

HIRE INTELLIGENCE INTERNATIONAL LIMITED

ABN 79 098 210 121

2010 ANNUAL REPORT

Hire Intelligence International Limited and its controlled entities
Directors' report
For the year ended 30 June 2010

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

Deacons
Grosvenor Place
225 George St
SYDNEY NSW 2000

AUDITOR

BDO Audit (WA) Pty Ltd,
38 Station Street
SUBIACO WA 6008

OTHER INFORMATION

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

CONTENTS

| | |
|---|----|
| Company Information | 1 |
| Chairman review | 3 |
| Directors' report (including remuneration report) | 4 |
| Corporate Governance Statement | 15 |
| Statements of Comprehensive Income | 22 |
| Statements of Changes in Equity | 23 |
| Statement of Financial Position | 24 |
| Statement of Cash flows | 25 |
| Notes to the financial statements | 26 |
| Directors' declaration | 61 |
| Independent auditor's report to the members | 62 |
| ASX additional information | 64 |

This financial report covers both Hire Intelligence International Limited as an individual entity and the consolidated entity consisting of Hire Intelligence International Limited and its subsidiaries. The financial report is presented in the Australian currency.

Hire Intelligence International Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principle place of business is:

Hire Intelligence International Limited
110 Jersey Street
Jolimont WA 6014

A description of the nature of the consolidated entity's operations and principal activities is included in the review of operations and principal activities on pages 10 to 12 of the director's report which are not part of this financial report.

Dear fellow shareholders

On behalf of your Board of Directors, I present Hire Intelligence International's (HII) 2010 Annual Report.

HII has restructured its business with its primary emphasis shifting from a franchise based model to one of company owned outlets and property investment. HII now operates company owned outlets in the Australian, New Zealand and Irish regions previously serviced by franchisees. HII, through its 100% owned subsidiary Cityside Asset Pty Ltd, continues to retain and service Franchise Territories in the United Kingdom.

During the year HII purchased the freehold land and building of 23 Barrack Street, Perth Western Australia (near the corner of St Georges Terrace) for \$7.5 million. This investment property has a net lettable area of 1,206 M² with a site area of 359 M². Based on the current plot ratio of 5 to 1, a further 589 M² can potentially be added. The premises are occupied by two head tenants paying a passing rent of \$0.7 million per annum.

Hire Intelligence recorded total sales revenue of \$10.5 million for the year end 30 June 2010 (2009: \$11.2 million). In pound sterling terms our London outlet achieved an increase in revenue however when its results are compared against prior year in Australian dollars it reflects a drop in revenue of \$0.7 million as a result of the weak British pound. The strength of the Australian dollar also adversely impacted on revenue conversions in the Franchise Division as well as operations in Ireland and New Zealand. Busby Web Solutions revenue has fallen to an inconsequential level.

HII's profits in FY2010 were impacted by a \$0.5 million goodwill write off in the Franchise Division coupled with a \$0.3 million provision for legal fees and bad debts relating to funds owed by the UK Master Franchisee who went into voluntary liquidation. Busby Web Solutions incurred a loss of \$0.2 million. The weak British pound resulted in an exchange loss versus prior year of \$0.2 million. The impact of these events resulted in a profit before tax of \$1.0 million for FY2010 (FY2009: \$1.3 million). Earnings before interest and tax (EBIT) were \$1.0 million (FY2009: \$0.9 million). HII declared a fully franked dividend of 0.4 cent per share.

Outlook

Your Board is considering a wide range of structural and investment opportunities.



Tom R Crage
Chairman and Managing Director

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 2010 and the auditor's report thereon.

CONTENTS OF DIRECTORS' REPORT

| | |
|---|----|
| Directors | 5 |
| Company secretary | 5 |
| Directors' meetings | 5 |
| Audited Remuneration report | 6 |
| Principles of compensation | 6 |
| Directors' and executive officers' remuneration | 8 |
| Principal activities | 10 |
| Operating and financial review | 10 |
| Dividends | 12 |
| Events subsequent to reporting date | 12 |
| Likely developments | 12 |
| Directors' interests | 13 |
| Share options | 13 |
| Indemnification and insurance of officers and auditors | 13 |
| Non-audit services | 14 |
| Lead auditor's independence declaration | 14 |
| Environmental regulation | 14 |
| Rounding off | 14 |

1. DIRECTORS

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

| Name, qualifications and independence status | Age | Experience, special responsibilities and other directorships |
|--|-----|---|
| <p>Thomas R Crag Chairman, Managing Director, CEO (Appointed September 2001) Public directorships in last 3 years: Nil Shares in HII: 70,317,764</p> | 63 | Tom Crag 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 which was sold in 1995. Tom is a member of the nomination, disclosure and remuneration committees. |
| <p>Keegan T Crag B.Com, Grad Dip CSP, M.Fin, M.Mktg, CA, ACIS Executive Director (Appointed 1 December 2005) Public directorships in last 3 years: Nil Shares in HII: Nil</p> | 32 | 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, has published a book on investing and completed a management program at Oxford. Keegan is a member of the nomination, disclosure and audit committees. |
| <p>Jason F Crag B.Bus, M.Fin, CA, ASIA Non-Executive Director (Appointed 19 December 2005) Public directorships in last 3 years: Nil Shares in HII: Nil</p> | 38 | Jason has extensive commercial experience with 12 years of assisting organisations 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. Jason is a member of the nomination, disclosure, audit and remuneration committees. |

2. COMPANY SECRETARY

Keegan Crag (B.Com, Grad Dip CSP, M.Fin, M.Mktg, CA, 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, an Executive Director of HII and CEO of 100% subsidiary Busby Web Solutions. Keegan completed a thesis on franchisor globalisation strategies, has published a book on investing and completed a management program at Oxford.

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 Crag | 12 | 12 | - | - | 1 | 1 | - | - | 12 | 12 |
| Keegan T Crag | 12 | 12 | 2 | 2 | - | - | - | - | 12 | 12 |
| Jason F Crag | 12 | 12 | 2 | 2 | 1 | 1 | - | - | 12 | 12 |

A – Number of meetings attended

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

4. REMUNERATION REPORT AUDITED

4.1 Principles of compensation

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 as set by the company. 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.

For the year ended 30 June 2010, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs required performance in reducing operating costs and achieving specific targets in relation to return on assets and shareholder value added (SVA), as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods. These KPIs are generic across the executive team.

The remuneration committee is responsible for assessing whether the KPIs are met. To help make this assessment, the committee receives detailed reports on performance from management.

