HIRE INTELLIGENCE INTERNATIONAL LIMITED
AND ITS CONTROLLED ENTITIES

ABN 79 098 210 121

HALF-YEAR REPORT

31 DECEMBER 2005

Contents

DIRECTOR'S REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2005 and the auditor's review report thereon.

Directors

The directors of Hire Intelligence International Limited (HII) at any time during or since the end of the half-year are:

Name	Period of directorship
Mr William R.B. Hassell Non-Executive Chairman	Director since 1 November 2002 Resigned effective 19 December 2005
Mr Graeme L. Sampson Non-Executive Director	Director since 5 November 2004 Resigned effective 19 December 2005
Mr Thomas R. Crage Managing Director & Chairman	Director since September 2001
Mr Keegan T Crage Executive Director	Director since 1 December 2005
Mr Jason F Crage Non-Executive Director	Director since 19 December 2005

Review of operations

Hire Intelligence, via its 3 company owned outlets and network of franchisees, is the market leader in the Australian short term computer and audio visual rental market, is the second largest operator in the United Kingdom and holds a strong position in the New Zealand and Irish markets.

Over the past 12 months HII has been considering how best to utilise its surplus funds and has decided to extend the term of its current offering to include 24, 36 and 48 month leases. This enables it to apply resources in an area that utilises its strong brand, on which in excess of $9 million advertising and brand building funds have been spent over the years.

During 2005 Tom Crage, the Executive Chairman, made a second privatisation bid at 13 cents per share resulting in him at the date of this report controlling 90.44% of its equity. On 28 February 2006 there were fewer than 140 shareholders.

Group First Half Results

Group Sales Revenue increased by 2.2% to $4.58 million during the six months to 31 December 2005 when compared with the corresponding period in the prior year.

It is particularly pleasing that profit from ordinary activities before income tax grew by 20.0% from $0.87 million for the 6 months to 31 December 2004 to $1.04 million for the six months ending 31 December 2005.

Net Profit after Tax Attributable to Members was $0.72 million for the six months to 31 December 2005. This is a 29.4% increase when compared with the corresponding period in the prior year.

Earnings before interest, tax and amortisation (EBITA) for the 6 months ending 31 December 2005 were $1.07 million. This compares with the $0.94 million achieved in the previous corresponding six month period which represents a 14.7% increase.

Net tangible assets per share have increased steadily over the past few years and have shown continued growth during the past half year.

	12 Months Ended			6 Mths to
	30/06/03	**30/06/04**	**30/06/05**	**31/12/05**
Net Tangible Assets Per Share (cents per shares)	**0.059**	**0.084**	**0.099**	**0.111**
Cash Assets $(000)	**1,732**	**3,938**	**5,400**	**5,836**
Revenue (excl sale Of UK Master franchise)	**7,542**	**9,070**	**9,286**	**4,723**
EBTA as a % of total net tangible assets	**20.6%**	**20.1%**	**20.7%**	**28.8%***

*14.4% over six months has been annualised to 28.8%. It is likely that the full year % will fall into line with historical rates of return.

Net assets per share at 31 December 2005 were 16.6 cents.

Hire Intelligence is financially sound with no debt and $5.8 million cash assets on 31 December 2005.

Earnings before interest, tax and amortisation (EBITA) for the 2006 financial year are now expected to be between $1.3 and $1.7 million. This compares with our previous forecast range of $0.8 to $1.4 million and to an EBITA of $1.3 million achieved in the 2005 financial year.

	2003	2004	2005	Forecast Range 2006	
				Low	High
Profit/Loss from ordinary activities	-2,234,000	-5,258,000	- 38,000	1,226,000	1,626,000
Add back Goodwill amortisation	2,799,000	2,693,000	1,233,000		
Add back write down of goodwill & trademarks to recoverable amount		3,858,000			
Add back Trademark amortisation	368,000	368,000	369,000	368,000	368,000
Less profit on sale of UK MF		- 370,000			
Earnings Before Tax & Amortisation	933,000	1,291,000	1,564,000	1,594,000	1,994,000
Less interest income	- 45,000	- 128,000	- 245,000	- 294,000	- 294,000
Maintainable EBITA	888,000	1,163,000	1,319,000	1,300,000	1,700,000

The above table shows that when the abnormal profit associated with the sale of the United Kingdom Master Franchise is removed HII is showing a continuing upward profit trend whether earnings before tax and amortisation or earnings before interest, tax and amortisation are used.

