share of net profits of associates accounted for using the equity method	**22.8**	**4.1**	**+456%**
Profit before tax	**29.1**	**6.6**	**+341%**
Tax expense	(2.6)	(0.8)	
NPAT	**26.5**	**5.8**	**+359%**
EPS	**17.9c**	**3.9c**	**+359%**
DPS	**-**	**-**	

National Hire's reported net profit after tax for the 12 months ended 30 June 2011 was $26.5 million compared with $5.8 million last financial year. The result included a $22.8 million share of profit from equity accounted investments, being the company's share of profits in Coates Group, compared with $4.1 million in FY2010. Coates Group saw a substantial turn around in trading activity, with improved conditions in the mining and civil construction sectors contributing to a 20% increase in revenues from the previous corresponding period. Excluding the Coates Group contribution, National Hire and AllightSykes delivered a net profit after tax of $3.7 million, which included seven months contribution from Sykes Group. This compared to a net profit after tax of $1.7 million in FY2010.

As indicated in the half year results announcement, the company has benefited from more robust underlying trading conditions for Coates Group and AllightSykes this financial year.

Balance Sheet

As at 30 June 2011, total assets were $529 million. The largest asset on the balance sheet was the company's investment in Coates Group which was shown at the equity accounted amount of $337 million, an increase from $319 million at the end of the previous reporting period.

At 30 June 2011, National Hire had a net debt position of $45.4 million, comprising borrowings of $52.1 million and cash balances of $6.7 million. Gearing (net debt/shareholders' funds) was 11%.

Debt increased as a consequence of the acquisition of Sykes Group which was funded from existing cash reserves and debt. As part of the transaction, the group's existing undrawn debt facilities of $25 million were utilised, together with additional unsecured funding provided on arm's length terms from Seven Group Holdings Limited. As both facilities expire in November 2011, they are disclosed as current liabilities on the balance sheet.

The group has finalised the terms of a new $60 million, 3 year facility with ANZ which will be used to pay out the existing $50 million in long-term facilities. The existing working capital facility of $5 million will also be increased to $10 million. It is anticipated that the new facilities will be drawn down before the end of August 2011.

Operational Commentary

1. **AllightSykes – Equipment Sales and Support**

Allight and Sykes benefited from a return to more buoyant economic conditions in the global mining industry this financial year. This resulted in an increase in demand for lighting towers and pumps which, along with the acquisition of Sykes Group, drove sales and earnings substantially higher compared to the previous corresponding period. Revenue for the period was $135.6 million, 56% higher than the previous corresponding period and profit before income tax was $6.3 million compared with $2.5 million last financial year. The results for AllightSykes include $1.8m of transaction costs relating to the Sykes Group acquisition which were fully expensed.

Sykes Group was acquired on 23 November 2010 at an enterprise value of $50 million. The initial consideration was funded from the group's cash reserves, existing debt facilities and unsecured funding on arms length terms from Seven Group Holdings Limited. This has resulted in a material increase in finance costs in the second half of the financial year ($2.7 million against $0.2 million in the last financial year). Seven million dollars of the initial consideration was deferred subject to certain conditions being satisfied by the vendors of Sykes Group. The company expects that the balance of the initial purchase price, together with interest on part of the amount, will be paid this calendar year.

The vendors of Sykes Group may also be entitled to an additional earn-out amount of up to $5 million if the combined equipment sales and support business achieves certain earnings before interest and tax hurdles before 31 December 2013.

The acquisition of Sykes Group was the dominant event this year for AllightSykes, affecting both operational and financial aspects of the group. Inventory levels have increased to $79.3 million from $35.5 million due to the acquisition and to a higher investment to support increased customer demand.

Sykes Group is one the world's largest manufacturers and distributors of auto prime pumps for the mining, construction and civil engineering sectors. The acquisition expands Allight's product

offering and the ability of its equipment sales and support business to penetrate export markets. AllightSykes' products include mobile lighting towers, Perkins engines, FG Wilson power generation sets and now, Sykes pumps. Allight ceased distributing Godwin wetends in Australia and Indonesia in May 2011.

The acquisition of Sykes Group provides National Hire with access to advanced technology, scale, volume and distribution opportunities that will underpin the future growth of the AllightSykes business. Sykes Group has established distribution networks across a number of export markets including the UAE, Africa, Indonesia, the USA and New Zealand. Over the medium to longer term this will create significant export opportunities for Allight's lighting towers and other product lines. The group has already seen an increase in customer demand for its products and services as the greater manufacturing and distribution capacity brought about by the acquisition makes it more efficient for customers to deal with us for multiple products. In the 7 months since acquisition, Sykes Group's contribution has been positive as demand for both pumps and lighting towers from the mining sector has grown.

2. Coates Group

Coates Group enjoyed improved trading conditions this financial year compared to FY2010. National Hire has a 46.1% economic interest in Coates Group, resulting in a contribution to the company's net profit of $22.8 million, up from $4.1 million in the prior corresponding period.

12 months ended 30 June (A$ million)	2011	2010
Revenue	1,065	887.5
Net profit after tax (from continuing operations)	48.0	12.3
Total assets	2,878	2,844
Total liabilities	2,058	2,071

All regions in Australia have experienced improved trading conditions, resulting in margin improvement and NPAT of $24.7 million for the first half and $48.0 million for the full year.

Coates Group continues to be in compliance with its banking covenants and net senior debt now stands at $1.54 billion ($1.45 billion as at 30 June 2010). The funds resulting from the senior net debt increase have been invested in new fleet over the past twelve months to meet strengthening demand from customers.

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

Outlook

The markets in which the group operates are positive and order books for the coming 4 to 6 months give cause for further optimism.

The Allight business has been transformed by the acquisition of Sykes Group and the Board will continue to look at further accretive acquisitions to expand the AllightSykes business if they become available. We anticipate that the synergies that have been realised from the Sykes Group acquisition will continue to impact positively on AllightSykes' earnings, together with the prevailing market conditions in the resources sector.

As new mining projects continue to be announced, and existing miners plan to increase production on the back of global demand and higher prices, the company is optimistic about the next 12 months. While it is still too early to assess what impact the USA and European debt crises will have on the Australian economy, China continues to announce good growth results. The company is looking to expand its foreign operations into Africa and the Americas to take advantage of its product range and reputation in the expanding global mining sectors.

Whilst there is always uncertainty surrounding global markets and particularly in relation to the resources sector, the Board feels confident that management in both businesses has put in place appropriate measures to take advantage of current conditions.

Contact

Mr Andrew Aitken
Managing Director
Tel: 0400 236 975

Appendix 4E

Full-year report

Year ended 30 June 2011

Name of entity

NATIONAL HIRE GROUP LIMITED

ABN	Year ended (current period)	Year ended (previous period)
61 076 688 938	**30 June 2011**	**30 June 2010**

1. Results for announcement to the market

The following information is to be read in conjunction with the Financial Report for the year ended 30 June 2011 and attached to this document.

	Current period 30 June 2011 $A'000	Previous period 30 June 2010 $A'000	Change $A'000	Change %
Revenue from continuing operations	135,570	86,934	48,636	Up 56%
Profit from continuing operations after tax including share of associate profit	26,510	5,770	20,740	Up 359%
Net profit for the year attributable to members of the parent entity	26,510	5,770	20,740	Up 359%

	Amount per security	Franked Amount
Final dividend	0.0 cents	0.0 cents
Interim dividend	0.0 cents	0.0 cents
Total dividend applicable to the year ended 30 June 2011	0.0 cents	0.0 cents

The Company has decided not to pay a final dividend.

Commentary

A commentary on the results for the period is contained in the press release dated 23 August 2011 accompanying this statement.

2. Net tangible assets

	Current period 30 June 2011	Previous period 30 June 2010
Number of ordinary shares on issue	148,487,945	148,401,945
Net tangible asset backing per ordinary share	$2.33	$2.42

3. Control gained/lost over entities

Details of entities over which control has been gained or lost during the period		
Name of, or nature of, businesses lost	**Date of control**	**Contribution to entity's profit from ordinary activities**
Pump Rentals Pty Ltd	23 November 2010	$3,602,730

4. Dividend reinvestment plans

No dividend reinvestment plan exists for National Hire.

5. Associates and joint ventures

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to net profit/loss where material	
	Current Period	Previous corresponding period	Current Period	Previous corresponding period
Coates Group Holdings Pty Limited	46.1%	46.1%	$22,816,161	$4,103,361

6. Foreign entities

The results of foreign entities are presented in accordance with Australian Accounting Standards.

7. Audit or review status

This report is based on accounts to which one of the following applies:

X	The accounts have been audited		The accounts have been subject to review
	The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed

National Hire Group Limited

ABN 61 076 688 938

Financial report
for the year ended 30 June 2011

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 2011.

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:

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 Allight mobile lighting, Sykes dewatering equipment, power generation and air compressors;
(b) distribution of Perkins engines, FG Wilson power generation sets and parts; and
(c) investment in Coates Group Holdings Pty Ltd ("Coates Group").

On 23 November 2010, the group acquired Pump Rentals Pty Ltd and its wholly owned subsidiaries, also known as Sykes or Primax ("Sykes Group"), which specialises in the manufacturing and distribution of dewatering equipment within Australia and overseas.

