2008 ANNUAL REPORT

National Hire

NATIONAL HIRE GROUP LIMITED
ABN 61 076 688 938

Allight Power Your Performance

coates

FG WILSON

godwin pumps

Perkins Distributor

CONTENTS

AGM
10:00am Friday 21 November 2008
Marble Rooms 2 & 3
Radisson Plaza Hotel
27 O'Connell Street,
Sydney NSW

REGISTERED OFFICE
12 Hoskins Road, Landsdale,
Perth, WA 6065

ABOUT NATIONAL HIRE

NATIONAL HIRE CONSISTS OF:

- WHOLLY OWNED EQUIPMENT SALES AND SUPPORT BUSINESS OPERATING UNDER THE ALLIGHT NAME
- 47.15% INVESTMENT IN COATES GROUP HOLDINGS PTY LTD

ALLIGHT – EQUIPMENT SALES AND SUPPORT

Allight specialises in the manufacture, sale and support of industrial lighting towers, dewatering pumps, generators and diesel engines which are supplied to a wide variety of markets. Allight sees the innovation, service, support and quality of its products being the key to its continued growth both domestically and internationally. Over the past financial year, Allight has delivered on its vision with the introduction of new products to the international marketplace, the strengthening of its support capabilities and the continued global expansion of the Allight dealer network.

Since 1988, Allight has been providing equipment solutions across the globe and has grown over the last twenty years to employ over 120 people in Australia. With sales offices in Australia and the USA, it also has a growing network of authorised Allight dealers with representation on almost every continent. During FY08, Allight signed new dealers in North Africa, the Middle East, the USA and South America, taking its products to the mine sites, construction sites, agricultural industries, rental markets and events sectors around the world.

Based in Perth, Western Australia, Allight has engineering, product design and production facilities which ensures all manufactured products comply with ISO standards. Extensive research and testing is undertaken by Allight's Research & Development division for all manufactured equipment, ensuring that it meets and exceeds both customer and industry requirements.

Over the past financial year, Allight has introduced the NIGHTSHIFTER® range of mobile lighting towers to the international market. In the past, Allight's target market for its lighting towers has centred around the mining and exploration industry. With the launch of the versatile and compact NIGHTSHIFTER®, that market has expanded to incorporate the construction, rental and events markets and Allight is confident of similar results with the NIGHTSHIFTER® release to the Australian market in FY09.

The extensive range of Allight engineered and manufactured equipment includes Allight® mobile lighting towers and Allight® pumps. Allight is also proud to be recognised as a distributor for some of the world's leading manufacturers of industrial equipment, including FG Wilson Diesel and Gas Generators, Perkins and Perkins Sabre Diesel Engines, Geminiani Power Packs, Godwin Pumps and Loadtec Digital Solution Load Banks.

Allight's Service and Support division has experienced extensive growth in FY08. The division includes fully equipped and accredited workshop facilities together with full onsite service, commissioning and installation support, and preventative maintenance. The growth of this division over the past year has brought about a new apprenticeship program for talented mechanical and electrical technicians, making provision for continued growth in the future. The division also combines the highest level of customer service with an extensive inventory of spare parts for all manufactured and distributed products, as well as some third party equipment. Coming into FY09, Allight's inventory of over 80,000 parts will be available world wide with the launch of its online Webstore.

ABOUT coates

COATES GROUP

The merger of Coates Hire Limited and National Hire's Rental Services business in January 2008 via a Carlyle and National Hire consortium firmly established Coates Group as the number one rental company in Australia. Revenues in excess of $540 million were generated by the newly merged entities in the period from 9 January to 30 June 2008. Integration is on track and synergies are expected to be in excess of $30 million.

Coates Group has 120 years experience in the industry, supplying to a wide variety of markets including Residential and Non-Residential Building Construction, Industrial & Maintenance, Mining & Resources, Civil and Infrastructure, Government and the Events market.

With over 200 branches and satellite locations and its own maintenance and transport capabilities, Coates Group is well positioned to satisfy the equipment hire needs of an ever increasing customer base.

Coates Group's overseas operations include Coates Offshore in the UK providing specialised equipment to offshore oil and gas operations and Coates Hire Indonesia supporting the mining and resource sector.

Today Coates Group incorporates the following divisions:

Coates: provides a range of compaction, access, generator, compressor, lighting towers, welding and general equipment, portable buildings, commercial buildings, portable toilets, temporary fencing, and containers. Coates also specialises as a supplier in the hire of dewatering pumps, shoring, traffic management, confined space and laser equipment.

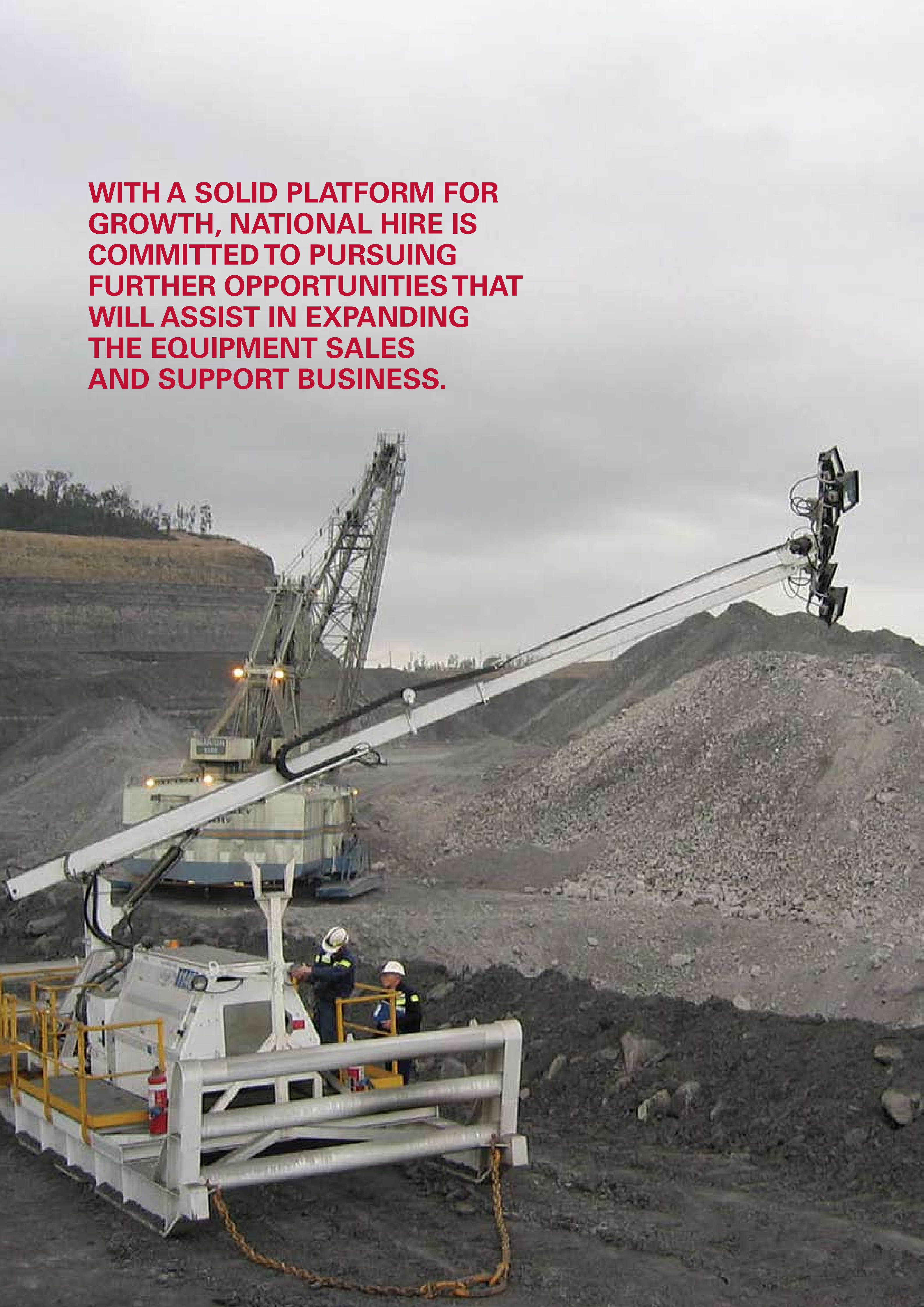
Coates Hire Indonesia: is a response to the strong demand for power generation, dewatering pumps, lighting towers and a range of other equipment in the mining, oil, gas and civil construction markets in Indonesia.

Coates Offshore: serves the needs of the global offshore industry via its operations in Europe and the Asia Pacific, specialising in providing compressed air, power, welding & lighting equipment.

Allied: hire and sales of large earthmoving equipment predominantly to the mining industry but with products suited to the heavy and civil construction markets as well. Allied is based in Perth and operates throughout Australia.

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

WITH A SOLID PLATFORM FOR GROWTH, NATIONAL HIRE IS COMMITTED TO PURSUING FURTHER OPPORTUNITIES THAT WILL ASSIST IN EXPANDING THE EQUIPMENT SALES AND SUPPORT BUSINESS.



REPORT FROM THE CHAIRMAN & MANAGING DIRECTOR

JOHN LANGOULANT
Chairman

ANDREW AITKEN
Managing Director

WE ARE PLEASED TO PRESENT THIS YEAR'S ANNUAL REPORT TO OUR SHAREHOLDERS, WHICH ILLUSTRATES THE NEW NATIONAL HIRE FOLLOWING THE ACQUISITION OF COATES HIRE LIMITED, AUSTRALIA'S LARGEST EQUIPMENT HIRE COMPANY, IN CONJUNCTION WITH THE CARLYLE GROUP.

This was a landmark transaction for National Hire and the resultant structure means we have exchanged full ownership of the #2 general equipment hire company in Australia for a 47% investment in the #1 equipment hire company in Australia.

HIGHLIGHTS

- Completed the acquisition of Coates Hire Limited (Coates Hire), in conjunction with The Carlyle Group, and the transfer of National Hire Rental Services business on 9 January 2008
  - Integration of rental businesses progressing well
  - Estimated minimum of $30 million of pre-tax synergies still expected to be realised
- Raised $86 million cash via placement of new National Hire shares at $3.00 each to Elph Pty Ltd
- Wholly owned Allight equipment sales and support business performing well
  - Sold 6,000th Australian manufactured lighting tower
  - Commenced global supply of new lighting tower products assembled in China
- Net cash of $18.5 million and $nil debt as at 30 June 2008
- Management and board changes
  - Andrew Aitken appointed Managing Director
  - Ray Romano and Stephen Donnelley moved to Coates Group
  - Dale Elphinstone, John Langoulant, Stephen Donnelly, Jim Walker and Richard Court became non-executive directors
- National Hire head office moving to Perth – location of Allight head office

COATES HIRE TRANSACTION

On 9 January 2008, National Hire, in conjunction with The Carlyle Group (Carlyle), completed the acquisition of all the outstanding shares in Coates Hire. The offer was $6.59 per Coates Hire share, comprising $6.06 cash and a special dividend of $0.53 cents per share, valuing the total equity of Coates Hire at $1.7 billion.

National Hire and Carlyle established Coates Group Pty Limited (Coates Group) (formerly Ned Group Holdings Pty Limited) to acquire Coates Hire via a scheme of arrangement. We transferred our Rental Services business (including all rental related assets and liabilities) and $70 million cash to Coates Group for a total value of $348 million in return for a 47% economic interest in Coates Group. Carlyle also has a 47% equal economic interest in Coates Group, with the balance being held by financial investors. National Hire and Carlyle each hold a 50% effective voting interest in Coates Group.

National Hire's investment in Coates Group is accounted for as an associate using the equity method of accounting.

SHARE PLACEMENT

As part of the Coates Group transaction, National Hire made a share placement of 28,657,143 new National Hire shares at $3.00 each to Elph Pty Ltd on 31 December 2007 to raise approximately $86.0 million cash. Elph Pty Ltd is a company associated with Mr Dale Elphinstone, the principal of William Adams Pty Limited, Caterpillar's dealer in Victoria and Tasmania. Mr Elphinstone joined the National Hire board on 30 January 2008.

Proceeds of the issue were used to fund our $70 million cash contribution for our interest in Coates Group, with the balance to be used for working capital purposes going forward. At year end, we had net cash of $18.5 million on our balance sheet.

RESULT FOR YEAR ENDED 30 JUNE 2008

Reported net profit after tax for the year ended 30 June 2008 was $42.5 million, which compared to a net profit of $19.3 million in FY07. The 2008 result included a profit from discontinued operations of $37.8 million which comprises a consolidated after tax profit of $25.9 million on the transfer of the Rental Services business to Coates Group as part of the Coates Group transaction and a net profit contribution from the Rental Services business of $11.9 million for the period from 1 July 2007 to its transfer on 9 January 2008.

On a continuing operations basis, we reported a net profit after tax of $4.7 million, an increase of 143% over the $1.9 million net profit in FY07. Continuing operations include the equipment sales and support business operated by our wholly owned subsidiary Allight Pty Ltd. National Hire also benefits from its equity interest in Coates Group.

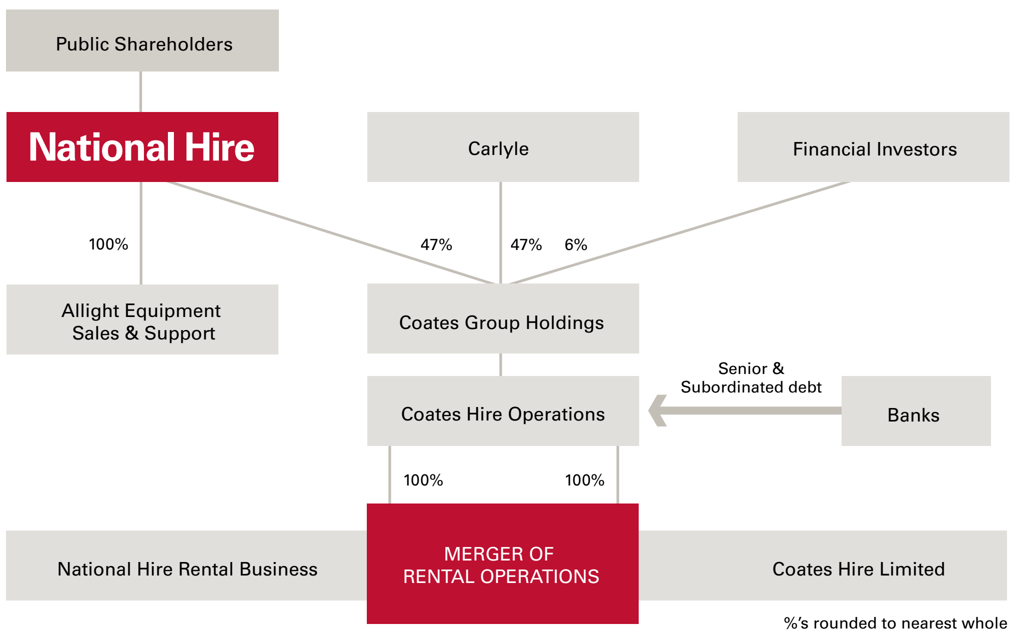
Dividend

The directors declared a fully franked final dividend of 2.0 cents per share, bringing the full year dividends to 6.0 cents per share, fully franked.

Summary Results

12 months ended 30 June

($MILLION)	2008	2007	CHANGE
Revenue from continuing operations	**84.1**	**69.3**	**21%**
EBITDA	**6.1**	**3.5**	**76%**
Depreciation & amortisation	(0.7)	(0.6)	23%
EBIT	**5.4**	**2.9**	**86%**
Finance costs	-	(0.4)	-
Share of profit of equity accounted investees	1.2	-	-
Profit before tax	**6.6**	**2.5**	**158%**
Tax expense	(1.9)	(0.6)	
Net profit after tax from continuing operations	**4.7**	**1.9**	**143%**
Profit from discontinued operations	37.8	17.4	118%
Reported net profit after tax	**42.5**	**19.3**	**120%**
EPS from continuing operations (cents)	3.50	1.61	117%
DPS relating to year's earnings fully franked (cents)	6.0	8.0	(25%)



REPORT FROM THE CHAIRMAN & MANAGING DIRECTOR

BALANCE SHEET

As at 30 June 2008 total assets were $407.7 million. The largest asset on the balance sheet was our investment in Coates Group which was shown at the equity accounted amount of $309.9 million.

As at 30 June 2008, National Hire had no debt on its balance sheet and net cash of $18.5 million available to fund both organic and acquisitive growth opportunities.

Net tangible asset backing per share was $2.29.