AIFRS also impacts profits as $1.23 million of goodwill amortised in the 2005 financial year is added back to profits in that financial year.

In our FY2005 Annual Report we signalled that we were further developing our integrated computer fleet management and accounting system as well as introducing new operational procedures to address rising costs. Your Board advises that benefits are now being derived from these initiatives which together with improved operational focus, information flow and employee motivation is resulting in further profit improvement expectations.

Looking forward, profit growth is anticipated coming from several separate areas:

- Organic growth from existing operations as displayed by the above trend. This has occurred notwithstanding ongoing falls in IT and audio visual equipment prices. However the risk remains that continued price drops may adversely impact upon organic growth
- Franchisees and Master Franchisees repurchasing their franchises and master franchises as they expire from December 2006 and onwards. Franchises are expected to sell for up to about $110,000 each while Master Franchises can be resold for prices up to in excess of $1.4 million for the UK Master Franchise with the other Master Franchises capable of prices up to in excess of $250,000. Franchise Agreements covering poorly performing territories are unlikely to be repurchased.

Year Ending 30 June	2007	2008	2009	2010	2011	2012
No. of franchises expiring	5	6	9	12	9	10
No. of Master Franchises expiring		1	1	1		

- Where Franchisees do not repurchase their turnover is expected to move to company owned outlets where they are within serviceable distance of the areas not repurchased
- Where Franchisees and Master Franchisees do not repurchase franchise and master franchise territories and they are not within serviceable distance from company owned outlets consideration will be given to selling these areas to new Franchisees or Master Franchisees or alternatively opening company owned outlets or controlling the Master Franchise Territories ourselves.
- Potential sales of master franchises with the flow on sale of new franchises
- Expansion into leasing
- Expansion into complimentary areas
- Possible diversification into new industries

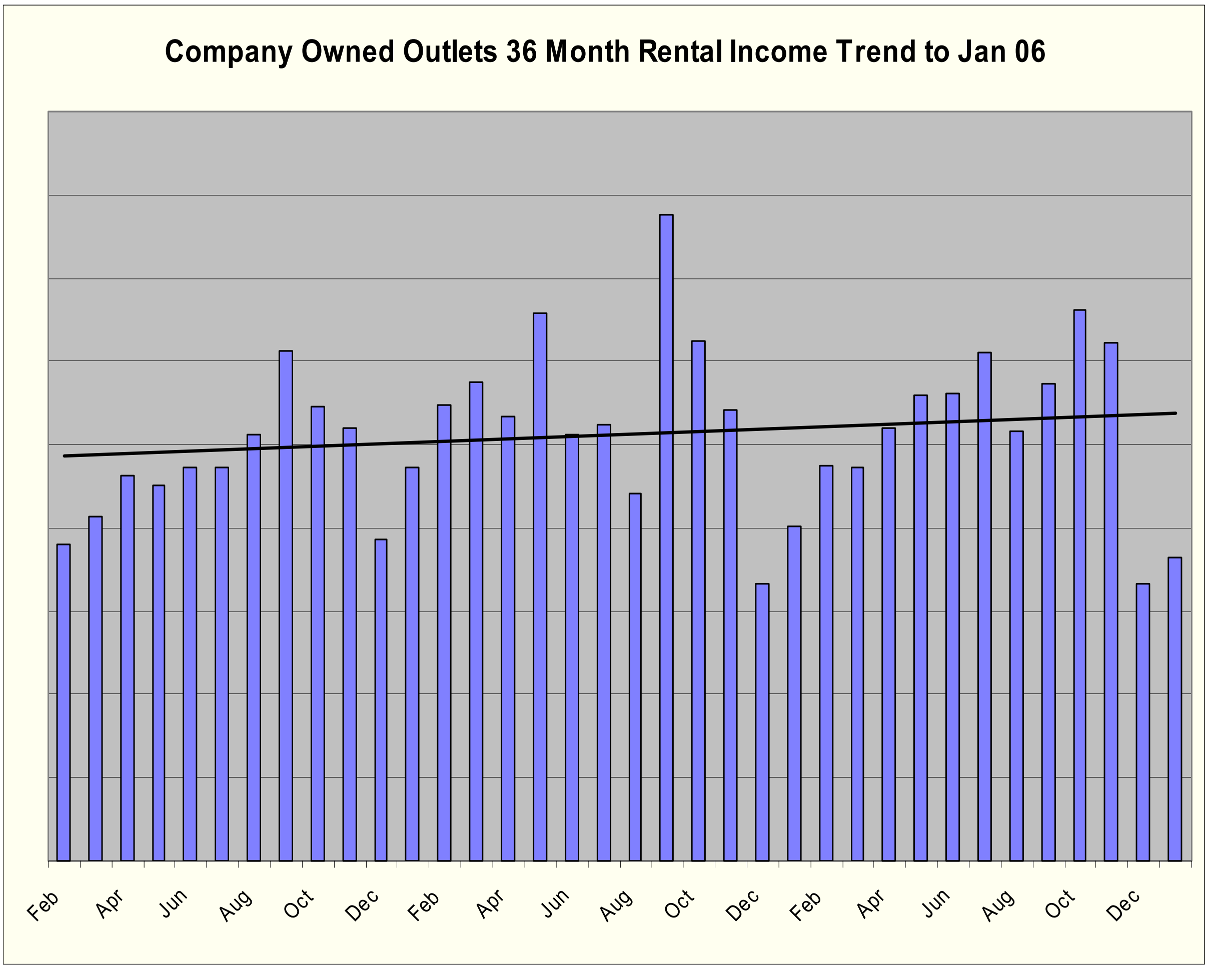
It is worth noting that the group has $2,345,000 worth of franking credits associated with close on $8,000,000 historical taxed profits.