Dividends - National Hire Group Limited
The directors have not recommended the payment of a final dividend for the year ended 30 June 2011. 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 increased by 56% from the prior corresponding period to $135.6m. The increase in revenue reflects both the impact of the acquisition of Sykes Group and the economic turnaround as Australia emerges from the global economic uncertainty which prevailed in the previous year. In the year ended 30 June 2011 Coates Hire, the associated company of National Hire Group Limited, experienced an improved business result on the back of the emergence of the economy from the global financial crisis. Coates Group contributed $22.8m to the result (2010 - $4.1m) of National Hire Group Limited.

(b) *Financial position of the group*
The group’s net assets increased by 6.5% to $408m as at 30 June 2011 (2010: $383m).

With the acquisition of the Sykes Group, the group has increased its debt position to $52.1m (2010 - $0.3m). The acquisition was funded by utilising an existing financial facility with the group's bankers and an additional loan facility from a related party. The group has finalised the terms of a new $60 million, 3 year facility with ANZ which will be used to pay out the existing $50 million in long-term facilities. It is anticipated that the new facility will be drawn down before the end of August.

(c) *Business strategies and its prospects for future financial years*
Through expansion in to new international markets, maintaining the sustainable long term customer relationships and improving shared benefits, the group has set up a five year strategic plan to grow the Allight business. The acquisition of the Sykes Group provides good synergies with the existing business, which together will provide the base from which the business will launch its next growth phase.

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

Significant changes in the state of affairs (continued)
On 23 November 2010, the group acquired 100% of Sykes Group. Sykes Group is a major operator in Australia's pump market and has extended its reach in to major manufacturing and construction markets around the world. The acquisition is detailed in note 34 of the financial statements.

Matters subsequent to the end of the financial year
Since the end of the financial year, the group has entered into a 3 year $60m facility. This facility will be used to pay out the two existing $25m facilities ($50m in total), (classed as a current liability in the financial report) from a related party.

No matters or circumstances have arisen since 30 June 2011 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
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, chairman of Iron Ore Holdings Ltd, chairman of Channel 7 Telethon Trust and the chairman of The Anglican Perth Diocesan Trustees. The other listed public companies of which he is or was a director in the last 3 years are GRD Limited (appointed May 2004 and resigned November 2009) and Iron Ore Holdings Ltd (appointed November 2007).

Special responsibilities
Chairman of the Board.

Member of Audit Committee.

Interests in shares and options
Mr Court 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.

Information on directors (continued)

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

Stephen Donnelley *Non-executive Director.*
Appointed December 1996
Mr Donnelley has extensive experience in the equipment hire industry in Australia, having founded a hire business in Wollongong in 1981 that listed on the Australian Stock Exchange as National Hire Group Limited in 1997. Mr Donnelly was Managing Director of National Hire Group Limited from 1997 to 2008.

Mr Donnelly is a previous President of the Hire and Rental Association of NSW and a founding member of the Elevating Work Platform Association of Australia. He was awarded the President's Award for services to the hire industry by the Hire and Rental Association in 1995.

Mr Donnelly has wide knowledge of the international hire industry, having an extensive network of contacts throughout Europe and America and a long history of leading industry groups on site tours and exhibitions.

Mr Donnelly is also a non-executive director of Coates Group Holdings Pty Ltd.

Special responsibilities
Member of Audit Committee.
Chairman of Nomination Committee.
Chairman of Safety, Health and Environmental Committee.
Member of Remuneration Committee.

Interests in shares and options
Mr Donnelley has a relevant interest in 1,991,877 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 Engenco Limited (formerly 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 and internationally between China, the USA and Canada. Mr Isenberg was, until May 2000, the owner and Managing Director of Scottish Pacific Business Finance Pty Ltd, a position he held for 18 years. He has also held the position of General Manager of the St. George Bank Business Customer Division.

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

Special responsibilities
Chairman of Audit Committee.
Member of Nomination Committee.
Chairman of Remuneration Committee.

Information on directors (continued)
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 Australian Capital Territory 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 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.

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 16 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.

Shane Cartwright (Chief Financial Officer and Joint Company Secretary)

Mr Cartwright was appointed as Chief Financial Officer and Joint Company Secretary of the company on 29 November 2010. His career commenced with PricewaterhouseCoopers where he spent eight years locally and overseas, before moving into commerce with roles at Sanford Securities, Home Building Society, and more recently at the RAC of WA. Mr Cartwright's experience covers accounting, corporate governance, risk and compliance, internal audit and information technology governance and he holds a Bachelor of Business degree, a Graduate Diploma in Applied Corporate Governance and is a Fellow of the Institute of Chartered Accountants in Australia.

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 resigned from the company on 18 October 2010.

Meetings of directors
The number of meetings of the company's Board and of each Board committee held during the year ended 30 June 2011, 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	6	*	*	2	2	*	*	*	*
Andrew Aitken	6	6	*	*	*	*	*	*	*	*
Stephen Donnelley	6	6	3	3	2	2	1	1	3	3
Dale Elphinstone	6	6	3	3	2	2	1	1	3	3
Clive Isenberg	6	6	*	*	2	2	1	1	3	3
James Walker	5	6	3	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

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:

(a) Shareholders' interests, including:
- having economic profitability as a core component of plan design; and
- attracting and retaining high calibre executives; and

Remuneration report (continued)

Principles used to determine the nature and amount of remuneration (continued)

(b) 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; and
- 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, although the grant of long term incentives has been limited to the Managing Director to date.

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.

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 annually 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 base remuneration of non-executive directors for the financial year ended 30 June 2011 was amended with effect from 1 December 2008 following shareholder approval. The Board recently approved an increase in non-executive director fees to take effect from 1 July 2011. Directors who chair, or are members of, a committee receive additional yearly fees.

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

	From 1 July 2011	**From 1 December 2008**
Base fees		
Chair	$65,000	$55,000
Non-executive director	$50,000	$40,000
Additional fees		
Audit Committee - Chair	$10,000	$10,000
Remuneration Committee - Chair	$5,000	$5,000
Nomination committee - Chair	$5,000	$5,000
Safety, Health and Environmental Committee - Chair	$5,000	$5,000
Committee membership fee*	$5,000	$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 comprises:

- base pay and benefits, including superannuation; and
- short-term performance incentives.

The combination of these comprises an executive's total remuneration. The Managing Director also received a one-off option grant under the National Hire Group Limited 2005 Share Option Plan (Option Plan) in November 2008. While executives are eligible to participate under the Option Plan, no grants have been made since November 2008.

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.

Remuneration report (continued)

Principles used to determine the nature and amount of remuneration (continued)
Superannuation
The group provides executives a minimum of the statutory employer contribution to superannuation funds, currently legislated at 9%, subject to statutory limit. Executives may make additional salary sacrifice and post tax contributions at their own discretion.

Short-term incentives ("STI")
STI's 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 total 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 and the Board consider 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 2011, the KPIs linked to STI plans were based on achievement of key financial targets.

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")

The Remuneration Committee believes that a long-term incentive plan is appropriate to incentivise the Managing Director and it considers each year the form of incentive plan should be implemented. If any further grants are made under the Option Plan or any new LTI plan is put in to place, the award of any such LTI's would be linked to the achievement of targets set by the Remuneration Committee.

The targets linked to options currently on issue relate to the achievement of certain financial targets.

National Hire Group Limited 2005 Share Option Plan
LTI's have been provided to certain past and present employees via the Option Plan. See note 42 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 2 to 4 above) and those National Hire Group Limited executives that report directly to the Managing Director being:

- Shane Cartwright - *Chief Financial Officer and Joint Company Secretary (appointed 29 November 2010)*
- Gayle McGarry - *Joint Company Secretary*
- Adrian Bautista - *Chief Financial Officer and Joint Company Secretary (resigned 18 October 2010)*

Remuneration report (continued)

Details of remuneration (continued)
Amounts of remuneration (continued)
Key management personnel and other executives of the group

2011	Short-term employee benefits			Post-employment benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Termination benefits $	Options*** $	Total $
Non-executive directors							
R Court, Chairman	60,000	-	-	-	-	-	60,000
S Donnelley**	50,000	-	-	4,500	-	-	54,500
S Donnelley%	100,000	-	-	9,000	-	-	109,000
D Elphinstone	50,000	-	-	-	-	-	50,000
C Isenberg	55,000	-	-	4,950	-	-	59,950
J Walker	50,000	-	-	4,500	-	-	54,500
Sub-total non-executive directors	**365,000**	**-**	**-**	**22,950**	**-**	**-**	**387,950**
Executive directors							
Andrew Aitken	453,449	150,000	-	19,049	-	128,789	751,287
Other key management personnel (group)							
S Cartwright^(appointed 29 November 2010)	125,660	-	-	9,328	-	-	134,988
G McGarry^	144,339	25,000	-	12,991	-	-	182,330
P Sowerby^(appointed 1 November 2010)	159,631	26,778	-	12,594	-	-	199,003
P Walsh^ (resigned 6 April 2011)	234,890	34,987	-	34,510	177,655	-	482,042
A Bautista ^(resigned 18 October 2010)	77,408	-	-	15,531	108,028	-	200,967
Total key management personnel compensation (Group)	**1,560,377**	**236,765**	**-**	**126,953**	**285,683**	**128,789**	**2,338,567**

** 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.*

Remuneration report (continued)

Details of remuneration (continued)
Amounts of remuneration (continued)

Key management personnel and other executives of the group

2010	Short-term employee benefits		Post-employment benefits	Share-based payments	
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Options*** $	Total $
Non-executive directors					
J Langoulant (resigned 20 May 2010)	59,583	-	5,363	-	64,946
R Court (Chairman)	45,000	-	-	-	45,000
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					
A 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 18/12/09)*	153,658	18,824	13,829	-	186,311
A du Preez^ *(resigned 18/12/09)*	103,964	-	8,935	-	112,899
G McGarry^	147,963	-	13,317	-	161,280
Total key management personnel compensation (Company)	**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.*

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

Name	**Fixed remuneration %**		**At risk - STI %**		**At risk - LTI %**	
	2011	2010	**2011**	2010	**2010**	2010
Executive director of National Hire Group Limited						
A Aitken	**63**	67	**20**	-	**17**	33
Other key management personnel of group						
S Cartwright	**100**	-	**-**	-	**-**	-
G McGarry	**86**	100	**14**	-	**-**	-
P Sowerby	**87**	-	**13**	-	**-**	-
P Walsh	**89**	100	**11**	-	**-**	-
A Bautista	**100**	100	**-**	-	**-**	-
A du Preez	**-**	100	**-**	-	**-**	-

Service agreements
The group has contracts of employment with all current executive key management personnel setting out their 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. The notice period for the managing director is six months. All other key management personnel are three months, with the exception of G McGarry, who has a 4 week notice period.