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

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 Crage, Chief Executive Officer, has a contract of employment with the Company which provides for a total package of \$291,000. 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 employment contract requires Mr Crage 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: All other key management personnel have a contract of employment with the company which can be terminated by either party giving 4 weeks written notice. Keegan Crage, Executive Director, has a contract of employment with the Company which provides for a base salary of \$223,223 plus superannuation. He is also entitled to participate in any employee bonus or profit scheme.

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 \$41,147 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.

4.2 Directors' and executive officers' remuneration (Company and Consolidated)

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:

| | | Salary & fees \$ | Short-term STI cash bonus \$(A) | Non-monetary benefits \$ | Total \$ | Post-employment Super-annuation benefits \$ | Other long term \$ | Termination benefits | Share-based payment Options and rights \$ | Total \$ | Percentage related to performance (%) |
|--|------|---------------------|---------------------------------------|--------------------------------|-------------|--|--------------------------|-------------------------|---|-------------|--|
| Directors | | | | | | | | | | | |
| <i>Non-executive</i> | | | | | | | | | | | |
| Jason Crage Executive Director (Appointed December 2005) | 2010 | 37,749 | - | - | 37,749 | 3,397 | - | - | - | 41,146 | - |
| | 2009 | 36,491 | - | - | 36,491 | 3,284 | - | - | - | 39,775 | - |
| <i>Executive</i> | | | | | | | | | | | |
| Thomas R. Crage Chairman and CEO (Appointed February 1996) | 2010 | 266,973 | - | (2,206) | 264,767 | 24,027 | - | - | - | 288,794 | - |
| | 2009 | 191,000 | - | (16,914) | 174,086 | 100,000 | - | - | - | 274,086 | - |
| Keegan Crage Executive Director and Company Secretary (Appointed February 2001) | 2010 | 223,223 | - | (2,054) | 221,169 | 20,090 | - | - | - | 241,259 | - |
| | 2009 | 206,274 | 10,900 | (3,594) | 213,580 | 18,565 | - | - | - | 232,145 | 4.70 |

| | | Salary & fees \$ | Short-term STI cash bonus \$(A) | Non-monetary benefits \$ | Total \$ | Post-employment Super-annuation benefits \$ | Other long term \$ | Termination benefits | Share-based payment Options and rights \$ | Total \$ | Percentage related to performance (%) (1) |
|---|------|---------------------|---------------------------------------|--------------------------------|-------------|--|--------------------------|-------------------------|---|-------------|--|
| Executives | | | | | | | | | | | |
| Val Crage Group General Manager Sales (Appointed July 1997) | 2010 | 128,450 | - | (3,074) | 125,376 | 11,560 | - | - | - | 136,936 | - |
| | 2009 | 31,686 | 10,000 | 1,288 | 42,974 | 99,926 | - | - | - | 142,900 | 7.00 |
| Neil Levin General Manager (Appointed April 2005) | 2010 | 128,979 | - | 775 | 129,754 | 11,608 | - | - | - | 141,362 | - |
| | 2009 | 122,409 | 14,244 | (8,789) | 127,864 | 11,017 | - | - | - | 138,881 | 10.25 |
| Chris Hutber General Manager (Appointed March 2005) | 2010 | 116,122 | 9,566 | 795 | 126,483 | - | - | - | - | 126,483 | 7.56 |
| | 2009 | 131,340 | 32,639 | 1,380 | 165,359 | - | - | - | - | 165,359 | 19.74 |
| Former Executives | | | | | | | | | | | |
| Jerry van Driel Vis General Manager (Employed until April 2009) | 2010 | - | - | - | - | - | - | - | - | - | - |
| | 2009 | 99,768 | 1,857 | - | 101,625 | 8,837 | - | - | - | 110,462 | 1.68 |
| Richard Wall General Manager (Employed until February 2009) | 2010 | - | - | - | - | - | - | - | - | - | - |
| | 2009 | 56,222 | 1,013 | - | 57,235 | 5,416 | - | 6,234 | - | 68,885 | 1.47 |
| Total compensation: Key management personnel and executives | 2010 | 901,496 | 9,566 | (5,764) | 905,298 | 70,682 | - | - | - | 975,980 | 0.98 |
| | 2009 | 875,190 | 70,653 | (26,629) | 919,214 | 247,045 | - | 6,234 | - | 1,172,493 | 6.03 |

(1) At risk short term incentive

Note: Other than Neil Levin, who forms part of the Consolidated group, all other executives form part of the Company. There are no loans to Directors or executives.

There has been no issue of shares or options to the directors during the year. The overall level of executive reward takes into account the performance of the Group over a number of years with a greater emphasis given to the current year. The following table demonstrates the link between key management personnel incentive compensation and group performance.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------|---------|-----------|-----------|-----------|-----------|-----------|
| Normalised EBIT | 950,000 | 1,523,000 | 1,876,000 | 1,912,000 | 1,655,000 | 1,800,000 |
| Basic EPS (cents) | 0.98 | 1.53 | 2.76 | 2.21 | 1.25 | 0.75 |
| STI | 44,576 | 2,606 | 60,427 | 59,326 | 70,653 | 9,566 |

Executive incentives are currently on a short term basis through a cash bonus scheme that rewards growth in profit on prior year. The bonus at executive level relates to the operation for which that executive is responsible whilst the bonus at director level relates to the group performance. Director level bonuses do not apply to Non Executive Directors or the Chairman of the group. There are no equity based remuneration schemes and therefore no risk of participating in unvested entitlements via transactions in associated products.

End of Audited Remuneration Report

5. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The principal activities of the consolidated entity during the course of the financial year were the rental of computer and associated equipment, the support of franchisees to operate similar computer rental businesses and a web solutions business. During the year the consolidated entity took over responsibility for the Dublin and Canberra operations from former franchisees. During the year the UK Master Franchisee was placed into voluntary liquidation. The franchises under this agreement are being assigned to Cityside Asset Pty Ltd.

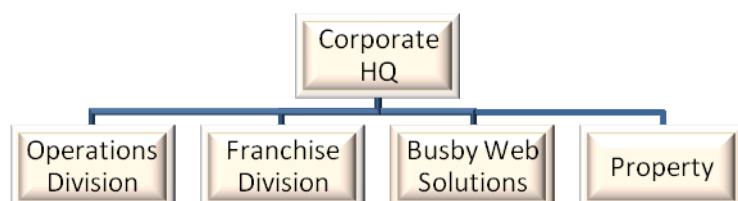
There were no significant changes in the nature of the activities of the consolidated entity during the year.