In the event profits remain strong, and to the extent surplus funds are not required to fund the Company's move into leasing, consideration may be given to declaring a dividend later this year.

The Operations Division

The Operations Division comprises company owned outlets in Central Sydney, Central London and Central Perth. The Division contributed external sales revenue of $3.9 million, an increase of some 2.8% over the previous corresponding half-year period.

The Division's pre-tax profit was $1.0 million. This is 6.2% higher than the result achieved in the previous corresponding six month period.



The Franchising Division

The company has developed its own in-house business system and has rolled this out into a franchise network. The franchise network now operates in Australia, New Zealand, the UK and Ireland.

The Division contributed $645,000 in external sales revenue, 1.8% lower than the previous corresponding six month period. The Division's pre-tax profit was $625,000. This is 4.5% higher than the previous corresponding period.

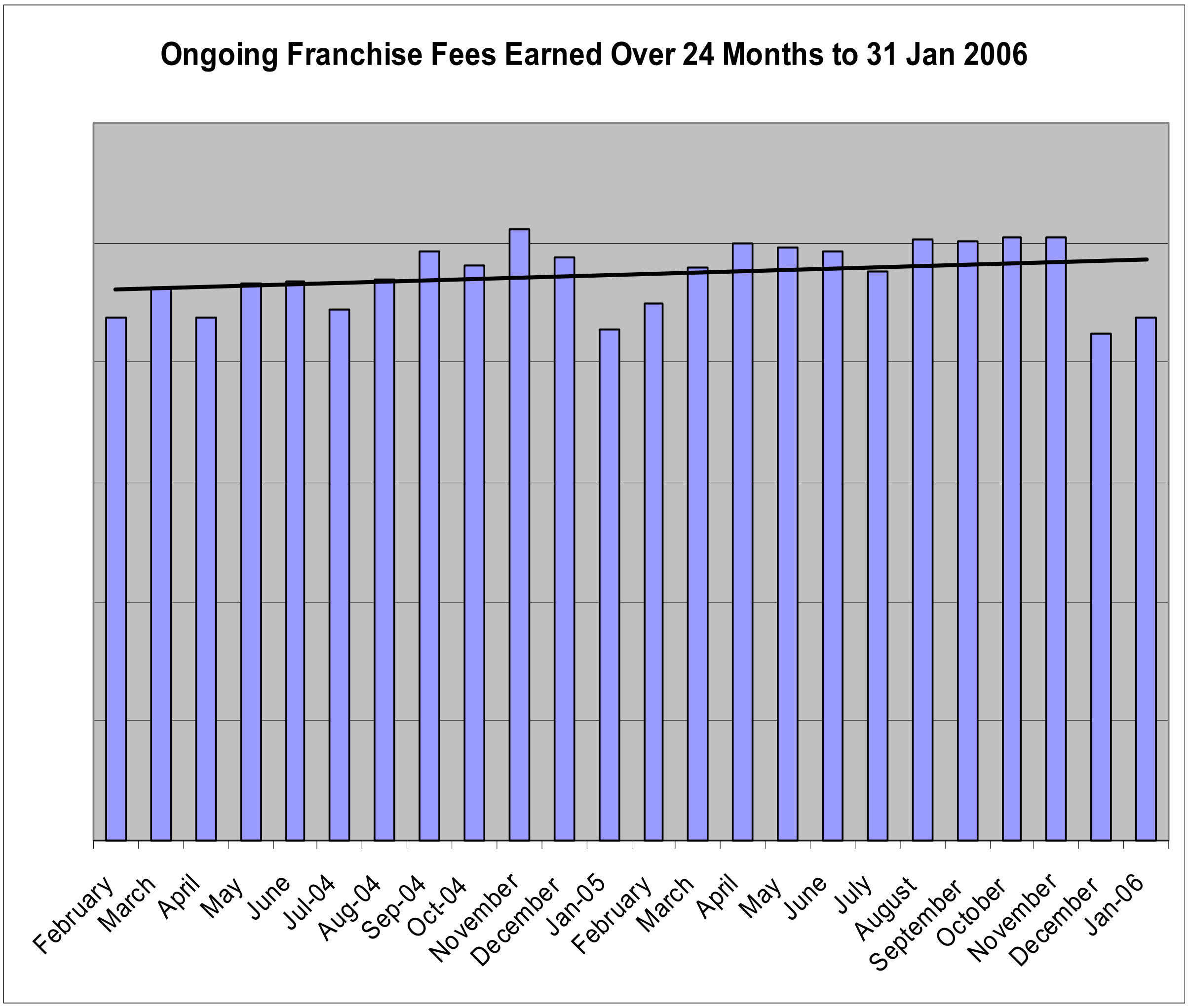
The profitability of Franchisees in the 2005 financial year has improved against profits achieved in 2004 which in turn was an improvement on 2003. This relates partly to Franchisee consolidation resulting in the elimination of duplicate overheads and generally less successful Franchisees. Seven of the twelve outlets in Australian and New Zealand achieved pre-tax profits (before interest and the Franchisee's salary and benefits) greater than $100,000 for the 2005 financial year. Profits per outlet in Australia improved by more than 40% in the 2005 financial year when compared with that achieved in 2004 while in the United Kingdom profitability more than doubled.

Four franchised outlets in the UK and Ireland achieved pre-tax profits (before interest and the Franchisee's salary and benefits) greater than ₤40,000 for the 2005 financial year.

