

Hire Intelligence International Limited
and its controlled entities
ABN 79 098 210 121

Annual report
30 June 2006

Hire Intelligence International Limited and its Controlled Entities

Corporate Directory

Registered Office

110 Jersey Street Jolimont WA 6014
ABN 79 098 210 121
Telephone (08) 9284 1166 Fax (08) 9284 1266
www.hire-intelligence.com.au

Directors and Secretary

Thomas Crage
Managing Director and Chairman
Keegan Crage
Executive Director and Company Secretary
Jason Crage
Non-Executive Director

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Telephone 1300 557 010
Fax (08) 9323 2033
www.computershare.com

Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Perth.

Lawyers

Baker & McKenzie
AMP Centre
50 Bridge Street
Sydney NSW 2000

Auditor

KPMG
Level 31 Central Park
152-158 St George's Terrace,
Perth WA 6000

Other Information

Hire Intelligence International Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Hire Intelligence International Limited and its controlled entities

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Hire Intelligence International Limited and its controlled entities
Directors' report

For the year ended 30 June 2006

The directors present their report together with the financial report of Hire Intelligence International Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2006 and the auditor's report thereon.

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Directors' report (continued)

For the year ended 30 June 2006

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

<i>Name, qualifications and independence status</i>	<i>Age</i>	<i>Experience, special responsibilities and other directorships</i>
Thomas R Craige , Chairman, Managing Director, CEO	59	Tom Craige has two university business degrees and has been involved in franchising both as a franchisor and franchisee since September 1973. He has been a Financial Controller of KFC in South Africa and the United Kingdom, Administrative Controller of KFC in the UK, and Director of Finance for Europe, Middle East and Africa of Heublein International. Heublein owned KFC, Smirnoff Vodka, Californian and Portuguese wineries and a host of other products. In Perth, one of his companies has been a Chicken Treat franchisee granting sub-franchises. This business was sold in 1995.
William R B Hassell , Chairman Non-Executive Director Resigned 19 December 2005	63	Bill Hassell A.M., J.P., LL.B., M.A. is a non-practising corporate and commercial lawyer who has previous listed company experience as well as being the Honorary Consul for the Federal Republic of Germany. He is a former State Member of Parliament, State Minister of the Crown and State Opposition Leader. He is a former Director of the Government Employees Superannuation Board of Western Australia and has represented Western Australia as Agent General in Britain and Europe. He is a member of the Australian Institute of Company Directors.
Graeme Leslie Sampson Non-Executive Director Resigned 19 December 2005	49	Graeme Sampson, B Com (UWA) is the managing director of Business Advisory Services of Bentleys MRI Perth Pty Ltd. He is a Fellow of the Institute of Chartered Accountants in Australia, the Chairman of the Institute of Chartered Accountants Quality Control Committee, a Registered Company Auditor and Tax Agent. His professional experience extends to business and general taxation advice to small and medium sized business operations, where he specialises in the service, wine, and building and construction industries.
Keegan T Craige B.Com, Grad Dip CSP, M.Fin, M.Mktg, ACA, ACIS Executive Director Appointed 1 December 2005	28	Keegan worked with KPMG where he qualified as a Chartered Accountant prior to joining Hire Intelligence in 2001. Whilst at Hire Intelligence he has held various positions including General Manager of the London and Sydney operations and Franchising and Marketing Controller. He is currently the Company Secretary and an Executive Director. Keegan completed a thesis on franchisor globalisation strategies and has had marketing and franchising articles published in industry magazines.
Jason F Craige B.Bus, M.Fin, ACA, ASIA Non-Executive Director Appointed 19 December 2005	34	Jason has extensive commercial experience with 12 years of assisting organizations throughout Europe, North America and Australia. Jason worked for a WA based Venture Capital fund before undertaking 3 years at Price Waterhouse Coopers during which he qualified as a Chartered Accountant. In 1999 he formed Formzest Ltd in the UK to provide Corporate Performance Management solutions for organizations. In 2003 Jason returned to Australia to extend Formzest's international operations. Through Formzest, Jason has worked with a variety of clients including Universal Studios, BAE, Orange and WPP.

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Directors' report (continued)

For the year ended 30 June 2006

2. Company secretary

Keegan Cragge B.Com, Grad Dip CSP, M.Fin, M.Mktg, ACA, ACIS was appointed to the position of Company Secretary on 6 April 2006. Keegan worked with KPMG where he qualified as a Chartered Accountant prior to joining Hire Intelligence in 2001. Whilst at Hire Intelligence he has been a General Manager Operations, Franchising and Marketing Controller and an Executive Director. Keegan completed a thesis on franchisor globalisation strategies and has had marketing and franchising articles published in industry magazines.

Prior to Keegan the position of Company Secretary was held by Lance Camacho. Lance Camacho, B Com, B.Compt (Hons), CA(SA), ACA has 5 years experience as Financial Director of an IT consulting company and was previously Group Financial Manager and Company Secretary of a mid-sized training company listed on the JSE. He also has experience in working for a large multinational corporation at a senior level.

3. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings		Disclosure Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
Thomas R Cragge	13	14	-	-	-	-	2	2	6	6
William R B Hassell	8	8	1	1	1	1	2	2	3	3
Graeme L Sampson	6	8	1	1	1	1	2	2	3	3
Keegan T Cragge	6	7	1	1	-	-	-	-	3	3
Jason F Cragge	6	6	1	1	-	-	-	-	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

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Directors' report (continued)

For the year ended 30 June 2006

4. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 Board of directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. The board has not implemented a board charter as the corporate governance policy is regarded as sufficient to maintain ethical behaviour.

The board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

Board processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nomination Committee, a Remuneration Committee, a Disclosure Committee and an Audit Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds twelve scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman/chief executive officer and company secretary. Standing items include the chief executive officer's report, financial reports, operational reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director education

The consolidated entity ensures that new directors are appropriately informed about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

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Directors' report (continued)

For the year ended 30 June 2006

Composition of the board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on page 5 of this report. The composition of the board is determined using the following principles:

- a minimum of three directors, with a broad range of expertise
- at least one non-executive director
- a majority of directors having extensive knowledge of the Company's industries, and those which do not, have reasonable experience in significant aspects of auditing and financial reporting, or risk management of large companies
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities
- although there is no limitation on the number of years a director may serve, a third of the directors (except for the Chief Executive Officer) must resign by rotation each year.

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last two years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment
- within the last two years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member
- is not a material* supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer
- has no material* contractual relationship with the Company or another group member other than as a director of the Company
- is 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 interests of the Company.

* *the board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 5 per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.*

The Chairman currently fills the position of CEO and the non-executive director may not be perceived as independent.

4.2 Nomination committee

The nomination committee oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's chief executive officer 'CEO'. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary and identifies potential candidates with, where necessary, advice from an external consultant. The board then appoints the most suitable candidate however formal letters of appointment have not been issued.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.2 Nomination committee (continued)

The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and the Company. Directors displaying unsatisfactory performance are required to retire.

In view of the size of the board, the whole board acts as the nomination committee.

The nomination committee meets as and when it is required. The committee met twice during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 6. The terms and conditions of the appointment and retirement of non-executive directors are set out in the Corporate Governance Policy, including expectations of attendance and preparation for all board meetings, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The nomination committee's charter and policies, including those for appointing directors and senior executives, are available to all Members and directors, but are not published on the Company's website.

4.3 Remuneration committee

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other group executives for the consolidated entity. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Graeme Sampson (Resigned 19 December 2005) – Chairman and Independent Non-Executive
- William Hassell (Resigned 19 December 2005) – Independent Non-Executive
- Jason Cragge (appointed 22 December 2005) – Non-Executive.
- Keegan Cragge (appointed 2 December 2005) – Executive.

The remuneration committee will not comprise entirely of non-executive directors due to the limited structure of the board. The Chief Executive Officer, Tom Cragge, is invited to remuneration committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him. The Executive Director and Company Secretary, Keegan Cragge, does not attend meetings involving matters pertaining to him.

The remuneration committee meets as required. The committee met twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 6.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.4 Remuneration report

4.4.1 Principles of compensation - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Company and the consolidated entity.

Compensation levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the amount of incentives within each key management person's compensation
- the key management personnel's ability to control the relevant segments performance

Compensation packages include a mix of fixed and variable compensation.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition external information is reviewed to ensure the directors' and senior executives' compensation is competitive in the market place.

Performance-linked compensation

Performance linked compensation are designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash.

Short-term and long-term incentive structure

The remuneration committee considers that the above performance-linked compensation structure is generating the desired outcome. The evidence for this is the growth in profits in recent years.

