

HIRE INTELLIGENCE INTERNATIONAL LIMITED

2006 Results

Hire Intelligence International Ltd (HII) 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 \$9.4 million (2005: \$9.3 million) and EBITDA for the period was \$3.0 million (2005: \$2.5 million). The 2006 financial year net profit of \$1.2 million compares with a profit of \$0.8 million in 2005 (adjusted for AIFRS).

Hire Intelligence has also enjoyed increasing EBITA with \$1.9 million achieved in the 2006 financial year. This is a 44.0% increase on prior year.

Financial Years Ending 30 June	<u>AGAAP</u>	<u>AGAAP</u>	<u>AIFRS</u>	<u>AIFRS</u>
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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%

	<u>12 Months Ended</u>			
	<u>30/06/03</u>	<u>30/06/04</u>	<u>30/06/05</u>	<u>30/06/06</u>
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 (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%

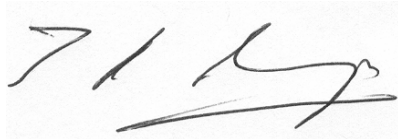
Net assets per share at 30 June 2006 were 17.3 cents.

The business is profitable, and is essentially debt free. Cash on hand increased during the 2006 financial year from \$5.4 million to \$7.1million. Working capital approximates \$350,000 leaving in excess of \$6.7 million available for investing.

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.

Outlook

HII is currently expecting EBITA of between \$1.6 million and \$2.6 million for the year ending 30 June 2007 (FY2006 \$1.9 million). Cash reserves have continued to grow placing your company in an ideal position to expand its operations.

A handwritten signature in black ink, appearing to read 'T. Cragg', is written over a light grey rectangular background.

Tom Cragg
Chairman & Managing Director
Hire Intelligence International Limited
(08) 9284 1166

Hire Intelligence International Limited
(ABN 79 098 210 121)
Appendix 4E
Preliminary final report
Financial year ended 30 June 2006
Results for announcement to the market

			<u>AS'000</u>
Revenues from ordinary activities improved (including interest income)	1%	to	9,353
Profit from ordinary activities after tax attributable to members	57%	to	1,181
Net profit for the period attributable to members	57%	to	1,181

No dividends were paid or are proposed for the period or the corresponding period.

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 EBITA as a % of total net tangible assets (excluding surplus cash) averaging nearly 50% per annum over the last 4 years
 - **GROWING CASH RESERVES:** Steadily growing cash reserves, no debt and \$6.7million 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:** HII 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
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- **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.

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.

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 \$1.3 million 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 the 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.
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- 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.



Consolidated income statements

For the year ended 30 June 2006

Hire Intelligence International Limited and its controlled entities

Income statements

For the year ended 30 June 2006

In thousands of AUD

	2006	2005
Sales Revenue	8,698	8,504
Cost of sales	(1,992)	(2,282)
Gross profit	6,706	6,222
Other income	360	536
Distribution expenses	(304)	(430)
Marketing expenses	(532)	(526)
Occupancy expenses	(480)	(455)
Administrative expenses	(3,851)	(4,028)
Amortisation of trademarks	(376)	(369)
Results from operating activities	1,523	950
Financial income	295	246
Financial expenses	(5)	(1)
Net financing costs	290	245
Profit before tax	1,813	1,195
Income tax (expense)/benefit	(632)	(443)
Profit for the year	1,181	752
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share from continuing operations	1.53cps	0.98cps
Diluted earnings per share from continuing operations	1.53cps	0.98cps

Consolidated balance sheets

As at 30 June 2006

In thousands of AUD

Assets

	2006	2005
Cash and cash equivalents	7,084	5,400
Trade and other receivables	1,705	1,865
Inventories	75	32
Other assets	126	137

Total current assets

8,990	7,434
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Trade and other 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
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Total assets

16,808	15,966
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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	96
Provisions	83	280

Total current liabilities

2,375	2,351
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Interest-bearing loans and borrowings	-	5
Deferred tax liabilities	-	-
Deferred income	1,082	1,521
Employee benefits	59	37

Total non-current liabilities

1,141	1,563
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Total liabilities