Remuneration report (continued)

Options
Options over shares in the National Hire Group Limited are granted under the Option Plan. All staff are eligible to participate in the Option Plan, however the granting of options is at the discretion of the Board which will consider several factors including seniority within the organisation, record of employment and potential contribution to growth.

Options are granted under the Option 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 date	Exercise price	Value per option at grant date	Performance achieved	% Exerc-isable
21 November 2008	21 November 2011	21 November 2013	$2.00*	$0.58	100%	100

* 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 42 to the financial statements.

Name	Number of options granted during the year		Number of options exercisable during the year	
	2011	2010	**2011**	2010
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 issued on exercise of remuneration options
During the year ended 30 June 2011, 86,000 shares were issued at $1.85 per share on exercise of remuneration options.

Loans to directors and executives
There are no loans to any director or executive.

Share options granted to directors and the most highly remunerated officers
There were no options granted over ordinary shares, issued or unissued, 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	Exercise price of options	Number under option
21 November 2008	21 November 2013	$2.00	1,000,000

Shares issued on the exercise of options
The following ordinary shares of National Hire Group Limited were issued during the year ended 30 June 2011 on the exercise of options granted under the Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
26 November 2005	$1.85	86,000

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 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:

	2011 $	2010 $
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	**170,000**	110,000
Related practices of PricewaterhouseCoopers Australian firm	**24,674**	-
Total remuneration for audit services	**194,674**	110,000
2. Non-audit services		
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other services	**20,000**	6,762
Due diligence services	**257,830**	-
Total remuneration for other assurance services	**277,830**	6,762
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**42,000**	12,000
Total remuneration for taxation services	**42,000**	12,000
Other services		
PricewaterhouseCoopers Australian firm:		
Other assurance services	**25,000**	7,600
Total remuneration for other services	**25,000**	7,600
Total remuneration for non-audit services	**344,830**	26,362

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 14.

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
23 August 2011

Auditor’s Independence Declaration

As lead auditor for the audit of National Hire Group Limited for the year ended 30 June 2011, 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.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 August 2011

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National Hire Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2011

	Notes	**2011 $'000**	2010 $'000
Revenue from continuing operations			
Sale of goods		**130,763**	84,819
Services		**2,729**	163
Other revenue from ordinary activities		**2,078**	1,952
	5	**135,570**	86,934
Other income	6	**114**	70
Expenses			
Cost of sales of goods		**(61,767)**	(74,059)
Changes in inventories of finished goods and work in progress		**(26,816)**	7,475
Depreciation and amortisation expense	7	**(2,014)**	(740)
Occupancy and communication		**(4,910)**	(2,969)
Advertising and promotion		**(1,641)**	(692)
Employee benefits expenses		**(18,224)**	(9,196)
Travel and accommodation		**(1,586)**	(749)
Other expenses		**(9,790)**	(3,352)
Interest and finance charges		**(2,668)**	(230)
Results from operating activities		**6,268**	2,492
Share of net profit of associate accounted for using the equity method		**22,816**	4,103
Profit before income tax		**29,084**	6,595
Income tax expense	8	**(2,574)**	(825)
Profit from continuing operations		**26,510**	5,770
Other comprehensive income			
Movement in share-based payments reserve of associate, net of tax	27(a)	**1,176**	914
Movement in hedge reserve of associate, net of tax	27(a)	**1,789**	10,124
Exchange differences on translation of foreign operations	27(a)	**(495)**	14
Share of other comprehensive (loss) of associates	27(a)	**(4,177)**	(2,479)
Other comprehensive (loss) income for the year, net of tax		**(1,707)**	8,573
Total comprehensive income for the year		**24,803**	14,343
Total comprehensive income for the year is attributable to:			
Owners of National Hire Group Limited		**24,803**	14,343

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	41	**17.86**	3.89
Diluted earnings per share	41	**17.86**	3.89

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	41	**17.86**	3.89
Diluted earnings per share	41	**17.86**	3.89

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

	Notes	**2011 $'000**	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**6,662**	15,697
Trade and other receivables	10	**39,614**	21,952
Inventories	11	**79,278**	35,494
Derivative financial instruments	12	**6**	124
Current tax receivables	13	**-**	2,559
Total current assets		**125,560**	75,826
Non-current assets			
Receivables	14	**-**	42
Investments accounted for using the equity method	15	**337,114**	319,185
Property, plant and equipment	16	**5,081**	2,096
Deferred tax assets	17	**-**	2,885
Intangible assets	18	**61,416**	22,788
Total non-current assets		**403,611**	346,996
Total assets		**529,171**	422,822
LIABILITIES			
Current liabilities			
Trade and other payables	19	**37,202**	39,006
Borrowings	20	**51,934**	346
Current tax liabilities	22	**6,589**	-
Provisions	21	**10,516**	308
Total current liabilities		**106,241**	39,660
Non-current liabilities			
Borrowings	23	**127**	-
Deferred tax liabilities	24	**12,063**	-
Provisions	25	**2,643**	156
Total non-current liabilities		**14,833**	156
Total liabilities		**121,074**	39,816
Net assets		**408,097**	383,006
EQUITY			
Contributed equity	26	**293,930**	293,771
Reserves	27(a)	**(4,104)**	(2,526)
Retained earnings	27(b)	**118,271**	91,761
Total equity		**408,097**	383,006

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

		Attributable to owners of National Hire Group Limited			
Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2009		**293,771**	**(12,582)**	**87,250**	**368,439**
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	27	-	1,258	(1,259)	(1)
Restated total equity at the beginning of the financial year		**293,771**	**(11,324)**	**85,991**	**368,438**
Total comprehensive income for the year		**-**	**8,573**	**5,770**	**14,343**
Transactions with owners in their capacity as owners:					
Employee share scheme	27	-	225	-	225
Balance at 30 June 2010		**293,771**	**(2,526)**	**91,761**	**383,006**
Profit for the year		-	-	26,510	26,510
Other comprehensive income	27	-	(1,707)	-	(1,707)
Total comprehensive income for the year		**-**	**(1,707)**	**26,510**	**24,803**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	26	159	-	-	159
Employee share scheme	27	-	129	-	129
Balance at 30 June 2011		**293,930**	**(4,104)**	**118,271**	**408,097**

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

National Hire Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**167,662**	99,979
Payments to suppliers and employees (inclusive of GST)		**(184,492)**	(86,545)
		-	-
		(16,830)	13,434
Interest received		**591**	412
Interest and other costs of finance paid		**(1,221)**	(322)
Income taxes refunded/(paid)		**5,191**	(854)
Net cash (outflow)/inflow from operating activities	39	**(12,269)**	12,670
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	34	**(44,093)**	-
Payments to suppliers in respect of Sykes acquisition costs		**(1,965)**	-
Payments for property, plant and equipment		**(780)**	(793)
Payments for intangibles - computer software		**-**	(1,888)
Proceeds from sale of property, plant and equipment		**557**	70
Payments for research and development projects		**(471)**	-
Net cash (outflow) from investing activities		**(46,752)**	(2,611)
Cash flows from financing activities			
Proceeds of loan from controlling entity		**25,000**	-
Proceeds from borrowings	20	**25,000**	-
Proceeds from issue of shares to employees		**159**	-
Finance lease payments		**(78)**	(69)
Net cash inflow (outflow) from financing activities		**50,081**	(69)
Net (decrease)/increase in cash and cash equivalents		**(8,940)**	9,990
Effects of exchange rate changes on cash and cash equivalents		**(95)**	13
Cash and cash equivalents at the beginning of the financial year		**15,697**	5,694
Cash and cash equivalents at end of year	9	**6,662**	15,697
Financing arrangements	23		
Non-cash investing and financing activities	40		

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

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 (referred to as "company" or "parent entity" in these financial statements) and its subsidiaries, and the group's interests in associates. The company and its subsidiaries together are referred to in this financial report as "the group" or "the consolidated entity".

(a) Basis of preparation

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

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

(ii) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- *AASB 2009 - 5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project - adopted by National Hire Group Limited with no impact on the consolidated financial statements;*
- *AASB 2009 - 8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions - adopted by National Hire Group Limited with no impact on the consolidated financial statements;*
- *AASB 2009 - 10 Amendments to Australian Accounting Standards - Classification of Rights Issues - adopted by National Hire Group Ltd with no impact on the consolidated financial statements as it has not issued any Rights;*
- *AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments;*
- *AASB 2009 - 13 Amendments to Australian Accounting Standards arising from Interpretation 19; and*
- *AASB 2010 - 3 Amendments to Australian Accounting Standards arising from the Annual Improvement Project - no impact on National Hire Group Limited as it has not extinguished any liabilities through a debt-for-equity swap.*

(iii) Early adoption of standards
The group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:

- *AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This includes applying the revised pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies Changes in Accounting Estimates and Errors.* None of the items in the financial statements had to be restated as the result of applying this standard.