Service contracts

It is the consolidated entity's policy that service contracts for key management personnel, excluding the CEO, are unlimited in term but capable of termination on 2 to 4 weeks notice and that the consolidated entity retains the right to terminate the contract immediately, by making payment equal to 2 to 4 weeks pay in lieu of notice.

Thomas Cage, Chief Executive Officer, has a contract of employment with the Company which provides for a total package of \$291,000. Of that total, \$266,973 is taken as salary and \$24,027 is taken as superannuation. The package is reviewed each July against industry surveys, the Company's performance covering the July to June period including annual share price movement and other key performance indicators. The service agreement runs until 31 December 2006 and requires Mr Cage to work no less than a 32 hour week. The CEO has no entitlement to termination payment in the event of removal for misconduct.

Other Directors Contracts

Keegan Cage, Executive Director and Company Secretary, has a contract of employment with the company which can be terminated by either party giving 2 weeks written notice.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.4 Remuneration report

4.4.1 Principles of compensation – audited

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2001 AGM, is not to exceed \$180,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to \$33,180 per annum.

The Chairman does not receive a fee for being the Chairman. The Executive Director does not receive a fee for being a director. Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.4 Remuneration report

4.4.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives, relevant group executives who receive the highest remuneration and other key management personnel are:

		Short-term			Total	Post-employment Superannuation benefits \$	Other long term \$	Termination benefits	Share- based payments Options and rights (B) \$	Total \$
		Salary & fees \$	STI cash bonus \$(A)	Non- monetary benefits \$						
Directors										
Non-executive										
Jason Crage (from 20/12/05)	2006	17,738	-	-	17,738	1,596	-	-	-	19,334
	2005	-	-	-	-	-	-	-	-	-
Richard Elliott (until 05/11/04)	2006	-	-	-	-	-	-	-	-	-
	2005	16,300	-	1,387	16,300	1,387	-	-	-	17,687
Bill Hassell (until 19/12/05)	2006	21,717	-	-	21,717	1,955	-	-	-	23,672
	2005	42,072	-	-	42,072	3,787	-	-	-	45,859
Graeme Sampson (until 19/12/05)	2006	15,484	-	-	15,484	-	-	-	-	15,484
	2005	31,215	-	-	31,215	-	-	-	-	31,215
Executive										
Thomas R. Crage, Chairman and Chief Executive Officer	2006	266,131	-	36,273	302,404	23,952	-	-	-	326,356
	2005	251,389	-	16,154	267,543	22,625	-	-	-	290,168
Keegan Crage Executive Director and Company Secretary	2006	133,939	10,833	-3,666	141,106	12,055	-	-	-	153,161
	2005	122,007	-	5,627	127,634	10,981	-	-	-	138,615

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.4 Remuneration report (continued)

4.4.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited (continued)

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	Total \$
		Salary & fees \$	STI cash bonus \$	Non-monetary benefits \$	Total					
Val Crage	2006	105,079	2,606	7,901	115,586	9,692			125,278	
	2005	103,877	-	(7,949)	95,928	9,349			105,277	
Neil Levin (from April 2005)	2006	101,197	-	952	102,149	9,108			111,257	
	2005	24,615	-	2,008	26,623	2,215			28,838	
Chris Hutber (from March 2005)	2006	132,020	-	990	133,010	16,694			149,704	
	2005	44,366	-	1,654	46,020	5,679			51,699	
Executives										
Robby Bluen (till Sept 2004)	2006	-	-	-	-	-			-	
	2005	28,668	-	(2,534)	26,134	2,631			28,765	
Lance Camacho (from Sept 04 till April 2006)	2006	80,822	-	(2,053)	78,769	7,274			86,043	
	2005	75,961	-	2,053	78,014	6,837			84,851	
Nigel Toms (till March 2005)	2006	-	-	-	-	-			-	
	2005	111,710	28,425	(1,544)	138,591	17,937			156,528	
Paul Stewart (till 31/12/04)**	2006	-	-	-	-	-			-	
	2005	83,193	-	-	83,193	24,987			108,180	
Total compensation: key management personnel (company and consolidated)	2006	874,127	13,439	40,397	927,963	82,326			1,010,289	
	2005	935,373	28,425	15,469	979,267	108,415			1,087,682	
Former Executives										

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.5 Audit committee

The audit committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The Chairman may not be the Chairman of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the audit committee during the year were:

- Graeme Sampson (Resigned 19 December 2005) – Chairman and Independent Non-Executive
- WRB Hassell (Resigned 19 December 2005)– Independent Non-Executive
- Jason Crag (appointed 22 December 2005) – Non-Executive.
- Keegan Crag (appointed 2 December 2005) – Executive.

The external auditors, the chief executive officer and CFO, are invited to audit committee meetings at the discretion of the committee. The committee met twice during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 6.

The chief executive officer declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 30 June 2006 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the audit committee and the board of directors twice during the year.

The responsibilities of the audit committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Equivalents to International Reporting Standards (AIFRS), and assessing whether the financial information is adequate for shareholder needs
- assessing corporate risk assessment processes
- reviewing the Company's policies and procedures for convergence with Australian Equivalents to International Reporting Standards (AIFRS) for reporting periods beginning on 1 July 2005
- assessing the performance and objectivity of the internal audit function
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- assessing the adequacy of the internal control framework and the Company's code of ethical standards.
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed. There is no formal internal audit procedure however the functions are covered by the CEO and the Group GM Sales.
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results.
- review the draft annual and half-year financial report, and recommend board approval of the financial report.
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.6 Risk management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. The Chief Executive Officer has declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

Risk profile

The audit committee reports to the board as and when required which reports are aimed at ensuring risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the operations manual.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements, difficulties in sourcing equipment, environment, occupational health and safety, financial reporting, and the purchase, development and use of information systems.

Risk management and compliance and control

The consolidated entity strives to ensure that its products are of the highest standard. The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- business transactions are properly authorised and executed
- the quality and integrity of personnel
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below)
- environmental regulation compliance.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.6 Risk management (continued)

Quality and integrity of personnel

Written confirmation of compliance with policies in the Ethical Standards Manual is not obtained from all operating units. Formal appraisals are conducted at least annually for all employees. An appropriate succession plan, given the size of the business, is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The chief executive officer has declared, in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Convergence with Australian equivalents to International Financial Reporting Standards (AIFRS) has been a key financial reporting project during the financial year ended 30 June 2006. The board ensured a smooth transition to AIFRS reporting.

Details of the impact of transition from previous Australian Generally Accepted Accounting Principles (AGAAP) to AIFRS on the financial report for the financial year ended 30 June 2006 is included in note 32 to the financial statements.

Environmental regulation

Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

4.7 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. The board reviews the Employee Handbook manual as required and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in note 36 to the financial statements.

Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the policies outlined in the Employee Handbook.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.7 Ethical standards (continued)

Code of conduct (continued)

Trading in general Company securities by directors and employees

The Constitution permits directors to acquire shares in the Company. Company policy prohibits directors from dealing in Company shares:

- in the three weeks prior to the release of the Company's half year and annual results to the Australian Stock Exchange and in the two weeks prior to the annual general meeting of the Company except where the purchases are associated with a privatisation bid that has been the subject of an Independent Experts' Report
- where the dealing is of a short-term nature except where they advise other directors in advance of predetermined buy and sell prices that must be at least 20% apart; or
- where it is unlawful to do so.

Except where the above applies, there should be no objection to dealings in the period between one and 28 days after either the release of the Company's half-year and annual results to the Australian Stock Exchange and after the conclusion of the annual general meeting.

At times other than as set out above, or if there is any overlap between prohibited and permitted trading periods, directors should advise the Chairman, or in the case of the Chairman, advise the Board of Directors, through the Company Secretary before they sell or buy shares in the Company. Generally, there should be no objection to dealing in securities notified in accordance with this procedure providing that the Company is in compliance with its continuous disclosure requirements, the Company is not withholding any information from disclosure by reason of the exceptions to Listing Rule 3.1 and the directors do not otherwise possess any price sensitive information in relation to the Company's securities. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the directors have undertaken to advise the Company of any transactions conducted by them in shares in the Company. The Company must then advise the Australian Stock Exchange of directors' dealings in Company shares.

4.8 Communication with shareholders

The board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- the chief executive officer and the company secretary are responsible for interpreting the company's policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the group's internal and external environment
- the full annual financial report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

4.8 Communication with shareholders (continued)

- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5. Principal activities

The principal activities of the consolidated entity during the course of the financial year were the rental of computer and associated equipment and the appointment and support of franchisees to operate similar computer rental businesses. There were no other significant changes in the nature of the activities of the consolidated entity during the year.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

Objectives

The consolidated entity's objectives are to:

- Enhance the growth of Operations Division by opening additional outlets, updating and broadening its offerings to customers
- Consider investment opportunities as and when they arise outside of the current areas of operations

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

6. Operating and financial review

Net profit amounts for years 2002 to 2004 were calculated in accordance with previous Australian GAAP. Net profit amounts for 2005 and 2006 have been calculated in accordance with Australian equivalents to IFRS (AIFRS). For impact on net profit of transition to AIFRS see Note 32 to financial statements.

