

annual
report 09



AGM

Friday 20 November 2009 at 10.00am
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University of Western Australia, Hackett Drive
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ABOUT NATIONAL HIRE

NATIONAL HIRE GROUP LTD

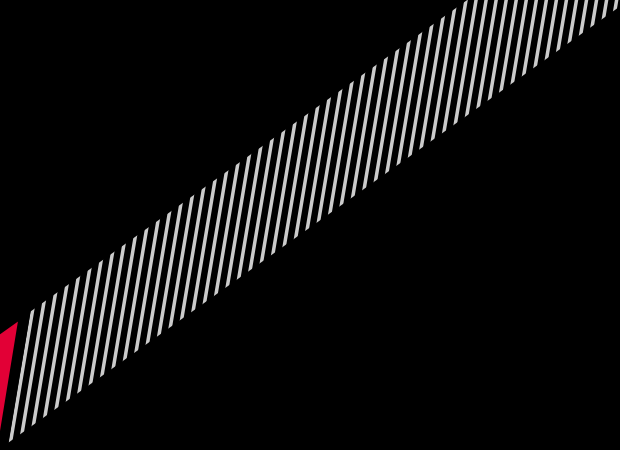
Following the merger of Coates Hire Ltd and National Hire's Rental Services division in January 2008, National Hire Group Limited now consists of a wholly-owned equipment sales and support business which operates under the Allight name and a 46.1% investment in Coates Group Holdings Pty Ltd which owns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

COATES HIRE

Coates Hire has been hiring equipment to the mining, construction and event management sectors for more than a century, and today has a network of over 200 branches across Australia.

Its product range includes equipment for compaction, access, power generation, mobile lighting, welding and general equipment, as well as portable buildings, commercial buildings, portable toilets, temporary fencing and containers, shoring, traffic management, confined space and laser equipment.

Coates Offshore provides specialised hire equipment to oil and gas projects throughout the world from its UK headquarters, and Indonesia-based PT Coates is a major equipment hire player in its region's power generation, dewatering and mobile lighting sectors.



ALLIGHT

From its manufacturing centre in Western Australia, Allight manufactures, distributes and supports its own proprietary range of mobile lighting towers and Godwin dewatering pumps. Its Nightshifter mobile lighting tower products are manufactured in China.

With one of the world's broadest ranges of lighting options and an international dealer network, Allight's flagship lighting products are turning night into day throughout mine sites, infrastructure and building projects around the world.

Allight distributes FG Wilson generators and Perkins engines, and also provides a full range of parts, service and warranty back-up services.

Product Innovation

Allight's design, engineering, sales and support teams were responsible for the launch of new lighting towers and enhancements to popular models over the past year. The teams continue to pursue an even closer alignment with Perkins, FG Wilson and key customers, with the aim of delivering innovative light, power and water management solutions to the market.

Domestic and international lighting tower sales were boosted by the manual and hydraulic versions of the new Nightshifter range. With the launch into Australia of a new entry-level hydraulic Nightshifter 4000 model, Allight tightened its grip on the civil construction sector and set new standards in the key areas of light-weighting, footprint reduction and transportability.

The manual NM4000's four 1000W double-ended metal halide lamps coupled with parabolic reflectors significantly improve the power and spread of light. At 2.5m long and less than 1.2m wide, up to 10 fully assembled NM4000s can be carried on a single 40' flatbed truck, and these attributes facilitated Allight's global sales drive.

Prompted by demand from past customers, Allight's designers also began work on an enhanced version of the quiet Urban tower. This product will be ready for sale during the new financial year.

In the engine sector, much of Allight's energy has been channeled into supporting the launch of the new Perkins range of Tier 4 Interim/Stage IIIB emission-compliant power units. As with all Perkins products, the new engines will be available throughout Australia exclusively from Allight, and will feature the UK manufacturer's pioneering NOx Reduction System.

In the dewatering sector, the CD200 and CD300 variable speed skid-based pumps are often located in challenging environments out of sight of operators. To overcome this Allight fitted them with Telemetry Wireless Data Transfer Systems which assess the performance of the pumps remotely and then pass the results of the analysis to the customer's nominated personnel.

Allight is assisting customers to improve the efficiency of their mining operations by developing a pioneering Auto-Start/Stop kit which can be fitted to all MineSeries lighting towers either at the point of manufacture or retrospectively. Prior to Auto-Start/Stop, mine site operators spent several hours every day touring their site to turn towers on and off at sundown and sunrise and operator error sometimes resulted in towers being missed. As well as the direct cost saving, the Auto-Start/Stop facility's ability to switch each light off automatically also reduces maintenance costs and reduces the impact of emissions on the environment.

New to Australia, Road Ramp Pumps were launched to provide a temporary crossing over a pipeline in low-traffic industrial, mining, commercial and residential areas. Designed for use with 100 to 450mm pipelines and capable of solids handling, their low profile design and sturdy structural steel construction makes mining and civil road work vehicle crossing of the pipelines easy and safe.

International Expansion

Allight made encouraging progress in its bid to extend its international reach last year. International sales of lighting towers grew from 14.8% to 20% as a component of total Allight revenue during the reporting period. This was achieved in a very challenging global environment and Allight will continue to focus on this opportunity over the next year.

Branding

A subtle change to the 20 year old Allight brand and imagery was made. The new brand features a bolder font and is free of any restrictive image or shape.

To emphasise Allight's design technology, an Allight 'seal of approval' was developed - a simple logo which includes the new corporate logo and also symbolises Allight's international reach. Encapsulated in a swing tag-shaped graphic, the logo will appear as a permanent fixture on every Allight mobile lighting tower.

Product Support

A formal unification of all products and after-sales support services under a new One Allight sales and marketing umbrella will foster greater collaboration, a more holistic approach to innovation and, most importantly, opportunities to deliver more customer-focused solutions.



JOHN LANGOULANT
Chairman

ANDREW AITKEN
Managing Director

Although the operating environment during the period was difficult - especially the second six months of the year - shareholders can take a number of positives from the results.

The Allight equipment sales and support business grew revenues and successfully launched new products.

Coates Hire completed the integration of the National Hire rental business, and was able to focus on improving growth and implementing initiatives to maintain profitability in the new operating environment.

HIGHLIGHTS

- Allight equipment sales and support revenue of \$104.4 million
- Net profit after tax of \$25.1 million
- Coates Hire contribution to net profit after tax of \$20.2 million
- Earnings per share of 16.88 cents
- Net cash of \$5.7 million at 30 June 2009 with undrawn facilities of \$25 million available for organic and acquisitive growth opportunities

RESULT FOR YEAR ENDED 30 JUNE 2009

Reported net profit after tax for the 12 months ended 30 June 2009 was \$25.1 million, which compared with a net profit of \$42.5 million in the previous reporting period. The 2009 result was primarily driven by the \$20.2 million share of profit from equity accounted investments, being the company's share of profits from Coates Hire. The balance was delivered by the equipment sales and support business operated under the Allight name, which increased its net profit after tax contribution to \$4.9 million from \$3.5 million in the previous reporting period.

Long term shareholders will appreciate that comparisons between the 2008 and 2009 financial years are of limited use given that the Coates Hire transaction implemented during 2008 had material one-off financial implications for the company.

12 MONTHS ENDED 30 JUNE (\$MILLION)	2009	2008	CHANGE
Revenue from continuing operations	106.7	84.1	27%
EBITDA	7.5	6.1	24%
Depreciation & amortisation	(0.6)	(0.7)	(13%)
EBIT	6.9	5.4	28%
Finance costs	(0.4)	-	-
Share of net profits of associates accounted for using the equity method	20.2	1.2	1,583%
Profit before tax	26.7	6.6	304%
Tax expense	(1.6)	(1.9)	14%
Net profit after tax from continuing operations	25.1	4.7	434%
Profit from discontinued operations	-	37.8	-
Reported net profit after tax	25.1	42.5	(41%)
EPS from continuing operations (cents)	16.88	3.50	382%
DPS relating to year's earnings fully franked (cents)	0.0	6.0	-

DIVIDEND

The Board decided not to pay an interim or a final dividend in relation to the financial year. Given the limitation on dividends out of Coates Hire and the current economic environment, the Board believed it was prudent to retain cash within the company in order to fund organic and acquisitive growth opportunities that may arise.

BALANCE SHEET

As at 30 June 2009 total assets were \$401.3 million. The largest asset on the balance sheet was the company's investment in Coates Hire which was shown at the equity accounted amount of \$307.4 million. This compared with \$309.9 million at the end of the previous reporting period.

The movement in the value of the Coates Hire investment was mainly due to:

- the company's share of net profit after tax of \$20.2 million;
- the company's share of the negative mark to market of interest rate swaps and caps resulted in a reduction of the equity accounted investment of \$14.4 million. The swaps and caps were put in place in December 2007 to hedge against upward movements in interest rates. Accounting standards require these instruments to be marked to market at each reporting period.
- the company and Carlyle each marginally reducing their economic interest in Coates Hire to 46.1% to facilitate investment by Coates Hire senior management. The company received \$4.7 million cash and recognised a corresponding reduction in the value of the equity accounted investment;
- movements in other reserves of Coates Hire of \$0.7 million; and
- the elimination of unrealised profits on transactions between the company and Coates Hire and other items of \$2.9 million.

Inventory has increased to \$41.5 million from \$29.3 million in the previous reporting period. The increase reflects a 27% increase in sales volumes, higher purchasing costs as a result of the significant devaluation of the Australian

dollar over the period, and the investment in Allight's

Nightshifter mobile lighting tower product.

OPERATIONAL COMMENTARY

ALLIGHT EQUIPMENT SALES AND SUPPORT

The principal activities of the business relate to the manufacture, assembly and sales of mobile lighting, power generation and dewatering equipment, and the distribution and support of Perkins engines, FG Wilson power generation sets and Godwin pump wet ends.

Increased equipment sales and support revenue has come as a result of:

- the release of the Nightshifter lighting tower product internationally;
- sales of the MineSeries product in the domestic mining industry; and
- growth in the power generation business.

Management is focused on the continued growth of the business targeting expanded product offerings and export market penetration through new dealers, while at the same time maintaining margins.

COATES HIRE BUSINESS UPDATE

The general decline in business activity in the broader economy resulted in Coates Hire experiencing a decline in revenue over the last 9 months of the financial year when compared to the first quarter.

Though profit margins reduced from their peak in the first quarter, cost management and synergy initiatives delivered from integration plans provided some margin support across the full financial year.

Capital expenditure in Coates Hire during the period was lower than the historic levels of the former Coates and National Hire rental businesses. Coates Hire believes that the cash flow savings will provide funding for the expected increased activity when projects initiated through Government stimulus packages commence.

Debt was reduced by \$140 million during the September quarter to \$1.986 billion. The repayments were funded by operating cash flows and asset sales. Coates Hire remained in compliance with its debt covenants. Ongoing interest costs have reduced as a result of the partial unwind of interest rate hedges during the period.

No dividends were declared or paid by Coates Hire during or in relation to the financial year and it is unlikely that any will be paid until debt levels within Coates Hire have been substantially reduced.

COATES HIRE BUSINESS UPDATE

	12 MONTHS TO 30 JUNE 2009	PERIOD FROM 9 JANUARY TO 30 JUNE 2008
Revenue	978.1	543.0
Tax	(13.9)	(1.4)
NPAT	43.7	2.5
Total Assets	2,922	3,012
Total Liabilities	2,176	2,279

PEOPLE & CUSTOMER FOCUS

Every year the staff of the group demonstrate that they are critical to the company's success with the depth and diversity of the workforce being a key strength of both the Allight and Coates Hire businesses. We commend wholeheartedly all staff for their hard work, dedication and enthusiastic support.

The group recognises that success comes from meeting and exceeding customer service needs every single time they do business with us. We greatly value our relationships with customers and we strive to continually show that this is the case.


OUTLOOK

Both the Allight equipment sales and support business and Coates Hire performed adequately in what was a difficult period. They are now well-placed to participate in any recovery in the economy and both have implemented a number of revenue maintenance initiatives.

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



JOHN LANGOULANT
Chairman



ANDREW AITKEN
Managing Director

**BOTH ALLIGHT AND
COATES HIRE ARE WELL
PLACED TO PARTICIPATE
IN ANY RECOVERY.**



HIGHLIGHTS

- Allight equipment sales and support revenue \$104.4 million
- NPAT \$25.1million
- Coates Hire contribution to NPAT of \$20.2 million
- EPS 16.88 cents
- Net cash \$5.7 million at 30 June 2009 with undrawn facilities of \$25 million available for organic and acquisitive growth opportunities



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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of National Hire Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The following persons were directors of National Hire Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Langoulant
Andrew Aitken
Hon. Richard Court, AC (appointed 29 July 2008)
Stephen Donnelley
Dale Elphinstone
Clive Isenberg
James Walker

Principal activities

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

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

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

Dividends - National Hire Group Limited

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

	2009 \$'000	2008 \$'000
Final ordinary dividend for the year ended 30 June 2008 of 2 cents (2007 - 5 cents) per fully paid share paid on 10 October 2008 (2007: 13 October 2007)	2,965	5,985
No interim dividend was paid during the current year. Interim ordinary dividend for the year ended 30 June 2008 was 4 cents per fully paid share paid on 16 March 2008	-	5,923
	<u>2,965</u>	<u>11,908</u>

The directors have not recommended the payment of a final dividend for the year ended 30 June 2009. In the prior year the directors declared a final fully franked ordinary dividend of 2 cents per fully paid share paid on 10 October 2008 out of retained profits at 30 June 2008.