OPERATIONAL COMMENTARY

1. Allight – Equipment Sales and Support

The principal activities of the business relate to the manufacture, assembly, sales and support of lighting towers, power generation and dewatering equipment, as well as the distribution and support of Perkins engines, FG Wilson power generation sets and HJ Godwin wet ends. The business operates under the Allight, FG Wilson, HJ Godwin and Perkins brand names.

The business was not transferred to Coates Group and is operated by Allight Pty Ltd, a wholly owned subsidiary.

The sales revenue of the equipment sales and support division increased by 21% to $84.1 million in FY08. This was driven by continued strong sales growth for lighting towers from the mining sector in Australia and offshore. During the year, Allight produced its 6,000th Australian-manufactured lighting tower and commenced sales of new lighting tower products assembled at WesTrac's facilities in Tianjin, China. Allight will retain its manufacturing operations in Australia with the production from China expected to primarily supply export markets.

National Hire has executed a 5 year preferred supplier agreement with Coates Group which is expected to underpin volume and margins in the equipment sales and support business going forward.

National Hire's net cash position provides a strong capital incentive to fund further growth in Australia and internationally.

National Hire is relocating its head office from Sydney to Perth where the Allight head office is based.

2. Coates Group

The integration of Coates Hire and National Hire's Rental Services businesses is progressing well and the estimated minimum of $30 million of pre-tax synergies is still expected to be realised.

Coates Group is the leading equipment hire business in Australia and is in the Top 10 worldwide.

As previously highlighted, National Hire accounts for its interest in Coates Group on an equity accounted basis, ie share of profits. Our FY08 share of profits was $1.2 million for the period of ownership from 9 January to 30 June 2008, with FY09 to include a full 12 month contribution from Coates Group. The investment is carried in National Hire's balance sheet at $309.9 million.

Summary of Coates Group Audited Results

FOR THE PERIOD FROM 9 JANUARY TO 30 JUNE 2008	($MILLION)
Revenue	$543.0
EBIT *	$116.4
Profit before tax	$4.0
Profit after tax	$2.5

*EBIT includes significant items representing non-recurring costs related to the completion of the Coates Group transaction and business integration, to the value of $25.7 million.

On 3 June 2008, Ray Romano assumed the role of interim CEO of Coates Group following the resignation of Mr Malcolm Jackman after five successful years as CEO of Coates Hire. The Coates Group board has instituted an international search to secure a new CEO to lead the next stage of Coates Group's development.

MANAGEMENT AND BOARD CHANGES

During the year and as a consequence of the Coates Group transaction, we had a number of management and board changes.

Andrew Aitken, previously a non-executive director, was appointed Managing Director of National Hire in May 2008. This followed the resignation of Stephen Donnelley who took up an executive role with Coates Group. Stephen Donnelley will continue as a non-executive director of National Hire. Ray Romano, previously our Executive Chairman and now interim CEO at Coates Group, resigned from the board effective 25 June 2008.

We want to record the board's thanks to Ray Romano and National Hire's founder Stephen Donnelley for their energy, drive and commitment in building the National Hire businesses. They have left us well placed to maximise further growth opportunities.

In other changes, Peter Gammell resigned from the board in May 2008 but continues in his role as the Chairman of Coates Group. John Langoulant, CEO of Australian Capital Equity Pty Limited, was appointed to the board in May 2008 and became Chairman in June 2008. Further, Dale Elphinstone was appointed to the board in January 2008 and Jim Walker was appointed in June 2008. Both Dale Elphinstone and Jim Walker have extensive sales and support experience through their lengthy association with Caterpillar dealerships.

Post balance date on 29 July 2008, we were delighted to announce the appointment to the board of Mr Richard Court. Richard Court is also a director of WesTrac Pty Limited and was a director of Allight Holdings Pty Ltd prior to its acquisition by National Hire.

PEOPLE & CUSTOMER FOCUS

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

National Hire 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

With a solid platform for growth, 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 off the Coates Group relationship, building export markets and extracting improvements in distribution networks and production.

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

John Langoulant
CHAIRMAN

Andrew Aitken
MANAGING DIRECTOR

HIGHLIGHTS

- Completed the acquisition of Coates Hire Limited, in conjunction with The Carlyle Group, and the transfer of National Hire Rental Services business on 9 January 2008
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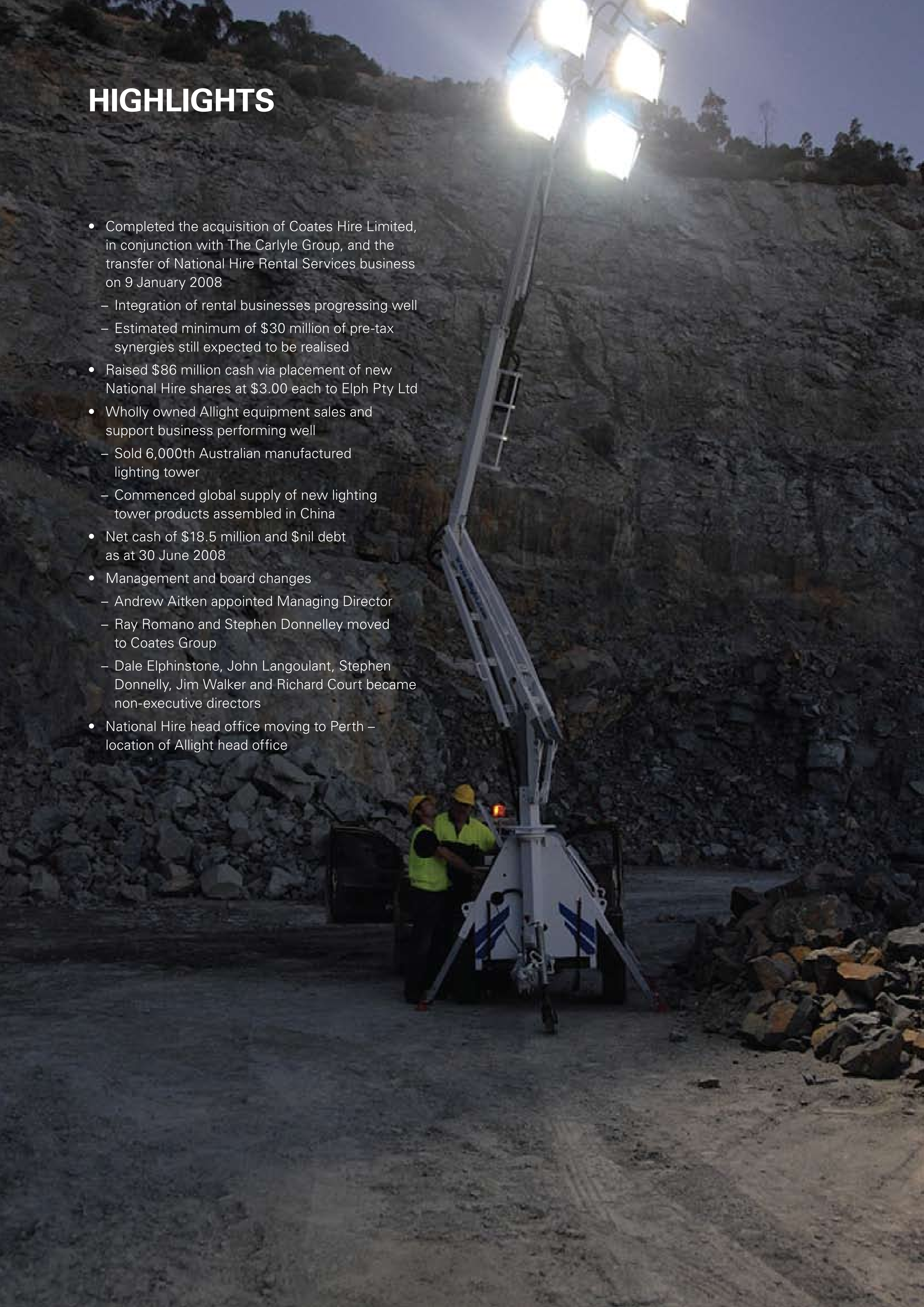

2008 FINANCIAL REPORT

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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, and during, the financial year ended 30 June 2008.

DIRECTORS

The following persons were directors of National Hire Group Limited during the whole or part of the financial year and up to the date of this report:

John Langoulant

Non-executive director, Chairman
Appointed May 2008

Mr Langoulant graduated from the University of Western Australia and is the Chief Executive of Australian Capital Equity Pty Limited. Between 1995 and 2004 Mr Langoulant held the position of Under Treasurer of the Western Australian Treasury department, having joined Treasury in 1988. He was the Chief Executive Officer of the Chamber of Commerce and Industry of Western Australia between 2004 and 2008.

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

Special responsibilities

- audit committee (appointed 5/6/08)
- remuneration committee (appointed 5/6/08)

Andrew Aitken

Managing director
Appointed December 2004

Mr Aitken was a non-executive director up until his appointment as Managing Director in May 2008.

Mr Aitken joined Australian Capital Equity Pty Limited in 2003 where his focus has been 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 was most recently employed by Nedbank, one of the largest banking groups by assets in South Africa. Nedbank is a subsidiary of Nedcor Limited, a company listed on the Johannesburg Stock Exchange.

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.

Hon. Richard Court, AC

Non-executive director
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. Listed public company directorships held during the last three years are GRD Limited and Iron Ore Holdings Ltd.

Special responsibilities

- audit committee (appointed 22/8/08)

Stephen Donnelley

Non-executive director
Appointed December 1996

Mr Donnelley is a senior executive of Coates Group Holdings Pty Limited with a focus on the integration of the Coates and National Hire rental businesses which came together in January 2008.

Mr Donnelley has over 20 years experience in the equipment hire industry, both as 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.

Special responsibilities

- audit committee (appointed 5/6/08)
- nomination committee (Chairman) (appointed 5/6/08)
- safety, health and environmental committee (Chairman) (appointed 12/3/04)

Dale Elphinstone

Non-executive director
Appointed January 2008

Mr Elphinstone is the Executive Chairman of the Elphinstone/William Adams group of companies, which includes the Caterpillar Dealerships in Victoria and Tasmania and other business interests in Australia and New Zealand. He is a Director of Caterpillar Underground Mining Pty Ltd. Listed public company directorship held during the last three years is Queensland Gas Company Limited.

Special responsibilities

- audit committee (appointed 30/1/08)
- nomination committee (appointed 5/6/08)
- remuneration committee (appointed 5/6/08)
- safety, health and environmental committee (appointed 5/6/08)

Clive Isenberg

Non-executive director
Appointed March 2004

Mr Isenberg is an associate of the Institute of Chartered Accountants in Australia, a fellow of the Certified Practising Accountants and a graduate of accounting. Mr Isenberg was until August 2004 the 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 is the founder and 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 to business unsecured import credit facilities between Australia and China.

Special responsibilities

- audit committee (Chairman) (appointed 12/3/04)
- nomination committee (appointed 25/6/04)
- remuneration committee (Chairman) (appointed 12/3/04)

James Walker

Non-executive director
Appointed June 2008

Mr Walker is the Managing Director of WesTrac Pty Limited and Chairman of WesTrac China Limited.

WesTrac Pty Ltd 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 Pty Ltd, Mr Walker spent considerable time with other Australian Caterpillar dealers, namely Hastings Deering and Morgan Equipment and the Bougainville Dealership in PNG.

Special responsibilities

- audit committee (appointed 22/8/08)
- safety, health and environmental committee (appointed 22/8/08)

Dale Elphinstone, John Langoulant, James Walker and Richard Court were appointed directors by the board on 30 January 2008, 12 May 2008, 25 June 2008 and 29 July 2008 respectively and continue in office at the date of this report.

John Star was a director from the beginning of the financial year until his resignation on 24 October 2007.

Peter Gammell was a director from the beginning of the financial year until his resignation on 12 May 2008.

Raymond Romano was a director from the beginning of the financial year until his resignation on 25 June 2008.

The relevant interest of each director in the shares, rights or options over such instruments issued by the companies within the group, at the date of this report or otherwise indicated where the person has ceased to be a director are as follows:

NAME	ORDINARY SHARES	OPTIONS
J Star (until 24/10/07)	45,914	–
S Donnelley	1,991,877	261,000
R Romano (until 25/6/08)	37,000	–
D Elphinstone	29,500,000	–

COMPANY SECRETARY

The company secretary is Mr Ray Harman. Mr Harman was appointed to the position of company secretary in 2004 and prior to that, held the position of Chief Financial Officer for three years. Prior to joining National Hire, Mr Harman was company secretary and financial controller of a publicly listed commercial construction company.

Mr Harman is a fellow of the Certified Practising Accountants, a fellow of the Chartered Institute of Secretaries and a member of the Finance and Treasury Association.

Relevant interest in the shares, rights or options over such instruments issued by the companies within the group, at the date of this report or otherwise indicated are as follows:

NAME	ORDINARY SHARES	OPTIONS
R Harman	96,727	90,000

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

NAME	BOARD		SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	HELD	ATTEND	HELD	ATTEND	HELD	ATTEND	HELD	ATTEND	HELD	ATTEND
J Star (resigned 24/10/07)	8	8	1	1	3	3	–	–	1	1
S Donnelley	19	19	2	2	–	–	–	–	–	–
C Isenberg	19	16	–	–	5	5	2	2	1	1
R Romano (resigned 25/6/08)	19	19	2	2	–	–	–	–	1	1
A Aitken	19	19	–	–	5	5	2	2	–	–
P Gammell (resigned 12/5/08)	17	16	–	–	5	4	2	2	–	–
D Elphinstone (appointed 30/1/08)	8	6	–	–	2	1	–	–	–	–
J Langoulant (appointed 12/5/08)	2	2	–	–	–	–	–	–	–	–
J Walker (appointed 25/6/08)	–	–	–	–	–	–	–	–	–	–

Held indicates the number of meetings held while that director was a member of the committee.

PRINCIPAL ACTIVITIES

The principal activities of the group during the course of the financial year were:

- the hire of general equipment, access equipment, temporary site accommodation, toilets, mobile lighting equipment, power generation and dewatering pumps through the Cat Rental Store branches in NSW, ACT, WA and National Hire branches in other states;
- manufacture, assembly and sale of mobile lighting, power generation and dewatering equipment; and
- distribution of Perkins engines, FG Wilson power generation sets and parts.

In January 2008, the group transferred its rental service business, a separate business segment (refer to note 3 to the financial statements) as part of their equity contribution to acquire all of the outstanding shares in Coates Hire Limited, with The Carlyle Group.

There are no other significant changes in the nature of the activities of the group during the year.

DIVIDENDS

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

	2008 $'000	2007 $'000
Final ordinary dividend for the year ended 30 June 2007 of 5 cents per share (2006: 4 cents)	**5,985**	4,783
Interim ordinary dividend for the year ended 30 June 2008 of 4 cents per share (2007: 3 cents)	**5,923**	3,586
	11,908	8,369

Since the end of the financial year the directors have declared a final fully franked ordinary dividend for the year ended 30 June 2008 of 2 cents (5 cents per fully paid ordinary share at 30 June 2007) to be paid on 10 October 2008 out of retained profits as at 30 June 2008.

The record date for determining shareholders entitled to receive the final dividend will be 26 September 2008.

REVIEW OF OPERATIONS

a. Operations of the entity

The sales revenue from the equipment sales and support division increased by 21% to $84.1 million in FY08. This was driven by continued strong sales growth for lighting towers from the mining sector in Australia and offshore. During the year, Allight produced its 6,000th Australian lighting tower – which was acquired by Rio Tinto, and commenced sales of a new lighting tower product assembled at WesTrac's facilities in Tianjin, China. Allight will retain its manufacturing operations in Australia, with the production from China expected to primarily supply export markets.

b. Financial position of the entity

The group's net assets has increased by 48.5% to $361.2 million as at 30 June 2008 (2007: $243.2 million). National Hire has no debt on its balance sheet and net cash of $18.5 million at 30 June 2008 which is available 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 off the Coates relationship, building export markets and extracting improvements in distribution networks and production.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

a. An increase in contributed equity of $86,011,429 as a result of:
   - Issue of 40,000 fully paid ordinary shares at $1 each on exercise of options
   - Issue of 28,657,143 fully paid ordinary shares at $3 each
b. On 2 October 2007, National Hire and The Carlyle Group (Carlyle) announced an agreed transaction with Coates Hire Limited (Coates) to acquire all of the outstanding shares in Coates. A new company, Ned Group Holdings Pty Ltd (now known as Coates Group Pty Limited) (Coates Group), was incorporated as a subsidiary of National Hire specifically for the transaction. National Hire and Carlyle each hold a 50% effective voting interest and a 47% economic interest in Coates Group. National Hire funded its equity contribution in Coates Group of $348 million by the transfer of its Rental Services business (including all rental related assets and liabilities) for $278 million and $70 million in cash.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

Likely developments in the operations of the group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the group.