The Hire Intelligence Business

During the 2006 financial year the Hire Intelligence business comprised the following segments:

- The Operations Division, which offers:
 - Short-term rental of IT and audiovisual equipment
 - Short-term rental of Videoconferencing equipment and facilities
 - Fully IT equipped training rooms
 - Leasing
 - Retailing
- The Franchising Division, which focuses on appointing and supporting Franchisees. This is best explained under three headings:
 - Franchisees with contractual relationships with the Franchisor
 - Master Franchisees with contractual relationships with the Franchisor and its own Franchisees
 - Franchisees with contractual relationships with Master Franchisees

The Company's key assets/features include:

- **PROFIT & ASSET GROWTH:** Steadily growing EBITA and Net Tangible Assets with EBTA of over 20% per annum on Net Tangible Assets
- **GROWING CASH RESERVES:** Steadily growing cash reserves, no debt and \$7.0million surplus cash
- **ICONIC BRAND:** Highly acceptable trademark that scores exceptionally highly on recall. Over \$9 million has been spent on advertising & brand building over the years
- **BUSINESS PROCESS TECHNOLOGY:** HIIL has a clearly defined operational framework to ensure consistent presentation and service standards across the group.
- **INFORMATION SYSTEMS TECHNOLOGY:** Exceptional integrated computer fleet management and accounting system
- **INTERNATIONAL OPERATIONS and FRANCHISEES:** Operates in Australia, New Zealand, United Kingdom and Ireland providing corporate structure and opportunities outside of Australia.
- **FRANKING CREDITS:** The group has \$2,624,000 worth of franking credits associated with close on \$9,000,000 historical taxed profits
- **SCALABLE PORTABLE BUSINESS MODEL:** HII has a highly scalable portable business model enabling the establishment of new franchising concepts and leveraging off its existing infrastructure.

Hire Intelligence International Limited has had its most successful year since listing in January 2002 with year on year earnings before interest tax and amortisation ("EBITA") from ordinary activities now having increased for 3 successive years.

During the past few years your Company has written off its excessive goodwill and as a result the new Australian International Financial Reporting Standards ("AIFRS") have had minimal impact on this year's results and are not expected to have adverse consequences going forward.

Underlying earnings

For its 2006 financial year Hire Intelligence recorded total revenue of \$9.1 million (2005: \$9.0 million) and earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$3.0million (2005: \$2.5 million). The 2006 financial year net profit of \$1.2 million compares with a profit of \$0.8 million in 2005.

The business is profitable, and is essentially debt free. Cash on hand increased during the 2006 financial year from \$5.40 million to \$7.1million.

Revenue from Company owned outlets and Company revenues received from Franchisees in the 2006 financial year was 2.3% higher than those achieved during 2005.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

6. Operating and financial review (continued)

Earnings before interest, tax and amortisation (EBITA) were \$1.90 million for the 2006 financial year compared with \$1.32 million in 2005.

Financial Years Ending 30 June	<u>AGAAP</u>	<u>AGAAP</u>	<u>AIFRS</u>	<u>AIFRS</u>
	2003	2004	2005	2006
Profit/Loss from ordinary activities	-2,234,000	-5,258,000	1,195,000	1,813,000
Add back Goodwill amortisation	2,799,000	6,551,000		
Add back Trademark amortisation	368,000	368,000	369,000	376,000
Less profit on sale of UK MF		- 370,000		
Earnings Before Tax & Amortisation	933,000	1,291,000	1,564,000	2,189,000
Less interest income	- 45,000	- 128,000	- 245,000	- 290,000
EBITA	888,000	1,163,000	1,319,000	1,899,000
Growth on Prior Year		31.0%	13.4%	44.0%

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.

The improved profitability flows predominantly from a change in the mix of products and services provided to customers, cost savings and improved rental income.

Net tangible assets per share have increased steadily over the past few years.

	<u>12 Months Ended</u>			
	30/06/03	30/06/04	30/06/05	30/06/06
Net Tangible Assets Per Share (cents per shares)	5.9	8.4	9.9	12.0
Cash Assets \$(000)	1,732	3,938	5,400	7,084
Revenue (incl. interest income, excl sale of UK Master Franchise)	7,542	9,070	9,286	9,353
EBITA as a % of total net tangible assets less surplus cash	28.3%	40.9%	51.4%	76.3%

Net assets per share at 30 June 2006 were 17.3 cents.

The Short Term Computer Rental and Audio Visual Industries

Hire Intelligence is the market leader in the Australian short term computer rental market and is the second largest operator in the United Kingdom. It has expanded the geographic spread of its operations via a franchised network to also include operations in New Zealand and Ireland.

The Operations Division

The Company has further developed its integrated computer fleet management and accounting system as well as introduced new operational procedures successfully addressing rising operational costs. A range of tools are used to ensure that company owned and franchised outlets can identify areas requiring improvement and trends that are developing. Our analysis tools range from daily to annual and include daily summary reports, fortnightly reports and monthly financial and divisional reporting as well as trend analysis and analysis of a wide range of KPI's.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

6. Operating and financial review (continued)

The single most critical cause for concern has been the continuing drop in computer prices.

The Franchising Division

The division, controlled by Cityside Asset Pty Ltd, earns revenues from the sale of franchise territories and ongoing income based predominantly upon Franchisee revenues.

The division contributed external revenues of \$1.3million in the 2006 financial year compared with \$1.4 million in the 2005 financial year.

Corporate Objectives

The company's objectives are to:

- Enhance the growth of Operations Division by opening additional outlets, updating and broadening its offerings to customers
- Consider investment opportunities as and when they arise outside of the current areas of operations.

Future

The Company believes it will be able to continue improving on its position within the industry however it does not anticipate selling any franchises during the present financial year and anticipates a significant proportion of Franchisees will not renew their franchises when their terms start ending in 2006.

Profit growth is anticipated to come from a number of separate areas:

- Organic growth from existing operations. 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.
- 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.
- Leasing and retailing.
- Expansion into complimentary areas.
- Diversification into new industries.

The business remains financially sound with the company holding cash reserves, generating positive operating cash flows and having no net debt.

Significant changes in the state of affairs

There were no significant changes in the nature of business or the state of affairs of the consolidated entity during the year.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

7. Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year.

8. Events subsequent to reporting date

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9. Likely developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

10. Directors' interests

The relevant interest of each director in the shares or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Hire Intelligence International Limited	
	Ordinary shares	Options over ordinary shares
Tom Crago	69,667,376	2,000,000
Keegan Crago	Nil	Nil
Jason Crago	Nil	Nil

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

11. Share options

Options granted to directors and officers of the Company

No options have been granted since the end of the previous financial year.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2007*	50 cents	2,000,000
		<u>2,000,000</u>

* Vendors options granted to Hire Intelligence Pty Ltd, a related party of T R Cragé at an exercise price of 50 cents each. These options are exercisable at any time prior to 5.00pm (WST) on 30 June 2007. There were no share options granted or exercised during the year.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued).

12. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Thomas Cragé, Keegan Cragé and Jason Cragé and the following former directors, Richard Elliott, Bill Hassell and Graeme Sampson, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of \$39,050 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following officers of the Company and its controlled entities:

- premiums totalling \$39,050 were paid in respect of the following current directors of the Company:
Thomas Cragé, Keegan Cragé and Jason Cragé

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2006

13. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2006	2005
	\$	\$
Audit services:		
Auditors of the Company		
audit and review of financial reports (KPMG Australia)	78,683	70,000
	<u>78,683</u>	<u>70,000</u>
Services other than statutory audit:		
Other services		
Other assurance services	-	20,000
Taxation compliance services (KPMG Australia)	22,301	37,198
	<u>100,933</u>	<u>127,198</u>

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for financial year ended 30 June 2006.

15. 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.

This report is made with a resolution of the directors:



Tom Crage
Executive Chairman

Dated at Perth this 28th day of September 2006

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

To: the directors of Hire Intelligence International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



B C FULLARTON
Partner

Perth
28 September 2006

Hire Intelligence International Limited and its controlled entities
Income statements
For the year ended 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Sales Revenue	1,2	8,698	8,504	4,514	4,444
Cost of sales		(1,992)	(2,282)	(1,166)	(1,407)
Gross profit		6,706	6,222	3,348	3,037
Other income		360	536	547	722
Distribution expenses		(304)	(430)	(215)	(322)
Marketing expenses		(532)	(526)	(359)	(353)
Occupancy expenses		(480)	(455)	(332)	(315)
Administrative expenses		(3,851)	(4,028)	(3,017)	(3,205)
Amortisation of trademarks	16	(376)	(369)	(369)	(368)
Results from operating activities	2,3	1,523	950	(397)	(804)
Financial income	6	295	246	286	236
Financial expenses	6	(5)	(1)	(5)	(1)
Net financing income		290	245	281	235
Profit before tax		1,813	1,195	(116)	(569)
Income tax (expense)/benefit	7	(632)	(443)	(5)	105
Profit for the year		1,181	752	(121)	(464)
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per share	8	1.53cps	0.98cps		
Diluted earnings per share	8	1.53cps	0.98cps		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 32 to 71.