Review of operations

- [a] **Operations of the group**
The sales revenue from the group increased by 27% to \$106.7 million in the financial year ended 30 June 2009. Revenue growth was driven by sales growth in lighting towers from the mining sector in Australia, growth in the overseas distribution network for lighting towers and demand for power generation in the Pacific Islands.
- [b] **Financial position of the group**
The group's net assets have increased by \$7.3 million to \$368.4 million at 30 June 2009 (2008: \$361.2 million). National Hire has no debt on its balance sheet, net cash of \$5.0 million and access to loan facilities of \$25 million to fund both organic and acquisitive growth opportunities.
- [c] **Business strategies and its prospects for future financial years**
National Hire is committed to pursuing further opportunities that will assist in expanding the equipment sales and support business. This will be done by leveraging the Coates relationship, building export markets and extracting improvements in distribution networks and production.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

- [a] the group's operations in future financial years, or
- [b] the results of those operations in future financial years, or

[c] the group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

INFORMATION ON DIRECTORS

John Langoulant *Non-executive director, Chairman.* Age 54.

Appointed May 2008

Mr Langoulant holds a Bachelor of Economics with Honours from the University of Western Australia. He is the Chief Executive Officer of Australian Capital Equity Pty Limited, a position he has held since February 2008. Mr Langoulant was the Chief Executive Officer of the Chamber of Commerce and Industry of Western Australia between 2004 and 2008 and the Western Australian Under Treasurer between 1995 and 2004. Prior to joining the WA Treasury Department in 1988, Mr Langoulant worked in the Australian Treasury Department.

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

Special responsibilities

Chair of the Board.

Member of audit committee.

Member of remuneration committee.

Interests in shares and options

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

Andrew Aitken *Managing Director.* Age 41.

Appointed December 2004

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

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

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

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

Interests in shares and options

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

Hon. Richard Court, AC *Non-executive director.* Age 61.

Appointed July 2008

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 Resource Investment Strategy Consultants and a senior advisor to KPMG. The

INFORMATION ON DIRECTORS [CONTINUED]

other listed public companies of which he is or was a director in the last 3 years are GRD Limited (appointed 6 July 2004) and Iron Ore Holdings Ltd (appointed 20 November 2007).

Special responsibilities

Member of audit committee.

Interests in shares and options

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

Stephen Donnelley *Non-executive director.* Age 50.

Appointed December 1996

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

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

Special responsibilities

Member of audit committee.

Chairman of nomination committee.

Chairman of safety, health and environmental committee.

Interests in shares and options

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

Dale Elphinstone *Non-executive director.* Age 58.

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, Gekko Systems Pty Ltd (a manufacturer of underground minerals processing plants), Haulmax Pty Ltd (manufacturers of long haul mining trucks) and other business interests in Australia and New Zealand. He was a Director of Caterpillar Underground Mining Pty Ltd until December 2008.

The other listed public company of which he is or was a director in the last 3 years was 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 31,554,089 ordinary shares in National Hire Group Limited.

Clive Isenberg *Non-executive director.* Age 56.

Appointed March 2004

Mr Isenberg has a Bachelor of Commerce and Honors in Accounting from the University of Witwatersrand. He is an associate of the Institute of Chartered Accountants in Australia and a fellow of the Certified Practising Accountants. 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. Mr Isenberg has also held the position of General Manager of St. George Bank Business Customer Division. 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. Mr Isenberg has extensive experience in financial services and for many years was a director of Bank of Scotland subsidiaries in Australia including Capital Finance Ltd, BOS International Ltd and the holding company of Bank of Western Australia. Mr Isenberg is Managing Director of Octet Finance Pty Ltd, a company providing business transaction finance facilities to the commercial market.

INFORMATION ON DIRECTORS [CONTINUED]**Special responsibilities**

Chairman of audit committee.

Member of nomination committee.

Chairman of remuneration committee.

Interests in shares and options

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

James Walker *Non-executive director.* Age 57.

Appointed June 2008

Mr Walker is the Managing Director of WesTrac Pty Limited and Chairman of WesTrac China Limited. He is also a non-executive director of Coates Group Holdings Pty Limited.

WesTrac is the dealer for Caterpillar in Western Australia, New South Wales and the ACT as well as provinces in North East China.

WesTrac is a Western Australian owned company with over 4,000 employees.

Prior to his employment at WesTrac, Mr Walker spent considerable time with other Australian Caterpillar dealers, namely Hastings Deering and Morgan Equipment and the Bougainville dealership in PNG.

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.

Antoinette du Preez (Joint Company Secretary)

Ms du Preez was appointed as Chief Financial Officer of National Hire Group Limited on 19 August 2008 and was appointed company secretary on 25 September 2008. Ms du Preez has previously held senior accounting roles with Peabody Pacific Pty Limited, Emperor Mines Limited and Placer Dome Australia Pty Limited. Ms du Preez qualified as a chartered accountant in South Africa and spent 7 years with accounting firms KPMG and Arthur Andersen.

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director, were:

	FULL MEETINGS OF DIRECTORS - BOARD		SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE		AUDIT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
John Langoulant	11	11	*	*	2	2	*	*	4	4
Andrew Aitken	11	11	*	*	*	*	*	*	*	*
Hon. Richard Court, AC	9	10	*	*	2	2	*	*	*	*
Stephen Donnelley	11	11	2	2	2	2	1	1	*	*
Dale Elphinstone	11	11	2	2	2	2	1	1	3	4
Clive Isenberg	11	11	*	*	2	2	1	1	4	4
James Walker	11	11	2	2	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

DIRECTORS' REPORT

REMUNERATION REPORT

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

- A** Principles used to determine the nature and amount of remuneration
- B** Details of remuneration
- C** Service agreements
- D** Share-based compensation
- E** Additional information

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

A Principles used to determine the nature and amount of remuneration

The objective of the group's executive remuneration framework is to ensure that the group:

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

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

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

Shareholders' interests, including:

- having economic profitability as a core component of plan design
- delivering constant returns on assets as well as focusing executives on key non-financial drivers of value resulting in longer term share price appreciation
- attracting and retaining high calibre executives.

Program participants' interests, including:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in company profitability
- providing a clear structure for earning rewards
- providing recognition for contribution.

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

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Further information on the role of this committee is set out on the company's website.

Non-executive directors

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

Directors' fees

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

The following fees (exclusive of superannuation) have applied:

	FROM 1 DECEMBER 2008	FROM 1 JULY 2007 TO 30 NOVEMBER 2008
Base fees		
Chair	\$55,000	\$40,000
Non-executive director - Clive Isenberg	\$40,000	\$50,000
Other non-executive directors	\$40,000	\$40,000
Additional fees		
Audit committee - Chair	\$10,000	\$-
Nomination committee - Chair	\$5,000	\$-
Safety, health and environmental committee - Chair	\$5,000	\$-
Remuneration committee - Chair	\$5,000	\$-
Committee membership fee*	\$5,000	\$-

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

REMUNERATION REPORT [CONTINUED]**A Principles used to determine the nature and amount of remuneration [continued]***Executive pay*

The executive pay and reward framework has three components:

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

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

Base pay

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

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Where appropriate, external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts. Any adjustments to executive remuneration packages are based on formal performance reviews, conducted annually by the non-executive chairman or managing director.

Superannuation

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

Short-term incentives (STI)

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

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

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

For the year ended 30 June 2009, the KPIs linked to STI plans were based on earnings before interest and tax; individual goals and objectives; strategic initiatives; and group safety measures.

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

Long-term incentives (LTI)

Long-term incentives are based on the achievement of a combination of targets as detailed below. The LTI plan allows for granting of options to executives.

The remuneration committee determines the appropriate targets incorporated into the LTI agreements. This includes setting any maximum number of options granted under the LTI plan, and minimum levels of performance to trigger the exercise of any granted options.

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

National Hire Group Limited 2005 Share Option Plan

Long-term incentives are provided to certain employees via the National Hire Group Limited 2005 Share Option Plan. See note 41 for further information.

B 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 10 to 13 above) and those executives that report directly to the managing director being

- Patrick Walsh - Managing Director, Allight Pty Ltd
- Ray Harman - Company Secretary (resigned 25 September 2008)
- Antoinette du Preez - Chief Financial Officer and Joint Company Secretary (appointed 19 August 2008)
- Gayle McGarry - Joint Company Secretary (appointed 4 August 2008)
- Shaun McCullough - General Manager Capital Sales (resigned 31 July 2008)

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

DIRECTORS' REPORT

REMUNERATION REPORT [CONTINUED]

B *Details of remuneration [continued]*

Amounts of remuneration [continued]

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

2009 NAME	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	SHARE BASED PAYMENTS			TOTAL \$
	CASH SALARY AND FEES \$	CASH BONUS ## \$	NON MONETARY BENEFITS \$	SUPER- ANNUATION \$	LONG SERVICE LEAVE \$	TERMINATION BENEFITS \$	OPTIONS *** \$		
Non-executive directors									
J Langoulant	54,583	-	-	4,913	-	-	-	-	59,496
R Court (appointed 29/7/08)	40,000	-	-	-	-	-	-	-	40,000
S Donnelley**	45,833	175,000	-	19,875	-	-	-	-	240,708
S Donnelley%	50,000	-	-	4,500	-	-	-	-	54,500
D Elphinstone	50,000	-	-	-	-	-	-	-	50,000
C Isenberg	-	-	-	57,304	-	-	-	-	57,304
J Walker	45,833	-	-	4,125	-	-	-	-	49,958
Sub-total non-executive directors	286,249	175,000	-	90,717	-	-	-	-	551,966
Executive directors									
A Aitken	412,843	-	-	37,156	-	-	225,656	-	675,655
Other key management personnel (group)									
P Walsh^	264,907	35,000	-	26,992	-	-	-	-	326,899
R Harman^# (resigned 25/9/08)	52,500	75,000	-	-	-	-	-	-	127,500
A du Preez^# (appointed 19/8/08)	183,144	-	-	16,483	-	-	-	-	199,627
G McGarry^# (appointed 4/8/08)	100,844	-	-	7,847	-	-	-	-	108,691
S McCullough^# (resigned 31/7/08)	50,128	-	1,667	1,718	45,338	250,000	-	-	348,851
Total key management personnel compensation (group)	1,350,615	285,000	1,667	180,913	45,338	250,000	225,656	2,339,189	

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

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

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

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

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

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

REMUNERATION REPORT [CONTINUED]**B Details of remuneration [continued]**

Amounts of remuneration [continued]

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

2008 NAME	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	SHARE BASED PAYMENTS	TOTAL \$
	CASH SALARY AND FEES \$	CASH BONUS \$	NON MONETARY BENEFITS \$	SUPER- ANNUATION \$	LONG SERVICE LEAVE \$	OPTIONS ** \$	
Non-executive directors							
P Gammell (resigned 12/5/08)	36,667	-	-	3,300	-	-	39,967
S Donnelley*** (from 12/5/08)	3,334	-	-	300	-	-	3,634
C Isenberg	50,000	-	-	4,500	-	-	54,500
J Star (resigned 24/10/07)	16,667	-	-	1,500	-	-	18,167
A Aitken*** (until 12/5/08)	36,667	-	-	3,300	-	-	39,967
J Langoulant (appointed 12/5/08)	3,343	-	-	301	-	-	3,644
J Walker (appointed 25/6/08)	-	-	-	-	-	-	-
D Elphinstone (appointed 30/1/08)	16,665	-	-	-	-	-	16,665
Sub-total non-executive directors	163,343	-	-	13,201	-	-	176,544
Executive directors							
A Aitken*** (appointed 12/5/08)	37,500	-	-	-	-	-	37,500
R Romano (resigned 25/6/08)	214,416	-	-	19,297	3,832	-	237,545
S Donnelley*** (until 12/5/08)	192,013	-	4,999	17,281	6,413	125,534	346,240
Other key management personnel (group)							
G Armstrong^ (resigned 9/1/08)	169,708	60,136	12,938	20,686	3,554	93,637	360,659
R Harman^#	137,145	38,102	8,636	26,287	2,679	43,217	256,066
P Walsh^ (appointed 21/1/08)	113,858	-	-	10,247	-	-	124,105
P Funga*^ (resigned 30/11/07)	291,082	77,069	8,333	14,999	-	(8,173)	383,310
S McCullough^#	228,718	75,054	20,000	27,383	3,485	93,637	448,277
Total key management personnel compensation	1,547,783	250,361	54,906	149,381	19,963	347,852	2,370,246
Other group executives							
G Parfitt^	116,938	18,269	-	12,144	4,318	83,553	235,222

* P Funga's cash salary and fees includes an amount for termination benefits in the amount of \$209,227.