3,516	3,914
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Net assets

13,292	12,052
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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
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Net Tangible Asset Backing (cents per ordinary share)

12.0	9.9
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Consolidated statements of cash flows

For the year ended 30 June 2006

In thousands of AUD

Cash flows from operating activities

	2006	2005
Cash receipts from customers	9,955	9,834
Cash paid to suppliers and employees	(6,937)	(7,247)
Cash generated from operations	3,018	2,587
Interest paid	(5)	(1)
Income taxes paid	(384)	(462)
Net cash from operating activities	2,629	2,124

Cash flows from investing activities

Proceeds from sale of property, plant and equipment	350	454
Payments for property, plant and equipment	(1,585)	(1,347)
Interest received	295	246
Net cash from investing activities	(940)	(647)

Cash flows from financing activities

Initial expenses capitalised		(10)
Payment of finance lease liabilities	(5)	(5)
Repayment of borrowings		
Net cash from financing activities	(5)	(15)

Net increase in cash and cash equivalents	1,684	1,462
Cash and cash equivalents at 1 July	5,400	3,938
Cash and cash equivalents at 30 June	7,084	5,400

Notes to the financial statements

For the year ended 30 June 2006

1 Basis of preparation

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.

2 Expenses, borrowing costs and significant items

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

<i>In thousands of AUD</i>	Consolidated	
	2006	2005
Net bad and doubtful debts	(27)	(76)
Government grants received	-	77
Net loss on disposal of property, plant and equipment	(43)	(80)
Intercompany management fees received	-	-
Operating lease rental payments	(342)	(345)
Depreciation	(1,114)	(1,219)

3 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 1.53 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

<i>In thousands of shares</i>	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.

3 Cash and cash equivalents

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

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

4 Property, plant and equipment

<i>In thousands of AUD</i>	Leasehold improvements	Plant and equipment	Total
Cost			
Balance at 1 July 2004	215	5,095	5,310
Acquisitions	44	1,303	1,347
Disposals	(17)	(1,628)	(1,645)
Effect of movements in foreign exchange	(9)	(1265)	(135)
Balance at 30 June 2005	233	4,644	4,877
Balance at 1 July 2005	233	4,644	4,877
Acquisitions	-	1,585	1,585
Disposals	-	(1,222)	(1,222)
Effect of movements in foreign exchange	4	65	69
Balance at 30 June 2006	237	5,072	5,309
Depreciation and impairment losses			
Balance at 1 July 2004	81	2,369	2,450
Depreciation charge for the year	29	1,190	1,219
Disposals	(1)	(1,095)	(1,096)
Effects of movements in foreign exchange	(2)	(20)	(22)
Balance at 30 June 2005	106	2,445	2,551
Balance at 1 July 2005	106	2,445	2,551
Depreciation charge for the year	26	1,088	1,114
Disposals	-	(827)	(827)
Effects of movements in foreign exchange	2	24	26
Balance at 30 June 2006	134	2,730	2,864
Carrying Amounts			
At 1 July 2004	134	2,726	2,860
At 30 June 2005	127	2,199	2,326
At 1 July 2005	127	2,199	2,326
At 30 June 2006	103	2,342	2,445

5 Segment reporting

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							1,813	1,195
Income tax expense							(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

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.

5 Segment reporting (continued)

Business segments

The consolidated entity comprises the following main business segments:

- IT and AV equipment rentals
- Franchising

6 Accumulated losses

	2006	2005
	\$'000	\$'000
Accumulated losses at beginning of year / incorporation.	(25,597)	(26,349)
Net loss attributable to members of the parent entity	1,181	752
Accumulated losses at end of year	(24,416)	(25,597)

Annual meeting

The annual meeting will be held as follows:

Place	2/110 Jersey Street, Jolimont, WA 6014
Date	Friday 17 November, 2006
Time	10:00 am

Compliance statement

1 This report is based on +accounts to which one of the following applies.

(Tick one)

√

The +accounts have been audited.

The +accounts have been subject to review.

The +accounts are in the process of being audited or subject to review.

The +accounts have *not* yet been audited or reviewed.

2 The entity has a formally constituted audit committee.



Keegan Crage
Company Secretary
Hire Intelligence International Limited

Date: 13 September 2006