(iv) 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.

(v) 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.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 30 June 2011 and the results of all subsidiaries for the year then ended.

1 Summary of significant accounting policies (continued)

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 group (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 37).

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 a 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.

(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 the company'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;

1 Summary of significant accounting policies (continued)

- income and expenses for each preliminary income statement and preliminary 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.

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.

1 Summary of significant accounting policies (continued)

The company 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. As at 30 June 2011, the newly acquired subsidiary, Pump Rentals Pty Ltd, had not yet been brought in to the tax consolidated group and as such are not set off in the consolidated financial statements with other group entities.

(i) Tax consolidation legislation
The company and its tax consolidated Australian controlled entities have implemented the tax consolidation legislation.

The head entity, the company, 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, the company 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 32). 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.

1 Summary of significant accounting policies (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(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 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 cost, less provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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 doubtful debts) 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 amount estimated to be uncollectible. 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.

1 Summary of significant accounting policies (continued)

(m) Investments in associates

Associates are all entities over which the company has significant influence but not 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 37).

The company's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce 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.

(n) 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.

1 Summary of significant accounting policies (continued)

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.

(o) 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).

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 27. 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.

1 Summary of significant accounting policies (continued)

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.

(p) 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.

(q) 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.

1 Summary of significant accounting policies (continued)

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.

(r) 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 are not amortised. Instead, the brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the brand may be impaired, and then it is carried at cost less accumulated impairment losses.

(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 and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 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.

(vi) Customer relationships
Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 7.5 years for Rest of World customers and 15 years for Australian customers.

1 Summary of significant accounting policies (continued)

(s) 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.

(t) 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.

(u) 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.

(v) 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 42.

1 Summary of significant accounting policies (continued)

The fair value of options granted under the 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 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.

(w) 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.

(x) 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.

(y) 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 26).

(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.

(z) 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.

1 Summary of significant accounting policies (continued)

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.

(aa) 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.

(ab) 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.

(ac) Parent entity financial information

The financial information for the parent entity, disclosed in note 43 has been prepared on the same basis as the consolidated entity, 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 the parent entity. 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
The parent entity 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, the parent entity 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 the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity 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.

1 Summary of significant accounting policies (continued)

(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.

(ad) Impacts of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,*AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt instruments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised no such gains in other comprehensive income.

There will be no impact on the group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) 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 group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009 -14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretation.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

(iv) 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. The company is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the parent entity.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosure on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

1 Summary of significant accounting policies (continued)

(vi) AASB 2010-8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, i.e. through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The group will apply the amendment from 1 July 2012. The group has no investment property. The amendment is therefore not expected to have any impact on the group's financial statements.

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 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. 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 its training and management standards and procedures, has a control environment in which all employees understand their roles and obligations.

The group holds the following financial instruments:

	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	**6,662**	15,697
Trade and other receivables	**39,614**	21,719
Derivative financial instruments	**530**	124
	46,806	37,540
Financial liabilities		
Trade and other payables	**37,202**	38,327
Borrowings	**51,934**	346
	89,136	38,673

(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 and to a lesser extent the Euro. 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 2011				30 June 2010		
	USD $'000	**GBP $'000**	**Euro $'000**	**OTH $'000**	USD $'000	GBP $'000	Euro $'000
Cash and cash equivalents	**248**	**(18)**	**-**	**-**	1,518	272	-
Trade receivables	**3,095**	**33**	**-**	**-**	2,690	-	-
Trade payables	**(3,146)**	**(3,091)**	**(92)**	**(184)**	(3,232)	(1,663)	-
Forward exchange contracts							
- buy foreign currency	**-**	**-**	**530**	**-**	1,635	-	-
Net exposure	**197**	**(3,076)**	**438**	**(184)**	2,611	(1,391)	-

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and GB pound.

Sensitivity

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 15% (2010: 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 $29,550 higher/$29,550 lower (2010 - $391,000 higher/$391,000 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 2011, had the Australian dollar weakened/strengthened by 15% (2010: 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 $461,400 lower/$461,400 higher (2010 - $209,000 lower/$209,000 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 loans held. The group is exposed to interest rate risk on its facilities when utilised.

As at the end of the reporting period, the company had the following variable rate borrowings outstanding:

	30 June 2011		30 June 2010	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**5.92%**	**25,000**	- %	-
Related party loans - holding company	**10.00%**	**26,243**	- %	-
Related party loans - trade creditor finance	**9.32%**	**554**	- %	-
Net exposure to cash flow interest rate risk		**51,797**		-

Sensitivity

At 30 June 2011, 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 $335,572 higher/$335,572 lower (2010 changes of 100 bps: $117,562 higher/$117,562 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.

2 Financial risk management (continued)

The group's process for managing credit risk is to use independent third parties to provide it 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 commited 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	
	2011	2010
	$'000	$'000
Bank loan facility	**-**	25,000
Bank overdraft	**5,000**	5,000
Bank guarantee facility	**114**	246
Other	**200**	200
	5,314	30,446

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.

2 Financial risk management (continued)

Contractual maturities of financial liabilities	**Less than 6 months**	**6 - 12 months**	**Between 1 and 5 years**	**Total contract-ual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade and other payables	37,202	-	-	37,202	37,202
Borrowings (excluding finance leases)	25,623	-	-	25,623	25,000
Borrowings - related party	26,250	-	-	26,250	26,243
Finance lease liabilities	137	-	-	137	137
Total non-derivatives	89,212	-	-	89,212	88,582
Derivatives					
Gross settled					
- (inflow)	(6)	-	-	(6)	-
- outflow	-	-	-	-	-
Total derivatives	(6)	-	-	(6)	-
At 30 June 2010	Less than 6 months	6 - 12 months	Between 1 and 5 years	Total contract-ual cash flows	Carrying Amount (assets)/ liabilities
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)

(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(r). 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.

4 Segment information

(a) Description of segments

Business segments
The group operates primarily in the Australian market with minor operations in the United States of America, United Arab Emirates, New Zealand and Indonesia. For the purposes of segment reporting, the results of the non-Australian operations are not disclosed separately as they are considered to be essentially the same business segment . The acquisition of the Sykes Group was seen as an extension of the existing business rather than a new business segment.

Management has determined the group's reportable segments based on the reports and information reviewed by the Board. Management has identified two reportable segments which are the Allight and Sykes Group businesses ('AllightSykes') and the equity accounted investment in Coates Group. The segment information provided to the Board for the reportable segments for the year ended 30 June 2011 is as follows:

4 Segment information (continued)

(b) Segment information provided to the board of directors

2011	**Segment 1** **Allight-Sykes** **$'000**	**Segment 2** **Investment in Coates Group** **$'000**	**Total** **$'000**
External segment revenue	135,011	-	135,011
EBIT	**8,935**	**-**	**8,935**
Share of profit from associates	-	22,816	22,816
Total segment assets	229,689	337,114	566,803
Total segment liabilities	107,488	-	107,488

2010	Segment 1 Allight $'000	Segment 2 Investment in Coates Group $'000	Total $'000
External segment revenue	86,490	-	86,490
EBIT	**2,080**	**-**	**2,080**
Share of profit from associates	-	4,103	4,103
Total segment assets	161,541	319,185	480,726
Total segment liabilities	107,275	-	107,275

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

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits, deferred revenue in relation to the customer loyalty programme and provision for service warranties. Segment assets and liabilities do not include income taxes.

(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 is measured in a manner consistent with that in the consolidated income statement.

4 Segment information (continued)

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

	2011 $'000	2010 $'000
Total segment revenue	**135,011**	86,490
Interest revenue	**559**	444
Total revenue from continuing operations (note 5)	**135,570**	86,934

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

EBIT	**8,377**	2,278
Share of profit from associates	**22,816**	4,103
Interest revenue	**559**	444
Interest expense	**(2,668)**	(230)
Profit before income tax from continuing operations	**29,084**	6,595

(iii) Segment assets
The amounts provided to the Board 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:

Segment assets	**566,803**	480,726
Intersegment eliminations	**(96,846)**	(78,239)
Unallocated:		
Intangible assets	**59,214**	20,335
Total assets as per the consolidated balance sheet	**529,171**	422,822

(iv) Segment liabilities
The amounts provided to the Board 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:

Segment liabilities	**107,488**	107,275
Intersegment eliminations	**5,016**	(78,242)
Unallocated:		
Deferred tax	**8,570**	10,783
Total liabilities as per the consolidated balance sheet	**121,074**	39,816

5 Revenue

	2011 $'000	2010 $'000
From continuing operations		
Sales revenue		
Sale of goods	**130,763**	84,819
Interest	**559**	444
Other revenue	**1,519**	1,508
Services	**2,729**	163
Total Revenue	**135,570**	86,934

6 Other income

	2011 $'000	2010 $'000
Net gain on disposal of property, plant and equipment	**114**	70
	114	70