** Options disclosed represent a valuation based on the Black-Scholes method and represent the fair value, not the cash received by the key management personnel. No options were granted during the year ended 30 June 2008.

*** Until 12 May 2008, S Donnelley and A Aitken were Managing Director and non-executive director, respectively.

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

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

DIRECTORS' REPORT

REMUNERATION REPORT [CONTINUED]

B Details of remuneration [continued]

Amounts of remuneration [continued]

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

NAME	FIXED	AT RISK	AT RISK
	REMUNERATION	- STI	- LTI
	2009	2009	2009
	%	%	%
Executive directors of National Hire Group Limited			
A Aitken	67	-	33
Other key management personnel of group			
P Walsh	89	11	-
R Harman	41	59	-
A du Preez	100	-	-
G McGarry	100	-	-
S McCullough	100	-	-

C Service agreements

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

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

A Aitken, *Managing Director*

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$450,000 to be reviewed annually by the remuneration committee
- Notice period 6 months.

P Walsh, *Managing Director - Allight Pty Ltd*

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of \$288,750, to be reviewed annually
- Notice period 3 months by employee; 6 months by employer.

A du Preez, *Chief Financial Officer / Joint Company Secretary (from 19 August 2008)*

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of \$230,000 (pro rata), to be reviewed annually
- Notice period 6 months.

G McGarry, *Joint Company Secretary (from 4 August 2008)*

- The contract has no fixed term
- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of \$150,000 (pro rata), to be reviewed annually
- Notice period 4 weeks.

S McCullough, *General Manager - Capital Sales (until 31 July 2008)*

- The contract had no fixed term
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$227,930 (pro rata), plus motor vehicle allowance of \$20,000 (pro rata), to be reviewed annually
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 12 months base salary and car allowance in lieu of notice. In cases of gross misconduct or negligence, payment will equal 3 months base salary and car allowance.
- Notice period 3 months.

R Harman, *Company Secretary (until 25 September 2008)*

- No service agreement held with National Hire Group Limited.

REMUNERATION REPORT [CONTINUED]**D Share-based compensation***Options*

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

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

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	DATE FIRST EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	PERFORMANCE ACHIEVED	% EXERCISABLE
21 Nov 2008	21 Nov 2011	21 Nov 2013	\$2.00**	\$0.58	To be determined	n/a
21 Nov 2008	21 Nov 2011	21 Nov 2013	\$2.00**	\$0.58	To be determined	n/a
21 Nov 2008	21 Nov 2011	21 Nov 2013	\$2.00**	\$0.58	To be determined	n/a
1 Dec 2005	30 June 2008	1 Dec 2010	\$1.85*	\$0.57	100%	100
26 Nov 2005	30 June 2008	26 Nov 2010	\$1.85*	\$0.57	100%	100

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

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

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 parent entity 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 41 to the financial statements.

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS EXERCISABLE DURING THE YEAR	
	2009	2008	2009	2008
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.

The model inputs for options granted during the year ended 30 June 2009 included:

- [a] exercise price: \$2.00
- [b] grant date: 21 November 2008
- [c] expiry date: 21 November 2013
- [d] share price at grant date: \$1.50
- [e] expected price volatility of the company's shares: 55%
- [f] expected dividend yield: 1.5%
- [g] risk-free interest rate: 3.8%

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of National Hire Group Limited and other key management personnel of the group are set out below.

DIRECTORS' REPORT

REMUNERATION REPORT [CONTINUED]

D Share-based compensation [continued]

NAME	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR 2009	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR 2008
Other group executives			
G Parfitt	4 December 2007	-	40,000

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
4 December 2007	\$1.00

No amounts are unpaid on any shares issued on the exercise of options.

Retention shares

During December 2004 the company offered retention bonus shares to 66 employees (including key management personnel) for no consideration under the National Hire Group Limited deferred employee share plan. Shares were issued under the plan in January 2005 at \$2.20 each. The rights to these shares vested with the employee during December 2006.

The assessed fair value at grant date of these shares was calculated with reference to the purchase price and has been allocated equally over the period from grant date to vesting date.

E Additional information

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 16-17 and 19-20, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No options will become exercisable if the conditions are not satisfied, hence the minimum value of the option yet to become exercisable is nil. The maximum value of the options yet to become exercisable has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

NAME	CASH BONUS				YEAR GRANTED	EXERCISABLE %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY BECOME EXERCISABLE	OPTIONS	
	PAID %	FORFEITED %	MINIMUM TOTAL VALUE OF GRANT YET TO BECOME EXERCISABLE \$	MAXIMUM TOTAL VALUE OF GRANT YET TO BECOME EXERCISABLE \$						
A Aitken	-	-	2009	-	-	2010 & 2011	-	580,000		
S Donnelley	100	-	-	-	-	-	-	-		
P Walsh	100	-	-	-	-	-	-	-		
R Harman	100	-	-	-	-	-	-	-		

Share-based compensation: Options

Further details relating to options are set out below.

NAME	A REMUNERATION CONSISTING OF OPTIONS	B VALUE AT GRANT DATE \$	C VALUE AT EXERCISE DATE \$	D VALUE AT LAPSE DATE \$	E TOTAL OF COLUMNS B-D \$
A Aitken	33.0%	580,000	-	-	580,000

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

REMUNERATION REPORT [CONTINUED]**E Additional Information [continued]****Loans to directors and executives**

There is no loan to any director or executive.

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of National Hire Group Limited granted during or since the end of the financial year to the 5 most highly remunerated officers of the company as part of their remuneration were as follows:

	Options granted
Directors	
A Aitken, <i>Managing Director</i>	1,000,000

The options were granted under the National Hire Group Limited 2005 Share Option Plan on 21 November 2008 following receipt of shareholder approval. Details of options granted to the directors and the 5 most highly remunerated officers of the group can be found in section D of the remuneration report on page 19. No options have been granted since the end of the year.

Shares under option

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

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
26 November 2005	26 November 2010	\$1.85	723,000
1 December 2005	1 December 2010	\$1.85	261,000
21 November 2008	21 November 2013	\$2.00	1,000,000
			1,984,000

Shares issued on the exercise of options

No ordinary shares were issued on the exercise of options during the year ended 30 June 2009.

Insurance of officers

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

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

Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

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

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

DIRECTORS' REPORT

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

	CONSOLIDATED	
	2009	2008
	\$	\$
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	99,500	182,285
Total remuneration for audit services	99,500	182,285
2. Non-audit services		
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other	-	2,039
Total remuneration for other assurance services	-	2,039
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	4,000	20,410
Total remuneration for taxation services	4,000	20,410
Other services		
PricewaterhouseCoopers Australian firm:		
Advisory services	-	46,041
Total remuneration for other services	-	46,041
Total remuneration for non-audit services	4,000	68,490

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 23.

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.



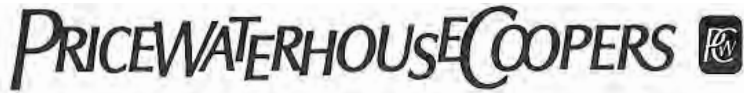
JOHN LANGOULANT
CHAIRMAN



ANDREW AITKEN
MANAGING DIRECTOR

Perth, Western Australia
27 August 2009

AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
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Auditor's Independence Declaration

As lead auditor for the audit of National Hire Group Limited for the year ended 30 June 2009, 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.

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written over a horizontal line.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
27 August 2009

FINANCIAL STATEMENTS

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from continuing operations	5	106,712	84,125	2,256	1,375
Other income	6	155	3	-	221
Changes in inventories of finished goods and work in progress		10,227	(1,689)	-	-
Raw materials and consumables used		(91,734)	(58,278)	-	-
Depreciation and amortisation expense	7	(594)	(685)	(1)	-
Loss on sale of property, plant and equipment		-	(223)	-	-
Occupancy and communication		(2,656)	(2,467)	(51)	(5)
Advertising and promotion		(396)	(454)	-	-
Employee benefits expense		(11,063)	(12,618)	(1,619)	(1,078)
Travel and accommodation		(763)	(816)	(165)	-
Other expenses		(2,936)	(1,486)	(572)	(785)
Gain on sale of investment		-	-	-	45,634
Finance costs	7	(421)	-	(33)	-
Share of net profits of associates accounted for using the equity method		20,155	1,188	-	-
Profit / (loss) before income tax		26,686	6,600	(185)	45,362
Income tax (expense) / benefit	8	(1,637)	(1,907)	28	15
Profit / (loss) from continuing operations		25,049	4,693	(157)	45,377
Profit from discontinued operations	9	-	37,831	-	-
Profit / (loss) for the year attributable to equity holders of the parent entity		25,049	42,524	(157)	45,377
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	40	16.88	3.50		
Diluted earnings per share	40	16.88	3.50		
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	40	16.88	31.72		
Diluted earnings per share	40	16.88	31.68		

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

BALANCE SHEETS AS AT 30 JUNE 2009

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	5,694	18,491	2,271	13,088
Trade and other receivables	11	19,109	26,646	531	10,113
Inventories	12	41,538	29,282	-	-
Derivative financial instruments	13	-	409	-	-
Current tax receivables	14	5,009	-	6,158	-
Total current assets		71,350	74,828	8,960	23,201
Non-current assets					
Receivables	15	42	39	42	39
Investments accounted for using the equity method	16	307,429	309,887	306,181	310,896
Other financial assets	17	-	-	55,536	43,230
Property, plant and equipment	18	1,379	1,625	5	-
Deferred tax assets	19	-	-	91	325
Intangible assets	20	21,148	21,300	-	-
Total non-current assets		329,998	332,851	361,855	354,490
Total assets		401,348	407,679	370,815	377,691
LIABILITIES					
Current liabilities					
Trade and other payables	21	16,401	20,763	8,029	3,137
Derivative financial instruments	13	109	-	-	-
Current tax liabilities	23	-	8,872	-	8,872
Provisions	22	326	45	-	-
Total current liabilities		16,836	29,680	8,029	12,009
Non-current liabilities					
Deferred tax liabilities	24	15,896	16,582	-	-
Provisions	25	177	232	-	-
Total non-current liabilities		16,073	16,814	-	-
Total liabilities		32,909	46,494	8,029	12,009
Net assets		368,439	361,185	362,786	365,682
EQUITY					
Contributed equity	26	293,771	293,771	293,771	293,771
Reserves	27 [a]	(12,582)	2,248	2,483	2,257
Retained profits	27 [b]	87,250	65,166	66,532	69,654
Total equity		368,439	361,185	362,786	365,682

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

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the financial year		361,185	243,234	365,682	245,737
Share of movement in hedge reserve of associate, net of tax	27	(14,433)	-	-	-
Share of movement in share-based payments reserve of associate, net of tax	27	631	-	-	-
Share of foreign currency translation reserve of associate, net of tax	27	(1,258)	-	-	-
Exchange differences on translation of foreign operations	27	4	859	-	-
Net income and expense recognised directly in equity		(15,056)	859	-	-
Profit / (loss) for the year		25,049	42,524	(157)	45,377
Total recognised income and expense for the year		9,993	43,383	(157)	45,377
Contributions of equity, net of transaction costs	26	-	86,011	-	86,011
Dividends provided for or paid	28	(2,965)	(11,908)	(2,965)	(11,908)
Employee retention shares and share options	27	226	465	226	465
Total equity at the end of the financial year		368,439	361,185	362,786	365,682

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities		126,425	298,218	3,689	-
Receipts from customers (inclusive of GST)		(138,425)	(233,774)	(2,552)	(1,541)
Payments to suppliers and employees (inclusive of GST)		(12,000)	64,444	1,137	(1,541)
Interest received		770	904	767	625
Interest and other costs of finance paid		(526)	(10,055)	(138)	-
Income taxes (paid)/refunded		(2,943)	(5,724)	(1,074)	4,687
Net cash inflow (outflow) from operating activities	38	(14,699)	49,569	692	3,771
Cash flows from investing activities					
Payments for property, plant and equipment		(335)	(51,832)	(6)	-
Payments for purchase of business (net of cash acquired)		-	(167)	-	-
Payments for investments		-	(75,476)	-	(65,180)
Payments for developments		-	(192)	-	-
Payments for intangibles		-	(68)	-	-
Dividends received		-	221	-	221
Proceeds from sale of investment in associates	36	4,715	-	4,715	-
Proceeds from sale of property, plant and equipment		483	3,561	-	-
Net cash inflow (outflow) from investing activities		4,863	(123,953)	4,709	(64,959)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		-	86,011	-	86,011
Proceeds from borrowings		5,000	23,060	515	-
Borrowings provided		-	-	(13,768)	-
Repayment of borrowings		(5,000)	(8,339)	-	-
Dividends paid to company's shareholders	28	(2,965)	(11,908)	(2,965)	(11,908)
Net cash inflow (outflow) from financing activities		(2,965)	88,824	(16,218)	74,103
Net increase (decrease) in cash and cash equivalents		(12,801)	14,440	(10,817)	12,915
Effects of exchange rate changes on cash and cash equivalents		4	(6)	-	-
Cash and cash equivalents at the beginning of the financial year		18,491	4,057	13,088	173
Cash and cash equivalents at end of year	10	5,694	18,491	2,271	13,088
Financing arrangements					
Non-cash financing and investing activities	39				

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

[a] Basis of preparation

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

Compliance with IFRS

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

Early adoption of standards

The group has not elected to early adopt any of the Australian Accounting Standards for the annual reporting period beginning 1 July 2008.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 National Hire Group Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. National Hire Group Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the group (refer to note 1(i)).