The Franchise Division's total royalty revenue is split between fixed fees (which are payable irrespective of turnover levels) and variable fees (which are payable as a % of turnover). The model has been the same since inception however we are changing some aspects from this year onwards. During the 2005/2006 year the split between fixed and variable is forecast to be as follows:

	Fixed	Variable
Australia	58%	42%
New Zealand	83%	17%
Ireland	52%	48%
UK	71%	29%

The fixed ongoing franchise fees represents 63% of the total franchise fees received while variable fees represent 37% of the total fees. The fixed fees increase in line with CPI/RPI each year.



As a result of the fixed element, ongoing franchise fee income remains relatively consistent from month to month. They show an upward trend over the past 2 years. Two years of fees have been used, rather than three years, so that the impact of the sale of the UK Master Franchise in 2003 does not distort the results.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth, this 13th day of March 2006

Signed in accordance with a resolution of the directors:

Thomas R. Crage
Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Hire Intelligence International Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

B C Fullarton

B C FULLARTON
Partner

Perth
13 March 2006

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated 2005 $'000	2004 $'000
Sales revenue		**4,584**	4,487
Cost of sales		**(967)**	(1,201)
Gross profit		**3,617**	3,286
Other revenue from ordinary activities		**139**	322
Distribution expenses		**(170)**	(229)
Marketing expenses		**(302)**	(241)
Occupancy expenses		**(234)**	(224)
Administrative expenses		**(1,978)**	(1,979)
Amortisation of trademarks		**(184)**	(184)
Operating profit before financing costs		**888**	751
Financial income		**155**	116
Financial expenses		**(4)**	(1)
Net financial income		**151**	115
Profit from ordinary activities before income tax expense		**1,039**	866
Income tax expense relating to ordinary activities	**3**	**(321)**	(311)
Net profit attributable to members of Hire Intelligence International Limited		**718**	555
Basic earnings per share:			
Ordinary shares (cents per share)	**5**	**0.93**	0.72