7 Expenses

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**-**	-
Plant and equipment	**986**	457
Leasehold improvements	**103**	6
Plant and equipment under finance leases	**83**	28
Plant and equipment for hire	**92**	-
Total depreciation	**1,264**	491
Amortisation		
Research and development	**248**	155
Customer relationships	**117**	-
Software	**385**	94
Total amortisation	**750**	249
Total depreciation and amortisation	**2,014**	740
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**2,443**	230
Provisions: unwinding of discount on contingent portion of acquisition	**225**	-
	2,668	230
Rental expense relating to operating leases		
Minimum lease payments	**1,252**	1,870
Foreign exchange gains and losses		
Net foreign exchange losses	**409**	211
Defined contribution superannuation expense	**1,013**	627
Research and development	**96**	-
	1,109	627

8 Income tax expense

	2011 $'000	2010 $'000
(a) Income tax expense		
Current tax	**3,846**	14
Deferred tax	**(1,272)**	811
	2,574	825
Income tax expense is attributable to:		
Profit from continuing operations	**2,574**	825
Aggregate income tax expense	**2,574**	825
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 17)	**(1,000)**	92
(Decrease) increase in deferred tax liabilities (note 24)	**(272)**	719
	(1,272)	811

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2011 $'000	2010 $'000
Profit from continuing operations before income tax expense	**29,084**	6,595
	29,084	6,595
Tax at the Australian tax rate of 30% (2010 - 30%)	**8,725**	1,979
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**18**	5
Share-based payments	**39**	68
Share of net profit of associates	**(6,845)**	(1,231)
Non-deductible acquisition costs	**536**	-
Other non-deductible items	**101**	4
Total income tax expense	**2,574**	825

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

The company 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, the company.

The entities have also entered into a tax funding agreement under which the tax consolidated entities fully compensate the company for any current tax payable assumed and are compensated by the company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the company 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 33(e)).

9 Current assets - Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and in hand	**6,651**	3,941
Deposits at call	**11**	11,756
	6,662	15,697

(a) Risk exposure

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

(b) Cash at bank and on hand

Funds held in current accounts earn between 3.75% and 4.25%.

(c) Deposits at call

The deposits bear interest at rates at 4.75%.

(d) Fair value

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

10 Current assets - Trade and other receivables

Net trade receivables		
Trade receivables	**35,694**	19,225
Provision for impairment of receivables (note (a))	**(371)**	(91)
	35,323	19,134
Related party receivable	**207**	-
Other receivables	**1,559**	2,543
Prepayments	**2,525**	275
	39,614	21,952

(a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the group with a nominal value of $371,000 (2010 - $91,000) were impaired, with the amounts being fully provided for. The ageing of these receivables is as follows:

31 to 60 days	**2**	-
61 to 90 days	**4**	-
91 days or over	**365**	91
	371	91

10 Current assets - Trade and other receivables (continued)

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

	2011 $'000	2010 $'000
At 1 July	**91**	161
Provision for impairment recognised during the year	**194**	20
Receivables written off during the year as uncollectible	**(163)**	-
Unused amount reversed	**-**	(90)
Acquired with acquisition of Sykes Group	**249**	-
	371	91

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 2011, trade receivables of $11,842,000 (2010 - $7,371,000) 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:

31 to 60 days	**7,277**	2,166
61 to 90 days	**1,922**	2,782
91 to 120 days	**2,525**	2,294
121 days or over	**118**	129
	11,842	7,371

Goods are sold subject to retention of title clauses. The value of 'collateral' held against the trade receivables as at 30 June 2011 is $29,589,605 (2010: $18,813,000).

(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

	2011 $'000	2010 $'000
Raw materials and stores		
- at cost	**26,263**	7,511
Work in progress		
- at cost	**5,837**	851
Finished goods		
- at cost	**49,258**	27,431
Provision for impairment		
- at net realisable value	**(2,080)**	(299)
	79,278	35,494

12 Current assets - Derivative financial instruments

Current assets		
Forward foreign exchange contracts - fair value hedges	**6**	124
Current liabilities		

(i) Forward exchange contracts - fair value hedges

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

Current tax receivable	**-**	2,559

14 Non-current assets - Receivables

	2011 $'000	2010 $'000
Net trade receivables		
Trade receivables	-	11
Provision for impairment	-	(5)
	-	6
Employee share plan	-	36
	-	42

15 Non-current assets - Investments accounted for using the equity method

Shares in associates (note 37)	**337,114**	319,185

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the company.

16 Non-current assets - Property, plant and equipment

	Freehold land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Plant and equipment for hire $'000	Total $'000
At 1 July 2009						
Cost	-	5,225	-	-	-	5,225
Accumulated depreciation	-	(3,846)	-	-	-	(3,846)
Net book amount	-	1,379	-	-	-	1,379
Year ended 30 June 2010						
Opening net book amount	-	1,379	-	-	-	1,379
Additions	-	579	214	415	-	1,208
Disposals	-	-	-	-	-	-
Depreciation charge	-	(457)	(6)	(28)	-	(491)
Other	-	-	-	-	-	-
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

16 Non-current assets - Property, plant and equipment (continued)

	Freehold land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Plant and equipment for Hire $'000	Total $'000
Year ended 30 June 2011						
Opening net book amount	-	1,501	208	387	-	2,096
Revaluation surplus	-	-	-	-	-	-
Acquisition of subsidiary	667	2,324	361	-	618	3,970
Additions	-	628	55	48	21	752
Depreciation charge	-	(986)	(103)	(83)	(92)	(1,264)
Disposals	(10)	(412)	-	-	(21)	(443)
Other	(6)	(15)	-	(1)	(8)	(30)
Closing net book amount	651	3,040	521	351	518	5,081
At 30 June 2011						
Cost	-	10,778	757	463	1,513	13,511
- Valuation	721	-	-	-	-	721
Accumulated depreciation	(70)	(7,738)	(236)	(112)	(995)	(9,151)
Net book amount	651	3,040	521	351	518	5,081

(a) Valuations of land and buildings

The valuation upon acquisition of Pump Rentals Pty Ltd in November 2010 was based on an independent assessment by a registered valuer and in accordance with International Standards and the API/PINZ Valuation Standards. The revaluation surplus net of applicable deferred income taxes was credited to goodwill on acquisition of the Pump Rentals Pty Ltd business.

17 Non-current assets - Deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Doubtful debts	**94**	27
Employee benefits	**1,203**	304
Inventory and equipment provisions	**808**	278
Accruals	**157**	44
Provision for warranties	**185**	40
Finance leases	**67**	104
Tax losses	**3,629**	20,741
Total deferred tax assets	**6,143**	21,538
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	**(6,143)**	(18,653)
Net deferred tax assets	**-**	2,885

Movements:

	2011 $'000	2010 $'000
Opening balance at 1 July	**21,538**	8,527
Credited/(charged) to the income statements (note 8)	**1,000**	(92)
Assumption of tax losses from tax consolidated entities	**-**	13,103
Tax losses utilised during the year	**(17,112)**	-
Acquisition of subsidiary (note 34)	**717**	-
Closing balance at 30 June	**6,143**	21,538

	2011 $'000	2010 $'000
Deferred tax assets to be recovered within 12 months	**1,491**	562
Deferred tax assets to be recovered after more than 12 months	**4,652**	20,976
	6,143	21,538

18 Non-current assets - Intangible assets

	Goodwill $'000	Distribution agreements $'000	Computer software $'000	Research & development $'000	Brand names $'000	Customer relationships $'000	Total $'000
At 1 July 2009							
Cost	12,350	7,985	-	1,087	-	-	21,422
Accumulated amortisation	-	-	-	(274)	-	-	(274)
Net book amount	12,350	7,985	-	813	-	-	21,148
Year ended 30 June 2010							
Opening net book amount	12,350	7,985	-	813	-	-	21,148
Additions - acquisition	-	-	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

18 Non-current assets - Intangible assets (continued)

	Goodwill $'000	Distribution agreements $'000	Computer software $'000	Research & development $'000	Brand names $'000	Customer relationships $'000	Total $'000
Year 30 June 2010							
Opening net book amount	12,350	7,985	1,795	658	-	-	22,788
Additions	-	-	28	471	-	-	499
Acquisition of business	33,445	-	-	-	3,120	2,315	38,880
Amortisation charge	-	-	(386)	(248)	-	(117)	(751)
Closing net book amount	45,795	7,985	1,437	881	3,120	2,198	61,416
At 30 June 2011							
Cost	45,795	7,985	1,917	1,558	-	-	57,255
Valuation	-	-	-	-	3,120	2,315	5,435
Accumulated amortisation	-	-	(480)	(677)	-	(117)	(1,274)
Net book amount	45,795	7,985	1,437	881	3,120	2,198	61,416

* 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.

2011	Australia $'000
AllightSykes	44,795

18 Non-current assets - Intangible assets (continued)

2010	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**	
	2011 $'000	2010 $'000	**2011 %**	2010 %	**2011 %**	2010 %
AllightSykes	**11,600**	6,600	**2.5**	4.0	**11.9**	11.4

* 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

	2011 $'000	2010 $'000
Trade payables	**21,116**	6,712
Other payables	**13,054**	9,637
Tax related amounts payable to related parties	**131**	21,872
Unearned income	**2,901**	785
	37,202	39,006

(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:

Annual leave obligation expected to be settled after 12 months	**526**	179
	526	179

(b) Risk exposure

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

20 Current liabilities - Borrowings

	2011 $'000	2010 $'000
Secured		
Bank loans	**25,000**	-
Lease liabilities (note 32)	**137**	346
Total secured current borrowings	**25,137**	346
Loans from related parties*	**26,797**	-
Total unsecured current borrowings	**26,797**	-
Total current borrowings	**51,934**	346

* Further information relating to loans from related parties is set out in note 33.