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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of National Hire Group Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

(ii) Associates (equity accounted investees)

Associates are all entities over which the group 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 in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 36).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The group's share of its associates' post-acquisition profits or losses is recognised in the 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 are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group'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 group.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, 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 all the group entities (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 balance sheets presented are translated at the closing rate at the date of that balance sheets
- income and expenses for each income statements 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 as a separate component of equity.

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 taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statements, 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 amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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] Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statements over the period necessary to match them with the costs that they are intended to compensate.

[g] 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.

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 reporting date 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 controlled entities where the parent entity 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

[h] 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 18). 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 income statements 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income statements on a straight-line basis over the period of the lease.

[i] Business combinations

The purchase 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. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statements, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

[j] 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 each reporting date.

[k] Cash and cash equivalents

For cash flow statements presentation purposes, 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 on the balance sheets.

[l] Trade receivables

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

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

The amount of the impairment loss is recognised in the income statements 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 the income statements.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[m] 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.

[n] Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

[o] 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 date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) and receivables (note 15) in the balance sheets.

(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 management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

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

Subsequent measurement

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

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

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 removed from equity and recognised in the income statements. Impairment losses recognised in the income statements on equity instruments classified as available-for-sale are not reversed through the income statements.

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 the income statements.

(p) 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 group 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 13. 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.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, 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 the income statements 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 the income statements 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.

(i) 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 equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statements within other income or other expense.

Amounts accumulated in equity are recycled in the income statement 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 the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a nonfinancial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred 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 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 the income statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

(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 the income statements and are included in other income or other expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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 the income statements 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
- Leased plant and equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statements.

(s) 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. Each of those cash-generating units represents the group's investment in each country of operation by each primary reporting segment (note 4).

(ii) Brand names

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

(iii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

[t] 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.

[u] 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 the income statements 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 balance sheets 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 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.

[v] 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 reporting date. The discount rate used to determine the present value 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.

[w] Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date 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 41.

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

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

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statements with a corresponding adjustment to equity.

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.

[x] 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.

[y] Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

[z] 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[aa] Financial guarantee contracts

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

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

[ab] 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 balance sheets.

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.

[ac] 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

[ad] New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The group will adopt AASB 8 from 1 July 2009. It is not likely to result in an increase in the number of reportable segments presented.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the group, as the group does already capitalise borrowing costs relating to qualifying assets.

The group will apply the revised AASB 123 from 1 January 2009 and capitalise its borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after this date.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the group's share-based payments.

(v) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009) The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the group's current policy which is set out in note 1(i) above.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the group's current accounting policy if significant influence is not retained.

The group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) AASB 2008-8 Amendment to IAS 39 *Amendment to Australian Accounting Standards - Eligible Hedged Items* (effective 1 July 2009) AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The group will apply the amended standard from 1 July 2009. It is not expected to have a material 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 of directors has overall responsibility for the establishment and oversight of the risk management framework across the group. Risk management is carried out by the finance department in accordance with policies approved by the board of directors. The group identifies and evaluates financial risk and proposes a course of action to the board for approval. Necessary action is then taken to mitigate any identified risks as approved. The company and the group, through their training and management standards and procedures, have a control environment in which all employees understand their roles and obligations.

The group and the parent entity hold the following financial instruments:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets	5,694	18,491	2,271	13,088
Cash and cash equivalents	18,826	26,646	455	10,113
Trade and other receivables	-	409	-	-
Derivative financial instruments	-	-	55,536	43,230
Other financial assets	24,520	45,546	58,262	66,431
Financial liabilities	15,723	20,348	5,841	973
Trade and other payable	109	-	-	-
Derivative financial instruments	15,832	20,348	5,841	973

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are 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.

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

	30 JUNE 2009		30 JUNE 2008	
	USD \$'000	GBP \$'000	USD \$'000	GBP \$'000
Cash and cash equivalents	687	13	1,901	82
Trade receivables	982	155	2,330	107
Trade payables	(2,868)	(905)	(3,150)	(3,324)
Forward exchange contracts				
- buy foreign currency	1,881	-	-	203
Net exposure	682	(737)	1,081	(2,932)

The parent entity has no exposure to foreign currency risk at balance sheet date.

Group sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 15% (2008: 10%) against the US dollar with all other variables held constant, the group's post-tax profit and equity for the year would have been \$102,000 higher/\$102,000 lower (2008 - \$120,000 higher/\$98,000 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 2009, had the Australian dollar weakened/strengthened by 15% (2008: 10%) against the GB pound with all other variables held constant, the group's post-tax profit and equity for the year would have been \$110,000 lower/\$110,000 higher (2008 - \$326,000 lower/\$266,000 higher), mainly as a result of foreign exchange gains/losses on translation of GB pound denominated financial instruments as detailed in the above table. Profit was more sensitive to movements in the Australian dollar/GB pound exchange rates in 2008 than 2009 because of the increased amount of GB pound denominated payables.

(iii) Cash flow and fair value interest rate risk

Group

The company and the group are exposed to interest rate risk arising mainly from cash balances held. The risk is considered minimal as a majority of the group and parent entity's cash balances are at a fixed rate. The group is exposed to interest rate risk on its facilities when utilised. The group currently manages interest rate risk by using interest rate cap transactions. Such instruments have the effect of creating a "maximum" interest rate to which the group is exposed. In the current economic environment, the group has not put in place these instruments due to the downward trend in interest rates.

Group and parent entity sensitivity

At 30 June 2009, 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 \$21,000 higher/\$21,000 lower (2008 changes of 100 bps: \$130,476 higher/\$130,476 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

(c) Liquidity risk

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

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

Financing arrangements

The group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bank loan facility	25,000	-	-	-
Bank guarantee facility	297	500	-	-
Other	200	200	-	-
	25,497	700	-	-

Maturities of financial liabilities

The tables below analyse the group's and the parent entity'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.

GROUP - AT 30 JUNE 2009	LESS THAN	6 - 12	BETWEEN	TOTAL	CARRYING
	6 MONTHS	MONTHS	1 AND 5 YRS	CONTRACTUAL	AMOUNT
	\$'000	\$'000	\$'000	CASH FLOWS	(ASSETS)/
				\$'000	LIABILITIES
					\$'000
Non-derivatives					
Non-interest bearing	15,723	-	-	15,723	15,723
Total non-derivatives	15,723	-	-	15,723	15,723
Derivatives					
Gross settled					
- (inflow)	(1,772)	-	-	(1,772)	
- outflow	1,881	-	-	1,881	
Total derivatives	109	-	-	109	109

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

GROUP - AT 30 JUNE 2008	LESS THAN	6 - 12	BETWEEN	TOTAL	CARRYING
	6 MONTHS	MONTHS	1 AND 5 YRS	CONTRACTUAL	AMOUNT
	\$'000	\$'000	\$'000	CASH FLOWS	(ASSETS)/
				\$'000	LIABILITIES
					\$'000
Non-derivatives					
Non-interest bearing	18,781	29	-	18,810	18,810
Total non-derivatives	18,781	29	-	18,810	18,810
Derivatives					
Gross settled					
- outflow	203	-	-	203	203
Total derivatives	203	-	-	203	203
PARENT - AT 30 JUNE 2009	LESS THAN	6 - 12	BETWEEN	TOTAL	CARRYING
	6 MONTHS	MONTHS	1 AND 5 YRS	CONTRACTUAL	AMOUNT
	\$'000	\$'000	\$'000	CASH FLOWS	(ASSETS)/
				\$'000	LIABILITIES
					\$'000
Non-derivatives					
Non-interest bearing	5,841	-	-	5,841	5,841
Total non-derivatives	5,841	-	-	5,841	5,841
PARENT - AT 30 JUNE 2008	LESS THAN	6 - 12	BETWEEN	TOTAL	CARRYING
	6 MONTHS	MONTHS	1 AND 5 YRS	CONTRACTUAL	AMOUNT
	\$'000	\$'000	\$'000	CASH FLOWS	(ASSETS)/
				\$'000	LIABILITIES
					\$'000
Non-derivatives					
Non-interest bearing	999	-	-	999	999
Total non-derivatives	999	-	-	999	999

[d] 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 that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) 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. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting 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.

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(s). 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 20 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

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

[b] Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

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

4. SEGMENT INFORMATION

[a] Description of segments

Business segments

The consolidated entity is organised in the following divisions by product and service type:

Equipment sales and support (continued operations)

Includes the manufacture, assembly, sales and support of mobile lighting, power generation and dewatering equipment, as well as the distribution and support of Perkins engines, FG Wilson power generation sets and Godwin wetends.

Equipment hire (discontinued operations)

Includes hire of equipment, access equipment, temporary site accommodation, toilets, mobile lighting equipment, power generation equipment and dewatering pumps.

Geographical segments

The consolidated entity operates in the Australian market with a minor operation in USA. For the purposes of segment reporting, the results of the USA operation are not considered material as its assets and revenues contribute less than 10% of the total consolidated result.

4. SEGMENT INFORMATION (CONTINUED)

(b) Primary reporting format - business segments

2009	SALE OF GOODS \$'000	TOTAL CONTINUING OPERATIONS \$'000	CONSOLIDATED \$'000
SEGMENT REVENUE			
Sales to external customers	104,436	104,436	104,436
Intersegment sales	-	-	-
Total sales revenue	104,436	104,436	104,436
Other revenue	110	110	110
Total segment revenue	104,546	104,546	104,546
Intersegment elimination		-	-
Unallocated revenue		2,166	2,166
Consolidated revenue		106,712	106,712
SEGMENT RESULT			
Segment result	6,785	6,785	6,785
Intersegment elimination		-	-
Unallocated revenue less unallocated expenses		19,901	19,901
Profit before income tax		26,686	26,686
Income tax expense		(1,637)	(1,637)
Profit for the year		25,049	25,049
SEGMENT ASSETS AND LIABILITIES			
Segment assets	86,022	86,022	86,022
Intersegment elimination		-	-
Unallocated assets		315,326	315,326
Total assets		401,348	401,348
Segment liabilities	11,165	11,165	11,165
Intersegment elimination		-	-
Unallocated liabilities		21,744	21,744
Total liabilities		32,909	32,909
OTHER SEGMENT INFORMATION			
Investments in associates	-	307,429	307,429
Share of net profits of associates	-	20,155	20,155
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	336	336	336
Unallocated		-	-
Total acquisitions		336	336
Depreciation and amortisation expense	594	594	594
Total depreciation and amortisation		594	594
Impairment of inventories (note 12)	(252)	(252)	(252)

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

2008	SALE OF GOODS \$'000	TOTAL CONTINUING OPERATIONS \$'000	EQUIPMENT HIRE [DISCONTINUED] [NOTE 9] \$'000	CONSOLIDATED \$'000
SEGMENT REVENUE				
Sales to external customers	82,336	82,336	130,849	213,185
Intersegment sales	14,695	14,695	53	14,748
Total sales revenue	97,031	97,031	130,902	227,933
Other revenue	192	192	919	1,111
Total segment revenue	97,223	97,223	131,821	229,044
Intersegment elimination		(14,748)	-	(14,748)
Consolidated revenue		82,475	131,821	214,296
SEGMENT RESULT				
Segment result	5,851	5,851	68,266	74,117
Intersegment elimination		(1,339)	-	(1,339)
Unallocated revenue less unallocated expenses		(8,027)	-	(8,027)
Profit before income tax		(3,515)	68,266	64,751
Income tax expense		(1,907)	(20,320)	(22,227)
Profit for the year		(5,422)	47,946	42,524
SEGMENT ASSETS AND LIABILITIES				
Segment assets	74,527	74,527	-	74,527
Unallocated assets		333,152	-	333,152
Total assets		407,679	-	407,679
Segment liabilities	19,941	19,941	-	19,941
Unallocated liabilities		26,553	-	26,553
Total liabilities		46,494	-	46,494
OTHER SEGMENT INFORMATION				
Investments in associates	-	309,887	-	309,887
Share of net profits of associates	-	1,188	-	1,188
Acquisitions of property, plant and equipment, intangibles, other non-current segment assets	637	637	50,917	51,554
Total acquisitions		637	50,917	51,554
Depreciation and amortisation expense	685	685	24,292	24,977
Total depreciation and amortisation		685	24,292	24,977
Impairment of inventories (note 12)	641	641	-	641
Profit on sale of discontinued operation before income tax	-	-	41,314	41,314

5. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
From continuing operations				
<i>Sales revenue</i>				
Sale of goods	104,436	82,336	-	-
Interest	698	870	695	625
Other revenue	1,578	919	1,561	750
	106,712	84,125	2,256	1,375

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
From discontinued operations (note 9)				
Sales revenue	-	130,849	-	-

6. OTHER INCOME

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net gain on disposal of property, plant and equipment	155	-	-	-
Net gain on derivative financial instruments	-	3	-	-
Dividends received	-	-	-	221
	155	3	-	221

7. EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Plant and equipment	441	521	1	-
Total depreciation	441	521	1	-
<i>Amortisation</i>				
Research and development	153	-	-	-
Software	-	164	-	-
Total amortisation	153	164	-	-
Total depreciation and amortisation	594	685	1	-
<i>Finance costs</i>				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	421	-	33	-
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	1,666	1,231	-	-
<i>Foreign exchange gains and losses (net gain in 2008 - see note 6)</i>				
Net foreign exchange losses	358	-	-	-
Defined contribution superannuation expense	887	2,097	87	33

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Income tax expense				
Current tax	1,553	6,679	(262)	(182)
Deferred tax	463	376	234	349
Adjustments for current tax of prior periods	(379)	(182)	-	(182)
	1,637	6,873	(28)	(15)
Income tax expense is attributable to:				
Profit from continuing operations	1,637	1,907	(28)	(15)
Profit from discontinued operations	-	4,966	-	-
Aggregate income tax expense / (benefit)	1,637	6,873	(28)	(15)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 19)	90	(273)	234	349
(Decrease) increase in deferred tax liabilities (note 24)	373	649	-	-
	463	376	234	349
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit / (loss) from continuing operations before income tax expense	26,686	6,600	(185)	45,362
Profit from discontinuing operations before income tax expense	-	16,837	-	-
	26,686	23,437	(185)	45,362
Tax at the Australian tax rate of 30% (2008 - 30%)	8,006	7,031	(56)	13,609
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-assessable revenue	-	-	-	(13,476)
Rebateable dividends	-	28	-	28
Entertainment	9	63	-	-
Share-based payments	28	-	28	-
Share of net profit of associates	(6,046)	-	-	-
Other non-deductible items	19	(67)	-	6
Adjustments for current tax of prior periods	(379)	(182)	-	(182)
Total income tax expense/(benefit)	1,637	6,873	(28)	(15)
(c) Tax consolidation legislation				

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

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 directors, limits the joint and several liability of the tax consolidated entities in the case of a default by the head entity, National Hire Group Limited.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity 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. DISCONTINUED OPERATIONS

[a] Description

On 17 December 2007, shareholders approved the sale of the rental business to the Coates Group. The transfer of the business occurred on 9 January 2008. The rental segment disposed of has been reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 4 - segment information.

[b] Financial performance and cash flow information

The financial performance and cash flow information presented are for the period from 1 July 2007 to 8 January 2008.

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Results of discontinued operations				
Revenue (note 5)	-	130,849	-	-
Other income	-	919	-	-
Expenses	-	(114,931)	-	-
Profit before income tax	-	16,837	-	-
Income tax expense	-	(4,966)	-	-
Profit after income tax of discontinued operations	-	11,871	-	-
Gain on sale of the division before income tax	-	41,314	-	-
Income tax expense	-	(15,354)	-	-
Gain on sale of the division after income tax	-	25,960	-	-
Profit from discontinued operations	-	37,831	-	-
Cash flows generated from/(used in) discontinued operations				
Net cash inflow from operating activities	-	37,156	-	-
Net cash (outflow) from investing activities	-	(46,088)	-	-
Net cash inflow from financing activities	-	10,661	-	-
Net cash generated from/(used in) discontinued operations	-	1,729	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS [CONTINUED]

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities, for both the consolidated entity and the company, as at the date of sale 9 January 2008 were:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets				
Cash and cash equivalents	-	2,205	-	-
Receivables	-	59,997	-	-
Inventories	-	918	-	-
Investments	-	13,245	-	-
Property, plant and equipment	-	305,414	-	-
Deferred tax asset	-	481	-	-
Intangibles	-	88,266	-	-
Total assets	-	470,526	-	-
Liabilities				
Payables	-	(39,138)	-	-
Interest bearing liabilities	-	(227,882)	-	-
Current tax liabilities	-	(2,550)	-	-
Provisions	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	(1,435)	-	-
Provisions for employee benefits	-	-	-	-
Total liabilities	-	(271,005)	-	-
Net assets	-	199,521	-	-

(d) Details of the sale of the division

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consideration received or receivable:				
Equity holding	-	347,950	-	-
Less: net cash outflow	-	[69,027]	-	-
Total disposal consideration	-	278,923	-	-
Carrying amount of net assets sold	-	[199,521]	-	-
		79,402	-	-
NHGL share of gain on sale before income tax [52.85%]	-	41,964	-	-
Less employee bonuses to be paid	-	[650]	-	-
Income tax expense	-	[15,354]	-	-
Gain on sale after income tax	-	[25,960]	-	-

10. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	3,590	18,491	167	13,088
Deposits at call	2,104	-	2,104	-
	5,694	18,491	2,271	13,088

(a) Risk exposure

The group's and the parent entity's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and on hand

These are non-interest bearing.

(c) Deposits at call

The deposits bear interest at a rate of 3.0% . These deposits have an average period to repricing of 60 days.

(d) Fair value

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

11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net trade receivables				
Trade receivables	18,697	16,475	413	29
Provision for impairment of receivables (note (a))	(161)	(281)	-	-
	18,536	16,194	413	29
Other receivables	248	2,606	-	2,363
Prepayments	325	157	118	(2)
Tax related amounts receivable from related parties	-	7,689	-	7,723
	19,109	26,646	531	10,113

a) Impaired trade receivables

As at 30 June 2009 current trade receivables of the group with a nominal value of \$161,000 (2008 - \$281,000) were impaired, with the amounts being fully provided for. There were no impaired trade receivables for the parent entity in 2009 or 2008. The ageing of these receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31 to 60 days	9	-	-	-
61 to 90 days	-	-	-	-
91 to 120 days	1	-	-	-
121 days or over	151	281	-	-
	161	281	-	-

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July	281	1,187	-	-
Provision for impairment recognised during the year	150	124	-	-
Receivables written off during the year as uncollectible	(98)	-	-	-
Unused amount reversed	(172)	(1,030)	-	-
	161	281	-	-

NOTES TO THE FINANCIAL STATEMENTS

11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES [CONTINUED]

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statements. 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 2009, trade receivables of \$10,355,000 (2008 - \$8,113,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31 to 60 days	5,580	6,174	-	-
61 to 90 days	3,564	1,243	-	-
91 to 120 days	466	56	-	-
121 days or over	745	640	-	-
	10,355	8,113	-	-

Goods are sold subject to retention of title clauses; the value of 'collateral' held against the trade receivables as at 30 June 2009 is \$18,208,000 (2008: \$16,473,000).

[c] Other receivables

These amounts generally arise from revenues billed in arrears. For the parent entity, these are receivables on trading account from other wholly owned entities.

[d] Foreign exchange and interest rate risk

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

[e] 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.

12. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Raw materials			-	-
- at cost	6,097	4,167	-	-
Work in progress			-	-
- at cost	198	815	-	-
Finished goods			-	-
- at cost	35,752	25,061	-	-
Net realisable value adjustments				
- at net realisable value	(509)	(761)	-	-
	41,538	29,282	-	-

13. CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current Assets				
Interest rate cap	-	409	-	-
Total derivative financial instrument assets	-	409	-	-
Current liabilities				
Forward foreign exchange contracts - fair value hedges ((i))	109	-	-	-
Total derivative financial instrument liabilities	109	-	-	-
	109	409	-	-

13. CURRENT ASSETS - DERIVATIVE FINANCIAL INSTRUMENTS [CONTINUED]*(i) Forward exchange contracts - fair value hedges*

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

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

[a] Risk exposures

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

14. CURRENT ASSETS - CURRENT TAX RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current tax receivable	5,009	-	6,158	-

15. NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	11	11	11	11
Employee share plan	36	36	36	36
Provision for doubtful receivable	(5)	(8)	(5)	(8)
	42	39	42	39

16. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Shares in associates (note 36)	307,429	309,887	306,181	310,896

(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 parent entity.

17. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Shares in subsidiaries (note 34)	-	-	55,536	43,230
	-	-	55,536	43,230

NOTES TO THE FINANCIAL STATEMENTS

18. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	LEASED PLANT & EQUIPMENT \$'000	TOTAL \$'000
AT 1 JULY 2007					
Cost	318	384,066	3,744	13,764	401,892
Accumulated depreciation	-	(113,462)	(1,655)	(3,157)	(118,274)
Net book amount	318	270,604	2,089	10,607	283,618
YEAR 30 JUNE 2008					
Opening net book amount	318	270,604	2,089	10,607	283,618
Additions	-	51,325	229	-	51,554
Depreciation and amortisation	-	(23,839)	(231)	(765)	(24,835)
Disposals	-	(3,180)	(82)	(36)	(3,298)
Sale of operations	-	(293,603)	(2,005)	(9,806)	(305,414)
Closing net book amount	318	1,307	-	-	1,625
AT 30 JUNE 2008					
Cost	318	4,795	-	-	5,113
Accumulated depreciation	-	(3,488)	-	-	(3,488)
Net book amount	318	1,307	-	-	1,625

CONSOLIDATED	FREEHOLD LAND \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
YEAR 30 JUNE 2009			
Opening net book amount	318	1,307	1,625
Additions	-	506	506
Depreciation charge	-	(441)	(441)
Disposals	(318)	(10)	(328)
Other	-	17	17
Closing net book amount	-	1,379	1,379
AT 30 JUNE 2009			
Cost	-	5,225	5,225
Accumulated depreciation	-	(3,846)	(3,846)
Net book amount	-	1,379	1,379

PARENT ENTITY	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
YEAR 30 JUNE 2009		
Opening net book amount	-	-
Additions	6	6
Depreciation charge	(1)	(1)
Closing net book amount	5	5
AT 30 JUNE 2009		
Cost	6	6
Accumulated depreciation	(1)	(1)
Net book amount	5	5

19. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Doubtful debts	48	85	-	-
Employee benefits	301	343	15	8
Inventory and equipment provisions	332	228	-	-
Accruals	81	32	35	48
Provision for warranties	53	-	-	-
Other	33	22	-	-
Share issue expenses	41	269	41	269
Total deferred tax assets	889	979	91	325
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	(889)	(979)	-	-
Net deferred tax assets	-	-	91	325
Movements:				
Opening balance at 1 July	979	3,204	325	674
Credited/(charged) to the income statements (note 8)	(90)	273	(234)	(349)
Disposal of rental business	-	(2,498)	-	-
Closing balance at 30 June	889	979	91	325
Deferred tax assets to be recovered				
Deferred tax assets to be recovered within 12 months	616	116	50	56
Deferred tax assets to be recovered after more than 12 months	273	863	41	269
	889	979	91	325

NOTES TO THE FINANCIAL STATEMENTS

20. NON-CURRENT ASSETS - INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL \$'000	DISTRIBUTION AGREEMENTS \$'000	RESEARCH & DEVELOPMENT \$'000	SOFTWARE \$'000	BRAND NAMES \$'000	TOTAL \$'000
AT 1 JULY 2007						
Cost	98,511	9,835	724	2,195	3,950	115,215
Accumulated amortisation and impairment	-	-	-	(1,339)	(899)	(2,228)
Net book amount	<u>98,511</u>	<u>9,835</u>	<u>724</u>	<u>856</u>	<u>3,061</u>	<u>112,987</u>
YEAR 30 JUNE 2008						
Opening net book amount	98,511	9,835	724	856	3,061	112,987
Additions - internal development	-	-	363	-	-	363
Amortisation charge	-	-	(122)	-	-	(122)
Disposals	(86,161)	(1,850)	-	(856)	(3,061)	(91,928)
Closing net book amount	<u>12,350</u>	<u>7,985</u>	<u>965</u>	<u>-</u>	<u>-</u>	<u>21,300</u>
AT 30 JUNE 2008						
Cost	12,350	7,985	1,087	-	-	21,422
Accumulated amortisation and impairment	-	-	(122)	-	-	(122)
Net book amount	<u>12,350</u>	<u>7,985</u>	<u>985</u>	<u>-</u>	<u>-</u>	<u>21,300</u>

CONSOLIDATED	GOODWILL \$'000	DISTRIBUTION AGREEMENTS \$'000	RESEARCH & DEVELOPMENT	TOTAL \$'000
YEAR 30 JUNE 2009				
Opening net book amount	12,350	7,985	965	21,300
Amortisation charge	-	-	(152)	(152)
Closing net book amount	<u>12,350</u>	<u>7,985</u>	<u>813</u>	<u>21,148</u>
AT 30 JUNE 2009				
Cost	12,350	7,985	1,087	21,422
Accumulated amortisation and impairment	-	-	(274)	(274)
Net book amount	<u>12,350</u>	<u>7,985</u>	<u>813</u>	<u>21,148</u>

[a] Impairment tests for goodwill

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

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

	AUSTRALIA
	\$'000
2009	
Capital sales	<u>12,350</u>
	<u>12,350</u>
	AUSTRALIA
	\$'000
2008	
Capital sales	<u>12,350</u>
	<u>12,350</u>

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.

20. NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

[b] Key assumptions used for value-in-use calculations

	BUDGET CASH FLOW*		AVERAGE REVENUE GROWTH RATE OVER 5 YEARS**		DISCOUNT RATE	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	%	%	%	%
Capital sales	6,100	6,983	3.00	3.70	10.30	10.93

* 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.

21. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	5,262	12,484	161	63
Other payables	5,270	7,123	2,331	3,074
Tax related amounts payable to related parties	5,571	-	5,537	-
Unearned income	298	1,156	-	-
	16,401	20,763	8,029	3,137

[a] Amounts not expected to be settled within the next 12 months

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Annual leave obligation expected to be settled after 12 months	183	231	-	-
	183	231	-	-

[b] Risk exposure

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

NOTES TO THE FINANCIAL STATEMENTS

22. CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits - long service leave (b)	148	45	-	-
Service warranties (a)	178	-	-	-
	326	45	-	-

[a] Service warranties

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

[b] Amounts not expected to be settled within the next 12 months

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave obligation expected to be settled after 12 months	136	-	-	-

23. CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income tax	-	8,872	-	8,872
	-	8,872	-	8,872

24. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Depreciation	-	(188)	-	-
Distribution agreements	2,395	2,395	-	-
Gain on sale of discontinued operations	14,205	15,354	-	-
Receivables	145	-	-	-
Other	40	-	-	-
Total deferred tax liabilities	16,785	17,561	-	-
Set-off deferred tax liabilities pursuant to set-off provisions (note 19)	(889)	(979)	-	-
Net deferred tax liabilities	15,896	16,582	-	-

Movements:

Opening balance at 1 July	17,561	3,575	-	-
Charged/(credited) to the income statements (note 8)	373	649	-	-
Gain on sale of discontinued operations	-	15,354	-	-
Disposal of rental business	-	(2,017)	-	-
Portion of sale of discontinued operation transferred to current tax	(1,149)	-	-	-
Closing balance at 30 June	16,785	17,561	-	-
Deferred tax liabilities to be settled	185	-	-	-
Deferred tax liabilities to be settled within 12 months	16,600	17,561	-	-
Deferred tax liabilities to be settled after more than 12 months	16,785	17,561	-	-

25. NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits - long service leave	177	232	-	-
	177	232	-	-

NOTES TO THE FINANCIAL STATEMENTS

26. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2009 SHARES	2008 SHARES	2009 \$'000	2008 \$'000
[a] Share capital				
Ordinary shares				
Fully paid	148,401,945	148,401,945	293,446	293,446
[b] Other equity securities				
Value of conversion rights - convertible notes			325	325
Total contributed equity - parent entity			293,771	293,771

[c] Movements in ordinary share capital:

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	\$'000
1 July 2007	Opening balance	119,704,802		207,435
4 December 2007	Exercise of 2003 options	40,000	\$1.00	40
31 December 2007	Issue of ordinary shares	28,657,143	\$3.00	85,971
30 June 2008	Balance	148,401,945		293,446
1 July 2008	Opening balance	148,401,945		293,446
30 June 2009	Balance	148,401,945		293,446

[d] Ordinary shares

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

[e] Options

Information relating to the National Hire Group Limited 2005 Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 41.

[f] Capital risk management

The group's and the parent entity'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 and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheets (including minority interest) plus net debt.

26. CONTRIBUTED EQUITY [CONTINUED]

During 2009, the group's strategy, which was unchanged from 2008, was to maintain a gearing ratio within 0% to 5%. The gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total borrowings	10,532	19,607	2,492	3,137
Less: cash and cash equivalents	(5,694)	(18,491)	(2,271)	(13,088)
Net debt	4,838	1,116	221	(9,951)
Total equity	368,439	361,185	362,786	365,682
Total capital	373,277	362,301	363,007	355,731
Gearing ratio	1.30%	0.30%	- %	- %

27. RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
[a] Reserves				
Hedging reserve - cash flow hedges	(14,433)	-	-	-
Share-based payments reserve	3,114	2,257	2,483	-
Foreign currency translation reserve	(1,263)	(9)	-	-
	12,582	2,248	2,483	2,257
Movements:				
<i>Hedging reserve - cash flow hedges</i>				
Balance 1 July	-	-	-	-
Share of movement in reserve of associate	(14,443)	-	-	-
Balance 30 June	(14,443)	-	-	-
Movements:				
<i>Share-based payments reserve</i>				
Balance 1 July	2,257	1,792	2,257	1,792
Employee share plan expense	226	465	226	465
Share of movement in reserve of associate	631	-	-	-
Balance 30 June	3,114	2,257	2,483	2,257
Movements:				
<i>Foreign currency translation reserve</i>				
Balance 1 July	(9)	(868)	-	-
Currency translation differences arising during the year				
Group	4	859	-	-
Associates	(1,258)	-	-	-
Balance 30 June	(1,263)	(9)	-	-
[b] Retained profits				
Movements in retained profits were as follows:				
Opening retained earnings	65,166	34,550	69,654	36,185
Net profit for the year	25,049	42,524	(157)	45,377
Dividends	(2,965)	(11,908)	(2,965)	(11,908)
Balance 30 June	87,250	65,166	66,532	69,654

NOTES TO THE FINANCIAL STATEMENTS

27. RESERVES AND RETAINED PROFITS [CONTINUED]

[c] Nature and purpose of reserves

(ii) 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 directly in equity, as described in note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise:

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

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

28. DIVIDENDS

[a] Ordinary shares

Final dividend for the year ended 30 June 2008 of 2 cents (2007 - 5 cents) per fully paid share paid on 10 October 2008 (2007 - 13 October 2007)

Fully franked based on tax paid @ 30% - 2 cents (2007 - 5 cents) per share

No interim dividend was paid during the current year. Interim dividend for the year ended

30 June 2008 of 4 cents per fully paid share was paid on 16 March 2008

Fully franked based on tax paid @ 30%

Total dividends provided for or paid

PARENT ENTITY	
2009	2008
\$'000	\$'000
2,965	5,985
-	5,923
2,965	11,908

[b] Dividends not recognised at year end

The directors have not recommended the payment of a final dividend for the year ended 30 June 2009.

In the prior year the directors declared a final dividend of 2 cents per fully paid ordinary share, fully franked based on tax paid at 30%.

-	2,968
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[c] Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30% (2008 - 30%)

PARENT ENTITY	
2009	2008
\$'000	\$'000
38,469	44,934

The above amounts represent the balance of the franking account as at the end of the financial year, 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.

In the prior year, the impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, was a reduction in the franking account of \$1,272,017.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) *Chairman - non-executive*
John Langoulant

(ii) *Executive directors*
Andrew Aitken, Managing Director

(iii) *Non-executive directors*
Hon. Richard Court, AC (appointed 29 July 2008)
Stephen Donnelley
Dale Elphinstone
Clive Isenberg
James Walker

(b) Other key management personnel

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

<i>NAME</i>	<i>POSITION</i>	<i>EMPLOYER</i>
Patrick Walsh	Managing Director	Allight Pty Ltd
Ray Harman (resigned 25 September 2008)	Company Secretary	National Hire Group Limited
Antoinette du Preez (appointed 19 August 2008)	Chief Financial Officer/Company Secretary (Joint)	National Hire Group Limited
Gayle McGarry (appointed 4 August 2008)	Company Secretary (Joint)	National Hire Group Limited
Shaun McCullough (resigned 31 July 2008)	General Manager - Capital Sales	National Hire Group Limited

(c) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	1,637,282	1,643,823	1,337,375	1,119,926
Post-employment benefits	180,913	149,381	153,921	103,449
Termination benefits	250,000	209,227	250,000	-
Share-based payments	225,656	347,852	225,656	262,388
Other	45,338	19,963	45,338	16,409
	2,339,189	2,370,246	2,012,290	1,502,172

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 14 to 18.

(d) Equity instrument disclosures relating to key management personnel

(i) *Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 19-20.

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL DISCLOSURES [CONTINUED]

(ii) Option holdings

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

2009

NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	EXERCISABLE	NOT YET EXERCISABLE
Directors of National Hire Group Limited							
A Aitken	-	1,000,000	-	-	1,000,000	-	1,000,000
S Donnelley	261,000	-	-	-	261,000	261,000	-
Other key management personnel of the group							
R Harman	90,000	-	-	-	90,000	90,000	-
S McCullough	174,000	-	-	-	174,000	174,000	-

2008

NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	EXERCISABLE	NOT YET EXERCISABLE
Directors of National Hire Group Limited							
S Donnelley	261,000	-	-	-	261,000	261,000	-
Other key management personnel of the group							
G Armstrong	195,000	-	-	-	195,000	195,000	-
R Harman	90,000	-	-	-	90,000	90,000	-
S McCullough	174,000	-	-	-	174,000	174,000	-
P Funga	90,000	-	-	(90,000)	-	-	-

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of National Hire Group Limited 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.

2009

NAME	BALANCE AT START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of National Hire Group Limited				
Ordinary shares				
S Donnelley (indirectly)	1,991,877	-	-	1,991,877
D Elphinstone (indirectly)	29,500,000	-	2,054,089	31,554,089
Other key management personnel of the group				
Ordinary shares				
R Harman	96,727	-	-	96,727

2008

NAME	BALANCE AT 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)	842,857	-	28,657,143	29,500,000
J Star	66,853	-	(20,939)	45,914
R Romano	30,000	-	7,000	37,000
Other key management personnel of the group				
Ordinary shares				
R Harman	95,827	-	900	96,727
P Funga	77,500	-	(45,500)	32,000
S McCullough	40,964	-	(40,964)	-

29. KEY MANAGEMENT PERSONNEL DISCLOSURES [CONTINUED]**[e] Loans to key management personnel**

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

[f] Other transactions with key management personnel*(i) Directors of National Hire Group Limited*

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

During the year commercial transactions were entered into with WesTrac Pty Ltd and WesTrac (China) Machinery Equipment Ltd. Mr J Walker, Mr J Langoulant and Mr R Court are directors of WesTrac Pty Ltd 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 (d).

In the prior year the following transactions occurred with key management personnel:

Commercial transactions were entered into with Unity Plant Services Pty Ltd, an entity indirectly related to Mr S Donnelley involving the rental of equipment.

DWB (NH) Pty Limited rented premises from companies associated with the family of non-executive director Mr S Donnelley.

DWB (NH) Pty Limited entered into agreements to lease properties from Abbott Properties Pty Limited and Star Peshurst Properties Pty Limited, companies of which Mr J Star is a director. Another director, Mr S Donnelley, is a potential beneficiary of a family trust which owns shares in Abbott Properties Pty Limited.

All of the above arrangements are on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of National Hire Group Limited (with the exception of those detailed in Note 33 Related Party Transactions) are as follows:

	2009 \$	2008 \$
Amounts recognised as revenue		
Equipment sales	194,176	-
Hire revenue	-	1,386,951
	194,176	1,386,951
Amounts recognised as expense		
Rental expense	-	568,539
	-	568,539

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

	2009 \$	2008 \$
Trade and other receivables	211,600	-

NOTES TO THE FINANCIAL STATEMENTS

30. REMUNERATION OF AUDITORS

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
(a) PricewaterhouseCoopers Australia				
Audit and other assurance services				
Audit and review of financial reports	99,500	182,285	99,500	182,285
Other assurance services				
Other	-	2,039	-	2,039
Total remuneration for audit and other services	99,500	184,324	99,500	184,324
Taxation services				
Tax compliance services	4,000	20,410	4,000	20,410
Total remuneration for taxation services	4,000	20,410	4,000	20,410
Other services				
Advisory services	-	46,041	-	46,041
Total remuneration of PricewaterhouseCoopers Australia	103,500	250,775	103,500	250,775

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 due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

31. CONTINGENCIES

(a) Contingent liabilities

The parent entity and group had contingent liabilities at 30 June 2009 in respect of:

Guarantees - Rental Bond

Allight Pty Ltd has agreed to indemnify its bankers in respect of guarantees for a rental bond, amounting to \$149,010 at 30 June 2009, given in favour of third parties.