Hire Intelligence International Limited and its controlled entities

Statements of changes in equity

In thousands of AUD

Consolidated	Issued capital	Retained earnings	Translation reserve	Total equity
For the financial year ended 30 June 2005				
Opening Balance at 1 July 2004	37,739	(26,349)	-	11,390
Foreign exchange translation differences	-	-	(80)	(80)
Adjustment to initial expenses	(10)	-	-	(10)
Total non-profit items recognised directly in equity	37,729	(26,349)	(80)	11,300
Net profit	-	752	-	752
Closing balance at 30 June 2005	37,729	(25,597)	(80)	12,052

For the financial year ended 30 June 2006

Opening Balance at 1 July 2005	37,729	(25,597)	(80)	12,052
Foreign exchange translation differences	-	-	59	53
Total non-profit items recognised directly in equity	37,729	(25,597)	(21)	12,111
Net profit	-	1,181	-	1,181
Closing balance at 30 June 2006	37,729	(24,416)	(21)	13,292

Company

For the financial year ended 30 June 2005

Opening Balance at 1 July 2004	37,739	(26,388)	-	11,351
Foreign exchange translation differences	-	-	(2)	(2)
Adjustment to initial expenses	(10)	-	-	(10)
Total non-profit items recognised directly in equity	37,729	(26,388)	(2)	11,339
Net loss	-	(464)	-	(464)
Closing balance at 30 June 2005	37,729	(26,852)	(2)	10,875

For the financial year ended 30 June 2006

Opening Balance at 1 July 2005	37,729	(26,852)	(2)	10,875
Foreign exchange translation differences	-	-	12	12
Total non-profit items recognised directly in equity	37,729	(26,852)	10	10,887
Net profit	-	(122)	-	(122)
Closing balance at 30 June 2006	37,729	(26,974)	(10)	10,765

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 32 to 71.

Hire Intelligence International Limited and its controlled entities

Balance sheets

As at 30 June 2006

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Assets					
Cash and cash equivalents	9	7,084	5,400	6,544	4,937
Trade and other receivables	10	1,705	1,865	649	689
Inventories	11	75	32	60	12
Other assets	12	126	137	114	121
Total current assets		8,990	7,434	7,367	5,759
Investments	27	-	-	8,609	8,609
Trade and other receivables	10	1,082	1,521	1,016	-
Deferred tax assets	14	222	249	194	238
Property, plant and equipment	15	2,445	2,326	1,453	1,234
Intangible assets	16	4,069	4,436	377	739
Total non-current assets		7,818	8,532	11,649	10,820
Total assets		16,808	15,966	19,016	16,579
Liabilities					
Trade and other payables	17	893	990	7,552	5,040
Interest-bearing loans and borrowings	18	5	5	5	5
Deferred income	19	837	793	117	78
Income tax payable	13	408	187	408	197
Employee benefits	20	149	96	122	70
Provisions	21	83	280	0	280
Total current liabilities		2,375	2,351	8,204	5,670
Interest-bearing loans and borrowings	19	-	5	-	5
Deferred tax liabilities	14	-	-	-	1
Deferred income	19	1,082	1,521	-	-
Employee benefits	20	59	37	47	28
Total non-current liabilities		1,141	1,563	47	34
Total liabilities	2	3,516	3,914	8,251	5,704
Net assets		13,292	12,052	10,765	10,875
Equity					
Issued capital	22	37,729	37,729	37,729	37,729
Reserves	22	(21)	(80)	10	(2)
Retained earnings	22	(24,416)	(25,597)	(26,974)	(26,852)
Total equity attributable to equity holders of the parent		13,292	12,052	10,765	10,875

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 32 to 71.

Hire Intelligence International Limited and its controlled entities

Statements of cash flows

For the year ended 30 June 2006*In thousands of AUD*

	Note	Consolidated		The Company	
		2006	2005	2006	2005
Cash flows from operating activities					
Cash receipts from customers		9,955	9,834	5,534	5,486
Cash paid to suppliers and employees		(6,937)	(7,247)	(5,020)	(4,838)
Cash generated from operations		3,018	2,587	514	648
Interest paid		(5)	(1)	(5)	(1)
Income taxes paid/(benefit)		(384)	(462)	250	(415)
Net cash from operating activities	28	2,629	2,124	759	232
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		350	454	245	254
Payments for property, plant and equipment		(1,585)	(1,347)	(1,089)	(723)
Interest received		295	246	286	236
Net cash from investing activities		(940)	(647)	(559)	(233)
Cash flows from financing activities					
Initial expenses capitalised	22		(10)		(10)
Loans from controlled entities		-	-	1,411	1,231
Payment of finance lease liabilities		(5)	(5)	(5)	(5)
Repayment of borrowings					
Net cash from financing activities		(5)	(15)	1,406	1,216
Net increase in cash and cash equivalents		1,684	1,462	1,607	1,215
Cash and cash equivalents at 1 July		5,400	3,938	4,937	3,722
Cash and cash equivalents at 30 June	9	7,084	5,400	6,544	4,937

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 32 to 71.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies

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Hire Intelligence International Limited and its controlled entities
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Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies

Hire Intelligence International Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 28 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') 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 financial report prepared in accordance with Australian Accounting Standards, being AIFRS and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 32.

The consolidated financial statements and notes also comply with IFRSs and interpretations adopted by the International Accounting Standards Board. The parent financial statements and notes do not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected not to early adopt the following accounting standards and amendments as at transition date:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004)
- UIG 4 *Determining whether an Arrangement contains a Lease*
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
- UIG 8 *Scope of AASB 2*.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2006-2 *Amendments to Australian Accounting Standards* (March 2006)
- UIG 6 *Liabilities arising from participating in a Specific Market-Waste Electrical & Electronic Equipment*

The initial application of the above standards are not expected to have an impact on the financial results of the Company and the consolidated entity as the standards and the amendments are either not applicable or concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for the deed of cross guarantees that have been provided by the Company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The 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. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(u).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS except for AASB 1032 and 1039 which have been applied with effect from 1 July 2005 in accordance with the exemption available under AASB 1.

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

(i) 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 consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) 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 consolidated financial statements.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(d) Foreign currency

(i) 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.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences on translation are recognised as a separate component of equity.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges 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 after 1 July 2004, the date of transition to AIFRS, are presented as a separate component of equity.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy j). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy j(i)).

(iii) 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.

(iv) Depreciation

All items of property, plant and equipment 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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(iv) Depreciation (continued)

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

	2006	2005	Method
<i>Property, plant and equipment</i>			
Leasehold improvements	12%-20%	12%-20%	reducing balance
Plant and equipment	20%-40%	20%-40%	reducing balance

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(f) Intangible assets

(i) Goodwill

Business combinations

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 (see note 32).

Business combinations since 1 July 2004

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 j)

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) 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 (j)).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) 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.

(v) 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 balance sheet date. Other intangible assets are amortised from the date 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

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(h) 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.

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(j) Impairment

The carrying amounts of the consolidated entity's assets, inventories (see accounting policy h), and deferred tax assets (see accounting policy r), 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. (see accounting policy j(i))

For goodwill and assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

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.

(i) 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. Receivables with a short duration are not discounted.

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.

(ii) Reversals of impairment

Impairment losses, other than in respect of Goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the date the impairment loss was recognised.

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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

- 1. Significant accounting policies (continued)**
- (j) Impairment (continued)**
- (iii) Derecognition of financial assets and liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(k) 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.

(l) Employee benefits

(i) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, 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.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are 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.

(iii) Defined contribution superannuation fund

Obligations for contributions to defined contribution funds are recognised as an expense in the income statement as incurred.

(m) 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. 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, where appropriate, the risks specific to the liability.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

(o) 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. The assets and their corresponding deferred income balance has been determined by discounting future cash flows using an appropriate pre tax discount rate. Accounting policy (p) below sets out the revenue recognition basis for this income.

(p) 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.

(i) 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.

(ii) 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. Minimum future fixed fees are deferred and are only recognised in the income statement when they become due and payable.

(iii) 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.