Objectives

The consolidated entity's objective is to consider structural and investment opportunities that will enhance its ability to build on a secure, solid foundation going forward.

6. OPERATING AND FINANCIAL REVIEW

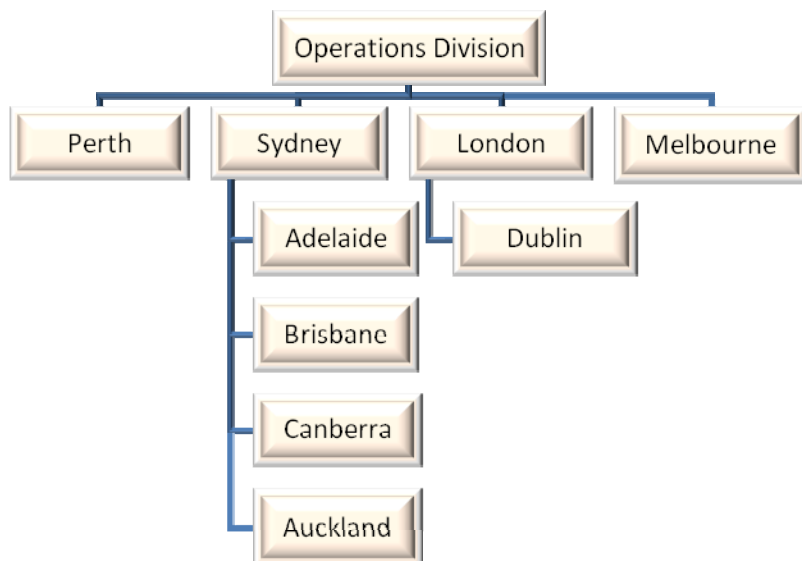
Hire Intelligence is Australia's dominant, award winning, profitable, short-term business Information Technology (IT) and Audio-Visual (AV) equipment rental supplier, operating domestically since 1996 and building a multinational network.



The group consists of four business divisions; Operations, Franchising, Property and Web Solutions, each reporting to the Corporate Head Office. The Franchise and Web Solutions businesses are operated by wholly-owned subsidiaries (Cityside Asset Pty Ltd and Busby Web Solutions Pty Ltd respectively).

The Operations Division is responsible for outlets in Sydney, Melbourne, Perth, Brisbane, Adelaide, Canberra, Auckland, Dublin and London.

In addition to the directly operated outlets, the Franchise Division covers a few territories in the UK.



Hire Intelligence is the largest short term rental company in Australia and the second largest operator in the UK.

Each outlet provides businesses with short-term rentals of IT and AV equipment, as well as videoconferencing, and fully equipped IT training rooms. Outlets operate identically, working from the same detailed Operations Manual, with the same IT systems, internal systems and processes. The outlets operate in accordance with a proprietary business process system which is detailed in a comprehensive Operations Manual and training course.

Purpose-specific, custom-built IT systems (built and owned in-house) make operations highly cost effective. The company has created a powerful process base on which it operates, and which controls every aspect of a consistently effective and profitable business.

The Franchising Division manages franchise territories in the UK.

Busby Web Solutions Pty Ltd was set up to sell online application and website development services.

The Property Division owns the freehold at 23 Barrack Street, Perth, Western Australia which is fully tenanted.

Market drivers

Hire Intelligence's traditional market is short-term rental of computing and audiovisual equipment to businesses, government and not for profit organisations for specific short term requirements.

Short term rentals differ from equipment leasing on the basis of the contracts, but more critically on the motivation for customers entering these contracts, which include:

- Budget constraints, and overall preference for operating expenditure over capital expenditure;
- Short-term requirements, *ad hoc* or planned
- Periodic or annual events
- Taxation advantages compared to equipment acquisition
- Flexibility to obtain specific equipment packages and configurations
- Reduced management load for acquisition, management, security and disposal
- Many others.

Operations

Hire Intelligence's consistently efficient operations provide a high standard of customer service, through a tightly-managed network of businesses, responding to a head office with clear visibility of everyone's results. This organisational cohesiveness results from a well-defined operating platform – a carefully constructed suite of interlocking processes and procedures, defined in a detailed Operations Manual, along with training and IT support.

The Operations Manual ensures the same policies and procedures are understood and enforced in all Hire Intelligence rental outlets.

Some 900 pages in length, the manual is the training basis for all employees, and a convenient reference in performing day-to-day duties as well as specialised functions. The manual has also provided an unusually clear functional specification for the JBS IT platform, which was developed around it.

Such a consistent process structure enforces high customer service levels while supporting detailed reporting and close management oversight. Management have visibility directly into each operation, which allows them to balance the independence of each outlet with the organisation's core financial priorities.

Underlying earnings

Hire Intelligence achieved earnings before interest and tax (EBIT) for the period of \$1.0 million (2009: \$0.9 million). The net profit for FY2010 of \$0.58 million compares with \$1.0 million in FY2009 and accounts for \$0.5million goodwill write off in Cityside Asset (Franchising Division), Busby Web Solutions loss of \$0.2 million and a provision for bad debts and legal costs associated with debt owed by the UK Master Franchisee. The weak British pound resulted in an exchange reduction of \$0.2 million.

Net tangible assets on 30 June 2010 were 13.1 cents per share. Sales Revenue totalled \$10.5 million for FY2010 (2009: \$11.2 million). In pound sterling terms our London outlet achieved an increase in revenue however when its results are compared against prior year in Australian dollars it reflects a drop in revenue of \$0.7 million as a result of the weak British pound. The strength of the Australian dollar also adversely impacted on revenue conversions in the Franchise Division as well as operations in Ireland and New Zealand. Busby Web Solutions revenue has fallen to an inconsequential level.

Net assets per share at 30 June 2010 were 17.3 cents (2009: 17.2 cents).

Future

Your Board is considering a wide range of structural and investment opportunities.

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.

7. DIVIDENDS

The following dividends were paid or provided for during the period:

20 August 09 Fully franked 1 cent dividend of \$770,329 was paid

10 June 10 Fully franked 0.4 cent dividend of \$308,131 was declared

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 other 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 Crage | 70,317,764 | Nil |
| Keegan Crage | Nil | Nil |
| Jason Crage | Nil | Nil |

11. SHARE OPTIONS

OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

No options have been granted during the financial year.