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 14 to 30.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	Consolidated 31 December 2005 $'000	Consolidated 30 June 2005 $'000
Current assets			
Cash assets		**5,836**	5,400
Receivables		**1,812**	1,865
Inventories		**23**	32
Other		**213**	137
Total current assets		**7,884**	7,434
Non-current assets			
Receivables		**1,352**	1,521
Property, plant and equipment		**2,365**	2,326
Intangible assets		**4,258**	4,436
Deferred tax assets		**321**	249
Total non-current assets		**8,296**	8,532
Total assets		**16,180**	15,966
Current liabilities			
Payables		**627**	990
Interest bearing liabilities		**5**	5
Current tax liabilities		**374**	187
Provisions		**215**	376
Deferred income		**762**	793
Total current liabilities		**1,983**	2,351
Non-current liabilities			
Deferred income		**1,352**	1,521
Interest bearing liabilities		**3**	5
Provisions		**43**	37
Total non-current liabilities		**1,398**	1,563
Total liabilities		**3,381**	3,914
Net assets		**12,799**	12,052
Equity			
Contributed equity	4	**37,729**	37,729
Reserves		**(77)**	(80)
Accumulated losses		**(24,853)**	(25,597)
Total equity		**12,799**	12,052

The balance sheet should be read in conjunction with the notes to the financial statements set out on pages 14 to 30.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Consolidated 2005 $'000	2004 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	**5,083**	5,028
Cash payments in the course of operations	**(4,013)**	(3,586)
Interest received	**155**	116
Borrowing costs paid	**(4)**	(1)
Other revenue	**-**	38
Income taxes paid	**(172)**	(174)
Net cash provided by operating activities	**1,049**	1,421
Cash flows from investing activities		
Proceeds on disposal of non-current assets	**139**	309
Payments for property, plant and equipment	**(750)**	(694)
Net cash used in investing activities	**(611)**	(385)
Cash flows from financing activities		
Repayment of borrowings	**(2)**	(2)
Net cash used in financing activities	**(2)**	(2)
Net increase in cash held	**436**	1,034
Cash at the beginning of the financial period	**5,400**	3,938
Cash at the end of the financial period	**5,836**	4,972

The statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 14 to 30.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

31 December 2004

	$000's			
Consolidated	**Share capital**	**Translation reserve**	**Retained earnings**	**Total**
Original Balance at 1 July 2004	37,739	-	(26,349)	**11,390**
Net income recognised directly in equity	-	(34)	-	**(34)**
Profit for the period	-	-	555	**555**
Balance at 31 December 2004	**37,739**	**(34)**	**(25,794)**	**11,911**

31 December 2005

	$000's			
Consolidated	**Share capital**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 1 July 2005	37,729	(80)	(25,597)	**12,052**
Adjustment re prior period tax charge	-	-	26	**26**
Net income recognised directly in equity	-	3	-	**3**
Profit for the period	-	-	718	**718**
Balance at 31 December 2005	**37,729**	**(77)**	**(24,853)**	**12,799**

The statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 14 to 30.

Notes to the condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Hire Intelligence International Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The condensed consolidated interim financial report was authorised for issue by the directors on 13 March 2006.

Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS"), to distinguish from previous Australian GAAP.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by Hire Intelligence International Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 8. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRS.

a) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except for receivables and deferred revenue which are stated at amortised cost.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

a) Basis of Preparation (continued)

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRS in issue that are effective at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRS, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, as required by AASB 1.The impact of the transition from previous GAAP to AIFRS is explained in note 6.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

b) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

In respect of all foreign operations, any differences that have arisen before 1 July 2004, the date of transition to AIFRS, were written off to opening accumulated losses.

d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy h). The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

d) Property, plant and equipment (continued)

Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using methods described below over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally generated assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

	2005	2004	Method
Property, plant and equipment			
Leasehold improvements	**12%-20%**	12%-20%	reducing balance
Plant and equipment	**20%-40%**	20%-40%	reducing balance

e) Intangible assets

Goodwill

Business Combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy h).
Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

e) Intangible assets (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy h).

Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy h).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- patents and trademarks 5 years
- capitalised development costs 5 years

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

f) Inventories (continued)

The cost of other inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

h) Impairment

The carrying amounts of the consolidated entity's assets, inventories (see accounting policy f), and deferred tax assets (see accounting policy q), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated

For goodwill and assets that have an indefinite useful life the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

h) Impairment (continued)

Reversals of impairment
An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Share capital

Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

j) Interest-bearing borrowings

Bank loans are recognised at their principal amount. Interest expense is accrued at the contracted rate and included in Trade and Other Payables.

k) Employee benefits

Long-term service benefits
The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

m) Trade and other payables

Trade and other payables are stated at cost.

n) Financial assets

The franchise business has current franchise agreements in terms of which certain minimum royalty revenues are receivable by the consolidated entity. These revenues conform to the definition of financial assets under AIFRS. Accordingly the future minimum receivable amounts under these agreements are recognised as a receivable with a corresponding adjustment to deferred revenues.

o) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

Rental Contracts
Rental revenue is recognised on a straight line basis over the term of the rental agreement. Where revenue is received in advance it is deferred and recognised as unearned revenue in the statement of financial position. Unearned revenue is then recognised in the statement of financial performance over the term of the rental agreement.

Franchise fees
Initial franchise fees are recognised at the date the franchise passes to the franchisee, usually upon completion of the initial training course. Ongoing franchise fees are recognised as they accrue.

Sale of licences and other goods
Revenue from the sale of licences and other goods is recognised (net of returns, discounts and allowances) when control of the licence or other goods passes to the customer.

Rendering of services
Revenue from rendering of services is recognised as it accrues in the period in which the service is provided.

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
The net proceeds of non-current asset sales are included in other revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.
The gain or loss on disposal is calculated as the difference between carrying amount of the asset at the

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

o) Revenue (continued)

time of disposal and the net proceeds on disposal.

Export Market Development Grants
Revenue from Export Market Development Grants is recognised in the period in which the amounts are received.

p) Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the leave term.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing expenses
Net financing expenses comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and foreign exchange gains and losses.

Finance income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

q) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:
(i) goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and
(ii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Notes to the condensed consolidated interim financial statements (continued)
Significant accounting policies (continued)

q) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

r) Segment reporting

Segment information is presented in the condensed consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

s) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the condensed consolidated interim financial statements (continued)

2. Segment reporting

The consolidated entity comprises the following primary business segments:

- IT and AV Equipment Rentals
- Franchising

Business Segments	IT & AV Equipment Rentals		Franchising		Eliminations		Consolidated	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue								
External sales revenue	**3,939**	3,830	**645**	657	**-**	-	**4,584**	4,487
External other revenue	**130**	271	**9**	51	**-**	-	**139**	322
Inter-segment revenue	**155**	224	**129**	129	**(284)**	(353)	**-**	-
Total segment revenue	**4,224**	4,325	**783**	837	**(284)**	(353)	**4,723**	4,809
Result								
Segment result	**959**	903	**625**	598	**-**	-	**1,584**	1,501
Unallocated corporate expenses							**(545)**	(635)
Profit from ordinary activities before related income tax							**1,039**	866

In order to present more accurate comparative information, prior year segment result has been amended to exclude amortisation of trademarks amounting to $184,000. Amortisation is reflected as part of corporate expenses.

Notes to the condensed consolidated interim financial statements (continued)

3. Income taxes

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

The primary components of the entity's recognised deferred tax assets include temporary differences related to employee benefits, provisions and other items.

Deferred tax expense arises from the origination and reversal of temporary differences, the effects of changes in tax rates and the benefit of tax losses recognised. The primary component of deferred tax expense for the six months ended 31 December 2005 is related to an increase in deferred tax liabilities, relating primarily to property, plant and equipment, intangible assets and other investments.

4. Capital and reserves

Share capital	**31 December 2005 000's**	**30 June 2005 000's**
Issued and paid-up capital	37,729	37,729
77,032,958 (December 2005: 77,032,958) fully paid ordinary shares		

Dividends

No dividends have been proposed or paid by the consolidated entity.

5. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2005 was based on the profit attributable to ordinary shareholders of $718 000 (six months ended 31 December 2004: $555 000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 77,032,958 (six months ended 31 December 2004: 77,032,958). There are no dilutive potential ordinary shares.

Notes to the condensed consolidated interim financial statements (continued)

6. Explanation of transition to AIFRS

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRS.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the condensed consolidated interim financial statements (continued)

6. Explanation of transition to AIFRS (continued)

Reconciliation of equity

All figures in AUD$ 000's	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS
			1 July 2004			31 December 2004			30 June 2005	
Assets										
Cash and cash equivalents		3,938	-	3,938	4,972	-	4972	5,400	-	5,400
Trade and other receivables	(d)	1,214	654	1,868	984	654	1,638	1,211	654	1,865
Inventories		39	-	39	37	-	37	32	-	32
Other investments		138	-	138	259	-	259	137	-	137
Total current assets		5,329	654	5,983	6,252	654	6,906	6,780	654	7,434
Receivables	(d)	-	2,049	2,049	-	1,788	1,788	-	1,521	1,521
Deferred tax assets	(f)	132	125	257	89	84	173	173	76	249
Property, plant and equipment		2,835	-	2,835	2,553	-	2,553	2,326	-	2,326
Intangible assets	(b)	4,805	-	4,805	4,005	617	4,622	3,203	1,233	4,436
Total non-current assets		7,772	2,174	9,946	6,647	2,489	9.136	5,702	2,830	8,532
Total assets		13,101	2,828	15,929	12,899	3,143	16,042	12,482	3,484	15,996
Liabilities										
Trade and other payables	(e)	1,123	(280)	843	1,210	(280)	930	990	-	990
Interest-bearing loans and borrowings		5	-	5	5	-	5	5	-	
Current tax liabilities		218	-	218	248	-	248	187	-	187
Provisions	(e)	204	280	484	92	280	372	376	-	376
Deferred income	(d)	189	654	843	79	654	733	139	654	793
Total current liabilities		1,739	654	2,393	1,634	654	2,288	1,697	654	2,351
Interest-bearing loans and borrowings		10	-	10	8	-	8	5	-	
Deferred tax liabilities	(f)	26	(26)	-	23	-	23	1	(1)	-
Deferred income-long term	(d)	-	2,049	2,049	-	1,788	1,788	-	1,521	1,521
Provisions		87	-	87	24	-	24	37	-	37
Total non-current liabilities		123	2,023	2,146	55	1,788	1,843	43	1,520	1,563
Total liabilities		1,862	2,677	4,539	1,689	2,442	4,131	1,740	2,174	3,914
Net assets		11,239	151	11,390	11,210	701	11,911	10,742	1,310	12,052
Equity										
Issued capital	(f)	37,459	280	37,739	37,459	280	37,739	37,449	280	37,729
Reserves	(c)	(100)	100	-	(134)	100	(34)	(180)	100	(80)
Retained earnings	(g)	(26,120)	(229)	(26,349)	(26,115)	321	(25,794)	(26,527)	930	(25,597)
Total equity		11,239	151	11,390	11,210	701	11,911	10,742	1,310	12,052

Notes to the condensed consolidated interim financial statements (continued)

6. Explanation of transition to AIFRS (continued)

Notes to the reconciliation of equity

The impact on deferred tax of the adjustments described below is set out in note (f).

a) Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004.

b) Intangible assets

From 1 July 2004, under AASB 138 Intangible Assets, goodwill is no longer amortised under AIFRS, but is tested annually for impairment.

As a result of the above adjustments Goodwill amortisation charge was written-back by $617,000 for the six months ended 31 December 2004 and by $1,233,000 for the year ended 30 June 2005.

Goodwill and indefinite-life intangible assets were tested for impairment at 1 July 2004, the date of transition to AIFRS, even though no indication of impairment existed.

c) Translation reserve

Translation differences that arose prior to the date of transition to AIFRS in respect of all foreign entities have been presented as a separate component of equity. On disposal of a foreign operation, the amount recognised in the foreign currency translation reserve attributable to the foreign operation is included in the calculation of gain or loss on disposal and reflected through the current year income statement.