ANY EVENTS SUBSEQUENT TO YEAR END

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in future financial years.

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 consolidated entity has adequate systems in place for the management and rectification of its environmental requirements.

OPTIONS

The company issued no employee options (2007: Nil) during the year, under its employee share option plan. A total of 984,000 (2007: 1,114,000) options were on issue under the plan at 30 June 2008.

During the year, 40,000 (2007: 80,000) ordinary shares were issued by virtue of the exercise of options. No shares have been issued by the company since the end of the reporting period by virtue of the exercise of an option. All options issued are not listed on the Australian Securities Exchange. Further details on the employee share option plan including issue, exercise and expiry dates applicable to each tranche are set out in note 37(a) to the financial statements.

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, secretary, 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.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The company may 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 and also in note 33 of the financial report.

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

	CONSOLIDATED
	2008 **$**
Audit services	
PricewaterhouseCoopers – Audit and review of financial reports	**182,285**
Other assurance services	
PricewaterhouseCoopers – Internal audit advice	**2,039**
Taxation services	
PricewaterhouseCoopers	**20,410**
Advisory services	
PricewaterhouseCoopers	**46,041**
	250,775

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed did not compromise the external auditor's independence as none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*. These principles include reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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.

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 any part of those proceedings.

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

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.

REMUNERATION REPORT

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

A. Principles used in determining remuneration structure
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 in determining remuneration structure

The objective of the group's executive remuneration framework is to ensure that National Hire Group Limited:

- attracts and retains the right calibre of business professionals
- offers remuneration that is competitive in the marketplace (within a rigorous 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.

In conjunction with specialist remuneration consultants, the group has developed 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 all executive remuneration policies and practices are aligned with:

- shareholders interests, including:
  - having economic profit as a core component of plan design
  - focusing on sustained growth in share price and delivering constant return on assets as well as focusing executives on key non-financial drivers of value
  - attracting and retaining high calibre executives
- program participants' interests, including:
  - rewarding capability and experience
  - reflecting competitive reward for contribution to shareholder wealth
  - providing a clear structure for earning rewards
  - providing recognition for contribution

The framework provides 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 senior executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors

Fees and payments to non-executive directors reflect 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 total directors' fees pool for the year must be approved by the shareholders at the AGM and the recommendations of the remuneration committee in total must not exceed the approved amount. The current aggregate remuneration for non-executive directors is $250,000 and was last reviewed with effect from 1 July 2006.

Executive remuneration framework

The executive pay and reward framework has five components:

- base salary
- superannuation
- short-term incentive plan (STIP)
- long-term incentives through participation in the National Hire Group Limited Employee Option Plan
- benefits and allowances

The combination of these components comprises the executive's total remuneration package.

Base salary

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

Executives are offered a competitive base salary, based on:

- current market data and analysis for the job role, as provided by remuneration consultants
- the capabilities, expertise and qualifications of the individual incumbent

There is no guaranteed base pay increase fixed in any executive contracts. Any adjustments to executive remuneration packages are based on formal performance reviews, conducted annually by the non-executive chairman and managing director, and subject to the approval of the board.

BASE FEES	FROM 1 JULY 2006
Audit Committee Chairman	$50,000
Non-executive Directors	$40,000

Benefits

Executives of the group receive motor vehicle allowances appropriate to their position.

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 incentive plan (STIP)

Short-term incentives are based on the achievement of a combination of targets as detailed below. The STIP allows for a cash incentive bonus of up to 40% of fixed remuneration to be paid to executives, subject to certain financial covenants being met and always at 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 incorporated in the STIP and the level of payout, if targets are met. This includes setting any maximum payout and minimum levels of performance to trigger payment under the STIP.

For the year ended 30 June 2008, the KPIs linked to short term incentive plans were based on:

- business unit profit before tax (if applicable)
- individual goals and objectives
- strategic initiatives
- group safety measures

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

Long-term incentive plan (LTIP)

Long-term incentives are based on the achievement of a combination of targets as detailed below. The LTIP allows for granting of options to executives, subject to certain financial covenants being met and always at the absolute discretion of the board.

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

The targets linked to long-term incentive plans are based on:

- achievement of pre-determined EBITDA
- achievement of pre-determined returns on average total assets
- financial covenants
- achievement of pre-determined total shareholder returns

National Hire Group Limited employee option plan

Details of the National Hire Group Limited employee option plan are set out in note 37 to the financial statements.

B. Details of remuneration

The key management personnel (as defined in AASB 124) of National Hire Group Limited and the group includes the directors as detailed on pages 10-11 and those executives that report directly to the Managing Director or Executive Chairman. The executives are:

- Gavin Armstrong (Chief Financial Officer) (resigned 9/1/08)
- Ray Harman (Company Secretary)
- Phil Funga (General Manager – Production & Assembly) (resigned 30/11/07)
- Patrick Walsh (Managing Director – Allight) (appointed 21/1/08)
- Shaun McCullough (General Manager – Capital Sales) (resigned 31/7/08)

In addition, the following person must be disclosed under the *Corporations Act 2001* as he is among the five highest remunerated group executives:

- Gregory Parfitt (General Manager – Business Unit East)

Details of the remuneration of the key management personnel of the group and the parent entity for the year ended 30 June 2008 and 30 June 2007 are set out in the following tables:

2008	SHORT-TERM BENEFITS			POST EMPLOYMENT	OTHER	SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	OPTIONS** $	RETENTION SHARES $	TOTAL $
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, Chairman (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, Managing Director (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								
G Armstrong^ (until 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	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^ (resigned 31/7/08)	228,718	75,054	20,000	27,383	3,485	93,637	–	448,277
Total key management personnel compensation	**1,384,440**	**250,361**	**54,906**	**136,180**	**19,963**	**347,852**	**–**	**2,193,702**
Other company and group executives								
G Parfitt^	116,938	18,269	–	12,144	4,318	83,553	–	235,222

* This amount includes termination benefits for the relevant employee. Under the terms of the respective termination agreements such amounts are not to be separately disclosed to any third party.
** Options disclosed represent a valuation based on the Black-Scholes method and represent the fair value, not the cash received by the KMP. No options have been granted in 2008.
*** Until 12 May 2008, S Donnelley and A Aitken were Managing Director and non-executive director, respectively.
^ Denotes one of the five highest paid group executives for the year other than Executive Directors of the group, as required to be disclosed under the *Corporations Act 2001*.
# Denotes one of the five highest paid company executives for the year other than Executive Directors 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.

2007	SHORT-TERM BENEFITS			POST EMPLOYMENT	OTHER	SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	OPTIONS** $	RETENTION SHARES $	TOTAL $
Non-executive directors								
P Gammell	40,000	–	–	3,600	–	–	–	43,600
A Aitken	40,000	–	–	3,600	–	–	–	43,600
C Isenberg	50,000	–	–	4,500	–	–	–	54,500
J Star	50,000	–	–	4,500	–	–	–	54,500
Sub-total non-executive directors	**180,000**	**–**	**–**	**16,200**	**–**	**–**	**–**	**196,200**
Executive directors								
R Romano, Executive Chairman	229,363	–	–	20,643	3,830	–	–	253,836
S Donnelley, Managing Director	303,492	–	28,649	26,994	8,524	14,890	–	382,549
Other key management personnel								
G Armstrong (until 9/1/08)^	281,077	28,120	23,296	27,828	5,190	11,124	–	376,635
R Harman^#	186,003	21,200	28,804	31,081	4,662	(291)	17,956	289,415
D Isaacs (until 1/11/06)*^	548,780	18,400	–	19,400	–	–	–	586,580
A Manning (until 23/1/07)*^	250,613	27,192	6,849	11,290	–	(9,476)	17,956	304,424
P Funga	177,003	33,940	31,012	21,032	3,182	5,134	17,956	289,259
S McCullough^	208,743	39,613	25,539	22,954	3,731	9,926	17,956	328,462
Total key management personnel compensation	**2,185,074**	**168,465**	**144,149**	**181,222**	**29,119**	**31,307**	**71,824**	**2,811,160**

Remuneration for key executives is reflected only for the period which they were considered key management personnel.
* These amounts include termination benefits for the relevant employee. Under the terms of the respective termination agreements such amounts are not to be separately disclosed to any third party.
** Options disclosed represent a valuation based on the Black-Scholes method weighted for the probability of performance hurdles being attained and represent the fair value, not the cash received by the KMP.
^ Denotes one of the five highest paid executives other than Executive Directors of the group, as required to be disclosed under the *Corporations Act 2001*.
# Denotes one of the five highest paid company executives for the year other than Executive Directors 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 relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	PROPORTION OF REMUNERATION PERFORMANCE RELATED %	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
	2008	**2008**
Executive directors		
A Aitken	–	–
R Romano (until 25/6/08)	–	–
S Donnelley (until 12/5/08)	–	**36%**
Other key personnel		
G Armstrong (until 9/1/08)	**17%**	**26%**
R Harman	**15%**	**17%**
P Walsh	–	–
P Funga (until 30/11/07)	**20%**	**(2%)**
S McCullough (until 31/7/08)	**17%**	**21%**
Other company and group executives		
G Parfitt	**8%**	**36%**

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 company or the employee. The group is not contractually liable to make any termination payments on providing such notice. The following details the terms of the contract of employment with the company for those executives that are considered to be key management personnel as at 30 June 2008:

P Walsh, Managing Director of Allight Pty Ltd, has a contract of employment with the group which is unlimited in term. The contract specifies the duties and obligations to be fulfilled and is capable of termination by the employee on three-month notice in writing; however the group is required to provide the Managing Director with six-month notice on termination. The group is not contractually liable to make any termination payments on providing such notice.

S McCullough, General Manager Capital Sales, has a contract of employment with the group which is unlimited in term. The contract specifies the duties and obligations to be fulfilled and is capable of termination by the employee on three-month notice in writing. Where a termination is initiated by the group, the group will pay 12 months base salary and car allowance in lieu of notice, except in the case of gross misconduct or negligence, in which case three months base salary and car allowance will be paid. S McCullough ceased employment with the group as of 31 July 2008.

R Harman, Company Secretary, has no service agreement with National Hire Group Limited.

Mr Aitken will be engaged as Managing Director of the Company. The effective date of the employment agreement will be 1 June 2008. Salary for Mr Aitken, inclusive of superannuation, will be $450,000 per annum. The employment agreement is in the process of being finalised and terms and conditions relating to long-term incentives and termination of the agreement will be disclosed in an ASX announcement once the employment agreement has been agreed upon by National Hire and Mr Aitken.

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 service period (at least one year), 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 this or future reporting periods are as follows:

GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE $	VALUE AT GRANT DATE $	EXERCISE DATE
20 Nov 2004	20 Nov 2006	20 Nov 2008	2.30	0.50	Between 20 November 2006 and 20 November 2008 provided that the shareholder return of the company as measured over the period from issue date to exercise date equals or exceeds 15% p.a. compounding.
26 Nov 2005	30 Jun 2008	26 Nov 2010	1.85	0.57	Between 30 June 2008 and 26 November 2010 provided that the employee is employed by a group company as at 30 June 2008.*
1 Dec 2005	30 Jun 2008	1 Dec 2010	1.85	0.57	Between 30 June 2008 and 1 December 2010 provided that the employee is employed by a group company as at 30 June 2008.*

* A Deed of Variation between the company and the key management personnel dated 20 February 2008 removed the previous performance hurdle clauses of the option agreement which required the company to meet its bankers' financial covenants and EBITA targets and was amended so that the options vested as at 30 June 2008, subject to the employee being employed by the company or a group company (being a related body corporate of the company) as at 30 June 2008.

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

No options have been granted since 2006.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the five days trading immediately before the options are granted. Amounts receivable on the exercise of options are recognised as share capital.

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 37 to the financial statements.

G Parfitt exercised his 40,000 share options during the 2008 financial year.

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. For the most recent grant of options, fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the following inputs:

- Options are granted for no consideration
- Exercise price: $1.85
- Grant date: Various between 26 November 2005 and 1 December 2005
- Expiry date: Various between 26 November 2010 and 1 December 2010
- Share price at grant date: $1.73
- Expected price volatility of company's shares: 20%
- Risk-free interest rate: 5.69%

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.

	DATE OF EXERCISE OF OPTIONS	AMOUNT PAID ON EXERCISE OF OPTIONS DURING THE YEAR ($) 2008	2007	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR 2008	2007
Other key management personnel of the group					
R Harman	30 Aug 2006	–	40,000	–	40,000
A Manning	30 Aug 2006	–	40,000	–	40,000
G Parfitt	4 Dec 2007	**40,000**	–	**40,000**	–

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 senior employees including key management personnel for no consideration, under the National Hire Group Limited deferred employee share plan. Shares were purchased 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.

The number of shares allocated to each of the key management personnel of the consolidated entity is detailed below:

	NUMBER OF SHARES
A Manning (resigned 23/1/07)	36,364
P Funga (resigned 30/11/07)	36,364
S McCullough (resigned 31/7/08)	36,364
R Harman	36,364

E. Additional information

For each grant of options included in the tables in sections B and C of the directors' report, the percentage of the available 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. The options will be forfeited if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options.

There were no predetermined bonuses paid or forfeited during the year.

	YEAR GRANTED	VESTED %	FORFEITED %	MINIMUM TOTAL VALUE OF GRANT YET TO VEST $	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST $	VALUE AT DATE GRANTED (i) $	VALUE AT EXERCISE DATE (ii) $	VALUE AT LAPSE DATE (iii) $
S Donnelley	2006	100	–	–	–	–	–	–
G Armstrong	2006	100	–	–	–	–	–	–
S McCullough	2006	100	–	–	–	–	–	–
P Funga	2006	–	100	–	–	–	–	189,810
R Harman	2006	100	–	–	–	–	–	–
G Parfitt	2006	100	–	–	–	–	94,490	–

(i) The value at grant date calculated in accordance with AASB 2 Share-based payments of options granted during the year as part of remuneration.
(ii) The value at exercise date of options that were granted as part of the remuneration and were exercised during the year, being the intrinsic value of the options on that date.
(iii) The value at lapse date of options that were granted as part of the 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.

Loans to directors and executives

There is no loan to any executive director or a nominated specified executive.

Shares under option

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

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
26 Nov 2005	26 Nov 2010	$1.85	723,000
1 Dec 2005	1 Dec 2010	$1.85	261,000

Shares issued on exercise of options

The following ordinary shares of National Hire Group Limited were issued during the year ended 30 June 2008 on the exercise of options granted under the National Hire Group Limited share option plan. No further shares have been issued since that date. No amounts are unpaid on any of these shares.

DATE OPTIONS GRANTED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
20 Nov 2003	$1.00	40,000

Relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to current and more recent years. Over the past five years, the profit from ordinary activities after income tax for the consolidated entity has grown at an average rate of 426% per annum and shareholder wealth has grown at an average rate of 21% per annum.

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

John Langoulant
Chairman

Andrew Aitken
Managing Director

Perth
28 August 2008

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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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 2008, 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 year.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
28 August 2008

CORPORATE GOVERNANCE STATEMENT

The company and the board are committed to achieving and demonstrating the highest standards of corporate governance.

The relationship between the board and senior executives is critical to the group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short-term and long-term. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the company is properly managed.

Day-to-day management of the group's affairs and the implementation of the corporate strategy and policies are delegated by the board to the executive directors and senior executives.

The board has complied with the ASX Corporate Governance Council's 2003 Corporate Governance Principles of Good Corporate Governance Practice and Best Practice Recommendations, unless otherwise stated.

A description of the company's main corporate governance is set out below. All these practices, unless otherwise stated, were in place for the entire year.

BOARD COMPOSITION & BOARD MEMBERS

NAME	APPOINTED	NON-EXECUTIVE	INDEPENDENT*	SEEKING RE-ELECTION IN 2008
J Langoulant (Chairman)	2008	Yes	No	Yes
D Elphinstone	2008	Yes	No	Yes
S Donnelley**	1996	Yes	No	Yes
A Aitken**	2004	No	No	No
C Isenberg	2004	Yes	Yes	Yes
J Walker	2008	Yes	No	Yes
R Court	2008	Yes	No	Yes

* The board acknowledges the ASX corporate governance council recommends that a majority of the board be independent and that the chairman should be an independent director.
** Until 12 May 2008, S Donnelley and A Aitken were managing director and non-executive director, respectively.