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 (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 Crage, Keegan Crage and Jason Crage, 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 \$11,575 (2009: \$10,377) 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
- 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 \$11,575 (2009: \$10,377) were paid in respect of the following current directors of the Company: Thomas Crage, Keegan Crage and Jason Crage

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

13. NON-AUDIT SERVICES

Details of the amounts paid to the auditor of the Company, BDO, 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 | |
|---|-------------------|-------------------|
| | 2010 Actual \$ | 2009 Actual \$ |
| Audit services (BDO): | | |
| Auditors of the Company audit and review of financial reports | 52,314 | 46,749 |
| | <u>52,314</u> | <u>46,749</u> |
| Services other than statutory audit: | | |
| Other services | | |
| Other assurance services (BDO) | - | 3,960 |
| Taxation compliance service (BDO) | 12,120 | 13,000 |
| | <u>64,434</u> | <u>63,709</u> |

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21 and forms part of the directors' report for financial year ended 30 June 2010.

15. 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.

16. 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 24th day of August 2010

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

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 with the CEO and executive Management reporting to the Board on a monthly basis or more frequently if deemed necessary, on the overall performance of each individual business unit. The CEO and Executive Management are formally evaluated on their performance annually and were reviewed during the year in accordance with the policy.

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. Board minutes and board charter are available by contacting the company secretary.

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.

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. The Company's Board does not comprise a majority of independent directors and to that respect does not comply with the corporate governance reporting principles. The Board is of the view that the size of the company, by either turnover or market capitalisation, does not warrant a larger, more diverse Board structure.

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.

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 did not meet during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 5. 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.

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:

- Jason Cragge – Non-Executive
- Tom Cragge – Executive

The remuneration committee will not comprise entirely of non-executive directors due to the limited structure of the board.

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 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:

- Jason Cragge (appointed 22 December 2005) – Non-Executive
- Keegan Cragge (appointed 2 December 2005) – Executive

The external auditors and the chief executive officer, 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 5.

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 2010 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 auditors 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
- 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
- Selection, appointment and rotation of external audit engagement partners through assessment of the relevant skills, experience and attributes of various appropriately qualified professional auditors.

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

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. Management are required and have reported to the board, during board meetings on whether risks are being effectively managed.

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

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.

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.

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 notes 31 and 32 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.

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.

COMMUNICATION WITH SHAREHOLDERS INCLUDING BALANCED AND TIMELY DISCLOSURE

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
- 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.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at www.hire-intelligence.com.au.

24 August 2010

To the Board of Directors
Hire Intelligence International Ltd
110 Jersey Street
JOLIMONT WA 6014

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF HIRE INTELLIGENCE INTERNATIONAL LIMITED

As lead auditor of Hire Intelligence International Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hire Intelligence International Limited and the entities it controlled during the period.



Chris Burton
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

Hire Intelligence International Limited and its controlled entities
Statements of Comprehensive Income
For the year ended 30 June 2010

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|--|-------------|---------------------|--------------|--------------------|--------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Sales Revenue | 1,3 | 10,537 | 11,194 | 7,740 | 7,768 |
| Cost of sales | | (2,675) | (2,912) | (1,903) | (2,481) |
| Gross profit | | 7,862 | 8,282 | 5,837 | 5,287 |
| Gain on controlled entity debt forgiveness | | - | - | 3,165 | - |
| Financial income | 7 | 100 | 393 | 98 | 397 |
| Dividend income | | - | - | - | 7,071 |
| Distribution expenses | | (451) | (505) | (353) | (383) |
| Marketing expenses | | (470) | (713) | (328) | (473) |
| Occupancy expenses | | (786) | (696) | (607) | (487) |
| Administrative expenses | | (4,663) | (4,980) | (3,216) | (3,355) |
| Forgiven debts | | - | - | (110) | (837) |
| Amortisation of trademarks | 18 | (3) | (12) | - | (12) |
| Impairment of goodwill | | (499) | - | - | - |
| Impairment of available for sale investments | | (23) | (503) | (23) | (4,887) |
| Financial expenses | 7 | (51) | (1) | (51) | (1) |
| Profit before income tax | 4 | 1,016 | 1,265 | 4,412 | 2,320 |
| Income tax (expense) | 8 | (440) | (299) | (302) | 190 |
| Profit for the year | 4 | 576 | 966 | 4,110 | 2,510 |
| Other Comprehensive income/(expense) | | (237) | (36) | (518) | (237) |
| Total Comprehensive Income attributable to the ordinary equity holders of the Company | | 339 | 930 | 3,592 | 2,273 |
| Earnings per share for profit attributable to the ordinary equity holders of the Company: | | | | | |
| Basic and diluted earnings per share | 9 | 0.75cps | 1.25cps | | |

The statements of comprehensive income are to be read in conjunction with the notes of the financial statements set out on pages 26 to 60.

In thousands of AUD

Consolidated

For the financial year ended 30 June 2009

| | Issued capital | Retained earnings | Translation reserve | Total equity |
|--|-------------------|----------------------|------------------------|---------------|
| Opening Balance at 1 July 2008 | 37,729 | (24,128) | (490) | 13,111 |
| Foreign exchange translation differences | - | - | (36) | (36) |
| Total profit items recognised directly in other comprehensive income for the year | - | - | (36) | (36) |
| Profit for the year | - | 966 | - | 966 |
| Total comprehensive income for the year | - | 966 | - | 966 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends | - | (770) | - | (770) |
| Closing balance at 30 June 2009 | 37,729 | (23,932) | (526) | 13,271 |

For the financial year ended 30 June 2010

| | | | | |
|--|---------------|-----------------|--------------|---------------|
| Opening Balance at 1 July 2009 | 37,729 | (23,932) | (526) | 13,271 |
| Foreign exchange translation differences | - | - | (237) | (237) |
| Total profit items recognised directly in other comprehensive income for the year | - | - | (237) | (237) |
| Profit for the year | - | 576 | - | 576 |
| Total comprehensive income for the year | - | 576 | - | 576 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends | - | (308) | - | (308) |
| Closing balance at 30 June 2010 | 37,729 | (23,664) | (763) | 13,302 |

Company

For the financial year ended 30 June 2009

| | | | | |
|--|---------------|-----------------|--------------|---------------|
| Opening Balance at 1 July 2008 | 37,729 | (25,736) | (458) | 11,535 |
| Foreign exchange translation differences | - | - | (121) | (121) |
| Total profit items recognised directly in other comprehensive income for the year | - | - | (121) | (121) |
| Profit for the year | - | 2,510 | - | 2,510 |
| Total comprehensive income for the year | - | 2,510 | - | 2,510 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends | - | (770) | - | (770) |
| Closing balance at 30 June 2009 | 37,729 | (23,996) | (579) | 13,154 |

For the financial year ended 30 June 2010

| | | | | |
|--|---------------|-----------------|----------------|---------------|
| Opening Balance at 1 July 2009 | 37,729 | (23,996) | (579) | 13,154 |
| Foreign exchange translation differences | - | - | (518) | (518) |
| Total profit items recognised directly in other comprehensive income for the year | - | - | (518) | (518) |
| Profit for the year | - | 4,110 | - | 4,110 |
| Total comprehensive income for the year | - | 4,110 | (518) | 3,592 |
| Transactions with owners in their capacity as owners | | | | |
| Dividends | - | (308) | - | (308) |
| Closing balance at 30 June 2010 | 37,729 | (20,194) | (1,097) | 16,438 |

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 26 to 60.