These guarantees may give rise to liabilities in the event that the company defaults on its obligations under the terms of the lease agreement for its premises located in Landsdale, Western Australia.

Guarantees - Retention

Allight Pty Ltd has agreed to indemnify its bankers in respect of guarantees for retention security on contracts, amounting to \$53,473 at 30 June 2009, given in favour of third parties.

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

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

32. COMMITMENTS

[a] Capital commitments

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Property, plant and equipment</i>				
Within one year	208	-		
	208	-		

[b] Lease commitments : Group as lessee

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,250	1,037	-	-
Later than one year but not later than five years	2,260	2,559	-	-
	3,510	3,596		
Representing:				
Non-cancellable operating leases	3,510	3,596		
	3,510	3,596		

(i) Non-cancellable operating leases

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,250	1,037	-	-
Later than one year but not later than five years	2,260	2,559	-	-
Commitments not recognised in the financial statements	3,510	3,596		

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS

[a] Parent entities

The parent entity within the group is National Hire Group Limited. The ultimate Australian parent entity is Australian Capital Equity Pty Limited which at 30 June 2009 indirectly owned 66% (2008: 66%) of the ordinary shares of National Hire Group Limited.

[b] Subsidiaries

Interests in subsidiaries are set out in note 34.

[c] Key management personnel

Disclosure relating to key management personnel are set out in note 29.

[d] Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Sales of goods and services</i>				
Revenue from property, plant, equipment and parts sales to immediate parent entity	292,361	3,496,863	-	-
Revenue from property, plant, equipment and parts sales to associate	23,017,371	32,028	-	-
Revenue from equipment hire to immediate parent entity and associated subsidiary	-	929,654	-	-
	23,309,732	4,458,545	-	-
<i>Purchase of goods</i>				
Purchase of property, plant, equipment and related parts from immediate parent entity and associated subsidiary	15,136,943	7,801,590	-	-
Purchase of property, plant, equipment and related parts from associate	68,358	-	-	-
Payments for equipment under finance leases where the immediate parent entity is the lessor	-	1,176,607	-	-
	15,205,301	8,978,197	-	-
<i>Tax consolidation legislation</i>				
Current tax payable (receivable) assumed from tax consolidated entities - associate	(5,571,780)	7,688,789	(5,571,780)	7,688,789
	(5,571,780)	7,688,789	(5,571,780)	7,688,789
<i>Other transactions</i>				
Property rent and operating lease payments paid to immediate parent entity and associated subsidiary	-	1,360,395	-	-
Property rent and operating lease payments paid to associate	244,226	-	-	-
Reimbursement of expenses to ultimate parent entity	62,561	45,327	62,561	45,327
Management fee receivable from associate	1,467,742	750,000	1,467,742	750,000
Management fee payable to ultimate parent entity	283,333	-	283,333	-
Reimbursement of expenses to associate	-	106,088	-	106,088
Reimbursement of expenses from subsidiary	-	-	69,331	-
Success fee payment to ultimate parent entity	-	3,000,000	-	3,000,000
	2,057,862	5,261,810	1,882,967	3,901,415

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS [CONTINUED]

[e] Outstanding balances arising from sales/purchases of goods and services

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Current receivables (sales of goods and services)</i>				
Parent entity	197,016	31,554	-	-
Associates	7,455,891	50,538	412,500	-
	7,652,907	82,092	412,500	-
<i>Current receivables (tax funding agreement)</i>				
Tax consolidation entities - associates	-	-	-	10,758,257
<i>Current payables (purchases of goods and services)</i>				
Parent entity	2,517,068	56,307	-	-
Associates	7,853	-	-	-
Ultimate parent entity	104,406	-	104,406	-
	2,629,327	56,307	104,406	-
<i>Current payables (tax funding agreement)</i>				
Tax consolidation entities - associates	-	-	5,571,780	-

A provision for doubtful debts in the amount of \$63,076 (2008: Nil) has been raised in relation to the outstanding receivables balance from associates, with the corresponding expense recognised in respect of doubtful debts due from related parties.

[f] Loans to/from related parties

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Loans to subsidiaries</i>				
Beginning of the year	-	-	29,514,109	154,058,980
Loans advanced to/(from) subsidiaries	-	-	(12,307,085)	109,892,436
Loan repayments received	-	-	-	(42,263,267)
Loans repaid as part of Coates transaction	-	-	-	(192,174,040)
End of year	-	-	17,207,024	29,514,109

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts 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.

[g] Guarantees

No bank guarantees have been provided by the parent entity on behalf of its subsidiaries. Refer to Note 35 for details of deed of cross guarantee.

[h] 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, except that there are no fixed terms for the repayment of loans between the parties and these loans are made on an interest free basis.

NOTES TO THE FINANCIAL STATEMENTS

34. SUBSIDIARIES

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	2009 %	2008 %
Allight Holdings Pty Ltd*	Australia	Ordinary	100	100
Allight Pty Ltd*	Australia	Ordinary	100	100
Allight USA Inc	USA	Ordinary	100	100
FGW Pacific Pty Ltd	Australia	Ordinary	100	100
National Hire Facilitation Pty Limited	Australia	Ordinary	100	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

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

35. DEED OF CROSS GUARANTEE

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

[a] Consolidated income statement and a summary of movements in consolidated retained profits

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 2009 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd and Allight Pty Ltd.

	2009 \$'000	2008 \$'000
Income statement		
Revenue from continuing operations	106,712	84,125
Other income	155	3
Changes in inventories of finished goods and work in progress	10,227	(1,689)
Raw materials and consumables used	(91,734)	(58,278)
Loss on sale of property, plant and equipment	-	(223)
Occupancy and communication expense	(2,638)	(2,460)
Freight and rehire expense	-	5
Advertising and promotion	(391)	(449)
Employee benefits expense	(10,894)	(12,484)
Travel and accommodation	(640)	(755)
Finance costs	(421)	-
Other expenses	(3,308)	(1,662)
Depreciation and amortisation expense	(594)	(685)
Share of net profits of associates accounted for using the equity method	20,155	1,188
Profit before income tax	26,629	6,636
Income tax expense	(1,637)	(1,903)
Profit from continuing operations	24,992	4,733
Profit from discontinued operations	-	37,831
Profit for the year	24,992	42,564
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	62,927	32,271
Profit for the year	24,992	42,564
Dividends provided for or paid	(2,965)	(11,908)
Retained profits at the end of the financial year	84,954	62,927

35. DEED OF CROSS GUARANTEE [CONTINUED]**[b] Balance sheets**

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of National Hire Group Limited, Allight Holdings Pty Ltd and Allight Pty Ltd.

	2009 \$'000	2008 \$'000
Current assets		
Cash and cash equivalents	5,640	18,369
Trade and other receivables	19,252	26,645
Inventories	41,538	29,282
Derivative financial instruments	-	409
Current tax receivables	5,009	-
Total current assets	<u>71,439</u>	<u>74,705</u>
Non-current assets		
Receivables	42	39
Investments accounted for using the equity method	307,429	309,887
Other financial assets	83	83
Property, plant and equipment	1,379	1,625
Intangible assets	21,062	21,214
Other	-	253
Total non-current assets	<u>329,995</u>	<u>333,101</u>
Total assets	<u>401,434</u>	<u>407,806</u>
Current liabilities		
Trade and other payables	18,780	23,148
Borrowings	-	-
Derivative financial instruments	109	-
Current tax liabilities	-	8,872
Provisions	326	28
Total current liabilities	<u>19,215</u>	<u>32,048</u>
Non-current liabilities		
Deferred tax liabilities	15,896	16,582
Provisions	177	232
Total non-current liabilities	<u>16,073</u>	<u>16,814</u>
Total liabilities	<u>35,288</u>	<u>48,862</u>
Net assets	<u>366,146</u>	<u>358,944</u>
Equity		
Contributed equity	293,769	293,769
Reserves	(12,577)	2,248
Retained profits	84,954	62,927
Total equity	<u>366,146</u>	<u>358,944</u>

NOTES TO THE FINANCIAL STATEMENTS

36. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
[a] Movements in carrying amounts		
Carrying amount at the beginning of the financial year	309,887	-
Acquisitions of associates	-	310,896
Sale of share of investment in associate	(4,715)	-
Share of profits after income tax	20,155	1,188
Share of movement in hedging reserve	(14,433)	-
Share of movement in share-based payments reserve	631	-
Share of movement in foreign currency translation reserve	(1,258)	-
Elimination of unrealised profits to associates	(1,247)	(264)
Adjustment to net assets	(1,591)	(1,933)
Carrying amount at the end of the financial year	307,429	309,887

[b] Summarised financial information of associates

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

	OWNERSHIP INTEREST	GROUP'S SHARE OF:			
		ASSETS	LIABILITIES	REVENUES	PROFIT
	%	\$'000	\$'000	\$'000	\$'000
2009					
Coates Group Holdings Pty Ltd	46.10	1,347,182	1,003,088	502,337	20,155
		<u>1,347,182</u>	<u>1,003,088</u>	<u>502,337</u>	<u>20,155</u>
2008					
Coates Group Holdings Pty Ltd	47.15	1,420,129	1,074,603	256,038	1,188
		<u>1,420,129</u>	<u>1,074,603</u>	<u>256,038</u>	<u>1,188</u>

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

- [a] the group's operations in future financial years; or
- [b] the results of those operations in future financial years; or
- [c] the group's state of affairs in future financial years.

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

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit for the year	25,049	42,524	(157)	45,377
Depreciation and amortisation	592	24,957	1	-
Non-cash employee benefits expense - share-based payments	226	465	226	465
Management fee	-	(750)	-	(750)
Dividend income	-	(221)	-	(221)
Net gain on sale of property, plant and equipment	(155)	(406)	-	-
Gain on disposal of rental business	-	(41,314)	-	(45,000)
Net gain on derivatives at fair value through the profit and loss	-	(237)	-	-
Share of profits of associates	(20,155)	(1,188)	-	-
Unrealised profits to associates	1,247	-	-	-
Other	-	-	-	(634)
Change in operating assets and liabilities, net of effects from purchase of controlled entity	9,139	1,413	10,530	22
(Increase) in trade debtors and other receivables	(12,426)	(2,580)	-	-
Decrease (Increase) in inventories	(5,009)	-	(6,158)	-
Decrease (increase) in current tax receivable	(46)	(2,498)	234	621
(Increase) decrease in deferred tax assets	409	-	-	-
(Decrease) increase in trade creditors and other payables	(4,345)	10,318	4,888	(111)
(Decrease) increase in other operating liabilities	109	-	-	-
Increase (decrease) in provision for income taxes payable	(8,872)	19,000	(8,872)	4,050
Increase (decrease) in deferred tax liabilities	(640)	-	-	-
(Decrease) increase in other provisions	178	86	-	(48)
Net cash inflow (outflow) from operating activities	(14,699)	49,569	692	3,771

39. NON-CASH INVESTING AND FINANCING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Disposal of rental business	-	278,943	-	-

40. EARNINGS PER SHARE

	CONSOLIDATED	
	2009 CENTS	2008 CENTS
[a] Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	16.88	3.50
From discontinued operations	-	28.22
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>16.88</u>	<u>31.72</u>
[b] Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	16.88	3.50
From discontinued operations	-	28.18
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>16.88</u>	<u>31.68</u>

NOTES TO THE FINANCIAL STATEMENTS

40. EARNINGS PER SHARE (CONTINUED)

[c] Reconciliations of earnings used in calculating earnings per share

	CONSOLIDATED	
	2009	2008
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
from continuing operations	25,049	4,693
from discontinued operations	-	37,831
	25,049	42,524
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	25,049	42,524
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	25,049	42,524

[d] Weighted average number of shares used as the denominator

	CONSOLIDATED	
	2009	2008
	NUMBER	NUMBER
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	148,401,945	134,056,324
Adjustments for calculation of diluted earnings per share:		
Options	-	176,898
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	148,401,945	134,233,222

(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 been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 41.

41. SHARE-BASED PAYMENTS

(a) 2005 Share Option Plan

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

Options are granted under the plan for no consideration.