At present, six of the seven non-executive directors are not considered to be independent directors. The directors view that the current structure is an advantage because of the particular experience and skills that non-executive directors and the managing director bring to the governance of the company. The board is of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of the company. The board acknowledges that they have not followed the ASX corporate governance council recommendation in determining independence.

Each director is bound by the company's charters, policies, and codes of conduct including:

- securities trading policy
- directors' code of conduct
- corporate code of conduct
- nomination committee charter
- remuneration committee charter
- continuous disclosure policy
- risk management guidelines and policy
- shareholders communication guidelines and policy
- audit committee charter
- board charter

Details of the members of the board, their experience and qualifications are set out in pages 10-12 of the directors' report under the heading "Directors".

RESPONSIBILITIES

The board is responsible for the management of the affairs of the company including:

- financial strategic objectives
- evaluating, approving and monitoring the strategic and financial plans of the company
- evaluating, approving and monitoring the annual budgets and business plans
- evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities in the company
- monitoring financial performance including approving all financial reports and material reporting and external communications by the company in accordance with the company's applicable policies
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the group's system for compliance and risk management reporting

DIRECTORS' INDEPENDENCE

At the time of a director's appointment, the board will consider the following matters with regard to that director's deemed independence:

- to be deemed independent, a director must be a non-executive
- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years, not have been employed in an executive capacity by the company or any other group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided
- not be a material (5% of the firm's fees or 5% of the company's total spend) supplier or customer of the company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the company or a controlled entity other than as a director of the company
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company

TERMS OF OFFICE

Non-executive directors are required to seek re-election by shareholders at least every three years.

The non-executive chairman is responsible for leading the board, facilitating board discussion and managing the board's relationship with the company's senior executives.

The managing director is responsible for implementing the company's strategies and policies.

COMMITMENT

The board held 19 board meetings during the year. The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director is disclosed on page 13.

INDEPENDENT PROFESSIONAL ADVICE

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior approval of the chairman is required, but this will not be unreasonably withheld.

PERFORMANCE ASSESSMENT

The board believes that regular assessment of the board's effectiveness and the contribution of individual directors is essential to improve governance of the company.

At least once every financial year, there must be a performance evaluation:

- of the board which compares the performance of the board with respect to the requirements of this charter and current principles of corporate governance
- of individual directors' contributions to the board
- of the board's committees
- establishing the goals and objectives of the board for the upcoming year

This review is being completed in the first quarter of the 2009 year.

CORPORATE REPORTING

As a consequence of the Coates transaction, a new Chief Financial Officer has recently been appointed and as such the Managing Director and Group Financial Controller (Allight Pty Ltd) have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and the group and are in accordance with the relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects.

BOARD COMMITTEES

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are as follows:

- audit committee
- remuneration committee
- safety, health and environmental committee
- nomination committee

The audit committee, remuneration committee and nomination committee each have their own charter setting out their role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on a regular basis. All matters determined by committees are submitted to the full board as recommendations for board decisions.

AUDIT COMMITTEE

The audit committee consists of the following non-executive directors:

- Mr C Isenberg (Chairman)
- Mr S Donnelley
- Mr D Elphinstone
- Mr J Langoulant
- Mr J Walker
- Mr R Court

Details of the directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 10-12.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the group operates.

The main responsibilities of the audit committee are to:

- monitor the adequacy of the company's accounting system and internal control environment
- monitor the adequacy of the company's system for compliance with relevant laws, regulations, standards and codes
- monitor the effectiveness of the company's internal accounting controls
- identify improvements that can or should be made to the company's internal controls, policies and financial disclosures
- monitor the frequency and significance of all transactions with related parties and assess their propriety
- monitor the integrity and quality of the company's financial information including financial information provided to ASIC, ASX and shareholders
- monitor the independence, objectivity, scope and quality of the external audit. The board is responsible for the appointment of the external auditor which is ratified at the annual general meeting. When a vacancy occurs the audit committee will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method. The selection and appointment process is the responsibility of the committee
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and to assess its performance.

REMUNERATION COMMITTEE

The remuneration committee consists of the following non-executive directors:

- Mr C Isenberg (Chairman)
- Mr D Elphinstone
- Mr J Langoulant

Details of the directors' qualifications and attendance at remuneration committee meetings are set out in the directors' report on pages 10-12.

The remuneration committee charter for the company governs the procedures of the remuneration committee and outlines the procedures and guidelines in relation to the remuneration of directors and senior executives of the company.

The committee is comprised of three non-executive directors. The board will appoint one of these members as the chairman of the committee.

The role of the committee is to review and make recommendations to the board in respect of:

- an executive remuneration and incentive policy
- the remuneration of the managing director and any other executive director, the company secretary and all senior executives reporting directly to the managing director or executive chaiman
- an executive incentive plan
- an equity based incentive plan
- the remuneration of non-executive directors
- superannuation arrangements
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the managing director and any other executive director, the company secretary and all senior executives reporting directly to the managing director
- the disclosure of remuneration in the company's public materials including ASX filings and the annual report.

Further, the committee is entitled to direct any special investigation that the committee considers appropriate and to consult any independent expert that the committee considers appropriate to carry out its duties.

Share options granted under the employee share option plan are disclosed in note 37.

Information on director and executive remuneration is set out in the remuneration report included as part of the director's report.

SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE

The safety, health and environmental committee consists of the following non-executive directors:

- Mr S Donnelley (Chairman)
- Mr D Elphinstone
- Mr J Walker

Details of the directors' qualifications and attendance at the safety, health and environmental committee meetings are set out in the directors' report on pages 10-12.

The company recognises the importance of environmental and occupational health and safety issues and is committed to the highest standards.

The committee's function is to review the safety, health and environmental policies of the company to ensure compliance with all relevant legislation and the company's social obligation to the community.

Information on compliance with significant environmental regulations is set out in the directors' report.

NOMINATION COMMITTEE

The nomination committee consists of the following non-executive directors:

- Mr S Donnelley (Chairman)
- Mr D Elphinstone
- Mr C Isenberg

Details of the directors' qualifications and attendance at nomination committee meetings are set out in the directors' report on pages 10-12.

The nomination committee is a committee of the board which has a primary purpose to support and advise the board in fulfilling its responsibilities to shareholders in ensuring the board consists of members who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance.

For the selection of new directors to the board, the nomination committee will have regard to the skills required and the skills already represented and will implement a process for the identification of suitable candidates for appointment to the board of non-executive directors. The search will be undertaken by an independent third party based on the brief provided by the committee. Re-nomination of non-executives will be reviewed by the committee and then recommendations will be made to the board as to whether the board should support the re-nomination of the retiring director.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

RISK ASSESSMENT AND MANAGEMENT

A key function of the board is to identify and more importantly prioritise risk arising from business strategies and activities. Risk must be identified to allow the company to plan, assess and execute its strategies. Once risk has been identified and assessed, the management and the board will have the capacity to determine the level of risk that is acceptable to the company. This assessment will also allow for the acceptance of risk designed to accomplish the company's strategic plans. The system will also inform investors of material changes to the company's risk profile.

The risk management guidelines and policy assist the company to establish a sound system of risk management and internal control.

The board has overall responsibility for the company's internal control environment, and ensures that the company has an integrated framework of control, based on formal procedures and appropriate delegation of authority and responsibility. There is a disciplined approach to identification and management of risk. Management has established and implemented a system for identifying, assessing, monitoring and managing material risk through the organisation. This system includes the company's internal compliance and control systems.

CODE OF CONDUCT

The corporate code of conduct for the company is designed to maintain confidence in the integrity of the company and the responsibilities and accountability of individuals in the company.

The code sets out the standards that the company will adhere to whilst conducting its business and includes the approval of the code by the board and senior management as it is their view that the code will benefit the company in all that it strives to achieve and will be the key to the success of the company in the implementation of its strategies.

The company acknowledges and endorses the expectation that funds of shareholders will be used in a manner that results in the best possible return. In achieving this aim, the directors, officers and employees will undertake their duties with honesty, integrity, care, skill and diligence.

The company's employees must comply with the letter and the spirit of all laws and regulations by both understanding them and complying with them.

All the company's business activities will be carried out so as to protect the health and safety of employees, contractors, customers and the community while paying proper regard to the protection of the environment.

The company is committed to the health and safety of all employees. The company will work to eliminate hazardous practices and behavior, which could cause accidents, injuries or illness to employees, contractors, visitors and the general public. The company strives to have injury free workplaces.

The company seeks to develop a diverse workforce and provide a work environment in which everyone is treated fairly and with respect. Merit is the primary basis for employment with the company.

Confidentiality is a key characteristic of an efficient and successful business. Employees are required to protect proprietary, commercial and other information that is confidential to the company.

Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the company.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The company has a desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements will be complied with in accordance with their spirit, intention and purpose. In order to achieve this, the company has adopted a continuous disclosure policy, which is crucial for employees and management at all levels to understand and comply with.

The company's main continuous disclosure obligations are set out in:
- ASX Listing Rules
- *Corporations Act 2001*.

The company makes the following periodic disclosures:
- annual and half yearly financial reports
- trading halts and related events
- information relating to equity securities

The other information that the company is obliged to disclose includes:
- price sensitive information
- information required to correct a false market
- managing director remuneration

The purpose of the shareholders' communications policy is to improve shareholder communication with the company, providing them with useful information about the company and facilitating shareholder participation in company meetings.

The board aims to ensure that shareholders are kept informed of all major developments affecting the company. Examples of the way this is done are:
- through the distribution of the annual and half yearly reports
- releases made to the ASX by the company throughout the year with respect to changes in the business, future developments, and other pertinent issues
- in the chairman's address delivered at the annual general meeting
- through the National Hire Group Limited website.

TRADING POLICY

In order to preserve the reputation and integrity of the company, it is vital that when people associated with the company deal in the company's securities those dealings are fair. The general terms of the policy are that employees and directors dealing in the company's securities should:
- never engage in short term trading of the company's securities
- notify the company secretary of any material intended transactions involving the company's securities
- restrict their buying and selling of the company's securities within the following periods:
  - 28 days immediately following each date upon which the company gives to the ASX its preliminary final or half yearly reports; and
  - 28 days immediately following each date upon which the company holds its annual general meeting.

CONFLICTS OF INTEREST

Entities connected with Mr D Elphinstone and Mr S Donnelley had business dealings with the group and its associate entity during the year, as described in note 38 to the financial statements. In accordance with the board charter, the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions.

OTHER MATTERS

Board members, executive management and company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times.

FINANCIAL STATEMENTS

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue from continuing operations	4	**84,125**	69,319	**1,375**	–
Gain on sale of investment		**–**	–	**45,634**	–
Dividends received		**–**	–	**221**	–
Other income	5	**3**	46	**–**	–
Changes in inventories of finished goods and work in progress		**(1,689)**	3,698	**–**	–
Raw materials and consumables used		**(58,278)**	(53,913)	**–**	–
Loss on sale of property, plant and equipment		**(223)**	–	**–**	–
Occupancy and communication		**(2,467)**	(1,908)	**(5)**	–
Advertising and promotion		**(454)**	(233)	**–**	–
Employee benefits expense		**(12,618)**	(11,699)	**(1,078)**	(1,117)
Travel and accomodation		**(816)**	(460)	**–**	–
Other expenses		**(1,486)**	(1,380)	**(785)**	(911)
Depreciation and amortisation	6	**(685)**	(558)	**–**	–
Finance costs	6	**–**	(352)	**–**	(348)
Share of profit of equity accounted investees	7	**1,188**	–	**–**	–
Profit/(loss) before income tax		**6,600**	2,560	**45,362**	(2,376)
Income tax (expense)/benefit	8	**(1,907)**	(629)	**15**	588
Profit/(loss) from continuing operations		**4,693**	1,931	**45,377**	(1,788)
Profit from discontinued operations	9	**37,831**	17,381	**–**	–
Profit/(loss) for the year attributable to members of the parent entity		**42,524**	19,312	**45,377**	(1,788)

		2008 CENTS	2007 CENTS
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	10	**3.50**	1.61
Diluted earnings per share	10	**3.50**	1.61
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	10	**31.72**	16.13
Diluted earnings per share	10	**31.68**	16.13

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

BALANCE SHEETS AS AT 30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current assets					
Cash and cash equivalents	11	**18,491**	4,057	**13,088**	173
Trade and other receivables	12	**26,646**	57,661	**10,113**	152,696
Inventories	13	**29,282**	27,670	**–**	–
Current tax assets		**–**	279	**–**	272
Derivative financial instruments	14	**409**	172	**–**	–
Total current assets		**74,828**	89,839	**23,201**	153,141
Non-current assets					
Receivables	15	**39**	94	**39**	88
Available-for-sale financial assets	16	**–**	12,003	**–**	12,003
Investment in associate	7	**309,887**	–	**310,896**	–
Other financial assets	17	**–**	–	**43,230**	80,260
Property, plant and equipment	18	**1,625**	283,618	**–**	–
Deferred tax assets	19	**–**	–	**325**	674
Intangible assets	20	**21,300**	112,987	**–**	–
Total non-current assets		**332,851**	408,702	**354,490**	93,025
Total assets		**407,679**	498,541	**377,691**	246,166
Current liabilities					
Trade and other payables	21	**20,763**	36,088	**3,137**	381
Borrowings	22	**–**	13,364	**–**	–
Current tax liabilities		**8,872**	–	**8,872**	–
Provisions	23	**45**	1,253	**–**	–
Total current liabilities		**29,680**	50,705	**12,009**	381
Non-current liabilities					
Borrowings	24	**–**	203,858	**–**	–
Deferred tax liabilities	25	**16,582**	371	**–**	–
Provisions	26	**232**	373	**–**	48
Total non-current liabilities		**16,814**	204,602	**–**	48
Total liabilities		**46,494**	255,307	**12,009**	429
Net assets		**361,185**	243,234	**365,682**	245,737
Equity					
Contributed equity	27	**293,771**	207,760	**293,771**	207,760
Reserves	28	**2,248**	924	**2,257**	1,792
Retained profits	29	**65,166**	34,550	**69,654**	36,185
Total equity		**361,185**	243,234	**365,682**	245,737

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Total equity at the beginning of the financial year		**243,234**	232,736	**245,737**	255,425
Exchange differences on translation of foreign operations	28	**859**	(914)	**–**	–
Deferred tax associated with equity instruments	8	**–**	17	**–**	17
Net income or expense recognised directly in equity		**859**	(897)	**–**	17
Profit/(loss) after tax for the year		**42,524**	19,312	**45,377**	(1,788)
Total recognised income and expense for the year		**43,383**	18,415	**45,377**	(1,771)
Share issues (net of issue costs)	27	**86,011**	80	**86,011**	80
Employee retention shares and share options	28	**465**	372	**465**	372
Dividend paid	30	**(11,908)**	(8,369)	**(11,908)**	(8,369)
Total equity at the end of the financial year		**361,185**	243,234	**365,682**	245,737

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**298,218**	313,930	**–**	–
Payments to suppliers and employees (inclusive of GST)		**(233,774)**	(220,166)	**(1,541)**	(1,653)
		64,444	93,764	**(1,541)**	(1,653)
Interest received		**904**	116	**625**	–
Interest and other costs of finance paid		**(10,055)**	(14,991)	**–**	(348)
Income taxes (paid)/refunded		**(5,724)**	(12,801)	**4,687**	(3,977)
Net cash inflows/(outflows) from operating activities	32	**49,569**	66,088	**3,771**	(5,978)
Cash flows from investing activities					
Payments for property, plant and equipment		**(51,832)**	(58,133)	**–**	–
Payments for purchase of business (net of cash acquired)		**(167)**	(8,071)	**–**	–
Payments for available-for-sale financial assets		**–**	(12,003)	**–**	(12,003)
Payment for investment		**(75,476)**	–	**(65,180)**	–
Payments for developments		**(192)**	–	**–**	–
Payments for intangibles		**(68)**	(1,078)	**–**	–
Dividends received		**221**	–	**221**	–
Proceeds from sale of property, plant and equipment		**3,561**	9,156	**–**	–
Loans from controlled entities		**–**	–	**–**	24,018
Net cash (outflows)/inflows from investing activities		**(123,953)**	(70,129)	**(64,959)**	12,015
Cash flows from financing activities					
Proceeds from issues of shares		**86,011**	80	**86,011**	80
Proceeds from borrowings		**23,060**	30,575	**–**	–
Repayment of borrowings		**(8,339)**	(5,730)	**–**	–
Dividends paid to shareholders		**(11,908)**	(8,369)	**(11,908)**	(8,369)
Net cash inflows/(outflows) from financing activities		**88,824**	16,556	**74,103**	(8,289)
Net increase/(decrease) in cash and cash equivalents		**14,440**	12,515	**12,915**	(2,252)
Effects of exchange rate changes on cash and cash equivalents		**(6)**	44	**–**	–
Cash and cash equivalents at the beginning of the financial year		**4,057**	(8,502)	**173**	2,425
Cash and cash equivalents at the end of the financial year	11	**18,491**	4,057	**13,088**	173
Non-cash financing and investing activities	32				

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

National Hire Group Limited (the "company") is a company domiciled and incorporated in Australia. The address of the Company's registered office is 12 Hoskins Road, Landsdale WA 6065. The consolidated financial statements for the company as at, and for the year ended 30 June 2008, comprise the company and its subsidiaries (together referred to as the "group" or "consolidated entity") and the group's interest in associates. The group primarily is involved in the manufacture, assembly and sale of mobile lighting, power generation and dewatering equipment.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

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

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of National Hire Group Limited comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on 28 August 2008.