(iv) Rendering of services

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

(v) Interest revenue

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

(vi) Sale of non-current assets

The net gain or loss 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 time of disposal and the net proceeds on disposal.

(vii) Government grants

Any government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the consolidated entity will comply with the conditions attaching to it. Grants that compensate the consolidated entity for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the consolidated entity for the cost of an asset are recognised in the income statement as other income on a systematic basis over the useful life of the asset.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(q) Expenses

(i) 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 lease term.

(ii) 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.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses. Borrowing costs are expensed as incurred and included in net financing costs.

Interest 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.

(r) Income tax

Income tax on the profit or loss for the year 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 substantively 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) initial recognition of 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.

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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(r) Income tax (continued)

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Hire Intelligence International Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are interest free and at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(r) Income tax (continued)

(ii) Nature of tax funding arrangements and tax sharing arrangements (continued)

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(s) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(t) 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 Australian Taxation Office (ATO). 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 or UK tax authority is included as a current asset or liability in the balance sheet.

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 or UK tax authority are classified as operating cash flows.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)
(u) Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Note 16 contains information about the assumptions and their risk factors relating to goodwill impairment. In note 23 detailed analysis is given of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 16. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

2. Segment reporting

Segment information is presented in respect of the consolidated entity's business segments. This format is based on the consolidated entity's management and internal reporting structure.

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

Segment results, assets and liabilities 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.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments:

- IT and AV equipment rentals
- Franchising

Business segments

	Computer Equipment rentals		Franchising		Eliminations		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue								
External segment revenue	7,790	7,654	1,268	1,386	-	-	9,058	9,040
Inter-segment revenue	292	467	250	250	(542)	(717)	-	-
Total segment revenue	8,082	8,121	1,518	1,636	(542)	(717)	9,058	9,040
Total revenue							9,058	9,040
Result								
Segment result	1,295	1,342	1,195	875	-	-	2,490	2,217
Unallocated corporate expenses							(677)	(1,022)
Results from operating activities								
Income tax expense							1,813	1,195
Net profit							(632)	(443)
Net profit							1,181	752
Depreciation	1,114	1,219	-	-	-	-	1,114	1,219
Amortisation	376	369	-	-	-	-	376	369
Assets								
Segment assets excluding intangible assets	9,949	8,778	2,790	2,752	-	-	12,739	11,530
intangible assets	3,699	3,699	370	737	-	-	4,069	4,436
Consolidated total assets							16,808	15,966
Liabilities								
Segment liabilities	2,181	1,071	1,335	2,843	-	-	3,516	3,914
Consolidated total liabilities							3,516	3,914
Acquisition of non-current assets	1,585	1,347	-	-	-	-	1,585	1,347

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

3. Other income and expenses

Results from operating activities are arrived at after taking into account the following :

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Net bad and doubtful debts	(27)	(76)	(22)	(63)
Government grants received	-	77	-	-
Net loss on disposal of property, plant and equipment	(43)	(80)	(45)	(67)
Intercompany management fees received	-	-	292	467
Operating lease rental payments	(342)	(345)	(211)	(218)
Depreciation	(1,114)	(1,219)	(622)	(665)

4. Personnel expenses

In thousands of AUD

Wages and salaries	2,111	2,046	1,556	1,606
Other associated personnel expenses	176	203	138	122
Contributions to defined contribution superannuation funds	132	209	86	158
Increase in liability for annual and long service leave	281	39	275	27
	<u>2,700</u>	<u>2,497</u>	<u>2,055</u>	<u>1,913</u>

5. Auditors' remuneration

In AUD

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

	78,683	70,000	78,683	70,000
	<u>78,683</u>	<u>70,000</u>	<u>78,683</u>	<u>70,000</u>

Other services

KPMG Australia

Other assurance services

Taxation services

	-	20,000	-	20,000
	22,301	37,198	22,301	37,198
	<u>100,984</u>	<u>127,198</u>	<u>100,984</u>	<u>127,198</u>

6. Net financing income

In thousands of AUD

Interest income	295	246	286	236
Financial income	<u>295</u>	<u>246</u>	<u>286</u>	<u>236</u>
Interest expense	5	1	5	1
Financial expenses	<u>5</u>	<u>1</u>	<u>5</u>	<u>1</u>
Net financing income	<u>290</u>	<u>245</u>	<u>281</u>	<u>235</u>

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

7. Income tax expense

Recognised in the income statement

	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
<i>In thousands of AUD</i>					
Current tax expense					
Current year		575	397	(22)	(108)
Adjustments for prior years		30	34	(17)	16
		605	431	(39)	(92)
Deferred tax expense					
Origination and reversal of temporary differences		27	12	44	(13)
	14	27	12	44	(13)
Total income tax expense/(benefit) in income statement					
		632	443	5	(105)
Attributable to:					
Continuing operations		632	443	5	(105)
Discontinuing operations		-	-	-	-
		632	443	5	(105)

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated		The Company	
	2006	2005	2006	2005
<i>In AUD</i>				
Profit before tax	1,819	1,195	(117)	(569)
Income tax expense/(benefit) using the domestic corporation tax rate of 30% (2005: 30%)	545	359	(35)	(170)
Increase in income tax expense due to:				
Non-deductible expenses	111	111	111	111
Decrease in income tax expense due to:				
Effect on tax rate in foreign jurisdictions	(54)	(61)	(54)	(61)
	602	409	22	(120)
Under / (over) provided in prior years	30	33	(17)	15
Income tax expense on pre-tax net profit	632	443	5	(105)

	Consolidated		The Company	
	2006	2005	2006	2005
<i>In AUD</i>				
Relating to equity settled transactions	56	56	56	56
	56	56	56	56

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2006 was based on the profit attributable to ordinary shareholders of 1.54 cents per share (2005: 0.98 cents per share) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 77,032,958 (2005: 77,032,958), calculated as follows:

Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated	
	2006	2005
Profit for the period	1,181	752

Weighted average number of ordinary shares

	Consolidated	
	2006	2005
Issued ordinary shares throughout the year	77,032,958	77,032,958

Diluted earnings per share

Share options over 2,000,000 (2005: 2,000,000) shares issued on 10 December 2001 have not been included in the calculation of diluted EPS as they are not dilutive.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

9. Cash and cash equivalents

	Consolidated		The Company	
	2006	2005	2006	2005
<i>In thousands of AUD</i>				
Bank balances	703	969	163	506
Bank negotiable certificate of deposit	6,381	4,431	6,381	4,431
Cash and cash equivalents	7,084	5,400	6,544	4,937

The bank negotiable certificate of deposit has a maturity date of 31 July 2006 and bears interest at 6.80% (2005: 5.65%)

10. Trade and other receivables

In thousands of AUD

Current

Other trade receivables and prepayments	974	1,142	576	620
Fixed franchise fees	658	654	-	-
Rent bond	73	69	73	69
	1,705	1,865	649	689

Non-current

Fixed franchise fees	1,082	1,521	-	-
Loans to controlled entities	-	-	1,016	-
	1,082	1,521	1,016	-

11. Inventories

In thousands of AUD

Finished goods	75	32	60	12
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12. Other assets

In thousands of AUD

Prepayments	126	137	114	121
-------------	-----	-----	-----	-----

13. Current tax assets and liabilities

The current tax liability for the consolidated entity of \$407,000 (2005: \$187,000) and for the Company of \$407,000 (2005: \$197,000) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
<i>In thousands of AUD</i>						
Property, plant and equipment	85	48	-	-	85	48
Intangibles	-	22	-	-	-	22
Employee benefits	75	39	-	-	75	39
Other creditors	32	46	-	-	32	46
Other items	30	94	-	-	30	94
Tax (assets) / liabilities	222	249		-	222	249
The Company						
<i>In thousands of AUD</i>						
Property, plant and equipment	85	48	-	-	85	48
Intangibles	-	22	-	-	-	22
Employee benefits	47	28	-	-	47	28
Other creditors	32	46	-	-	32	46
Other items	30	94	-	1	30	93
Tax (assets) / liabilities	194	238	-	1	194	237