The AASB 1 election to reset existing foreign currency translation reserve balance as at 1 July 2004 to nil has been adopted and this will have the effect of reclassifying $100,000 from foreign currency translation reserve to retained earnings.

d) Financial assets

As described in note 1(n) the franchise business has current franchise agreements in terms of which certain minimum royalty revenues are receivable by the entity. These revenues conform to the definition of financial assets under AIFRS. Accordingly the discounted future minimum amounts under these agreements are recognised as a receivable with a corresponding adjustment to deferred revenues. In order to provide proper comparatives management have chosen not to apply the available exemption relating to prior periods.

e) Provisions

In order to more accurately conform to the policy noted in note 1 (l) $280 000 has been reclassified from trade payables to provisions.

f) Deferred tax

None of the above changes resulted in changes to the deferred tax liability.

The changes from the liability method to the balance sheet method of calculating deferred tax, increased the deferred tax asset / reduced the deferred tax liability in aggregate as follows:

	1 Jul 2004	31 Dec 2004	30 Jun 2005
Accruals	(4)	-	-
Trademarks	43	-	21
Increase in deferred tax asset	39	-	21

The effect on the income statement for the six months ended 31 December 2004 and for the year ended 30 June 2005, was to decrease the previously reported tax charge for the period by $67 000 and $35 000 respectively.

The adjustment to share capital of $280,000 reflects the deferred tax impact of share capital issue costs recognised in equity which are deductible for tax purposes

There is no impact on the consolidated entity by the tax funding arrangement as upon consolidation the inter-company balances are eliminated.

Notes to the condensed consolidated interim financial statements (continued)

6. Explanation of transition to IFRSs (continued)

Notes to the reconciliation of equity (continued)

g) The effect of the above adjustments on Retained Earnings is as follows:

All figures in AUD 000's

	1 Jul 2004	31 Dec 2004	30 Jun 2005
Goodwill	-	617	1,233
Reset of foreign currency translation reserves	(100)	(100)	(100)
Tax adjustment re Float expenses	(168)	(196)	(224)
Deferred tax	39	-	21
Total adjustment to Retained Earnings Attributable to Equity holders of the parent	**(229)**	**321**	**930**

h) Reconciliation of profit for 2005

All figures in AUD$ 000's

	Note	Previous GAAP	Effect of Transition To AIFRS	AIFRS	Previous GAAP	Effect of Transition To AIFRS	AIFRS
		For the six months ended 30 June 2004			For the year ended 30 June 2005		
Revenue		4,487	-	4,487	8,504	-	8,504
Cost of sales		(1,201)	-	(1,201)	(2,282)	-	(2,282)
Gross profit		**3,286**	**-**	**3,286**	**6,222**	**-**	**6,222**
Other operating income		322	-	322	536	-	536
Distribution expenses		(229)	-	(229)	(430)	-	(430)
Marketing Expenses		(241)	-	(241)	(526)	-	(526)
Occupancy Expenses		(224)	-	(224)	(455)	-	(455)
Administrative expenses		(1,979)	-	(1,979)	(4,028)	-	(4,028)
Amortisation of goodwill and trademarks	b)	(801)	617	(184)	(1,602)	1,233	(369)
Operating profit before financing costs		**134**	617	**751**	**(283)**	**1,233**	**950**
Financial income		116	-	116	246	-	246
Financial expenses		(1)	-	(1)	(1)	-	(1)
Net financing income		115	-	115	245	-	245
Profit before tax		**249**	617	**866**	**(38)**	**1,233**	**1,195**
Income tax expense	f)	(244)	(67)	(311)	(369)	(35)	(404)
Profit for the period attributable to members of the parent entity		**5**	**550**	**555**	**(407)**	**1,198**	**791**

i) Explanation of material adjustments to the cash flow statement for 2005

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous GAAP.

Directors' declaration

In the opinion of the directors of Hire Intelligence International Limited ("the company"):

1. the financial statements and notes set out on pages 10 to 29, are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated Perth this 13th day of March 2006.

Signed in accordance with a resolution of the directors:

Tom Crage
Managing Director

Independent review report to the members of Hire Intelligence International Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Hire Intelligence International Ltd Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2005. The Consolidated Entity comprises Hire Intelligence International Ltd ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

KPMG

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Hire Intelligence International Ltd is not in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

   ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

B C Fullarton

B C FULLARTON
Partner

Perth
13 March 2006