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 2007.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, 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 2.

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 2008 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 "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, 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 7).

The group's share of its associates' post-acquisition profits or losses are recognised in the income statement, and its share of post acquisition movements are adjusted against the carrying amount of the investment, after adjustments to align the accounting policies with those of the group, from the date of significant influence.

When the group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the group has an obligation or has made payments on behalf of the associate.

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 providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 statement, except when deferred in equity as qualifying cash flow 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 that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 statement, 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 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.

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
- hire revenue is earned commencing on receipt of equipment by the customer and recognised over the period of the contract
- other revenue comprises sundry income and is earned when goods and services are rendered
- 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 statement 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 national 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 using the liability method based 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 or 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 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 recognised directly in equity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax assets and liabilities of associates are not recognised as the net investment in associates has been accounted for using the equity method.

Tax consolidation legislation

National Hire Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details regarding 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) wholly-owned 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. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a liability. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is lessor is recognised in income on a straight-line basis over the lease term.

i. Business combinations

The purchase method of accounting is used to account for all business combinations. 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 liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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(r)). 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 statement, 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 is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are subject to amortisation are reviewed 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 flows 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 statement 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 sheet.

l. Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 60 days from the date of the transaction. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

there is objective evidence that the group will not be able to collect all amounts due according to the original terms of 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 impairment loss is recognised in the income statement.

m. Inventories

Raw materials, 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. Financial assets

Classification

The group classifies its investments as loans and receivables, available-for-sale financial assets and held-to-maturity investments. 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 arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. 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.

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 reclassed 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 marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories of investments. They are included in the non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and derecognition

Regular purchase and sales of financial assets are recognised on trade-date. Financial assets carried at fair value through the profit and loss are initially recognised at fair values. 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 the profit and loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit and loss" category are presented in the income statement within other income and other expenses in the period in which they relate. Dividend income from financial assets at fair value through the income statement is recognised in the income statement as part of the revenue from continuing operations when the group's right to receive payments is established.

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

o. Derivatives

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 hedge), or
- hedges of the cash flows of recognised assets and liabilities and highly probably 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Fair value hedge

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

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

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement 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.

When a hedging instrument expires, 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 statement. 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 statement.

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 statement and are included in other income or other expense.

p. Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

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 fair value of interest rate cap is calculated as the present value of the estimated future cash flows.

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 other financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

q. Property, plant and equipment

Land and buildings are shown at cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets, except land which is not depreciated, is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

• Leasehold improvements	Term of lease
• Plant and equipment	2-10 years
• Leased plant and equipment	10 years

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 statement.

r. Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. 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.

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. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

iv. 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 services. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

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

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 cost can be measured reliably. 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, seven years.

s. Trade and other payables

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

t. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

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 balance sheet date.

u. Employee benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits) and annual leave expected to be settled within 12 months of the reporting date are recognised in 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 future payments to be made in respect of services provided by employees up to the reporting date. 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

The fair value of options granted under the National Hire Group Limited Employee 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 option pricing model that takes into account the exercise price, the term of the option, the vesting and market performance criteria, the impact of dilution, the non-tradeable nature 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 fair value of the options granted 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 balance sheet 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 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 the shares.

iv. Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 balance date are discounted to present value.

v. Contributed equity

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

w. Dividends

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

x. Provisions

Provision 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 managements' best estimate of the expected expenditure required to settle the present obligation at balance sheet 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.

Provisions for surplus leases are measured by the difference between future rental obligations on premises leased but no longer occupied and any future proceeds that can be expected from sub leases over the term of the original lease

y. Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and 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 of resale. The results of discontinued operations are presented separately on the line of the income statement. The comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

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.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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 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 sheet.

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

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 UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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* is applicable to reporting periods beginning on or after 1 January 2009. The standard will require the group to disclose segment information based on management's view of the business. Management is currently considering the impact of AASB 8 and its effect on the disclosure of segment information in the group's financial statements.
ii. Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12)* removes the option to exercise borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group has not yet determined the potential effect of the revised standard on future earnings.
iii. Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the group's 30 June 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's financial report.
iv. Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become effective from 1 January 2009.
v. AASB 2007-10 *Further Amendments to Australian Accounting Standard arising from AASB 101*. AASB 2007-10 becomes effective on 1 January 2009. The group has not yet determined the potential effect of the amending standard on the group's financial report.
vi. Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the group's 30 June 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the group's financial report.
vii. AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the group's 30 June 2010 financial statements. The group has not yet determined the potential effect of the amending standard on the group's financial report.
viii. AASB 2008-2 *Amendments to Australian Accounting Standard – Puttable Instruments and Obligations arising on Liquidation*. AASB 2008-2 becomes mandatory for the group's 30 June 2010 financial statements. The group has not yet determined the potential effect of the amending standard on the group's financial report.
ix. AASB 2008-5 and AASB 2008-6 *Amendments to Australian Accounting Standard arising from the Annual Improvement Project*. AASB 2008-5 becomes effective from 1 January 2009 and 1 July 2009, respectively. The group has not yet determined the potential effect of the amending standards on the group's financial report.
x. AASB 2008-7 *Amendments to Australian Accounting Standard – Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate*. The standard removes the definition of the "cost method" and instead requires that all dividends are to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. AASB 2008-1 becomes effective on 1 January 2009. The group has not yet determined the potential effect of the amending standard on the group's financial report.
xi. Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*. This standard amends the classification between debt and equity for puttable instruments. IAS 39 becomes effective 1 January 2009. The group has not yet determined the potential effect of the amending standard on the group's financial report.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 within the next financial year are as follows:

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(r). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Note 20 discloses the key assumptions and the potential impact of changes to these assumptions.

b. Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

The group allows 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.

NOTE 3. SEGMENT INFORMATION

a. Description of segments

Business segments

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

Equipment sales (continued operations)

Includes the manufacture, assembly, sales and support of lighting, power generation and dewatering equipment, as well as the distribution and support of Perkins engines and F G Wilson power generation sets.

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.

b. Primary reporting – business segments

	SALE OF GOODS		INTER-SEGMENT/ ELIMINATIONS		EQUIPMENT HIRE (DISCONTINUED)		CONSOLIDATED	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Segment revenue								
Sales to external customers	**82,336**	68,371	**130,849**	218,732	**–**	–	**213,185**	287,103
Inter-segment sales	**14,695**	13,693	**53**	518	**(14,748)**	(14,211)	**–**	–
Total sales revenue	**97,031**	82,064	**130,902**	219,250	**(14,748)**	(14,211)	**213,185**	287,103
Other revenue	**192**	189	**919**	1,684	**–**	–	**1,111**	1,873
Total segment revenue	**97,223**	82,253	**131,821**	220,934	**(14,748)**	(14,211)	**214,296**	288,976
Segment results								
Segment results	**5,851**	6,417	**26,952**	38,452	**(1,339)**	(1,206)	**31,464**	43,663
Unallocated revenue							**1,621**	170
Less: Unallocated expenses							**(10,837)**	(15,782)
Add: Share of profit from associate							**1,188**	–
Add: Profit from sale of discontinued operations							**25,960**	–
Profit before income tax							**49,396**	28,051
Income tax expense							**(6,872)**	(8,739)
Profit for the year							**42,524**	19,312
Segment assets and liabilities								
Segment assets	**74,527**	65,100	**–**	420,904	**–**	(4,255)	**74,527**	481,749
Unallocated assets							**333,152**	16,792
Total assets							**407,679**	498,541
Segment liabilities	**19,941**	13,841	**–**	36,943	**–**	(365)	**19,941**	50,419
Unallocated liabilities							**26,553**	204,888
Total liabilities							**46,494**	255,307
Other segment information								
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	**637**	–	**50,917**	7,180	**–**	–	**51,554**	7,180
Depreciation and amortisation expense	**686**	564	**24,292**	48,591	**–**	–	**24,978**	49,155
Impairment of stock	**641**	120	**–**	–	**–**	–	**641**	120

Refer to discontinued operations in note 9 to the financial statements.

NOTE 4. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Revenue from continuing operations				
Sales revenue				
Sale of goods	**82,336**	68,651	**–**	–
	82,336	68,651	**–**	–
Other revenue				
Interest	**870**	471	**625**	–
Other revenue	**919**	197	**750**	–
	1,789	668	**1,375**	–
Total revenue from continuing operations	**84,125**	69,319	**1,375**	–
From discontinued operations (note 9)	**130,849**	218,543	**–**	–
Total	**214,974**	287,862	**1,375**	–

NOTE 5. OTHER INCOME

Net loss on disposal of property, plant and equipment	**–**	(8)	**–**	–
Net gain on derivative financial instruments	**3**	54	**–**	–
	3	46	**–**	–

NOTE 6. EXPENSES

Profit/(loss) before income tax includes the following specific expenses:				
Finance costs				
Interest and finance charges paid/payable	**–**	352	**–**	348
Depreciation of non-current assets from continuing operations				
Plant and equipment	**521**	558	**–**	**–**
Amortisation of non-current assets from continuing operations				
Software	**164**	–	**–**	–
Defined contribution superannuation expense	**2,097**	–	**33**	–
Minimum lease payment under operating leases	**1,231**	–	**–**	–
Foreign exchange gains	**–**	(1)	**–**	–

NOTE 7. EQUITY ACCOUNTED INVESTEES

On 2 October 2007, National Hire and The Carlyle Group (Carlyle) announced an agreed transaction with Coates Hire Limited (Coates) to acquire all of the outstanding shares in Coates. A new company, Ned Group Holdings Pty Ltd (now known as Coates Group Pty Limited) (Coates Group), was incorporated as a subsidiary of National Hire specifically for the transaction. National Hire and Carlyle each hold a 50% effective voting interest and a 47.15% economic interest in Coates Group. National Hire funded its equity contribution in Coates Group of $348 million by the transfer of its Rental Services business (including all rental related assets and liabilities) for $278 million and $70 million in cash.

As part of the transaction Coates Group issued 389,950,291 in convertible notes to other investors in exchange for consideration of $389,950,291. As a result of this transaction National Hire Group reduces its holding in Coates Group to 47.15%.

The group's share of the profit in its equity accounted investees for the year was $1,187,709 (2007: Nil).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the group:

COATES GROUP HOLDINGS PTY LIMITED	2008 $'000
Assets and Liabilties	
Total assets	**3,011,938**
Total liabilities	**(2,279,116)**
Results	
Revenues	**543,028**
Income tax expense	**(1,435)**
Profit	**2,519**

The results, as shown above, represent the period from 9 January 2008 until 30 June 2008.

In the financial statements of the company investments in associates are accounted for at cost.

NOTE 8. INCOME TAX EXPENSE

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
a) Income tax expense					
Current tax		**6,679**	8,034	**(182)**	(914)
Deferred tax		**376**	678	**349**	326
Adjustments for current tax of prior periods		**(182)**	27	**(182)**	–
		6,873	8,739	**(15)**	(588)
Income tax expense/(benefit) is attributable to:					
Profit from continuing opertations		**1,907**	629	**(15)**	(588)
Profit from discontinued operations		**4,966**	8,110	**–**	–
Aggregate income tax expense/(benefit)		**6,873**	8,739	**(15)**	(588)
Deferred income tax expense/(revenue) included in income tax expense comprises:					
(Increase)/decrease in deferred tax assets	19	**(273)**	423	**349**	326
Increase in deferred tax liabilities	25	**649**	255	**–**	–
		376	678	**349**	326
b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit/(loss) from before income tax expense		**23,437**	28,051	**45,362**	(2,376)
Tax at the Australian tax rate of 30% (2007: 30%)		**7,031**	8,415	**13,609**	(713)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Amortisation of intangibles		**–**	30	**–**	–
Non-assessable revenue		**–**	–	**(13,476)**	–
Rebateable dividends		**28**	–	**28**	–
Entertainment		**63**	83	**–**	–
Other non-deductible items		**(67)**	184	**6**	125
Adjustments for current tax of prior periods		**(182)**	27	**(182)**	–
Income tax expense/(benefit)		**6,873**	8,739	**(15)**	(588)
c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:					
Net deferred tax credited directly to equity		**–**	17	**–**	17

NOTE 8. INCOME TAX EXPENSE

Tax consolidation legislation

National Hire Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2003. 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 National Hire Group Limited.

The entities have also entered into a tax funding agreement under which National Hire Group Limited's tax consolidated group is split into notional sub-groups. The sub-groups comprising the tax consolidated group 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 financial statements of the entities within the sub-groups.

The amounts receivable/payable under the tax funding agreement, split between the sub-groups, are due within specific timeframes outlined in the tax funding agreement.

NOTE 9. DISCONTINUED OPERATIONS

a. Description

On 17 December 2007, the shareholders approved the sale of the rental segment of the business to Coates Group 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 the disposal is set out below. Further information is set out in note 3 – Segment Information.

b. Financial performance and cash flow information

The financial performance and cash flow information presented are for the six months ended 8 January 2008 and the year ended 30 June 2007.

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Results of discontinued operation				
Revenue (note 4)	**130,849**	218,543	**–**	–
Other income	**919**	1,238	**–**	–
Expenses	**(114,931)**	(194,290)	**–**	–
Profit before income tax	**16,837**	25,491	**–**	–
Income tax expense (note 8)	**(4,966)**	(8,110)	**–**	–
Profit after income tax of discontinued operation	**11,871**	17,381	**–**	–
Gain on sale of discontinued operation before income tax	**41,314**	–	**–**	–
Income tax expense	**(15,354)**	–	**–**	–
Total profit after income tax	**37,831**	17,381	**–**	–

Cash flows generated from/(used in) discontinued operation	
Net cash inflow from operations 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 operation	**1,729**

NOTE 9. DISCONTINUED OPERATIONS

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
	2008 $'000	**2008 $'000**
Current assets		
Cash and cash equivalents	**2,205**	–
Receivables	**59,997**	–
Inventories	**918**	–
	63,120	–
Non-current assets		
Investments	**13,245**	–
Property, plant and equipment	**305,414**	–
Deferred tax asset	**481**	
Intangibles	**88,266**	–
	407,406	–
Total assets	**470,526**	–
Current liabilities		
Payables	**39,138**	–
Interest bearing liabilities	**14,120**	–
Current tax liabilities	**2,550**	–
Provisions	**947**	–
	56,755	–
Non-current liabilities		
Interest bearing liablities	**213,762**	–
Provisions	**488**	–
	214,250	–
Total liabilities	**271,005**	–
Net assets	**199,521**	–

NOTE 9. DISCONTINUED OPERATIONS

d. Details of the sale of the segment

	CONSOLIDATED 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)
Gain on sale before income tax	79,402
NHGL share of gain on sale before income tax (52.85%)	41,964
Less employee bonuses to be paid	(650)
Gain on sale of rental business	41,314
Income tax expense	(15,354)
Gain on sale of the rental business after income tax	**25,960**

NOTE 10. EARNINGS PER SHARE

	CONSOLIDATED	
	2008 CENTS	2007 CENTS
a) Basic earnings per share:		
Profit from continuing operations attributable to the ordinary equity holders of the company	**3.50**	1.61
Profit from discontinued operation	**28.22**	14.52
Profit attributable to the ordinary equity holders of the company	**31.72**	16.13
b) Diluted earnings per share:		
Profit from continuing operations attributable to the ordinary equity holders of the company	**3.50**	1.61
Profit from discontinued operation	**28.18**	14.52
Profit attributable to the ordinary equity holders of the company	**31.68**	16.13

	CONSOLIDATED	
	2008 $'000	2007 $'000
c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**4,693**	1,931
Profit from discontinued operation	**37,831**	17,381
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**42,524**	19,312
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**42,524**	19,312

	CONSOLIDATED	
	NUMBER	NUMBER
d) Weighted average number of shares used as the demominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**134,056,324**	119,691,651
Adjustments for calculation of diluted earnings per share:		
Options on issue	**176,898**	17,460
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**134,233,222**	119,709,111

Information concerning the classification of securities:

Options

Options granted to employees 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. Options have not been included in the determination of basic earnings per share. Refer note 37(a) for details in regard to outstanding options.

NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash at bank and on hand	**18,491**	4,057	**13,088**	173
Cash and cash equivalents	**18,491**	4,057	**13,088**	173

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 36.

NOTE 12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade receivables	**16,475**	55,522	**29**	–
Provision for impairment of receivables	**(281)**	(1,187)	**–**	–
	16,194	54,335	**29**	–
Other receivables	**2,606**	467	**2,363**	152,696
Tax receivable from related parties	**7,689**	–	**7,723**	–
Prepayments	**157**	2,859	**(2)**	–
	26,646	57,661	**10,113**	152,696

Trade receivables, other receivables and prepayments are non-interest bearing (2007: Non-interest bearing).

a. Impairment of trade receivables

The group has recognised a loss of $281,805 (2007: $1,401,000) in relation to impaired trade receivables during the year ended 30 June 2008. This loss has been included in "other expenses" in the income statement.

b. 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.

c. Risk exposure

Details of the group and the company's exposure to risks to foreign exchange risk is provided in note 36.

NOTE 13. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Inventories				
Raw materials and stores – at cost	**4,167**	4,991	**–**	–
Work in progress – at cost	**815**	669	**–**	–
Finished goods – at cost	**25,061**	22,040	**–**	–
Net realisable value adjustment	**(761)**	(120)	**–**	–
	29,282	27,580	**–**	–
Consumables – at cost	**–**	90	**–**	–
	29,282	27,670	**–**	–

NOTE 14. CURRENT ASSETS – DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current assets				
Interest rate cap	**409**	172	**–**	–

Instruments used by the group

The group currently has in place an interest rate cap with a strike rate of 7.50% on face value of $15 million. The cap has not been applied to specifically hedge any of the current group borrowings and has consequently been classified as "held for trading". The term of the cap is for a period of 10 years commencing on 1 July 2004.

No amounts have been received under the interest rate cap since inception.

NOTE 15. NON-CURRENT ASSETS – RECEIVABLES

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade receivables		**11**	12	**11**	12
Employee share plan	37(b)	**36**	83	**36**	77
Provision for impairment		**(8)**	(1)	**(8)**	(1)
		28	82	**28**	76
		39	94	**39**	88

Non-current trade and other receivables are non-interest bearing (2007: Non-interest bearing). The fair value of non-current trade and other receivables approximate their carrying amount.

NOTE 16. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Listed securities				
Equity	**–**	12,003	**–**	12,003

National Hire Group Limited held shares in Coates Hire Limited and these were classified as available-for-sale financial assets as at 30 June 2007. On 9 January 2008, the group acquired Coates Hire Limited as part of a consortium undertaking, increasing its shareholding to 47.15% and as a result has accounted for the investment as an associate in accordance with AASB 128 *Investments in Associates* (refer to note 7).

NOTE 17. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Shares in subsidiaries	39	**–**	–	**72,744**	71,857
Other investments*				**(29,514)**	1,363
				43,230	73,220
Units in controlled unit trust	39	**–**	–	**–**	7,750
Provision for impairment		**–**	–	**–**	(710)
		–	–	**–**	7,040
Unlisted equity securities		**–**	13	**–**	13
Provision for impairment		**–**	(13)	**–**	(13)
		–	–	**–**	–
		–	–	**43,230**	80,260

* Other investments in subsidiaries include the parent entity interests in subsidiaries as disclosed in 1(b)(i).

Reclassification of interest-free loans to subsidiaries as per the accounting policy as disclosed in 1(b)(i), which were previously disclosed as receivables in the 2007 annual report.

SHARES IN SUBSIDIARIES	2007 $'000
As reported in 2007 annual report	71,857
Reclassification	1,363
As reported in 2008 annual report	73,220

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

CONSOLIDATED	LAND* $'000	LEASEHOLD IMPROVEMENT $'000	PLANT & EQUIPMENT $'000	LEASED PLANT & EQUIPMENT $'000	TOTAL $'000
Year ended 30 June 2007					
Opening net book amount	318	2,027	263,516	11,995	277,856
Additions	–	826	57,307	–	58,133
Additions through acquisition of a business	–	–	3,896	–	3,896
Depreciation & amortisation	–	(717)	(46,236)	(1,388)	(48,341)
Disposals	–	(47)	(7,879)	–	(7,926)
Closing net book amount	318	2,089	270,604	10,607	283,618
At 30 June 2007					
Cost or fair value	318	3,744	384,066	13,764	401,892
Accumulated depreciation	–	(1,655)	(113,462)	(3,157)	(118,274)
Net book amount	318	2,089	270,604	10,607	283,618
Year ended 30 June 2008					
Opening book amount	**318**	**2,089**	**270,604**	**10,607**	**283,618**
Additions	**–**	**229**	**51,325**	**–**	**51,554**
Depreciation & amortisation	**–**	**(231)**	**(23,839)**	**(765)**	**(24,835)**
Disposals	**–**	**(82)**	**(3,180)**	**(36)**	**(3,298)**
Sale of operations	**–**	**(2,005)**	**(293,603)**	**(9,806)**	**(305,414)**
Closing net book amount	**318**	**–**	**1,307**	**–**	**1,625**
At 30 June 2008					
Cost or fair value	**318**	**–**	**4,795**	**–**	**5,113**
Accumulated depreciation	**–**	**–**	**(3,488)**	**–**	**(3,488)**
Net book amount	**318**	**–**	**1,307**	**–**	**1,625**

* Land is carried on the historical cost basis.

NOTE 19. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Deferred tax assets		**–**	–	**325**	674
The balance comprises temporary differences attributable to:					
Amounts recognised in profit or loss					
Doubtful debts		**85**	356	**–**	–
Employee benefits		**343**	1,594	**8**	51
Inventory and equipment provisions		**228**	36	**–**	–
Accruals		**32**	88	**48**	37
Other		**22**	326	**–**	–
Borrowing costs		**–**	218	**–**	–
Share issue expenses		**269**	586	**269**	586
		979	3,204	**325**	674
Set-off of deferred tax liabilities pursuant to set-off provisions	25	**(979)**	(3,204)	**–**	–
		–	–	**325**	674
Reconciliation of movement					
Opening balance at 1 July		**3,204**	3,603	**674**	1,000
Credited/(charged) to the income statement	8	**273**	(423)	**(349)**	(326)
Acquisitions of subsidiary	41	**–**	24	**–**	–
Disposal of rental business	9	**(2,498)**	–	**–**	–
Closing balance at 30 June		**979**	3,204	**325**	674
Deferred tax assets to be recovered					
Within 12 months		**116**	1,833	**56**	67
Greater than 12 months		**863**	1,371	**269**	607
		979	3,204	**325**	674

NOTE 20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL $'000	DISTRIBUTION AGREEMENTS $'000	RESEARCH & DEVELOPMENT $'000	SOFTWARE $'000	BRAND NAMES $'000	TOTAL $'000
Year ended 30 June 2007						
Opening book amount	94,305	9,835	–	1,217	3,160	108,517
Additions – internal development	–	–	724	–	–	724
Additions – acquisitions	4,206	–	–	354	–	4,560
Amortisation charge/write off	–	–	–	(715)	(99)	(814)
Closing net book amount	98,511	9,835	724	856	3,061	112,987
At 30 June 2007						
Cost or fair value	98,511	9,835	724	2,195	3,950	115,215
Accumulated amortisation	–	–	–	(1,339)	(889)	(2,228)
Net book amount	**98,511**	**9,835**	**724**	**856**	**3,061**	**112,987**
Year ended 30 June 2008						
Opening net book amount	**98,511**	**9,835**	**724**	**856**	**3,061**	**112,987**
Additions – internal development	**–**	**–**	**363**	**–**	**–**	**363**
Additions – acquisitions	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation charge/write off	**–**	**–**	**(122)**	**–**	**–**	**(122)**
Disposal	**(86,161)**	**(1,850)**	**–**	**(856)**	**(3,061)**	**(91,928)**
Closing net book amount	**12,350**	**7,985**	**965**	**–**	**–**	**21,300**
At 30 June 2008						
Cost or fair value	**12,350**	**7,985**	**1,087**	**–**	**–**	**21,422**
Accumulated amortisation	**–**	**–**	**(122)**	**–**	**–**	**(122)**
Net book amount	**12,350**	**7,985**	**965**	**–**	**–**	**21,300**

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to business segment. A summary of the allocation of goodwill is shown below:

	GOODWILL	
	2008 $'000	2007 $'000
Capital sales	**12,350**	12,350
Rental services	**–**	86,161
	12,350	98,511

NOTE 20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the financial budget approved by management for the preceding 12 months. Cash flows beyond 2009 are extrapolated using the estimated growth rates stated below:

	BUDGET CASH FLOW*		AVERAGE REVENUE GROWTH RATE OVER FIVE YEARS**		DISCOUNT RATE	
	2008 $'000	2007 $'000	**2008 %**	2007 %	**2008 %**	2007*** %
Rental services	**–**	34,322	**–**	3.4%	**–**	8.55%
Capital sales	**6,983**	6,579	**3.7%**	3.4%	**10.93%**	8.55%

* 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.
*** The discount rates used in 2007 are post tax.

Management believes 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.

NOTE 21. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade payables	**12,484**	24,768	**63**	–
Accruals	**–**	–	**2,867**	–
Unearned income	**1,156**	–	**–**	–
Other payables	**7,123**	11,320	**207**	381
	20,763	36,088	**3,137**	381

Information about the group's and the parent entity's exposure to foreign exchange risk is provided in note 36.

NOTE 22. CURRENT LIABILITIES – BORROWINGS

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Secured					
Hire purchase liabilities		**–**	1,552	**–**	–
Lease liabilities	35	**–**	1,666	**–**	–
		–	3,218	**–**	–
Unsecured					
Bank loans		**–**	10,000	**–**	–
Other		**–**	146	**–**	–
		–	10,146	**–**	–
		–	13,364	**–**	–

Lease and hire purchase liabilities

Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.

NOTE 22. CURRENT LIABILITIES – BORROWINGS

Bank overdraft

Information on the bank overdraft is set out in note 31.

Interest rate risk exposures

Details of the group's exposure to interest rate changes on borrowings is set out in note 36(c).

Fair value disclosures

The carrying amount of borrowings disclosed above approximates their fair value and is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

Convertible notes

In May 2000, the parent entity issued 941,667 unsecured convertible notes with a face value of $3.75. The notes had a coupon rate of 10% per annum and matured on 30 April 2007. The notes were repaid to holders on the maturity date.

Convertible notes are presented in the statement of financial position as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Balance at 1 July	–	3,473	–	3,473
Interest accrued during the year	–	58	–	58
Repaid at maturity	–	(3,531)	–	(3,531)
Balance at 30 June	–	–	–	–

NOTE 23. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits – long service leave	**45**	1,250	–	–
Surplus lease space	–	3	–	–
	45	1,253	–	–

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Secured					
Hire purchase liabilities		–	1,905	–	–
Lease liabilities	35	–	8,582	–	–
		–	10,487	–	–
Unsecured					
Bank loans		–	193,371	–	–
		–	193,371	–	–
		–	203,858	–	–

Lease and hire purchase liabilities

Lease and hire purchase liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.

NOTE 24. NON-CURRENT LIABILITIES – BORROWINGS

Bank loans

Information on the bank loans is set out in note 31.

Interest rate risk exposures

Details of the group's exposure to interest rate changes on borrowings are set out in note 36(c).

Fair value disclosures

The carrying amount of borrowings disclosed above approximates their fair value and is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Deferred tax liabilities		**16,582**	371	**–**	–
The balance comprises temporary differences attributable to:					
Amounts recognised in profit or loss					
Prepayments		**–**	18	**–**	–
Depreciation		**(188)**	499	**–**	–
Leased assets		**–**	108	**–**	–
Distribution agreements		**2,395**	2,950	**–**	–
Gain on sale of discontinued operations		**15,354**	–	**–**	–
		17,561	3,575	**–**	–
Set-off of deferred tax assets pursuant to set-off provisions	19	**(979)**	(3,204)	**–**	–
Net deferred tax liabilities		**16,582**	371	**–**	–
Reconciliation of movement					
Opening balance at 1 July		**3,575**	3,337	**–**	17
Charged to the income statement	8	**649**	255	**–**	–
Credited to equity		**–**	(17)	**–**	(17)
Gain on sale of discontinued operations		**15,354**	–	**–**	–
Disposal of rental business	9	**(2,017)**	–	**–**	–
Closing balance at 30 June		**17,561**	3,575	**–**	–
Deferred tax liabilities to be settled					
Within 12 months		**–**	19	**–**	–
Greater than 12 months		**17,561**	3,556	**–**	–
		17,561	3,575	**–**	–

NOTE 26. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits	**232**	373	**–**	48

NOTE 27. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Issued and paid up share capital				
148,401,945 fully paid ordinary shares (2007: 119,704,802)	**293,446**	207,435	**293,446**	207,435
Other equity securities				
Convertible notes – value of conversion rights	**325**	325	**325**	325
	293,771	207,760	**293,771**	207,760

Movements in ordinary share capital

DATE	DETAILS	NO. SHARES	ISSUE PRICE	$'000
30 Jun 2006	Balance	**119,624,802**		**207,355**
30 Aug 2006	Exercise of 2003 options	80,000	$1.00	80
30 Jun 2007		119,704,802		207,435
4 Dec 2007	Exercise of 2003 options	40,000	$1.00	40
31 Dec 2007	Issue of ordinary shares	28,657,143	$3.00	85,971
30 Jun 2008		**148,401,945**		**293,446**

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.

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Convertible notes				
Balance at 1 July	**325**	308	**325**	308
Deferred tax liability component	**–**	17	**–**	17
Balance at 30 June	**325**	325	**325**	325

The amount shown for convertible notes is the value of the conversion rights relating to convertible notes.

NOTE 28. RESERVES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Foreign currency translation reserve	**(9)**	(868)	**–**	–
Share-based payments reserve	**2,257**	1,792	**2,257**	1,792
	2,248	924	**2,257**	1,792
Movements				
Foreign currency translation reserve				
Balance 1 July	**(868)**	46	**–**	–
Net translation differences on foreign subsidiary	**859**	(914)	**–**	–
Balance at 30 June	**(9)**	(868)	**–**	–
Share-based payments reserve				
Balance 1 July	**1,792**	1,420	**1,792**	1,420
Share-based payments recognised in the income statement	**465**	372	**465**	372
Balance as at 30 June	**2,257**	1,792	**2,257**	1,792

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)(iii).

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised and the fair value of retention bonus shares.

NOTE 29. RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Balance at 1 July	**34,550**	23,607	**36,185**	46,342
Net profit/(loss) for the year	**42,524**	19,312	**45,377**	(1,788)
Dividends	**(11,908)**	(8,369)	**(11,908)**	(8,369)
Balance at 30 June	**65,166**	34,550	**69,654**	36,185

NOTE 30. DIVIDENDS

	PARENT ENTITY	
	2008 $'000	2007 $'000
Ordinary shares		
Final dividend for the year ended 30 June 2007 of 5.0 cents (2006: 4.0 cents) per fully paid share paid on 13 October 2007 – Fully franked	**5,985**	4,783
Interim dividend for the year ended 30 June 2008 of 4.0 cents (2007: 3.0 cents) per fully paid share paid on 16 March 2008 – Fully franked	**5,923**	3,586
	11,908	8,369
Dividends not recognised at year end		
The directors have declared a final dividend of 2 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 October 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end is	**2,968**	5,985

Franked dividends

The franked portion of the final dividend declared after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008. The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability will be a reduction in the franking account of $1,272,017 (2007: $2,565,000). The account balances below do not reflect this adjustment.