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

15. Property, plant and equipment

	Note	Consolidated			The Company		
		Leasehold improvements	Plant and equipment	Total	Leasehold improvements	Plant and equipment	Total
<i>In thousands of AUD</i>							
Cost							
Balance at 1 July 2004		215	5,095	5,310	112	2,556	2,668
Acquisitions		44	1,303	1,347	22	785	807
Disposals		(17)	(1,628)	(1,645)	(5)	(664)	(669)
Effect of movements in foreign exchange		(9)	(1265)	(135)	2	(126)	(124)
Balance at 30 June 2005		233	4,644	4,877	131	2,551	2,682
Balance at 1 July 2005		233	4,644	4,877	131	2,551	2,682
Acquisitions		-	1,585	1,585	-	1,089	1,089
Disposals		-	(1,222)	(1,222)	-	(765)	(765)
Effect of movements in foreign exchange		4	65	69	8	65	73
Balance at 30 June 2006		237	5,072	5,309	139	2,940	3,079
<i>In thousands of AUD</i>							
Depreciation and impairment losses							
Balance at 1 July 2004		81	2,369	2,450	40	1,112	1,152
Depreciation charge for the year		29	1,190	1,219	16	649	665
Disposals		(1)	(1,095)	(1,096)	(1)	(344)	(345)
Effects of movements in foreign exchange		(2)	(20)	(22)	(2)	(22)	(24)
Balance at 30 June 2005		106	2,445	2,551	53	1,395	1,448
Balance at 1 July 2005		106	2,445	2,551	53	1,395	1,448
Depreciation charge for the year		26	1,088	1,114	14	608	622
Disposals		-	(827)	(827)	-	(474)	(474)
Effects of movements in foreign exchange	22	2	24	26	2	28	30
Balance at 30 June 2006		134	2,730	2,864	69	1,557	1,626
Carrying Amounts							
At 1 July 2004		134	2,726	2,860	72	1,444	1,516
At 30 June 2005		127	2,199	2,326	78	1,156	1,234
At 1 July 2005		127	2,199	2,326	78	1,156	1,234
At 30 June 2006		103	2,342	2,445	70	1,383	1,453

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

16. Intangible assets

	Consolidated			The Company		
	Goodwill	Patents and trademarks	Total	Goodwill	Patents and trademarks	Total
<i>In thousands of AUD</i>						
Cost						
Balance at 1 July 2004	11,137	1,841	12,978	-	1,841	1,841
Acquisitions	-	-	-	-	-	-
Balance at 30 June 2005	11,137	1,841	12,978	-	1,841	1,841
Balance at 1 July 2005	11,137	1,841	12,978	-	1,841	1,841
Acquisitions	-	8	8	-	8	8
Balance at 30 June 2006	11,137	1,849	12,986	-	1,849	1,849
Amortisation and impairment losses						
Balance at 1 July 2004	7,438	735	8,173	-	735	735
Amortisation for the year	-	369	369	-	368	368
Balance at 30 June 2005	7,438	1,103	8,541	-	1,103	1,103
Balance at 1 July 2005	7,438	1,103	8,541	-	1,103	1,103
Amortisation for the year	-	376	376	-	370	370
Balance at 30 June 2006	7,438	1,479	8,917	-	1,472	1,472
Carrying amounts						
At 1 July 2004	3,699	1,106	4,805	-	1,106	1,106
At 30 June 2005	3,699	737	4,436	-	738	739
At 1 July 2005	3,699	737	4,436	-	738	738
At 30 June 2006	3,699	370	4,069	-	377	377

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

16. Intangible assets (continued)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Amortisation of trademarks	(376)	(369)	(369)	(368)

Impairment tests for cash generating units containing goodwill

The following business units have significant carrying amounts of goodwill:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Franchising business – Cityside Asset Pty Ltd	980	980	-	-
Sydney operation – Hi-Intelli Pty Ltd	2,719	2,719	-	-
	3,699	3,699	-	-

The recoverable amount of both of the above cash-generating units is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the annual business plan. Cash flows for a further 15-year period are extrapolated using varying limited growth rates which are considered appropriate. A pre-tax discount rate of 13 per cent has been used in discounting the projected cash flows.

The key assumptions and the approach to determining their value in the current and previous period are:

Assumption	How determined
CPI for wages and cost growth	Statistical analysis of long-term CPI trends
Asset replacement cost	A material reduction in the replacement cost may impact both the volume of sales required to maintain profitability and the willingness of customers to use the groups products. Replacement costs have been assumed to remain stable for the foreseeable future.
Franchisees renew contracts in accordance with terms and conditions in current franchise agreements	Timing and value of franchisee contract renewals have been estimated based on the terms of existing and proposed franchise agreements and an analysis of historical franchisee profitability.

The carrying amount of the business units are exceeded by its calculated value in use amount. Any adverse change in assumptions could reduce the units value in use amount below carrying amount.

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

17. Trade and other payables

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Trade payables		531	542	408	467
Accrued expenses		362	448	308	101
Loans from controlled entities	30	-	-	6,836	4,472
		893	990	7,552	5,040

Loans from controlled entities are repayable on demand and are interest free.

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 23.

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Current liabilities				
Finance lease liabilities	5	5	5	5
	5	5	5	5
Non-current liabilities				
Finance lease liabilities	-	5	-	5
	-	5	-	5

Financing facilities

Facilities utilised at reporting date	Consolidated		The Company	
Finance lease liability secured by motor vehicles	5	10	5	10
	5	10	5	10

At the date of this report, the Group has no other financing facilities in place.

Finance lease facility

The consolidated entity's lease liabilities are secured by the leased assets of \$11,000 (2005: \$14,000), as in the event of default, the leased assets revert to the lessor.

Finance lease liabilities

Finance lease liabilities of the consolidated entity are payable as follows:

<i>In thousands of AUD</i>	Consolidated					
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2006	2006	2006	2005	2005	2005
Less than one year	5	-	5	6	1	5
Between one and five years	-	-	-	5	-	5

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

19 Deferred income <i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Current				
Fixed franchise fees	658	654	-	-
Deferred contract income	179	139	117	78
	<u>837</u>	<u>793</u>	<u>117</u>	<u>78</u>
Non-current				
Fixed franchise fees	1,082	1,521	-	-

20. Employee benefits

Current

In thousands of AUD

Liability for annual leave

149	97	122	70
-----	----	-----	----

Non Current

Liability for long-service leave

59	37	47	28
<u>208</u>	<u>134</u>	<u>169</u>	<u>98</u>

Total employee benefits

21. Provisions

In thousands of AUD

Consolidated

Balance at 1 July 2005
Provisions made during the year
Provisions used during the year
Balance at 30 June 2006

Advertising fund

280
453
<u>(650)</u>
<u>83</u>

Company

Balance at 1 July 2005
Provisions made during the year
Provisions used during the year
Balance as at 30 June 2006

280
-
<u>(280)</u>
<u>0</u>

In terms of the franchise agreements, Franchisees contribute a pre-determined monthly percentage of turnover to the Franchisor which is to be used for regional, national and international promotion. Company-owned operations also contribute on a similar basis to the fund. The advertising fund has been established in order to control the receipt and utilisation of these funds and is available for scrutiny by the Franchisees.

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

22.

Capital and reserves**Reconciliation of movement in capital and reserves attributable to equity holders of the parent**

Consolidated For the financial year ended 30 June 2005	Issued capital	Retained earnings	Translation reserve	Total equity
Opening Balance at 1 July 2004	37,739	(26,349)	-	11,390
Foreign exchange translation differences	-	-	(80)	(80)
Adjustment to initial expenses	(10)	-	-	(10)
Total non-profit items recognised directly in equity	37,729	(26,349)	(80)	11,300
Net profit	-	752	-	752
Closing balance at 30 June 2005	37,729	(25,597)	(80)	12,052
For the financial year ended 30 June 2006				
Opening Balance at 1 July 2005	37,729	(25,597)	(80)	12,052
Foreign exchange translation differences	-	-	53	53
Total non-profit items recognised directly in equity	37,729	(25,597)	(21)	12,111
Net profit	-	1,181	-	1,181
Closing balance at 30 June 2006	37,729	(24,416)	(21)	13,292
Company				
For the financial year ended 30 June 2005	Issued capital	Retained earnings	Translation reserve	Total equity
Opening Balance at 1 July 2004	37,739	(26,388)	-	11,351
Foreign exchange translation differences	-	-	(2)	(2)
Adjustment to initial expenses	(10)	-	-	(10)
Total non-profit items recognised directly in equity	37,729	(26,388)	(2)	11,339
Net loss	-	(464)	-	(464)
Closing balance at 30 June 2005	37,729	(26,852)	(2)	10,875
For the financial year ended 30 June 2006				
Opening Balance at 1 July 2005	37,729	(26,852)	(2)	10,875
Foreign exchange translation differences	-	-	12	12
Total non-profit items recognised directly in equity	37,729	(26,852)	10	10,887
Net profit	-	(122)	-	(122)
Closing balance at 30 June 2006	37,729	(26,974)	(10)	10,765

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

22. Capital and reserves (continued)

Share capital

In thousands of shares

On issue at 1 July

On issue at 30 June – fully paid

The Company Ordinary shares

2006	2005
77,032	77,032
<u>77,032</u>	<u>77,032</u>

Effective 1 July 1998 the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly the company does not have authorised capital or par value in respect of its issued shares.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Dividends

No dividends were paid or recognised during the current or previous year. No dividends have been declared since the date of this report.