Hire Intelligence International Limited and its controlled entities
Statements of Financial Position
For the year ended 30 June 2010

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | |
| Cash and cash equivalents | 10 | 671 | 6,794 | 462 | 4,989 |
| Trade and other receivables | 11 | 1,202 | 1,127 | 1,031 | 1,028 |
| Inventories | 12 | 92 | 118 | 59 | 64 |
| Other assets | 13 | 140 | 161 | 123 | 143 |
| Total current assets | | 2,105 | 8,200 | 1,675 | 6,224 |
| Investments | 29 | - | - | 4,226 | 4,226 |
| Available for sale financial asset | 29 | - | 11 | - | 11 |
| Receivables | 11 | - | 181 | 2,659 | 2,455 |
| Deferred tax assets | 15 | 389 | 410 | 278 | 396 |
| Investment properties | 16 | 7,835 | - | 7,835 | - |
| Property, plant and equipment | 17 | 3,759 | 3,350 | 2,631 | 2,392 |
| Intangible assets | 18 | 3,211 | 3,713 | 4 | 4 |
| Total non-current assets | | 15,194 | 7,665 | 17,633 | 9,484 |
| Total assets | | 17,299 | 15,865 | 19,308 | 15,708 |
| Liabilities | | | | | |
| Trade and other payables | 19 | 1,702 | 892 | 728 | 1,235 |
| Interest-bearing loans and borrowings | 20 | 950 | - | 950 | - |
| Deferred income | 21 | 413 | 300 | 308 | 210 |
| Income tax payable | 14 | 238 | 94 | 238 | 94 |
| Employee benefits | 22 | 140 | 140 | 120 | 107 |
| Provisions | 23 | 321 | 839 | 316 | 777 |
| Total current liabilities | | 3,764 | 2,265 | 2,660 | 2,423 |
| Deferred income | 21 | 45 | 180 | 45 | - |
| Employee benefits | 22 | 188 | 149 | 165 | 131 |
| Total non-current liabilities | | 233 | 329 | 210 | 131 |
| Total liabilities | | 3,997 | 2,594 | 2,870 | 2,554 |
| Net assets | | 13,302 | 13,271 | 16,438 | 13,154 |
| Equity | | | | | |
| Contributed Equity | 24 | 37,729 | 37,729 | 37,729 | 37,729 |
| Reserves | 24 | (763) | (526) | (1,097) | (579) |
| Retained earnings | 24 | (23,664) | (23,932) | (20,194) | (23,996) |
| Total equity attributable to equity holders of the parent | | 13,302 | 13,271 | 16,438 | 13,154 |

The Statements of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 26 to 60.

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 10,852 | 12,429 | 7,855 | 8,121 |
| Cash paid to suppliers and employees | | (7,564) | (9,402) | (6,865) | (5,771) |
| Cash generated from operations | | 3,288 | 3,027 | 990 | 2,350 |
| Other revenue | | 397 | - | 397 | - |
| Interest paid | | (51) | (1) | (51) | (1) |
| Income taxes (paid)/benefit | | (276) | (837) | (276) | (837) |
| Net cash inflow from operating activities | 29 | 3,358 | 2,189 | 1,060 | 1,512 |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of property, plant and equipment | | 308 | 391 | 296 | 435 |
| Payments for investment properties | | (7,895) | - | (7,895) | - |
| Payments for property, plant and equipment | | (2,190) | (1,937) | (1,481) | (1,424) |
| Payments for other non-current assets | | - | (8) | - | (5) |
| Proceeds from equity investments | | 15 | 19 | 15 | 19 |
| Interest received | | 100 | 393 | 98 | 397 |
| Net cash (outflow) from investing activities | | (9,662) | (1,142) | (8,967) | (578) |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | | 2,000 | - | 2,000 | - |
| Repayment of borrowings | | (1,050) | - | (1,050) | - |
| Loans from controlled entities repaid | | - | - | - | (6,474) |
| Dividends from controlled entities received | | - | - | - | 6,474 |
| Loans advanced from controlled entities received | | - | - | 3,198 | 111 |
| Dividends paid | | (768) | (1,537) | (768) | (1,537) |
| Net cash inflow/(outflow) from financing activities | | 182 | (1,537) | 3,380 | (1,426) |
| Net increase in cash and cash equivalents | | (6,122) | (490) | (4,527) | (492) |
| Cash and cash equivalents at 1 July | | 6,794 | 7,284 | 4,989 | 5,481 |
| Cash and cash equivalents at 30 June | 10 | 672 | 6,794 | 462 | 4,989 |

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 26 to 60.

| | |
|--|----|
| 1. Significant accounting policies | 28 |
| a. Statement of compliance | 28 |
| b. Basis of preparation | 28 |
| c. Basis of consolidation | 28 |
| d. Foreign currency | 29 |
| e. Property, plant and equipment | 29 |
| f. Intangible assets | 30 |
| g. Trade and other receivables | 30 |
| h. Inventories | 31 |
| i. Cash and cash equivalents | 31 |
| j. Impairment | 31 |
| k. Investments and other financial assets | 32 |
| l. Investment Property | 32 |
| m. Employee benefits | 32 |
| n. Provisions | 33 |
| o. Trade and other payables | 33 |
| p. Financial assets | 33 |
| q. Revenue | 33 |
| r. Expenses | 34 |
| s. Income tax | 34 |
| t. Operating Segments | 35 |
| u. Goods and services tax | 36 |
| v. Dividends | 36 |
| w. Contributed equity | 36 |
| x. Earnings per share | 36 |
| y. Accounting estimates and judgements | 36 |
| z. AASB 101 Presentation of financial statements | 37 |
| aa. New accounting standards and interpretations | 37 |