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	**44,934**	19,981	**44,934**	19,981

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 current tax liability
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
d. franking credits that may be prevented from being distributed in subsequent financial years

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

NOTE 31. FINANCING ARRANGEMENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financing arrangements				
Total facilities available				
Bank overdraft	**–**	10,000	**–**	10,000
Bank loan facility	**–**	295,000	**–**	–
Bank leasing facility	**–**	10,000	**–**	–
Bank guarantee facility	**500**	500	**–**	500
Other	**200**	–	**–**	–
	700	315,500	**–**	10,500
Facilities utilised at reporting date				
Bank overdraft utilised	**–**	–	**–**	–
Bank loan facilities utilised	**–**	204,256	**–**	–
Bank leasing facility utilised	**–**	4,568	**–**	–
Bank guarantees utilised	**–**	388	**–**	388
Other	**–**	–	**–**	–
	–	209,212	**–**	388
Facilities not utilised at reporting date				
Bank overdraft	**–**	10,000	**–**	10,000
Bank loan facility	**–**	90,744	**–**	–
Bank leasing facility	**–**	5,432	**–**	–
Bank guarantee facility	**500**	112	**–**	112
Other	**200**	–	**–**	–
	700	106,288	**–**	10,112

Those financing arrangements that were held by National Hire Group entities in 2007 were transferred as part of the Coates transaction (refer to note 9). All of the facilities above may be drawn at any time subject to the overall limit of the facility. The facilities in place are subject to meeting financial covenants on a six monthly basis and are reviewed by the bank at the same interval.

NOTE 32. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Reconciliation of profit/(loss) from ordinary activities after income tax to the net cash flows from operating activities:				
Profit/(loss) for the year after income tax	**42,524**	19,312	**44,743**	(1,788)
Depreciation of non-current assets	**24,835**	47,624	**–**	–
Amortisation of non-current assets	**122**	1,531	**–**	–
Profit on disposal of property, plant and equipment	**(406)**	(1,230)	**–**	–
Profit on derivatives at fair value through the profit and loss	**(237)**	(54)	**–**	–
Profit on disposal of rental business	**(41,314)**	–	**(45,000)**	–
Share of net profit of associate	**(1,188)**	–	**–**	–
Management fee	**(750)**	–	**(750)**	–
Exchange loss on foreign currency	**–**	29	**–**	–
Employee share reserves	**465**	372	**465**	372
Dividend received	**(221)**	–	**(221)**	–
Change in operating assets and liabilities net of effects from purchase of controlled entity				
Decrease/(increase) in trade and other receivables	**1,413**	(1,911)	**22**	46
(Increase)/decrease in inventories	**(2,580)**	2,548	**–**	–
(Increase)/decrease in net deferred tax assets	**(2,498)**	661	**621**	–
Increase/(decrease) in trade and other payables	**10,318**	2,106	**(111)**	(50)
Increase/(decrease) in provisions	**86**	(179)	**(48)**	7
Increase/(decrease) in current tax liabilities	**19,000**	(4,721)	**4,050**	(4,565)
Net cash inflows/(outflows) from operating activities	**49,569**	66,088	**3,771**	(5,978)
Non-cash investing and financing activities				
Disposal of rental business	**278,943**	–	**–**	–

NOTE 33. REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	**2008 $**	2007 $
During the year the following fees were paid or payable to the auditor of the parent entity, its related practices and non-related audit firms:				
Audit services				
PricewaterhouseCoopers – Audit and review of financial reports	**182,285**	241,405	**182,285**	241,405
Other assurance services				
PricewaterhouseCoopers – other	**2,039**	14,370	**2,039**	14,370
Taxation services				
PricewaterhouseCoopers	**20,410**	70,842	**20,410**	70,842
Advisory services				
PricewaterhouseCoopers	**46,041**	45,700	**46,041**	45,700
	250,775	372,317	**250,775**	372,317

NOTE 34. CONTINGENCIES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Contingent liabilties				
The parent entity and controlled entities have agreed to indemnify the group's bankers in respect of guarantees by the group in favour of third parties. The value of the guarantees are:	**–**	388	**–**	388

NOTE 35. COMMITMENTS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Capital commitments				
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:				
Property, plant and equipment				
Within one year	**–**	17,721	**–**	–
(b) Lease expenditure commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than 1 year	**1,037**	14,475	**–**	–
Later than 1 year and not later than 5 years	**2,559**	21,864	**–**	–
Later than 5 years	**–**	594	**–**	–
	3,596	36,933	**–**	–
Representing:				
Non-cancellable operating leases	**3,596**	35,348	**–**	–
Future finance charges on finance leases	**–**	1,585	**–**	–
	3,596	36,933	**–**	–

NOTE 35. COMMITMENTS

Operating leases

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

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than 1 year	**1,037**	13,770	**–**	–
Later than 1 year and not later than 5 years	**2,559**	20,984	**–**	–
Later than 5 years	**–**	594	**–**	–
Commitments not recognised in the financial statements	**3,596**	35,348	**–**	–
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**–**	39	**–**	–

Finance leases

The group leases various plant and equipment with a carrying amount of $nil (2007: $10,607,000) under finance leases expiring within one to three years. Commitments under the terms of the leases are as follows:

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Commitments in relation to finance leases are payable as follows:				
Not later than 1 year	**–**	2,371	**–**	–
Later than 1 year and not later than 5 years	**–**	9,462	**–**	–
Total minimum lease payments	**–**	11,833	**–**	–
Less: Future finance charges	**–**	(1,585)	**–**	–
Total lease liabilities	**–**	10,248	**–**	–
Representing:				
Lease liabilities – current	**–**	1,666	**–**	–
Lease liabilities – non-current	**–**	8,582	**–**	–
	–	10,248	**–**	–

NOTE 36. FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's and group's exposure to each of the above risks, their objectives, policies and processes for measuring and monitoring risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework across the group. The board has established risk management guidelines and policies to identify the risks faced by the company and the group, to set appropriate controls and to monitor risks. 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.

NOTE 36. FINANCIAL RISK MANAGEMENT

a. 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 processes for managing credit risk are to use independent third parties to provide them with credit checks, though do not obtain official credit ratings. The group 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 them with letters of support in order to secure their purchase.

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 no significant concentrations of credit risk and 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.

The group and parent entity's maximum exposure to credit risks at the reporting date was:

AS AT 30 JUNE 2008	GROUP CARRYING VALUE $'000	PARENT ENTITY CARRYING VALUE $'000
Cash and cash equivalents	**18,491**	**13,088**
Loan and receivables	**18,968**	**2,399**
Financial instruments fair valued through the profit and loss – Derivative financial instruments	**409**	**–**
Total exposures	**37,868**	**15,487**

AS AT 30 JUNE 2007		
Cash and cash equivalents	4,057	173
Loan and receivables	57,661	154,059
Available-for-sale financial assets	12,003	12,003
Financial instruments fair valued through the profit and loss – Derivative financial instruments	172	–
Total exposures	**73,893**	**166,235**

Trade receivables are analysed as follows:

	GROSS		IMPAIRMENT	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Neither past due nor impaired	**8,359**	26,084	**–**	–
Past due 31-60 days	**6,174**	19,888	**–**	–
Past due 61-90 days	**1,243**	3,395	**–**	–
Past due 91-120 days	**56**	3,070	**–**	–
Past due over 120 days	**640**	3,082	**(282)**	(1,187)
Total	**16,472**	55,519	**(282)**	(1,187)

Goods are sold subject to retention of title clauses; the value of "collateral" held against the trade receivables as at 30 June 2008 is $16,473,000 (2007: $55,520,000).

NOTE 36. FINANCIAL RISK MANAGEMENT

b. 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. The group maintains a 12 month cash flow forecast, which assists in monitoring cash flow requirements across the group.

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

Group

AS AT 30 JUNE 2008	CONTRACTUAL CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 YEAR TO 5 YEARS $'000
Trade and other payables	**18,810**	**18,781**	**29**	**–**
Forward exchange contracts:				
Outflow	**203**	**203**	**–**	**–**

Company

Trade and other payables	**999**	**999**	**–**	**–**

Group

AS AT 30 JUNE 2007	CONTRACTUAL CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 YEAR TO 5 YEARS $'000
Trade and other payables	36,088	36,088	–	–
Hire purchase liabilities	3,694	865	865	1,964
Lease liabilities	11,832	1,185	1,185	9,462
Bank loans	204,256	–	204,256	–
Other borrowings	150,000	75,000	75,000	–
Forward exchange contracts:				
Outflow	2,722	2,722	–	–

Company

Trade and other payables	381	381	–	–

The group's and parent entity's financing arrangements have been disclosed in note 31.

Capital management

The board'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.

The board's policy also includes the maintenance of a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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.

As at 30 June 2008 the group had $nil borrowings (2007: $217,221,618) with cash and cash equivalents being $18,491,000 (2007: $4,057,473).

Their were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 36. FINANCIAL RISK MANAGEMENT

c. Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the group's profits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising returns.

The group uses derivative financial instruments such as foreign exchange contracts and interest rate caps to hedge certain risk exposures.

Currency risk

Currency risk occurs when future commercial transactions are denominated in a currency that is not the group's functional currency. The group purchases equipment and parts internationally and is thus exposed to fluctuations in pounds sterling and US dollars.

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 balance date was as follows, based on notional amounts:

The group takes exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its position and cash flows. The company has no exposure to foreign currency risk at balance sheet date. Included in the following table are the group's financial instruments at carrying amounts, categorised by currency:

	30 JUNE 2008			30 JUNE 2007		
GROUP	GBP $'000	USD $'000	EURO $'000	GBP $'000	USD $'000	EURO $'000
Non-derivatives						
Cash and cash equivalents	**82**	**1,901**	**–**	398	1,548	–
Trade receivables	**107**	**2,330**	**–**	35	520	–
Trade payables	**(3,324)**	**(3,150)**	**–**	(3,951)	(331)	(72)
Gross balance sheet exposure	**(3,135)**	**1,081**	**–**	(3,518)	1,737	(72)
Derivatives						
Forward exchange contracts	**203**	**–**	**–**	2,722	–	–
Net exposure	**(2,932)**	**1,081**	**–**	(796)	1,737	(72)

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2008	2007	**2008**	2007
GBP	**0.448**	0.407	**0.483**	0.424
USD	**0.897**	0.706	**0.963**	0.849
EUR	**–**	0.602	**0.600**	0.631

NOTE 36. FINANCIAL RISK MANAGEMENT

Sensitivity analysis

A 10 per cent strengthening/weakening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	CONSOLIDATED	
30 JUNE 2008	EQUITY	PROFIT OR LOSS
GBP (+10%)	**(266)**	**266**
GBP (-10%)	**326**	**(326)**
USD (+10%)	**98**	**(98)**
USD (-10%)	**(120)**	**120**
30 JUNE 2007		
GBP (+10%)	(72)	72
GBP (-10%)	88	(88)
USD (+10%)	158	(158)
USD (-10%)	(193)	193
EUR (+10%)	(7)	7
EUR (-10%)	8	(8)

Interest rate risk

The group's interest rate risk arises from long-term borrowings which are issued at variable rates. The group has no significant interest bearing assets.

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. Any amounts payable on variable rate borrowings in excess of the capped rate are reimbursed by the counterparty. The interest rate cap has not been designated against any borrowings.

Cash flow sensitivity analysis for variable rate instruments

The group's only interest rate exposure for financial assets and financial liabilities is cash and borrowings.

A change of 100 basis points in interest rates would have increased or decreased the group's profit and loss by $130,476 (2007: $2,042,563). This analyses assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

NOTE 36. FINANCIAL RISK MANAGEMENT

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

GROUP	30 JUNE 2008 CARRYING AMOUNT $'000	30 JUNE 2008 FAIR VALUE $'000	30 JUNE 2007 CARRYING AMOUNT $'000	30 JUNE 2007 FAIR VALUE $'000
Financial assets				
Cash and cash equivalents	**18,491**	**18,491**	4,057	4,057
Trade and other receivables	**26,646**	**26,646**	57,661	57,661
Interest rate cap	**409**	**409**	172	172
Financial liabilities				
Bank loans	**–**	**–**	(203,371)	(203,371)
Finance lease liabilities	**–**	**–**	(10,248)	(10,248)
Hire purchase liabilities	**–**	**–**	(3,457)	(3,457)
Trade and other payables	**(20,763)**	**(20,763)**	(36,088)	(36,088)
	24,783	**24,783**	(191,274)	(191,274)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

COMPANY	30 JUNE 2008 CARRYING AMOUNT $'000	30 JUNE 2008 FAIR VALUE $'000	30 JUNE 2007 CARRYING AMOUNT $'000	30 JUNE 2007 FAIR VALUE $'000
Financial assets				
Cash and cash equivalents	**13,088**	**13,088**	173	173
Trade and other receivables	**10,113**	**10,113**	154,059	154,059
Financial liabilities				
Trade and other payables	**(3,137)**	**(3,137)**	(381)	(381)
	20,064	**20,064**	153,851	153,851

The basis for determining fair values is disclosed in note 1(p).

NOTE 37. SHARE-BASED PAYMENTS

a. Employee option plan

The employee option plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest 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 is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the five days immediately before the options are granted.

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

Consolidated and parent entity – 2008

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT THE START OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
1 Dec 2005	**1 Dec 2010**	**$1.85**	**261,000**	**–**	**–**	**–**	**–**	**261,000**	**–**
26 Nov 2005	**26 Nov 2010**	**$1.85**	**813,000**	**–**	**–**	**–**	**90,000**	**723,000**	**–**
20 Nov 2003	**20 Nov 2007**	**$1.00**	**40,000**	**–**	**40,000**	**–**	**–**	**–**	**–**
			1,114,000	**–**	**40,000**	**–**	**90,000**	**984,000**	**–**
Weighted average exercise price			**$1.82**	**–**	**$1.00**	**–**	**$1.85**	**$1.85**	**–**

Consolidated and parent entity – 2007

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT THE START OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
3 Jan 2006	3 Jan 2011	$1.79	225,000	–	–	225,000	–	–	–
1 Dec 2005	1 Dec 2010	$1.85	261,000	–	–	–	–	261,000	–
26 Nov 2005	26 Nov 2010	$1.85	933,000	–	–	120,000	–	813,000	–
20 Nov 2004	20 Nov 2008	$2.30	120,000	–	–	120,000	–	–	–
20 Nov 2003	20 Nov 2007	$1.00	120,000	–	80,000	–	–	40,000	40,000
			1,659,000	–	80,000	465,000	–	1,114,000	40,000
Weighted average exercise price			$1.80	–	$1.00	$1.94	–	$1.82	$1.00

No options expired during either period covered by the tables above.

The weighted average share price at the date of exercise of options during the year ended 30 June 2008 was $2.62 (2007: $2.06).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.4 years (2007: 3.3 years).

b. Employee share plan

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

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

Shares allotted under the plan will rank equally with all existing shares from the date of issue in respect of voting rights and all rights issues, bonus share issues and dividends made or declared after allotment.

c. Employee retention bonus shares

During December 2004 the company offered retention bonus shares to 66 executives 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.

NOTE 37. SHARE-BASED PAYMENTS

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 as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Share-based payment remuneration	**465**	372	**465**	372

NOTE 38. RELATED PARTY TRANSACTIONS

a. Parent entities

The parent entity within the consolidated entity is National Hire Group Limited. The ultimate Australian parent entity is Australian Capital Equity Pty Limited which at 30 June 2008 indirectly owned 67% (2007: 67%) of the ordinary shares of National Hire Group Limited.

b. Subsidiaries

Interests in subsidiaries are disclosed in note 39.

Loans made by the company to/(from) wholly owned subsidiaries have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2008, such loans to/(from) subsidiaries totalled ($29,514,108), (2007: $154,058,980). These loans have been recognised as an additional investment in subsidiaries.

c. Key management personnel

Directors

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

Executive directors

- A Aitken*, Managing Director
- R Romano (resigned 25/6/08)

Non-executive directors

- S Donnelley*
- D Elphinstone (appointed 30/1/08)
- P Gammell (resigned 12/5/08)
- C Isenberg
- J Langoulant, Chairman (appointed 12/5/08)
- J Star (resigned 24/10/07)
- J Walker (appointed 25/6/08)

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

Other key management personnel

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

NAME	POSITION	EMPLOYER
G Armstrong (until 9/1/08)	Chief Financial Officer	National Hire Administration Pty Limited
R Harman	Company Secretary	National Hire Administration Pty Limited
S McCullough (until 31/7/08)	General Manager – Capital Sales	National Hire Operations Pty Limited
P Funga (resigned 30/11/07)	General Manager – Production & Assembly	National Hire Operations Pty Limited
P Walsh (appointed 21/1/08)	Managing Director	Allight Holdings Pty Ltd

The above persons are also the same persons that had authority and responsibility for planning, directing and controlling the activities of National Hire Group Limited (the parent entity) during the year. As a result, key management personnel disclosures for the parent entity have not been separately disclosed in all tables.