21 Current liabilities - Provisions

Employee benefits - long service leave (b)	**648**	175
Service warranties (a)	**616**	133
Deferred and contingent consideration - Sykes Group Acquisition	**9,252**	-
	10,516	308

(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.

Contingent and deferred element of purchase price

The contingent and deferred element of purchase price relates to the acquisition of Sykes Group.

A total of $7million is payable as deferred consideration, payment of which is conditional upon the vendors finalising the transfer out of Sykes Group of certain assets that did not form part of Sykes Group business and obtaining full and final releases of the Sykes Group for any liabilities relating to those assets (Asset Transfer and Release). Interest is payable on $5 million of this deferred consideration. This amount had not been paid as at 30 June 2011, however payment is expected to occur within the next 6 months.

A maximum of $5 million may become payable as further consideration for the acquisition of Sykes Group if the combined Allight/Sykes Group business satisfies certain EBIT hurdles before 31 December 2013. The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between $0 and $5 million. The fair value of the contingent consideration arrangement of $4.2 million was estimated by applying the income approach.

21 Current liabilities - Provisions (continued)

	Employee benefits - long service leave $'000	Service warranties $'000	Deferred and contingent consideration $'000	Total $'000
2011				
Current				
Carrying amount at start of year	175	133	-	308
Acquired on acquisition of subsidiary	260	19	-	279
- additional provisions recognised	90	1,252	9,137	10,479
- amounts incurred and charged	(42)	(788)	115	(715)
- reclassifications	165	-	-	165
Carrying amount at end of year	648	616	9,252	10,516

(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.

	2011 $'000	2010 $'000
Leave obligations expected to be settled after 12 months	**274**	164

22 Current liabilities - Current tax liabilities

Income tax	**6,589**	-
	6,589	-

23 Non-current liabilities - Borrowings

Secured		
Lease liabilities (note 32)	**127**	-

The secured lease liability represents the portion of the total liability on a motor vehicle finance lease and on an extended term arrangement for computer equipment which are due for payment after 30 June 2012.

24 Non-current liabilities - Deferred tax liabilities

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Depreciation	**5**	7
Distribution agreements	**2,395**	2,395
Finance leases	**34**	116
Gain on sale of discontinued operations	**15,353**	15,353
Receivables	**64**	728
Other	**2**	53
Financial assets at fair value through profit and loss	**353**	-
	18,206	18,652
Set-off of deferred tax liabilities pursuant to set-off provisions (note 17)	**(6,143)**	(18,652)
Net deferred tax liabilities	**12,063**	-

	2011 $'000	2010 $'000
Movements:		
Opening balance at 1 July	**18,653**	17,934
Charged/(credited) to the income statements (note 8)	**(272)**	719
Charged/(credited) to equity	**(175)**	-
Closing balance at 30 June	**18,206**	18,653

	2011 $'000	2010 $'000
Deferred tax liabilities to be settled within 12 months	**418**	780
Deferred tax liabilities to be settled after more than 12 months	**17,788**	17,873
	18,206	18,653

25 Non-current liabilities - Provisions

	2011 $'000	2010 $'000
Employee benefits - long service leave	**511**	156
Deferred and contingent consideration - SykesGroup Acquisition	**2,132**	-
	2,643	156

(a) Deferred and contingent consideration

See note 21 for explanation.

25 Non-current liabilities - Provisions (continued)

(b) Movements in provisions

	Employee benefits - long service leave $'000	Other provisions $'000	Deferred and contingent consideration $'000	Total $'000
Consolidated - 2011				
Non-current				
Carrying amount at start of year	156	-	-	156
Provision acquired	461	-	-	461
- additional provisions recognised	266	-	2,022	2,288
- reclassified	(339)	-	-	(339)
Amounts used during the year	(33)	-	110	77
Carrying amount at end of year	511	-	2,132	2,643

26 Contributed equity

	2011 Shares	2010 Shares	**2011 $'000**	2010 $'000
(a) Share capital				
Ordinary shares				
Fully paid	**148,487,945**	148,401,945	**293,605**	293,446
(b) Other equity securities				
Value of conversion rights - convertible notes			**325**	325
Total contributed equity			**293,930**	293,771

(c) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2009	Opening balance	148,401,945		293,446
30 June 2010	Balance	148,401,945		293,446
1 July 2010	Opening balance	148,401,945		293,446
	Exercise of Option Plan options	-		-
	Proceeds received	86,000	$1.85	159
				293,605
30 June 2011	Balance	148,487,945		293,605

(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.

26 Contributed equity (continued)

(e) Options

Information relating to the 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 42.

(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 monitors 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.

On 23 November 2010 the group acquired Sykes Group, which was primarily funded by debt. Prior to the acquisition the intent was to maintain a gearing ratio within a 0% to 5% range. Post acquisition the position regarding the group's gearing ratio has changed to reflect the value to be derived from leveraging debt as part of the group's growth strategy. The revised target is to maintain the gearing ratio between 25% - 30%.

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	2011 $'000	2010 $'000
Total borrowings	**97,615**	16,697
Less: cash and cash equivalents	**(6,662)**	(15,697)
Net debt	**90,953**	1,000
Total equity	**408,097**	383,006
Total capital	**499,050**	384,006
Gearing ratio	**22.29%**	0.26%

27 Reserves and retained earnings

(a) Reserves

Hedging reserve - cash flow hedges	**(1,262)**	(3,051)
Share-based payments reserve	**5,558**	4,253
Foreign currency translation reserve	**(8,400)**	(3,728)
	(4,104)	(2,526)

27 Reserves and retained earnings (continued)

	2011 $'000	2010 $'000
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	**(3,051)**	(14,433)
Adjustment on adoption of accounting standard in associate	**-**	1,258
Share of movement in reserve of associate	**1,789**	10,124
Balance 30 June	**(1,262)**	(3,051)

	2011 $'000	2010 $'000
Movements:		
Share-based payments reserve		
Balance 1 July	**4,253**	3,114
Employee share plan expense	**129**	225
Share of movement in reserve of associate	**1,176**	914
Balance 30 June	**5,558**	4,253

	2011 $'000	2010 $'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(3,728)**	(1,263)
Currency translation differences arising during the year		
Company	**(495)**	14
Associates	**(4,177)**	(2,479)
Balance 30 June	**(8,400)**	(3,728)

(b) Retained earnings

Movements in retained earnings were as follows:

	2011 $'000	2010 $'000
Balance 1 July	**91,761**	87,250
Net profit for the year	**26,510**	5,770
Adjustment on adoption of accounting standard in associate	**-**	(1,259)
Balance 30 June	**118,271**	91,761

(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(o). 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; and

27 Reserves and retained earnings (continued)

- 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.

28 Dividends

	2011 **$'000**	2010 $'000
(a) Dividends not recognised at the end of the reporting period		
The directors have not recommended the payment of a final dividend for the year ended 30 June 2011. No dividend was recommended in the prior year.	**-**	-
(b) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**50,184**	42,923

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.

29 Key management personnel disclosures

(a) Key management personnel compensation

Short-term employee benefits	**1,797,142**	1,475,321
Post-employment benefits	**126,953**	161,814
Termination benefits	**285,683**	-
Share-based payments	**128,789**	225,556
	2,338,567	1,862,691

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 11.

29 Key management personnel disclosures (continued)

(b) 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.

2011 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)	-	-	-

All options on issue at the end of the year are capable of exercise.

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	-

(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.

2011 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)	32,559,745	-	-	32,559,745

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

(c) Loans to key management personnel

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

29 Key management personnel disclosures (continued)

(d) 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 and Energy Power Systems Australia Pty Ltd, companies of which Mr D Elphinstone is a director and principal. The transactions were based on normal commercial terms and conditions. Energy Power Systems Australia pty Ltd is also part owned by WesTrac Pty Ltd. Mr J Walker and Mr R Court are directors of WesTrac Pty Ltd.

During the year commercial transactions were entered into with WesTrac Pty Ltd and WesTrac (China) Machinery Equipment Ltd. Mr J Walker and Mr R Court 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 33 (e) and (f).

Over the course of the 2011 financial year, commercial transactions were entered in to with Octet Finance Pty Ltd, a finance company of which Mr C Isenberg is the Managing Director. The transactions were based on normal commercial terms and conditions. Disclosure of the transactions are made in Note 33 (e) and (f).

Mr J Walker, Mr S Donnelly and Mr A Aitken are all directors of Coates Group.

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 33 Related Party Transactions) are as follows:

	2011 $	2010 $
Amounts recognised as revenue		
Equipment sales to William Adams Pty Ltd	**433,694**	8,049
Equipment sales to Energy Power Systems Australia Pty Ltd	**12,795**	-
	446,489	8,049
Amounts recognised as expense		
Purchases of material used in the manufacturing process	**3,287**	-
Purchases of equipment for resale	**2,655,054**	-
Fees and charges for trade finance	**16,263**	-
	2,674,604	-

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

Trade and other receivables to William Adams Pty Ltd	**8**	851
Trade receivables to Energy Power Systems Australia Pty Ltd	**2,666**	-
	2,674	851

Trade payables to Energy Power Systems Australia Pty Ltd	**193,930**	-
Trade payable to Octet Finance Pty Ltd	**1,289,940**	-
Trade finance payable to Octet Finance Pty Ltd	**553,773**	-
	2,037,643	-

30 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:

	2011 $	2010 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports	**170,000**	110,000
Other assurance services	**25,000**	6,762
Total remuneration for audit and other assurance services	**195,000**	116,762
Taxation services		
Tax compliance services	**42,000**	12,000
Total remuneration for taxation services	**42,000**	12,000
Other services		
Advisory services	**20,000**	7,600
Due diligence services	**257,830**	-
Total remuneration of PricewaterhouseCoopers Australia	**514,830**	136,362
(b) Related practices of PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	**24,674**	-
Total remuneration of related practices of PricewaterhouseCoopers Australia	**24,674**	-
Total auditors' remuneration	**539,504**	136,362

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.