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

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

41. SHARE-BASED PAYMENTS [CONTINUED]

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER	BALANCE AT THE END YEAR NUMBER	EXERCISABLE AT THE END YEAR NUMBER
CONSOLIDATED AND PARENT ENTITY - 2009								
1 Dec 2005	1 Dec 2010	\$1.85	261,000	-	-	-	261,000	261,000
26 Nov 2005	26 Nov 2010	\$1.85	723,000	-	-	-	723,000	723,000
21 Nov 2008	21 Nov 2013	\$2.00	-	1,000,000	-	-	1,000,000	-
Total			984,000	1,000,000	-	-	1,984,000	984,000
Weighted average exercise price			\$1.85	\$2.00	\$-	\$-	\$1.92	\$1.85
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 THE END YEAR NUMBER	EXERCISABLE AT THE END YEAR NUMBER
CONSOLIDATED AND PARENT ENTITY - 2008								
1 Dec 2005	1 Dec 2010	\$1.85	261,000	-	-	-	261,000	261,000
26 Nov 2005	26 Nov 2010	\$1.85	813,000	-	-	(90,000)	723,000	723,000
20 Nov 2003	20 Nov 2007	\$1.00	40,000	-	(40,000)	-	-	-
Total			1,114,000	-	(40,000)	(90,000)	984,000	984,000
Weighted average exercise price			\$1.82	\$-	\$1.00	\$1.85	\$1.85	\$1.85

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

The weighted average share price at the date of exercise of options exercised during the prior year ended 30 June 2008 was \$2.62.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.92 years (2008 - 2.4 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 58 cents per option. The fair value at grant date is independently determined using a Binomial Model option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

- [a] exercise price: \$2.00
- [b] grant date: 21 November 2008
- [c] expiry date: 21 November 2013
- [d] share price at grant date: \$1.50
- [e] expected price volatility of the company's shares: 55%
- [f] expected dividend yield: 1.5%
- [g] risk-free interest rate: 3.8%

(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 \$226,000 (2008: \$465,000).

DIRECTORS' DECLARATION

In the directors' opinion:

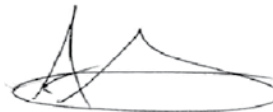
- (a) the financial statements and notes set out on pages 24 to 73 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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 35 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 35.

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.



JOHN LANGOULANT
Chairman



ANDREW AITKEN
Managing Director

Perth, Western Australia
27 August 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HIRE GROUP LIMITED



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

Report on the financial report

We have audited the accompanying financial report of National Hire Group Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both National Hire Group Limited and the National Hire Group Limited group the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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



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

Report on the financial report

We have audited the accompanying financial report of National Hire Group Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both National Hire Group Limited and the National Hire Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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



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 company's and consolidated entity's financial position as at 30 June 2009 and of their 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 also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
27 August 2009

CORPORATE GOVERNANCE STATEMENT

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

Disclosure of Corporate Governance Practices Summary Statement

	ASX P & R ¹	IF NOT, WHY NOT ²		ASX P & R ¹	IF NOT, WHY NOT ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 ³	N/A	N/A
Recommendation 1.3 ³	N/A	N/A	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 ³	N/A	N/A
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 ³	N/A	N/A
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2		✓
Recommendation 2.6 ³	N/A	N/A	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 ³	N/A	N/A
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 ³	N/A	N/A	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 ³	N/A	N/A
Recommendation 4.2		✓			

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

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

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

Website Disclosures

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

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

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year (“Reporting Period”).

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1:

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

Disclosure:

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

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

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

Recommendation 1.2:

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

Disclosure:

Formal performance evaluation for senior executives is generally carried out after the end of each Reporting Period when the Company’s financial statements have been completed. An interview was conducted last year between the managing director and the only member of the current senior executive team who had been in place for a material part of the prior Reporting Period.

Recommendation 1.3:

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

Disclosure:

Formal performance evaluation for senior executives is generally carried out after the end of each Reporting Period when the Company’s financial statements have been completed. As the managing director and the majority of the senior management team were only appointed after the end of the last Reporting Period, not all senior executives were the subject of a performance evaluation during the Reporting Period. Interviews and performance questionnaires will be completed by the managing director for his direct reports following finalisation of the financial statements for the current reporting period. The Chairman will also be conducting an interview with the managing director.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1:

A majority of the Board should be independent directors.

Notification of Departure:

The Board does not have a majority of independent directors. Only one of the 7 directors is independent.

Explanation for Departure:

The Company has two substantial shareholders, WesTrac Pty Ltd (“WesTrac”) and Elph Pty Ltd (“Elph”), who hold interests in the Company of approximately 66% and 21%, respectively.

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

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

CORPORATE GOVERNANCE STATEMENT

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

Recommendation 2.2:

The Chair should be an independent director.

Notification of Departure:

The Chair, John Langoulant, is not independent.

Explanation for Departure:

Mr Langoulant is a director of WesTrac, a substantial shareholder of the Company and for this reason he is not considered to be independent. However, when matters of conflict arise, Mr Langoulant declares his interest and the Board appoints Clive Isenberg, the independent director, as the Chair. The Board believes that Mr Langoulant makes decisions that are in the best interests of the Company and that he is the most appropriate person for the position of Chair.

Recommendation 2.3:

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

Disclosure:

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

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5:

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

Disclosure:

During the Reporting Period, an evaluation of the performance of the Board, its committees and individual directors was carried out by the Nomination Committee and the Board. The evaluation process comprises a review by members of the Nomination Committee, the completion of questionnaires by all non-executive directors and a review of the outcomes of those questionnaires by all non-executive directors.

Recommendation 2.6:

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

Disclosure:**Skills, Experience, Expertise and term of office of each Director**

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

Identification of Independent Directors

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

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

Company's Materiality Thresholds

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

- Balance sheet items are material if they have a value of more than 5% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they:
 - impact on the reputation of the Company;
 - involve a breach of legislation;
 - are outside the ordinary course of business;
 - could affect the Company's rights to its assets;
 - would trigger the quantitative tests if accumulated;
 - involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items; or
 - they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.

- Contracts will be considered material if:
 - they are outside the ordinary course of business;
 - they contain exceptionally onerous provisions in the opinion of the Board;
 - they impact on income or dividend distribution in excess of the quantitative tests;
 - there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests;
 - they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
 - they contain or trigger change of control provisions;
 - they are between or for the benefit of related parties; or
 - they otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

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

Nomination Matters

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

Stephen Donnelley (Chair)
Clive Isenberg
Dale Elphinstone

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

Performance Evaluation

As noted above, during the Reporting Period, an evaluation of the performance of the Board, its committees and individual directors was carried out by the Nomination Committee and the Board. The evaluation process comprised a review by members of the Nomination Committee, completion of a questionnaire by the non-executive directors and a review of the outcomes of those questionnaires by all non-executive directors.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

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

DIRECTOR	APPOINTED	NON-EXECUTIVE	INDEPENDENT	LAST ELECTED	SEEKING RE-ELECTION IN 2009
J Langoulant (Chair)	2008	Yes	No	2008	No
A Aitken	2004	No	No	n/a	n/a
R Court	2008	Yes	No	2008	No
S Donnelley	1996	Yes	No	2008	No
D Elphinstone	2008	Yes	No	2008	Yes
C Isenberg	2004	Yes	Yes	2008	No
J Walker	2008	Yes	No	2008	Yes

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1:

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

Disclosure:

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

Recommendation 3.2:

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

Disclosure:

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

Recommendation 3.3:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is Chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Disclosure:

The Audit Committee comprises 6 directors, Clive Isenberg, Stephen Donnelley, Dale Elphinstone, John Langoulant, James Walker and Richard Court. Clive Isenberg is the only independent director.

Notification of Departure:

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

Explanation for Departure:

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

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

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

Disclosure:

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

Clive Isenberg (Chair)
 Stephen Donnelley
 Dale Elphinstone
 John Langoulant
 James Walker (appointed 22 August 2008)
 Richard Court (appointed 22 August 2008)

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

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

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**Recommendation 5.1:**

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

Disclosure:

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

Recommendation 5.2:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**Recommendation 6.1:**

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

Disclosure:

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

Recommendation 6.2:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

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

Disclosure:

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

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

Under the Risk Management Policy the Board delegates day-to-day management of risk to the Managing Director. The Managing Director is responsible for identifying, assessing, monitoring and managing risks and for updating the Company's material business risks to reflect any changes. This is undertaken in conjunction with senior management. A risk register has been developed to identify the Group's material business risks and risk management strategies for these risks. The risk register will be reviewed quarterly and updated as required.

Recommendation 7.2:

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

Notification of Departure:

The Board requires management to design and implement the risk management and internal control system to manage the Company's material business risks and to report to it. While material business risks were identified, monitored and reported on to the Board by management on an informal basis, full reporting by management to the Board as to the effectiveness of the Company's management of its material business risk was not completed during the Reporting Period.

Explanation for Departure:

The Company underwent a significant transformation in its risk profile and operational and systemic capabilities with the sale of the National Hire rental business to Coates Group Holdings Pty Ltd during the prior reporting period. Further, the senior management team was replaced in its entirety and the composition of the Company's Board changed materially. As a result of these changes, the Company is currently undertaking an extensive review of its formal risk management processes and a new risk management system is partially implemented.

Formalisation of the Company's new risk management system has also begun by way of documentation including appropriate processes for implementation and monitoring. It is expected that the risk management system review will be completed and the new system fully implemented during the second half of the 2010 financial year in conjunction with the roll out of a new enterprise resource planning system.

Given that the risk management system review and subsequent implementation is not yet complete, management was unable to provide a full report to the Board in accordance with the Recommendation.

Recommendation 7.3:

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

Disclosure:

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

Recommendation 7.4:

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

Disclosure:

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

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

Principle 8 – Remunerate fairly and responsibly**Recommendation 8.1:**

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

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

Disclosure:

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

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

Recommendation 8.3:

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

Disclosure:

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

The Remuneration Committee held 3 meetings during the Reporting Period. The directors who are members of the Remuneration Committee are:

Clive Isenberg (Chair)
Dale Elphinstone
John Langoulant

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

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

INVESTOR INFORMATION

The shareholder information set out below was applicable as at 21 September 2009.

20 LARGEST SHAREHOLDERS

Ordinary shares

NAME	NUMBER HELD	PERCENTAGE OF SHARES ISSUED
WesTrac Pty Ltd	98,300,404	66.2
Elph Pty Ltd	31,714,917	21.4
McNeil Nominees Pty Ltd	4,051,405	2.7
National Nominees Ltd	3,295,249	2.2
Stirhill Pty Ltd	1,991,877	1.3
Berne No 132 Nominees Pty Ltd	752,200	0.5
Zazu Holdings Pty Ltd	503,500	0.3
Weebinn Pty Ltd	208,572	0.1
Mr Ian Mark Paton	160,000	0.1
ANZ Nominees Ltd (Cash Income A/C)	124,653	0.1
Summerview Managment Pty Ltd (RW PSF A/C)	120,000	0.1
Mr Steven John Palamara	120,000	0.1
Mr Peter Hampden Acton & Mrs Sarah Catherine Acton (Action Super Fund A/C)	100,000	0.1
Diskhaze Pty Ltd (Barricade Hire S/Fund A/C)	100,000	0.1
Mr Adrian Richard Creedon	96,000	0.1
Mr Raymond Harman & Mrs Sandra Harman	95,827	0.1
Warana Holdings Pty Ltd	95,194	0.1
Gasweld Pty Ltd	86,816	0.1
Ms Patricia Grace Walker	82,857	0.1
Mrs Jane Holyman	79,805	0.1
	142,079,276	95.7
Number of issued ordinary shares	148,401,945	100.0

Substantial shareholders

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

WesTrac Pty Ltd	98,300,404	66.2
Elph Pty Ltd	31,714,917	21.4

Distribution schedule of holders of the company's equity securities

1-1,000	151,196
1,001-5,000	1,482,982
5,001-10,000	1,517,109
10,001-100,000	3,935,297
100,001-99,999,999,999	141,315,361
	148,401,945

There are 124 holders of ordinary shares having less than a marketable parcel of 248 ordinary shares.
Investor Information

VOTING RIGHTS

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

QUOTATION OF THE COMPANY'S SECURITIES

The company's securities are quoted only on the Australian Securities Exchange Limited (ASX) as under:

Class of Security	ASX code
Ordinary Shares	NHR

OTHER INFORMATION RELATING TO THE COMPANY'S SECURITIES:

There are no restricted securities on issue.

There is no current on-market buy-back.

There is no quotation on any other stock exchange.

CORPORATE CALENDAR

2009 Annual General Meeting	20 November 2009
Half year end	31 December 2009
Half year profit announcement	February 2010
Financial year end	30 June 2010
Financial year profit announcement	August 2010

SHARE REGISTRY ENQUIRIES

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

Registries Limited
Level 7
207 Kent Street
Sydney NSW 2000

Telephone: 1300 737 760
Facsimile: 1300 653 459

Web: www.registries.com.au

Email: registries@registries.com.au



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