NOTE 38. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Total expenses paid during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Short-term benefits	**1,853**	2,678	**612**	738
Post employment benefits	**149**	197	**50**	64
Share-based payments	**348**	103	**126**	15
Other	**20**	29	**10**	12
	2,370	3,007	**798**	829

Share and option holdings

i. Share holdings

The number of shares in the company held during the financial year by directors of National Hire Group Limited and other key management personnel of the group, including their personally related parties, are set out below:

	OPENING BALANCE 1 JUL 06	RECEIVED ON EXERCISE OF OPTIONS	ADDITIONS/ DISPOSALS DURING 06/07	CLOSING BALANCE 30 JUN 07	RECEIVED ON EXERCISE OF OPTIONS	ADDITIONS/ DISPOSALS DURING 07/08	CLOSING BALANCE 30 JUN 08
Directors							
S Donnelley	3,991,877	–	(2,000,000)	1,991,877	–	–	1,991,877
J Star	65,378	–	1,475	66,853	–	(20,939)	45,914
R Romano	30,000	–	–	30,000	–	7,000	37,000
D Elphinstone	842,857	–	–	842,857	–	28,657,143	29,500,000
Other key management personnel							
R Harman	95,827	40,000	(40,000)	95,827	–	900	96,727
P Funga	67,221	–	10,279	77,500	–	(45,500)	32,000
S McCullough	65,221	–	(24,257)	40,964	–	(40,964)	–

ii. 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.

NOTE 38. RELATED PARTY TRANSACTIONS

iii. 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 the other key management personnel of the group, including their personally related parties, are set out below:

2008	OPENING BALANCE 1 JUL 07	GRANTED AS COMPENSATION DURING 07/08	EXERCISED DURING 07/08	FORFEITED DURING 07/08	CLOSING BALANCE 30 JUN 08	VESTED AND EXERCISABLE	UNVESTED
Directors							
S Donnelley	261,000	–	–	–	261,000	261,000	–
S McCullough	174,000	–	–	–	174,000	174,000	–
Other key management personnel							
G Armstrong	195,000	–	–	–	195,000	195,000	–
R Harman	90,000	–	–	–	90,000	90,000	–
P Funga	90,000	–	–	(90,000)	–	–	–

2007	OPENING BALANCE 1 JUL 06	GRANTED AS COMPENSATION DURING 06/07	EXERCISED DURING 06/07	FORFEITED DURING 06/07	CLOSING BALANCE 30 JUN 07	VESTED AND EXERCISABLE	UNVESTED
Directors							
S Donnelley	261,000	–	–	–	261,000	–	261,000
Other key management personnel							
G Armstrong	195,000	–	–	–	195,000	–	195,000
R Harman	170,000	–	(40,000)	(40,000)	90,000	–	90,000
A Manning	200,000	–	(40,000)	(160,000)	–	–	–
D Isaacs	225,000	–	–	(225,000)	–	–	–
S McCullough	174,000	–	–	–	174,000	–	174,000
P Funga	90,000	–	–	–	90,000	–	90,000

Loans to key management personnel

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

Other transactions with key management personnel

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

NOTE 38. RELATED PARTY TRANSACTIONS

All of the above arrangements are on normal commercial terms and conditions. Aggregate amounts of each type of transaction with key management personnel of National Hire Group Limited are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	**2008 $**	2007 $
Amounts recognised as revenue				
Hire revenue	**1,386,951**	1,917,883	**–**	–
Amounts recognised as expenses				
Rental expense	**568,539**	1,056,326	**–**	–
Amounts recognised as receivables	**–**	266,248	**–**	–

d. Transactions with related parties

The following transactions occurred with related entities during the year ended 30 June 2008:

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Revenue from property, plant, equipment and parts sales to immediate parent entity	**3,496,863**	–	**–**	–
Revenue from property, plant, equipment and parts sales to associate	**32,028**	–	**–**	–
Revenue from equipment hire to immediate parent entity and associated subsidiary	**929,654**	2,247,100	**–**	–
Purchase of property, plant, equipment and related parts from immediate parent entity and associated subsidiary	**7,801,590**	25,392,479	**–**	–
Payments for equipment under finance leases where the immediate parent entity is the lessor	**1,176,607**	2,370,863	**–**	–
Property rent and operating lease payments paid to immediate parent entity and associated subsidiary	**1,360,395**	1,818,632	**–**	–
Reimbursement of expenses to ultimate parent entity	**45,327**	73,119	**45,327**	–
Management fee receivable from associate	**750,000**	–	**750,000**	–
Reimbursement of expenses to associate	**106,088**	–	**106,088**	–
Success fee payment to ultimate parent entity	**3,000,000**	–	**3,000,000**	–
Current tax payable assumed from wholly-owned tax consolidated entities	**–**	–	**7,688,789**	7,995,995

e. Outstanding balances arising from related party transactions

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

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Current receivables				
Wholly owned tax consolidated entities	**–**	–	**10,758,257**	154,058,980
Parent entities	**31,554**	339,920	**–**	–
Other related parties	**–**	37,305	**–**	–
Current payables				
Parent entities	**56,307**	1,005,764	**–**	–

No provision for impairment of receivables has been raised in relation to any outstanding loan balances and no expense has been recognised in respect of bad or doubtful debts due from subsidiaries.

NOTE 38. RELATED PARTY TRANSACTIONS

f. Loans to/from related parties

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	**2008 $**	2007 $
Loans to subsidiaries				
Beginning of the year	**–**	–	**154,058,980**	181,549,666
Loans repaid as part of Coates transaction	**–**	–	**(192,174,040)**	–
Loan repayments received	**–**	–	**(42,263,267)**	(27,490,686)
Loan advanced	**–**	–	**109,892,436**	–
End of year	**–**	–	**29,514,109**	154,058,980

No provision for doubtful debts has been raised in relation to any outstanding loan balances and no expense has been recognised in respect of bad or doubtful debts due from subsidiaries.

g. Guarantees

The total value of bank guarantees provided by the parent entity on behalf of its subsidiaries are $nil (2007: $388,000). No fees have been charged by the parent entity in respect of the provision of such guarantees.

h. Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 8.

All other transactions are made on normal commercial terms and conditions and at market rates except that there were no fixed terms for the repayment of loans between related parties and these loans are made on an interest free basis.

i. Associate

Interests in associate are disclosed in note 7.

During the financial year ended 30 June 2008, there were various transactions between Coates Group and other related parties of National Hire Group Limited. Since this investment forms a significant part of the financial position and performance of the group for the financial year ended 30 June 2008, the transactions are disclosed as below for the period in which there was a related party relationship.

Associate transactions with key management personnel and directors

- Commercial transactions were entered into with Unity Plant Services Pty Limited, an entity indirectly related to Mr S Donnelley involving the rental of equipment.
- Commercial transactions were entered into with William Adams Pty Ltd, a company of which Mr D Elphinstone is a director and principal.

All of the above arrangements are on normal commercial terms and conditions. Aggregate amounts of each type of transaction with key management personnel of National Hire Group Limited are as follows:

	ASSOCIATE
	2008 $
Amounts recognised as revenue	
Hire revenue	789,160
Sales revenue	2,449,461
Amounts recognised as receivables	3,389

NOTE 38. RELATED PARTY TRANSACTIONS

Associate transactions with related parties

The following transactions occurred between Coates and other related entities during the year ended 30 June 2008:

	ASSOCIATE 2008 $
Revenue from equipment hire	1,050,547
Revenue from recharges to the group	106,088
Purchase of property, plant, equipment and related parts from related parties of the group	2,127,387
Payments for equipment under finance leases where the group's parent entity is the lessor	1,176,607
Property rent and operating lease payments paid to the group's parent entity	1,002,335
Reimbursement of expenses to the group's ultimate parent entity	27,690
Management fee payable to National Hire Group Limited	750,000

Associate outstanding balances arising from related party transactions

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

	ASSOCIATE 2008 $
Current receivables	
National Hire	50,538
Group parent entities	112,989
Other related parties	104,939
Current payables	
Group parent entities	363,997

NOTE 39. 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	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING** 2008 %	EQUITY HOLDING** 2007 %
DWB Unit Trust	Australia	Ordinary	–	100%
NAHI Pty Limited*	Australia	Ordinary	–	100%
National Hire Administration Pty Limited*	Australia	Ordinary	–	100%
National Hire Operations Pty Limited*	Australia	Ordinary	–	100%
National Hire Properties Pty Limited*	Australia	Ordinary	–	100%
National Hire Trading Pty Limited*	Australia	Ordinary	–	100%
National Hire Finance Pty Limited	Australia	Ordinary	–	100%
DWB (NH) Pty Limited*	Australia	Ordinary	–	100%
Coates Group Holdings Pty Limited***	Australia	Ordinary	–	100%
National Hire Equipment Pty Limited*	Australia	Ordinary	–	100%
Australian Highway Plant Services Pty Ltd*	Australia	Ordinary	–	100%
All Hire Pty Ltd*	Australia	Ordinary	–	100%
Allight Holdings Pty Ltd*	Australia	Ordinary	**100%**	100%
Allight Pty Ltd*	Australia	Ordinary	**100%**	100%
FGW Pacific Pty Ltd	Australia	Ordinary	**100%**	100%
PT Allight	Indonesia	Ordinary	–	100%
Allight USA Inc	USA	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.
** The proportion of ownership interest is equal to the proportion of voting power held.
*** Formerly known as Ned Operations Pty Limited.

As part of the acquisition of Coates, the entities above that were subsidiaries in 2007, but are no longer subsidiaries in 2008 having been transferred across to Coates Group Holdings Pty Limited.

NOTE 40. DEED OF CROSS GUARANTEE

The following entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- National Hire Group Limited
- National Hire Trading Pty Limited (left closed group in 2008)
- National Hire Equipment Pty Limited (left closed group in 2008)
- National Hire Administration Pty Limited (left closed group in 2008)
- National Hire Operations Pty Limited (left closed group in 2008)
- National Hire Properties Pty Limited (left closed group in 2008)
- DWB (NH) Pty Limited (left closed group in 2008)
- NAHI Pty Limited (left closed group in 2008)
- Allight Holdings Pty Ltd
- Allight Pty Ltd
- Australian Highway Plant Services Pty Ltd (left closed group in 2008)
- All Hire Pty Ltd (left closed group in 2008)

A number of the subsidiaries left the deed of cross guarantee as part of the Coates scheme as approved by the shareholders on 17 December 2007.

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.

NOTE 40. DEED OF CROSS GUARANTEE

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 2008 of the Closed Group:

INCOME STATEMENT	2008 $'000	2007 $'000
Revenue from continuing operations	**84,125**	285,309
Other income	**3**	1,284
Changes in inventories of finished goods and work in progress	**(1,689)**	(1,178)
Raw materials and consumables used	**(58,278)**	(68,516)
Loss on sale of property, plant and equipment	**(223)**	–
Occupancy and communication expense	**(2,460)**	(15,322)
Freight and rehire expenses	**5**	(25,769)
Fuel, oil and consumables	**–**	(3,110)
Advertising and promotion	**(449)**	(1,660)
Employee benefits	**(12,484)**	(59,874)
Travel and accommodation	**(755)**	–
Other expenses	**(1,662)**	(19,798)
Depreciation and amortisation expenses	**(685)**	(48,614)
Finance costs	**–**	(8,464)
Share of associate profit	**1,188**	–
Profit before income tax	**6,636**	34,288
Income tax expense	**(1,903)**	(10,650)
Profit from continuing operations	**4,733**	23,638
Profit from discontinued operations	**37,831**	–
Profit for the year	**42,564**	23,638

Summary of movement in consolidated retained profits

Retained profits at the beginning of the financial year	**32,271**	19,702
Profit for the year	**42,564**	23,638
Dividends paid	**(11,908)**	(8,369)
Retained profits at the end of the financial year	**62,927**	34,971

NOTE 40. DEED OF CROSS GUARANTEE

b. Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group:

	2008 $'000	2007 $'000
Current assets		
Cash and cash equivalents	**18,369**	3,719
Trade and other receivables	**26,645**	56,708
Inventories	**29,282**	24,937
Derivative financial instruments	**409**	172
Total current assets	**74,705**	85,536
Non-current assets		
Receivables	**39**	94
Available-for-sale financial assets	**–**	12,003
Other financial assets	**83**	1,450
Investment in associate	**309,887**	–
Property, plant and equipment	**1,625**	280,468
Intangible assets	**21,214**	112,850
Other	**253**	–
Total non-current assets	**333,101**	406,865
Total assets	**407,806**	492,401
Current liabilities		
Trade and other payables	**23,148**	32,868
Borrowings	**–**	13,364
Current tax liabilities	**8,872**	1,702
Provisions	**28**	1,253
Total current liabilities	**32,048**	49,187
Non-current liabilities		
Borrowings	**–**	195,859
Deferred tax liabilities	**16,582**	588
Provisions	**232**	373
Total non-current liabilities	**16,814**	196,820
Total liabilities	**48,862**	246,007
Net assets	**358,944**	246,394
Equity		
Contributed equity	**293,769**	209,631
Reserves	**2,248**	1,792
Retained profits	**62,927**	34,971
Total equity	**358,944**	246,394

The income statement and balance sheet shown above for 2007 relate to the Closed Group as at 30 June 2007 and as such the opening and closing balance of the retained profits, as shown, should not reconcile.

NOTE 41. BUSINESS COMBINATIONS

a. Summary of acquisitions

On 1 April 2007, National Hire Equipment Pty Limited acquired 100% of the hire assets of All Site Rentals Pty Limited.

The acquired business contributed revenues of $803,778 and net profit of $164,762 to the group for the period from 1 April 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $292,360,519 and $19,970,655 respectively.

Details of the fair value of assets and liabilities acquired and goodwill are as follows:

	FAIR VALUE $'000
Plant and equipment	3,896
Receivables	29
Deferred tax assets	24
Trade payables and accruals	(46)
Provisions	(57)
	3,846
Goodwill on acquisition	3,284
	7,130
Represented by:	
Cash	6,767
Purchase costs related to the acquisition	363
	7,130

The goodwill is attributable to the profitability of the acquired business.

There was no difference between the carrying value and fair value of assets and liabilities acquired.

b. Purchase consideration

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	**2008 $**	2007 $
Outflow of cash to acquire subsidiary, net of cash acquired:				
Cash consideration	**–**	7,130	**–**	–
Less: Cash balances acquired	**–**	–	**–**	–
Outflow of cash	**–**	7,130	**–**	–

DIRECTORS' DECLARATION

In the directors' opinion:

a. The financial statements and notes set out on pages 28 to 79 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 2008 and of their performance, for the financial year ended on that date;

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 40 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 40.

The directors have been given the declarations by the managing director and the group financial controller 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

28 August 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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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 sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements 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(a), 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.

PRICEWATERHOUSECOOPERS

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

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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 2008 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(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
28 August 2008

INVESTOR INFORMATION

The shareholder information set out below was applicable as at 14 August 2008.

20 LARGEST SHAREHOLDERS

Ordinary shares

NAME	NUMBER HELD	PERCENTAGE OF SHARES ISSUED
WesTrac Pty Ltd	98,300,404	66.2%
Elph Pty Ltd	29,500,000	19.9%
McNeil Nominees Pty Limited	4,051,405	2.7%
Stirhill Pty Ltd	1,991,877	1.3%
National Nominees Limited	1,809,811	1.2%
J P Morgan Nominees Australia Limited	1,306,676	0.9%
UBS Wealth Management Australia Nominees Pty Ltd	882,994	0.6%
Zazu Holdings Pty Ltd	650,000	0.4%
HSBC Custody Nominees (Australia) Limited	455,672	0.3%
Luton Pty Ltd	350,000	0.2%
Weebinn Pty Limited	208,572	0.1%
Mr Adrian Richard Creedon	165,000	0.1%
Mr Ian Mark Paton	153,000	0.1%
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	150,000	0.1%
ANZ Nominees Limited <Cash Income A/C>	124,653	0.1%
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	122,857	0.1%
Summerview Management Pty Ltd <R W PSF A/C>	120,000	0.1%
Mr Steven John Palamara	120,000	0.1%
Rennel Pty Limited	102,857	0.1%
Mr Peter Hampden Action & Mrs Sarah Catherine Action <Action Super Fund A/C>	100,000	0.1%
	140,665,778	94.7%
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	29,500,000	19.9%

Distribution schedule of holders of the company's equity securities

1-1,000	157,095
1,001-5,000	1,672,303
5,001-10,000	1,754,568
10,001-100,000	4,257,617
100,001 and Over	140,560,362
	148,401,945

There are 112 holders of ordinary shares having less than a marketable parcel of 248 ordinary shares.

VOTING RIGHTS

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

QUOTATION OF 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

2008 Annual General Meeting	21 November 2008
Half year end	31 December 2008
Half year profit announcement	February 2009
Financial year end	30 June 2009
Financial year profit announcement	August 2009

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.registriesl.com.au

Email: registries@registries.com.au

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