31 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2011 in respect of:

Guarantees - Rental Bond
Allight Pty Ltd has agreed to indemnify its bankers in respect of guarantees for rental bonds, amounting to $Nil at 30 June 2011 (30 June 2010 Allight Pty Ltd - $173,396), 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 and Sykes Group have agreed to indemnify its bankers in respect of guarantees for retention security on contracts, amounting to $481,025 at 30 June 2011 (2010 Allight Pty Ltd - $80,228), given in favour of third parties.

These guarantees may give rise to liabilities in the event Allight Pty Ltd and Sykes Group fails to perform under the sale of goods and services contract.

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

32 Commitments

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as liabilities at 30 June 2011.

(b) Lease commitments: Group as lessee

	2011 $'000	2010 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**3,574**	1,823
Later than one year but not later than five years	**11,473**	4,688
	15,047	6,511
Representing:		
Non-cancellable operating leases	**15,047**	6,511
	15,047	6,511

(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.

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,574**	1,823
Later than one year but not later than five years	**11,473**	4,688
Commitments not recognised in the financial statements	**15,047**	6,511

(ii) Finance leases
The group leases computer equipment and a motor vehicle with carrying amounts of $351,578 (2010 - computer equipment -$387,000) under finance leases expiring within three years (2010 - one year). Under the terms of the lease, the group acquires the leased assets at the end of the lease period.

32 Commitments (continued)

	2011 $'000	2010 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**156**	379
Later than one year but not later than five years	**133**	-
Minimum lease payments	**289**	379
Future finance charges	**(25)**	(33)
Total lease liabilities	**264**	346
Representing lease liabilities:		
Current (note 20)	**137**	346
Non-current (note 23)	**127**	-
	264	346
The present value of finance lease liabilities is as follows:		
Within one year	**153**	379
Later than one year but not later than five years	**123**	-
Minimum lease payments	**276**	379

The weighted average interest rate implicit in the leases is 9.28%.

33 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 Seven Group Holdings Limited, which at 30 June 2011 indirectly owned 66% of the ordinary shares of National Hire Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 35.

(c) Key management personnel

Disclosure relating to key management personnel are set out in the Director's Report and note 29.

(d) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, is set out below.

(i) Other transactions and balances

During the year ended 30 June 2011, Allight Pty Limited entered into commercial transactions with William Adams Pty Ltd and Energy Power Systems Australia Pty Ltd, companies in which Mr D. Elphinstone is a director and principal. During the year commercial transactions were entered in to with WesTrac Pty Ltd and WesTrac (China) Machinery Equipment. Mr R Court is a director of WesTrac Pty Ltd and Mr J Walker is a director of both companies. Transactions were also conducted with Octet Finance Pty Ltd. Mr C Isenberg is the managing director of Octet Finance Pty Ltd. Coates Hire is an associate company of National Hire Group Limited. Mr A Aitken, Mr S Donnelly and Mr J Walker are all directors of Coates Group.

33 Related party transactions (continued)

(e) Transactions with other related parties

The following transactions occurred with related parties:

	2011 $000's	2010 $000's
Sales of goods and services		
Revenue from inventory sales to immediate parent entity	**42**	286
Revenue from inventory sales to associate	**55,469**	16,442
Revenue from sales to other related parties	**446**	-
	55,957	16,728
Purchases of goods		
Purchase of property, plant, equipment and related parts from immediate parent entity and associated subsidiary	**184**	2,086
Purchase of property, plant, equipment and related parts from associate	**416**	5
Purchase of property, plant and equipment and related parts from subsidiary of ultimate parent entity	**1,590**	-
Payments for purchases from other related parties	**2,675**	-
	4,865	2,091
Tax consolidation legislation		
Current tax payable (receivable) assumed from tax consolidated entities - associate	**3,498**	(1,131)
	3,498	(1,131)
Other transactions		
Reimbursement of expenses to ultimate parent entity	**-**	4
Management fee receivable from associate	**1,500**	1,500
Management fee payable to ultimate parent entity	**347**	353
Interest payable to ultimate parent company	**1,243**	-
Finance fees and charges paid to Octet Finance Pty Ltd for trade finance	**16**	-
	3,106	1,857

(f) 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:

33 Related party transactions (continued)

	2011 **$**	2010 $
Current receivables (sales of goods and services)		
Parent entity	**1**	321
Subsidiary of ultimate parent entity	**168**	-
Associates	**15,658**	5,491
Energy Power Systems Australia Pty Ltd	**3**	-
	15,830	5,812
Current payables (purchases of goods)		
Parent entity	**1**	-
Associates	**16**	-
Energy Power Systems Australia Pty Ltd	**194**	-
Octet Finance Pty Ltd	**1,290**	-
	1,501	-
Current payables (trade finance)		
Octet Finance Pty Ltd	**554**	-
Current payables (tax funding agreement)		
Tax consolidated entities - associates	**131**	21,872

(g) Loans to/from related parties

Beginning of the year	**-**	-
Loans advanced (from) head entity	**(26,243)**	-
End of year	**(26,243)**	-

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

Loans made by the company to/(from) wholly owned subsidiaries have no fixed date of repayment and are non-interest bearing. These loans have been recognised as an additional investment in subsidiaries.

(h) Guarantees

No bank guarantees have been provided by the parent entity on behalf of its subsidiaries. Refer to Note 36 for details of deed of cross guarantee.

(i) 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.

34 Business combination

Current period

(a) Summary of acquisition

On 23 November 2010 Allight Holdings Pty Ltd acquired 100% of the issued share capital of Pump Rentals Pty Ltd ("Sykes Group"). Sykes Group is a major player in Australia's pump market and has extended its reach into major manufacturing and construction markets around the world. Sykes Group specialise in design, manufacture and application of standard and custom built pumping equipment for some of the most challenging mining and construction environments in the world. The acquisition brings together a portfolio of world class light, power, air and water brands, which will underlie AllightSykes' bid to capture an even bigger share of the world mining and construction markets.

34 Business combination (continued)

The acquired business contributed revenues of $34,658,248 and net profit of $3,602,730 to the group for the period from 23 November 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated profit for the year ended 30 June 2011 would have been $55,994,352 and $4,336,786 respectively. These amounts have been calculated using the company's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2010, together with the consequential tax effects.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2011 $'000
Purchase consideration	
Cash paid	**43,000**
Contingent consideration	**11,159**
Overdraft acquired	**1,093**
Total purchase consideration	**55,252**
Fair value of net identifiable assets acquired (refer to (c) below)	**21,807**
Goodwill (refer to (c) below and note 18)	**33,445**

The goodwill is attributable to Sykes Group's strong position and profitability in trading in the pumps market and synergies expected to arise after the acquisition.

(b) Cash flow information

Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**43,000**
Less: Balances acquired	
Bank overdraft	**(1,093)**
Outflow of cash	**44,093**

In the event that certain pre-determined sales volumes were achieved by the business and certain asset transfers legal releases being obtained, an additional consideration of up to $12,000,000, which on a probability and discounted cashflow basis has been determined to be $11,159,000 will be payable in cash. At the date of this financial report the additional payments are anticipated and have been included in the current and non-current liabilities. The additional payment is included as a component of the purchase price.

34 Business combination (continued)

(c) Assets and liabilities acquired

	Recognised on acquisition $'000
Trade receivables	**7,163**
Inventories	**9,669**
Net deferred tax asset	**628**
Brand name	**3,120**
Customer relationships	**2,315**
Property, plant and equipment	**3,970**
Trade payables	**(2,577)**
Provision for employee benefits	**(1,668)**
Unfavourable contracts	**(727)**
Other current assets	**165**
Other current liabilities	**(251)**
Net identifiable assets acquired *	**21,807**

(i) Acquisition-related costs
Acquisition-related costs of $1,786,000 are included in other expenses in profit or loss.

(ii) Contingent consideration
A total of $7 million is payable as deferred consideration, payment of which is conditional upon the vendors finalising the transfer out of Sykes Group certain assets that did not form part of Sykes Group business interest and obtaining full and final releases of Sykes Group for any liabilities relating to those assets (Asset Transfer and Release). This amount had not been paid as at 30 June 2011, however payment is expected to occur within the next 6 months.

A maximum of $5 million may become payable as further consideration for the acquisition of Sykes Group if the combined AllightSykes business satisfies certain EBIT hurdles before 31 December 2013. The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between $0 and $5 million. The fair value of the contingent consideration arrangement of $4.2 million was estimated by applying the income approach.

35 Subsidiaries and 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):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ****	
			2011	2010
			%	%
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
Pump Rentals Pty Ltd*	Australia	Ordinary	**100**	-
Sykes Group Pty Ltd*	Australia	Ordinary	**100**	-
Sykes New Zealand Pty Ltd	New Zealand	Ordinary	**100**	-
Sykes Fleet Services Pty Ltd	Australia	Ordinary	**100**	-
Primax Pumps Inc (USA)	USA	Ordinary	**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 36.