Dividend franking account

30 per cent franking credits available to shareholders of Hire Intelligence International Limited for subsequent financial years

In thousands of AUD

The Company	
2006	2005
<u>2,624</u>	<u>2,345</u>

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

23. Financial instruments

Exposure to credit and currency risks arises in the normal course of the consolidated entity's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily British Pounds, but the company has limited exposure to transactions denominated in Euros and New Zealand Dollars.

The consolidated entity does not hedge the exposure in respect of monetary assets or liabilities.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice

2006	Note	Effective interest rate	Total	6 months or less	6-12 months
<i>In thousands of AUD</i>					
Cash and cash equivalents	9	6.8%	7,084	7,084	-
Finance lease liabilities*	18	8.0%	10	-	10
			7,074	7,074	10

* These assets/liabilities bear interest at a fixed rate

2005		Weighted average interest rate	Floating interest rate	Non interest bearing	Total
<i>In thousands of AUD</i>					
<i>Financial assets</i>					
Cash assets	8	5.3%	5,400	-	5,400
Receivables	9	-	-	1,211	1,211
			5,400	1,211	6,611
<i>Financial liabilities</i>					
Payables	15	-	-	990	990
Interest bearing liabilities	16	8%	10	-	10
Provisions and Employee entitlements	17,27	5.9%	134	279	413
			144	1,269	1,413

Estimation of fair values

All amounts reflected in the accounts approximate their estimated fair values.

The following summarises the major methods and assumptions used in estimating the fair values.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Less than one year	317	299	213	166
Between one and five years	380	325	248	302
More than five years	-	-	-	-
	697	624	461	468

The consolidated entity leases a number of trading facilities under operating leases. The leases typically run for a period of 2-3 years, with an option to renew the lease after that date. Lease payments are increased annually to reflect CPI. None of the leases includes contingent rentals.

During the financial year ended 30 June 2006, \$342,000 was recognised as an expense in the income statement in respect of operating leases (2005: \$ 345,000).

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

25. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities considered remote

During the 2004 financial year, a Master Franchise agreement was entered into for the United Kingdom. In terms of this agreement, Cityside Asset Pty Ltd guaranteed the Master Franchisee a minimum franchise income of GBP90,000 per annum for each calendar year until 31 December 2007. The company has a liability to fund any annual shortfall in franchise fees below GBP90 000 payable to the UK Master Franchisee by the UK Franchisees. No liability has been incurred to date and it does not seem probable that a shortfall will occur before the end of December 2007.

26. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Hi-Intelli Pty Ltd; and
- Cityside asset Pty Ltd; and
- Hire Intelligence USA Pty Ltd

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2006 is set out on below.

Summarised income statement and retained profits

In thousands of AUD

Profit before tax

Income tax expense

Profit after tax

Retained profits at beginning of year

Retained losses at end of year

	Consolidated	
	2006	2005
	1,819	1,195
	(632)	(443)
	1,187	752
	(25,597)	(26,349)
	(24,410)	(25,597)

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

26. Deed of cross guarantee (continued)

Balance Sheet	Consolidated	
	2006	2005
<i>In thousands of AUD</i>		
Assets		
Cash and cash equivalents	7,084	5,400
Trade and other receivables	1,705	1,865
Inventories	75	32
Other	126	137
Total current assets	8,990	7,434
Receivables	1,082	1,521
Deferred tax assets	222	249
Property, plant and equipment	2,445	2,326
Intangible assets	4,069	4,436
Total non-current assets	7,818	8,532
Total assets	16,808	15,966
Liabilities		
Trade and other payables	893	990
Interest-bearing loans and borrowings	5	5
Deferred Income	837	793
Income tax payable	408	187
Employee benefits	149	97
Provisions	83	280
Total current liabilities	2,375	2,351
Interest-bearing loans and borrowings	-	5
Deferred tax liabilities	-	-
Deferred income – long term	1,082	1,521
Employee benefits	59	37
Total non-current liabilities	1,141	1,563
Total liabilities	3,516	3,914
Net assets	13,292	12,052
Equity		
Issued capital	37,729	37,729
Reserves	(27)	(80)
Retained earnings	(24,410)	(25,597)
Total equity attributable to equity holders of the parent	13,292	12,052

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

27. Investments

	Consolidated		The Company	
	2006	2005	2006	2005
Investments in controlled entities at cost	-	-	8,609	8,609
Details of consolidated entities				
	<i>Note</i>	Country of Incorporation	Ownership interest	
			2006	2005
Parent entity				
Hire Intelligence International Limited		Australia		
Subsidiaries				
Hi- Intelli Pty Ltd		Australia	100%	100%
Cityside asset Pty Ltd		Australia	100%	100%
Hire Intelligence USA Pty Ltd		Australia	100%	100%

28. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
Cash flows from operating activities					
Profit for the period		1,181	752	(122)	(464)
<i>Adjustments for:</i>					
Depreciation	15	1,114	1,217	622	665
Amortisation	16	376	368	370	368
Foreign exchange losses		7	1	31	68
Investment income	6	(295)	(246)	(286)	(236)
Loss on sale of property, plant and equipment	3	45	80	45	67
(Decrease)/ increase in income tax payable	7	632	443	(250)	16
Operating profit before changes in working capital and provisions		3,060	2,615	410	484
(Increase)/decrease in other assets		11	1	7	5
(Increase)/decrease in trade and other receivables		160	3	40	73
(Increase)/decrease in inventories		(43)	7	(48)	5
(Decrease)/increase in deferred income		44	(50)	39	(46)
(Decrease)/increase in trade and other payables		(97)	(133)	(148)	(105)
(Decrease)/Increase in provisions and employee benefits		(122)	143	209	231
Income taxes paid		(384)	(462)	250	(415)
Net cash from operating activities		2,629	2,124	759	232

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

29. Related parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

<i>Non-executive directors</i>	<i>Executives</i>
Jason Crage (appointed 20/12/05)	Val Crage
Richard Elliott (until 05/11/04)	Chris Hutber (from March 2005)
Graeme Sampson (until 19/12/05)	Neil Levin (from April 2005)
Bill Hassell (until 19/12/05)	Robby Bluen (till Sept 2004)
	Lance Camacho (from Sept 04 till April 2006)
	Nigel Toms (till March 2005)
<i>Executive directors</i>	Paul Stewart (till 31/12/04)
Tom Crage (Chief Executive Officer and Chairman)	
Keegan Crage (appointed 02/12/2005)	

The key management personnel compensation included in 'personnel expenses' (see note 5) are as follows:

<i>In AUD</i>	Consolidated		The Company	
	2006	2005	2006	2005
Short-term employee benefits	928	979	826	869
Post-employment benefits	82	108	73	81
	<u>1,010</u>	<u>1,087</u>	<u>899</u>	<u>950</u>

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report on pages 10 to 13.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties (consolidated)

There are no loans outstanding at the reporting date to key management personnel or their related parties.

Other key management personnel transactions with the Company or its controlled entities

None of the key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

No entities relating to any key management entities transacted with the Company or its subsidiaries during the reporting period.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

29. Related parties (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares and options in Hire Intelligence International Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

<i>Ordinary shares</i>	Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
Directors				
TR Cage	55,779,625	5,662,898		61,442,523
WRB Hassell	65,000			65,000
GL Sampson	60,000			60,000
R Elliott	212,000		212,000	-

Options

Directors				
TR Cage	2,000,000	-	-	2,000,000

<i>Ordinary shares</i>	Held at 1 July 2005	Purchases	Sales	Held at 30 June 2006
Directors				
TR Cage	61,442,523	8,224,853	-	69,667,376
WRB Hassell	65,000	-	(65,000)	-
GL Sampson	60,000	-	(60,000)	-

Options

Directors				
TR Cage	2,000,000	-	-	2,000,000

No shares or options were granted to key management personnel as compensation during the reporting period.