| | |
|--|----|
| 2. Operating segments | 39 |
| 3. Revenue | 42 |
| 4. Other income and expenses | 42 |
| 5. Personnel expenses | 42 |
| 6. Auditors' remuneration | 43 |
| 7. Net financing income | 43 |
| 8. Income tax expense | 44 |
| 9. Earnings per share | 45 |
| 10. Cash and cash equivalents | 45 |
| 11. Trade and other receivables | 46 |
| 12. Inventories | 46 |
| 13. Other assets | 46 |
| 14. Current tax assets and liabilities | 46 |
| 15. Deferred tax assets and liabilities | 47 |
| 16. Investment properties | 48 |
| 17. Property, plant and equipment | 48 |
| 18. Intangible assets | 49 |
| 19. Trade and other payables | 50 |
| 20. Interest-bearing loans and borrowings | 50 |
| 21. Deferred income | 51 |
| 22. Employee benefits | 51 |
| 23. Provisions | 51 |
| 24. Capital and reserves | 52 |
| 25. Financial risk management | 54 |
| 26. Operating leases | 56 |
| 27. Contingencies | 56 |
| 28. Investments and available for sale financial assets | 57 |
| 29. Reconciliation of cash flows from operating activities | 57 |
| 30. Key management personnel | 58 |
| 31. Other related party transactions | 59 |
| 32. Events subsequent to reporting date | 60 |

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 2010 comprises the Company and its subsidiaries together (referred to as the 'consolidated entity'). The Company has used ASIC Class Order 10/654 and has presented parent company financial statements

The financial report was authorised for issue by the directors on 24th August 2010.

a. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB'), other authoritative pronouncements adopted by the Australian Accounting Standards Board (AASB), Australian Accounting Interpretations 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. Compliance with AIFRS ensures that the financial statements of Hire Intelligence International Limited comply with the International Financial Reporting Standards.

b. Basis of preparation

The financial statements are presented in Australian dollars, which is the company's presentation and functional currency.

The financial statements are prepared on the historical cost basis as modified by the revaluation of available for sale financial assets. 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 statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of financial statements 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 statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1y).

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 less any impairment in the Company's financial statements.

ii. Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the end of the month of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting 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 profit or loss. 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 reporting 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 profit or loss upon disposal.

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. 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.

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

| | 2010 | 2009 | Method |
|-------------------------------|---------|---------|----------------------------------|
| Property, plant and equipment | | | |
| Buildings | 2.5% | n/a | straight line |
| Leasehold improvements | 12%-20% | 12%-20% | reducing balance |
| Minor assets | 33.3% | 33.3% | straight line / 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

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.

ii. 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 intangibles and brands is recognised in the profit or loss as an expense as incurred.

iii. 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.

iv. Amortisation

Amortisation is charged to the profit or loss 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 reporting 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 recognised initially at fair value and subsequently stated at their amortised cost less impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's

carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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.

j. Impairment

The carrying amounts of the consolidated entity's assets, and inventories (see accounting policy h) , 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 reporting 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 profit or loss.

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.

k. Investments and other financial assets

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) and receivables (note 11) in the statement of financial position.

ii. Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Available-for-sale financial assets are initially recognised at fair value plus transaction costs, and subsequently at fair value. The group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of an equity security below its cost is considered a good indicator that the securities are impaired. Impairment losses are recognised in the profit or loss.

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
- 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
- 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 the statement of comprehensive income.

l. Investment property

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the group. Investment property is initially recognised at cost and is subsequently carried at cost less accumulated depreciation.

m. 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 reporting 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. Accumulated contribution superannuation fund

Obligations for contributions to accumulated contribution funds are recognised as an expense in the profit or loss as incurred.

n. Provisions

A provision is recognised in the statement of financial position 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.

o. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

p. Financial assets

The franchise agreements used in the franchise business include requirements 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 is determined by discounting future cash flows using an appropriate pre tax discount rate. Accounting policy (q) below sets out the revenue recognition basis for this income.

q. 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 positions. Unearned revenue is then recognised in the profit or loss 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 profit or loss 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 is included in other revenue at the date control that 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 the 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 statement of financial position 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 statement of comprehensive income 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 profit or loss as other income on a systematic basis over the useful life of the asset.

r. Expenses

i. Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss 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 profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the profit or loss using the effective interest method.

s. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the 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:

initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and 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 reporting 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.

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, have 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.

The head entity in conjunction with other members of the tax-consolidated group, have 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.

t. Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement of impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating

segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

The adoption of AASB 8 has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

u. 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 statement of financial position.

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

v. Dividends

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

w. Contributed Equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, there is no gain or loss recognised in the profit and loss, the instruments are cancelled and deducted from equity, and the consideration paid (net of income tax) is recognised directly in equity.

Transaction costs

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

x. Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

y. 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.

i. Key sources of estimation uncertainty

Note 18 contains information about the assumptions and their risk factors relating to goodwill impairment. The group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value in use calculations. In note 25 detailed analysis is given of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

ii. 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 18. 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.

iii. Working capital deficiency

The consolidated entity has a net working capital deficiency of \$1,659,000 as at 30 June 2010. As the entity has achieved a profit after tax of \$576,000 for the current year, has a profit making history and has earned positive cashflows from operating activities for the current and prior years the net working capital deficiency position is considered to be temporary and does not affect managements' assessment of the entity as a going concern.

z. AASB 101 Presentation of financial statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation of the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required only that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements. The previous version of AASB 101 required only the presentation of a single statement of comprehensive income.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

aa. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations are set out below.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB13 2] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the user. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the services price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's or the parent entity's financial statements.

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised \$15,000 of such gains in other comprehensive income. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transactions between its subsidiaries. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity negotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

No other amendments or interpretations are expected to have an impact on the company or the group.

2. OPERATING SEGMENTS

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources. Inter-segment revenue represents sales between segments which are at arm's length. Inter-segment revenue is eliminated on consolidation.