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

36 Deed of cross guarantee

National Hire Group Limited, Allight Holdings Pty Ltd, Allight Pty Ltd, Pump Rentals Pty Ltd and Sykes Group 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 2011 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd, Allight Pty Ltd, Pump Rentals Pty Ltd and Sykes Group Pty Ltd.

36 Deed of cross guarantee (continued)

	2011 $'000	2010 $'000
Income statement		
Revenue from continuing operations	**135,569**	86,934
Other income	**114**	70
Changes in inventories of finished goods and work in progress	**(26,816)**	7,475
Cost of sale of goods	**(61,767)**	(74,059)
Occupancy and communication expense	**(4,160)**	(2,952)
Advertising and promotion	**(1,640)**	(691)
Employee benefits expense	**(18,174)**	(9,067)
Travel and accommodation	**(1,510)**	(660)
Finance costs	**(2,668)**	(230)
Other expenses	**(10,377)**	(3,710)
Depreciation and amortisation expense	**(2,014)**	(740)
Share of net profits of associates accounted for using the equity method	**22,816**	4,103
Profit before income tax	**29,373**	6,473
Income tax expense	**(2,573)**	(825)
Profit for the year	**26,800**	5,648
Statement of comprehensive income		
Profit for the year	**26,800**	5,648
Other comprehensive income		
Movement in share based payment reserve of associate, net of tax	**1,176**	-
Movement in hedge reserve	**1,797**	-
Exchange differences	**(495)**	-
Share of other comprehensive (loss)/income of associates	**(4,177)**	8,559
Other comprehensive income for the year, net of tax	**(1,699)**	8,559
Total comprehensive income for the year	**25,101**	14,207
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**89,343**	84,954
Profit for the year	**26,800**	5,648
Adjustment on adoption of accounting standard	**-**	(1,259)
Retained earnings at the end of the financial year	**116,143**	89,343

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2011 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd, Allight Pty Ltd, Pump Rentals Pty Ltd and Sykes Group Pty Ltd.

36 Deed of cross guarantee (continued)

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**6,632**	15,633
Trade and other receivables	**39,454**	21,945
Inventories	**79,278**	35,494
Derivative financial instruments	**6**	124
Current tax receivables	**-**	274
Total current assets	**125,370**	73,470
Non-current assets		
Receivables	**-**	42
Investments accounted for using the equity method	**337,114**	319,185
Other financial assets	**-**	83
Property, plant and equipment	**5,082**	2,096
Deferred tax assets	**6,143**	5,170
Intangible assets	**61,416**	22,702
Total non-current assets	**409,755**	349,278
Total assets	**535,125**	422,748
Current liabilities		
Trade and other payables	**36,179**	41,356
Borrowings	**51,935**	346
Current tax liabilities	**10,082**	-
Provisions	**13,460**	308
Total current liabilities	**111,656**	42,010
Non-current liabilities		
Borrowings	**127**	-
Deferred tax liabilities	**14,714**	-
Provisions	**2,643**	156
Total non-current liabilities	**17,484**	156
Total liabilities	**129,140**	42,166
Net assets	**405,985**	380,582
Equity		
Contributed equity	**293,930**	293,769
Reserves	**(4,088)**	(2,530)
Retained earnings	**116,143**	89,343
Total equity	**405,985**	380,582

37 Investments in associates

	2011 $'000	2010 $'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**319,185**	307,430
Share of profits after income tax	**22,136**	4,103
Share of movement in hedging reserve	**1,789**	10,124
Share of movement in share-based payments reserve	**1,176**	914
Share of movement in foreign currency translation reserve	**(4,177)**	(2,479)
Elimination of unrealised profits to associates	**(3,675)**	(907)
Reversal of depreciation on capital sales	**680**	-
Carrying amount at the end of the financial year	**337,114**	319,185

(b) Summarised financial information of associates

The company'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**
2011					
Coates Group Holdings Pty Ltd	46.1	1,336,477	958,797	487,466	22,816
		1,336,477	958,797	487,466	22,816
2010					
Coates Group Holdings Pty Ltd	46.1	1,311,309	954,554	410,395	4,103
		1,311,309	954,554	410,395	4,103

Coates Group Holdings Pty Ltd is incorporated in Australia.

38 Events occurring after the reporting period

The group has finalised the terms of a new $60 million, 3 year facility with ANZ which will be used to pay out the existing two $25 million long-term facilities ($50m in total). It is anticipated that the new facility will be drawn down before the end of August 2011.

No other matter or circumstance has 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.

39 Reconciliation of profit after income tax to net cash inflow from operating activities

	2011 $'000	2010 $'000
Profit for the year	**26,510**	5,770
Depreciation and amortisation	**2,014**	740
Non-cash employee benefits expense - share-based payments	**129**	225
Net gain on sale of property, plant and equipment	**(114)**	(70)
Unwinding of discount on deferred consideration	**225**	-
Share of profits of associates	**(22,816)**	(4,103)
Unrealised profits to associates	**3,675**	907
Change in operating assets and liabilities		
(Increase) decrease in trade debtors and other receivables	**(9,274)**	(2,845)
(Increase) decrease in inventories	**(34,527)**	6,044
Decrease (increase) in current tax receivable	**-**	4,736
Decrease (increase) in deferred tax assets	**16,146**	(20,648)
Decrease (Increase) in other operating assets	**118**	(124)
(Decrease) increase in trade creditors and other payables	**(4,071)**	22,605
(Decrease) increase in other operating liabilities	**(5)**	(109)
Increase (decrease) in provision for income taxes payable	**10,556**	-
(Decrease) increase in deferred tax liabilities	**(1,653)**	(419)
Increase (decrease) in other provisions	**818**	(39)
Net cash (outflow) inflow from operating activities	**(12,269)**	12,670

40 Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases	**48**	415
Finance of residual of short term finance lease	**263**	-

In 2010 plant and equipment was purchased using a one year finance lease. At the end of that lease, the company elected to finance the residual with another two year finance lease. At the end of this lease, the equipment will be owned outright. Additional plant and equipment was acquired in the current financial year on a 36 month finance lease. At the end of the 36 months, the equipment will be owned outright.

41 Earnings per share

	2011 Cents	2010 Cents

(a) Basic earnings per share

	2011 Cents	2010 Cents
From continuing operations attributable to the ordinary equity holders of the company	**17.86**	3.89
Total basic earnings per share attributable to the ordinary equity holders of the company	**17.86**	3.89

(b) Diluted earnings per share

	2011 Cents	2010 Cents
From continuing operations attributable to the ordinary equity holders of the company	**17.86**	3.89
Total diluted earnings per share attributable to the ordinary equity holders of the company	**17.86**	3.89

41 Earnings per share (continued)

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

	2011 $'000	2010 $'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	**26,510**	5,770
	26,510	5,770
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**26,510**	5,770
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**26,510**	5,770

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

	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**148,452,112**	148,401,945
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**148,452,112**	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 42.

42 Share-based payments

(a) 2005 Share Option Plan

The Option Plan is designed to provide long-term incentives for senior management (including executive directors) to deliver long-term shareholder returns. Under the option Plan, participants are granted options which only become exercisable if certain performance conditions are met. Participation in the Option Plan is at the Board's discretion and no individual has a contractual right to participate in the Option 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.

When exercisable, each option is convertible into one ordinary share. The exercise price of options granted on 26 November 2005 and 1 December 2005 were 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 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 Option Plan:

42 Share-based payments (continued)

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 - 2011								
26 November 2005	26 November 2010	$1.85	723,000	-	(86,000)	(637,000)	-	-
1 December 2005	1 December 2010	$1.85	261,000	-	-	(261,000)	-	-
21 November 2008	21 November 2013	$2.00	1,000,000	-	-	-	1,000,000	1,000,000
Total			1,984,000	-	(86,000)	(898,000)	1,000,000	1,000,000
Weighted average exercise price			$1.92	$-	$1.85	$1.85	$2.00	$2.00

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								
1 November 2006	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

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.42 years (2010 - 1.92 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 $129,000 (2010: $225,000).

43 Parent entity financial information

(a) Summary financial information

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

43 Parent entity financial information (continued)

	2011 $'000	2010 $'000
Balance sheet		
Current assets	**3,462**	15,718
Non-current assets	**393,612**	371,260
Total assets	**397,074**	386,978
Current liabilities	**40,320**	24,493
Non-current liabilities	**9,425**	-
Total liabilities	**49,745**	24,493
Shareholders' equity		
Contributed equity	**293,928**	293,771
Reserves	**2,837**	2,708
Retained earnings	**50,564**	66,006
	347,329	362,485
Profit or loss for the year	**(89)**	(526)
Total comprehensive income	**(89)**	(526)

(b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity at 30 June 2011 (2010 - nil) 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 2011 or 30 June 2010.

(d) Net current liability position

As at 30 June 2011 the parent entity is in a net current liability position of $36.7 million. Current liabilities include debt facilities expiring totalling $26.24 million and the $9.25 million deferred and contingent provision relating to the acquisition of Sykes Group referred to in Note 21. As stated in Note 38, the debt was subsequently re-financed after year end, with a new maturity date of August 2014. The cash flow forecasts of the group have been reviewed and we believe the group will have sufficient cash flows to meet obligations as and when they fall due.

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 74 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 2011 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 36 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 36.

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
23 August 2011

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 2011, and 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* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

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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 2011 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 5 to 11 of the directors' report for the year ended 30 June 2011. 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 Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
23 August 2011