30. Other related party transactions

	Consolidated 2006	2005	The Company 2006	2005
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:				
Management services income	-	-	292	467
Wholly-owned controlled entities				
Receivables				
<i>Amounts receivable other than trade debts</i>				
Current	-	-	1,016	75
Wholly-owned controlled entities				
Payables				
<i>Amounts payable other than trade creditors</i>				
Current	-	-	6,836	4,472
Wholly-owned controlled entities				

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs

Reconciliation of equity

	Consolidated				The Company			
	Effect of transition to AIFRSs		Effect of transition to AIFRSs		Effect of transition to AIFRSs		Effect of transition to AIFRSs	
	1 July 2004	30 June 2005	1 July 2004	30 June 2005	1 July 2004	30 June 2005	1 July 2004	30 June 2005
<i>In thousands of AUD</i>								
Assets								
Cash and cash equivalents	3,938	5,400	-	5,400	3,722	4,937	-	4,937
Trade and other receivables	1,214	1,211	654	1,865	762	689	-	689
Inventories	39	32	-	32	17	12	-	12
Other	138	137	-	137	126	121	-	121
Total current assets	5,329	6,780	654	7,434	4,627	5,759	-	5,759
Receivables	-	-	1,521	1,521	-	-	-	-
Investment in subsidiaries			8,608	-	8,608	8,609	-	8,609
Deferred tax assets	132	173	76	249	132	173	66	239
Property, plant and equipment	2,835	2,326	-	2,326	1,484	1,234	-	1,234
Intangible assets	4,805	3,203	1,233	4,436	1,107	738	-	738
Total non-current assets	7,772	5,702	2,830	8,532	11,331	10,754	66	10,820
Total assets	13,101	12,482	3,484	15,966	15,958	16,513	66	16,579

*Note**In thousands of AUD***Assets**

Cash and cash equivalents

Trade and other receivables

Inventories

Other

Total current assets

Receivables

Investment in subsidiaries

Deferred tax assets

Property, plant and equipment

Intangible assets

Total non-current assets**Total assets***(d)**(f)**(b)*

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs (continued)

Reconciliation of equity (continued)

	Consolidated						The Company					
	Effect of transition to AIFRSs			Effect of transition to AIFRSs			Effect of transition to AIFRSs			Effect of transition to AIFRSs		
	1 July 2004	30 June 2005	1 July 2004	1 July 2004	30 June 2005	1 July 2004	1 July 2004	30 June 2005	1 July 2004	30 June 2005	1 July 2004	30 June 2005
<i>In thousands of AUD</i>												
Liabilities												
Payables	1,123	(280)	843	990	-	990	4,246	(280)	4,246	5,320	(280)	5,040
Interest-bearing loans and borrowings	5	-	5	5	-	5	5	-	5	5	-	5
Current tax liabilities	218	-	218	187	-	187	171	-	171	187	10	197
Provisions	204	280	484	376	-	376	126	280	126	70	280	350
Deferred income - current	189	654	843	139	654	793	114	-	114	78	-	78
Total current liabilities	1,739	654	2,393	1,697	654	2,351	4,662	-	4,662	5,660	10	5,670
Interest-bearing loans and borrowings	10	-	10	5	-	5	10	-	10	5	-	5
Deferred tax liabilities	26	(26)	-	1	(1)	-	26	-	26	1	-	1
Deferred income - non-current		2049	2,049	-	1,521	1,521	-	-	-	-	-	-
Provisions	87	-	87	37	-	37	21	-	21	28	-	28
Total non-current liabilities	123	2023	2,146	43	1,520	1,563	57	-	57	34	-	34
Total liabilities	1,862	2,677	4,539	1,740	2,174	3,914	4,719	-	4,719	5,694	10	5,704
Net assets	11,239	151	11,390	10,742	1,310	12,052	11,239	-	11,351	10,819	56	10,875
Equity												
Issued capital	37,459	280	37,739	37,449	280	37,729	37,459	280	37,739	37,449	280	37,729
Reserves	(100)	100	-	(180)	100	(80)	(207)	207	-	(209)	207	(2)-
Retained earnings	(26,120)	(229)	26,349	(26,527)	930	(25,597)	(26,013)	(375)	(26,388)	(26,421)	(431)	(26,852)
Total equity	11,239	151	11,390	10,742	1,310	12,052	11,239	112	11,351	10,819	56	10,875

Note

(e)

(e)

(d)

(f)

(d)

(f)

(c)

(c), (d)

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs (continued)

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in 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, 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 AIFRSs 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 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 \$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.

There is no effect at the company level.

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.

The effect on the company is \$207,000

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.

There is no effect at the company level.

e) *Provisions*

In order to more accurately conform to the policy noted in note 1 (m) \$280 000 has been reclassified from trade payables to provisions. This has been fully adjusted in the company.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity (continued)

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 year ended 30 June 2005, was to decrease the previously reported tax charge for the period by \$35 000.

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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity (continued)

The effect of the above adjustments on retained earnings is as follows:

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		1 July 2004	30 June 2005	1 July 2004	30 June 2005
Goodwill	b	-	1,233	-	-
Reset of foreign currency translation reserves	c	(100)	(100)	375	431
Tax adjustment re float expenses	a, c, d	(168)	(224)	-	-
Deferred tax	f	39	21	-	-
Total adjustment to equity attributable to equity holders of the parent		(229)	930	375	431

Explanation of material adjustments to the cash flow statement for 2005

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

Hire Intelligence International Limited and its controlled entities
Notes to the consolidated financial statements

31. Explanation of transition to AIFRSs (continued)

Reconciliation of profit for 2005

In thousands of AUD

	Consolidated		The Company	
	Previous GAAP	Effect of Transition to AIFRSs	Previous GAAP	Effect of Transition to AIFRSs
Revenue	8,504	-	8,504	4444
Cost of sales	(2,282)	-	(2,282)	(1407)
Gross profit	6,222	-	6,222	3037
Other income	536	-	536	722
Distribution expenses	(430)	-	(430)	(322)
Marketing expenses	(526)	-	(526)	(353)
Occupancy expenses	(455)	-	(455)	(315)
Administrative expenses	(4,028)	-	(4,028)	(3,205)
Amortisation of goodwill and trademarks	(1,602)	1,233	(369)	(368)
Results from operating activities	(283)	1,233	950	(804)
Financial income	246	-	246	236
Financial expenses	(1)	-	(1)	(1)
Net financing costs	245	-	245	235
Profit before tax	(38)	1,233	1,195	(569)
Income tax expense	(369)	(74)	(443)	105
Profit for the period attributable to members of the parent entity	(407)	1,159	752	(464)

Directors' declaration

- 1 In the opinion of the directors of Hire Intelligence International Limited ('the Company'):
 - (a) the financial statements and notes as set out on pages 32 to 71 and the remuneration disclosures that are contained in sections 4.4.1, and 4.4.2 of the Remuneration report in the Directors' report, set out on pages 5 to 25 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) the remuneration disclosures that are contained in sections 4.4.1 and 4.4.2 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Dated at 110 Jersey St, Jolimont Perth this 28th day of September 2006.

Signed in accordance with a resolution of the directors:



Thomas Crag
Director

Independent audit report to members of Hire Intelligence International Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Hire Intelligence International Limited (the "Company") and Hire Intelligence International Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 4.4.1 and 4.4.2 of the directors' report and not in the financial report.

The Remuneration report also contains information not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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 the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Audit opinion

In our opinion:

- (1) the financial report of Hire Intelligence International Limited is in accordance with:
 - a) 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 2006 and of their performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained in sections 4.4.1 and 4.4.2 of the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.



KPMG



B C FULLARTON
Partner

Perth
28 September 2006

ASX Additional information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 26 September 2006

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	%	Number
Hamwrex Nominees Pty Ltd	90.44%	69,667,376

Voting rights

Ordinary shares

Refer to note 22 in the financial statements

Options

Refer to note 11 of the Directors Report

Distribution of equity security holders by number

Category	Ordinary shares
1 - 1,000	6
1,001 - 5,000	28
5,001 - 10,000	31
10,000 - 100,000	56
100,000 and over	21
	<u>142</u>

The number of shareholders holding less than a marketable parcel of ordinary shares is 16, holding 20,816 shares.

Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home exchange is Perth.

Other information

Hire Intelligence International Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX Additional information (continued)

On-market buy-back

[There is no current on-market buy-back]

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Hamwrex Nominees Pty Ltd	45,684,542	59.31%
Hire Intelligence Pty Ltd	23,982,833	31.13%
Citicorp Nominees Pty Ltd	756,750	0.98%
Hire IQ Pty Ltd	725,852	0.94%
Meggsies Pty Ltd	670,000	0.87%
David Gray and Co Pty Ltd	650,000	0.84%
Batoka Pty Ltd	487,376	0.63%
Mr Douglas Robert Graham Neild	293,897	0.38%
Mr Michael Rene Lindhorst	250,000	0.32%
Capax Pty Ltd	244,600	0.32%
Mr Patrick Corbett	200,000	0.26%
Reid Super Fund Pty Ltd	165,850	0.22%
Mr John Langley Hancock	150,000	0.19%
Miss Mary Graham Neild	140,500	0.18%
Mr Ian Keith Gerke & Mrs Barbara Maria Gerke	140,000	0.18%
Bond Street Custodians	125,000	0.16%
Mr David Gray & Mrs Rhonda Gray	120,000	0.16%
Mr Philip Robert Grandfield	100,000	0.13%
Larkin Investment Portfolio	100,000	0.13%
Mr Ziggy Gill	98,000	0.13%
	75,085,200	97.47%