The Company is managed primarily on the basis of business category. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- intangible assets; and
- discontinuing operations.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard

The consolidated entity comprises the following operating segments:

- IT and AV Equipment Rentals
- Franchising
- Web development
- Property rental

| | Computer Equipment Rentals | | Franchising | | Web Development | | Property Rental | | Eliminations | | Consolidated | |
|---------------------------------------|-------------------------------|--------|-------------|------|-----------------|------|--------------------|------|--------------|---------|--------------|--------|
| <i>In thousands of AUD</i> | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenue | | | | | | | | | | | | |
| External segment revenue | 9,570 | 10,454 | 555 | 615 | 15 | 125 | 397 | - | - | - | 10,537 | 11,194 |
| Inter-segment revenue | 236 | - | 299 | 310 | - | 837 | - | - | (535) | (1,147) | - | - |
| Total segment revenue | 9,806 | 10,454 | 854 | 925 | 15 | 962 | 397 | - | (535) | (1,147) | 10,537 | 11,194 |
| Total revenue | | | | | | | | | | | 10,537 | 11,194 |
| Result | | | | | | | | | | | | |
| Segment result | 4,723 | 1,751 | (3,289) | 608 | (196) | 385 | 312 | - | (343) | (837) | 1,207 | 1,907 |
| Unallocated corporate expenses | | | | | | | | | | | (191) | (642) |
| Profit before tax | | | | | | | | | | | 1,016 | 1,265 |
| Income tax expense | | | | | | | | | | | (440) | (299) |
| Net profit | | | | | | | | | | | 576 | 966 |

2. OPERATING SEGMENTS (continued)

| | Computer Equipment Rentals | Franchising | Web Development | Property Rental | Eliminations | Consolidated |
|---|-------------------------------|-------------|-----------------|--------------------|--------------|--------------|
| Segment assets | | | | | | |
| Segment assets as at 30 June 2009 | 12,117 | 3,717 | 31 | - | - | 15,865 |
| Segment asset increases/ (decreases) for the period: | (2,698) | (3,689) | (14) | 7,835 | - | 1,434 |
| Segment assets as at 30 June 2010 | 9,419 | 28 | 17 | 7,835 | - | 17,299 |
| Total assets from continuing operations | 9,419 | 28 | 17 | 7,835 | - | 17,299 |
| Segment liabilities | | | | | | |
| Segment liabilities as at 30 June 2009 | 1,105 | 1,480 | 9 | - | - | 2,594 |
| Segment liability increases/ (decreases) for the period: | 856 | (400) | (3) | 950 | - | 1,403 |
| Segment liabilities as at 30 June 2010 | 1,961 | 1,080 | 6 | 950 | - | 3,997 |
| Total liabilities from continuing operations | | | | | | |

The entity is domiciled in Australia. The amount of revenue from external customers in Australia is \$5,871,000 and the total revenue from external customers in other countries is \$4,666,000. Segment revenues are allocated based on the country in which the customer is located. There is no significant concentration of revenues to any one particular external customer.

3. REVENUE

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|--------------|--------|-------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| From continuing operations | | | | |
| <i>Sales revenue</i> | | | | |
| Sale of goods | 308 | 383 | 296 | 430 |
| Sale of services | 9,832 | 10,811 | 7,047 | 7,338 |
| Other rental income | 397 | - | 397 | - |
| | 10,537 | 11,194 | 7,740 | 7,768 |

4. OTHER INCOME AND EXPENSES

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|--|--------------|---------|-------------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| Net bad and doubtful debts | (239) | (13) | (19) | (12) |
| Forgiven debts | - | - | - | (837) |
| Intercompany dividends received | - | - | - | 7,071 |
| Operating lease rental payments | (780) | (559) | (576) | (377) |
| Foreign exchange gains / (losses) | (8) | 18 | (1) | 17 |
| Impairment – available for sale financial assets | (23) | (503) | (133) | (503) |
| Impairment - goodwill | (499) | - | - | - |
| Depreciation | (1,429) | (1,626) | (976) | (1,151) |
| Amortisation | (3) | (12) | - | (12) |

5. PERSONNEL EXPENSES

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|--|--------------|-------|-------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Wages and salaries | 2,633 | 3,147 | 1,743 | 2,063 |
| Increase /(decrease) in liability for bonus | 10 | (76) | 10 | (66) |
| Contributions to defined contribution superannuation funds | 176 | 195 | 89 | 105 |
| Increase in liability for annual and long service leave | 160 | 192 | 40 | 102 |
| | 2,979 | 3,458 | 1,882 | 2,204 |

6. AUDITORS' REMUNERATION

| | Consolidated | | The Company | |
|---|--------------|--------|-------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>In actual AUD</i> | | | | |
| Audit services | | | | |
| Auditors of the Company | | | | |
| BDO Audit (WA) Pty Ltd –Audit services | 52,314 | 46,749 | 52,314 | 46,749 |
| | 52,314 | 46,749 | 52,314 | 46,749 |
| Other services | | | | |
| Other assurance services – BDO Audit (WA) Pty Ltd | - | 3,960 | - | 3,960 |
| Taxation services – BDO Corporate Tax (WA) | 12,120 | 13,000 | 12,120 | 13,000 |
| | 64,434 | 63,709 | 64,343 | 63,709 |

7. NET FINANCING INCOME

| | Consolidated | | The Company | |
|----------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>In thousands of AUD</i> | | | | |
| Interest income | 100 | 393 | 98 | 397 |
| Financial income | 100 | 393 | 98 | 397 |
| Interest expense | (51) | (1) | (51) | (1) |
| Financial expenses | (51) | (1) | (51) | (1) |
| Net financing income | 49 | 392 | 47 | 396 |

8. INCOME TAX EXPENSE

RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|---|------|--------------|-------|-------------|---------|
| | | 2010 | 2009 | 2010 | 2009 |
| Current tax expense | | | | | |
| Current year | | 420 | 523 | 183 | 51 |
| Adjustments for prior years | | - | (6) | - | (6) |
| Foreign exchange adjustments | | - | 25 | - | 25 |
| | | 420 | 542 | 183 | 70 |
| Deferred tax expense | | | | | |
| Origination and reversal of temporary differences | 15 | 20 | (243) | 119 | (260) |
| | | 440 | 299 | 302 | (190) |
| Total income tax expense/(benefit) | | | | | |
| Attributable to: | | | | | |
| Continuing operations | | 440 | 299 | 302 | (190) |
| Numerical reconciliation between tax expense and pre-tax net profit | | | | | |
| <i>Profit before tax</i> | | 1,016 | 1,265 | 4,412 | 2,320 |
| Income tax expense/(benefit) using the domestic corporation tax rate of 30% (2008: 30%) | | 305 | 379 | 1,324 | 696 |
| Increase in income tax expense due to: | | | | | |
| International tax rate differences | | 16 | 22 | 16 | 22 |
| Non-deductible expenses | | 149 | 4 | (1,033) | 1,319 |
| Decrease in income tax expense due to: | | | | | |
| Non assessable income | | - | - | - | (2,121) |
| Effect on tax rate in foreign jurisdictions | | - | 25 | - | 25 |
| | | 470 | 430 | 307 | (59) |
| Prior year deferred tax adjustment | | (30) | (125) | (5) | (125) |
| Under / (over) provided in prior years | | - | (6) | - | (6) |
| | | 440 | 299 | 302 | (190) |
| Income tax expense on pre-tax net profit | | | | | |

9. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of 0.75 cents per share (2009: 1.25 cents per share) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 77,032,958 (2009: 77,032,958), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

In thousands of AUD

Profit for the period

| Consolidated | |
|--------------|------|
| 2010 | 2009 |
| 576 | 966 |

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Number of Shares

Issued ordinary shares throughout the year

| Consolidated | |
|--------------|------------|
| 2010 | 2009 |
| 77,032,958 | 77,032,958 |

DILUTED EARNINGS PER SHARE

There were no dilutive instruments during the year.

10. CASH AND CASH EQUIVALENTS

In thousands of AUD

Bank balances

Bank negotiable certificate of deposit

Cash and cash equivalents

| Consolidated | | The Company | |
|--------------|-------|-------------|-------|
| 2010 | 2009 | 2010 | 2009 |
| 671 | 2,651 | 462 | 846 |
| - | 4,143 | - | 4,143 |
| 671 | 6,794 | 462 | 4,989 |

The group has \$300,000 (2009: nil) facilities available but not drawn down as at 30 June 2010.

11. TRADE AND OTHER RECEIVABLES

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|------------------------------|---------------------|--------------|--------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Current | | | | |
| Other trade receivables | 1,133 | 1,048 | 962 | 949 |
| Rent bond | 69 | 79 | 69 | 79 |
| | 1,202 | 1,127 | 1,031 | 1,028 |
| Non-current | | | | |
| Fixed franchise fees | - | 180 | - | - |
| Loans to controlled entities | - | - | 2,659 | 2,455 |
| | - | 180 | 2,659 | 2,455 |

As at 30 June 2010 there were nil impaired receivables (30 June 2009: Nil). Please refer to note 25 for details of receivables that are past due but not impaired. As at 30 June 2010 a provision of \$215,000 has been raised for franchise fees that may no longer be recoverable following the UK Master Franchise being placed into voluntary liquidation.

12. INVENTORIES

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|---------------------|------|--------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Finished goods | 92 | 118 | 59 | 64 |

13. OTHER ASSETS

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|---------------------|------|--------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Prepayments | 140 | 161 | 123 | 143 |

14. CURRENT TAX ASSETS AND LIABILITIES

The current tax liability for the consolidated entity of \$238,000 (2009: \$94,000) and for the Company of \$238,000 (2009: \$94,000) 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.

15. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

| Consolidated <i>In thousands of AUD</i> | Assets | | Liabilities | | Net | |
|---|---------------|------------|--------------------|-------------|-------------|------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Employee benefits | 243 | 73 | - | - | 243 | 73 |
| Provisions | 75 | 139 | - | - | 75 | 139 |
| Other creditors | 70 | 65 | - | - | 70 | 65 |
| Depreciable assets | 18 | 152 | - | - | 18 | 152 |
| Accrued Income | - | - | (17) | (19) | (17) | (19) |
| Tax (assets) / liabilities | 406 | 429 | (17) | (19) | 389 | 410 |

| The Company <i>In thousands of AUD</i> | Assets | | Liabilities | | Net | |
|--|---------------|------------|--------------------|-------------|-------------|------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Employee benefits | 228 | 61 | - | - | 228 | 61 |
| Provisions | 10 | 139 | - | - | 10 | 139 |
| Other creditors | 39 | 63 | - | - | 39 | 63 |
| Depreciable assets | 18 | 152 | - | - | 18 | 152 |
| Accrued Income | - | - | (17) | (19) | (17) | (19) |
| Tax (assets) / liabilities | 295 | 415 | (17) | (19) | 278 | 396 |

In accordance with accounting standards, the deferred tax assets and liabilities have applied the set off provisions to net off the amounts.

| Movements – Consolidated | Employee Benefit | Provisions | Depreciable Assets | Other | Total |
|---|-------------------------|-------------------|---------------------------|--------------|--------------|
| <i>In thousands of AUD</i> | | | | | |
| At 1 July 2008 | 108 | - | - | 59 | 167 |
| (Charged)/credited to statement of comprehensive income | (35) | 139 | 152 | (13) | 243 |
| (Charged)/credited directly to equity | - | - | - | - | - |
| As at 30 June 2009 | 73 | 139 | 152 | 46 | 410 |
| At 1 July 2009 | 73 | 139 | 152 | 46 | 410 |
| (Charged)/credited to statement of comprehensive income | 171 | (64) | (134) | 7 | (20) |
| (Charged)/credited directly to equity | - | - | - | - | - |
| As at 30 June 2010 | 244 | 75 | 18 | 53 | 389 |
| Movements – Parent | | | | | |
| <i>In thousands of AUD</i> | | | | | |
| At 1 July 2008 | 95 | - | - | 42 | 137 |
| (Charged)/credited to statement of comprehensive income | (34) | 139 | 152 | 2 | 259 |
| (Charged)/credited directly to equity | - | - | - | - | - |
| As at 30 June 2009 | 61 | 139 | 152 | 44 | 396 |
| At 1 July 2009 | 61 | 139 | 152 | 44 | 396 |
| (Charged)/credited to statement of comprehensive income | 167 | (129) | (134) | (22) | (118) |
| (Charged)/credited directly to equity | - | - | - | - | - |
| As at 30 June 2010 | 228 | 10 | 18 | 22 | 278 |

16. INVESTMENT PROPERTY

On 2nd December 2009 Hire Intelligence International Limited acquired ownership of land and building at 23 Barrack St Perth WA 6000 for \$7.5 million plus acquisition costs of \$396,000. The building has a net lettable area of 1,206 square metres and has a strong rental yield. The property was purchased through a combination of cash reserves of \$5.916 million and debt financing of \$2.0 million. The debt has been reduced to \$0.95 million at the date of this report. The debt is a line of credit secured against the property.

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Land and Buildings | 7,895 | - | 7,895 | - |
| Chattel depreciation | (60) | - | (60) | - |
| Carrying value | 7,835 | - | 7,835 | - |

Since acquisition the company earned net rental income of \$397,000. No direct operating expenses were incurred over this period. Interest was incurred of \$25,000.

17. PROPERTY, PLANT AND EQUIPMENT

| <i>In thousands of AUD</i> | Note | Consolidated | | | The Company | | |
|---|------|------------------------|---------------------|---------|------------------------|---------------------|-------|
| | | Leasehold improvements | Plant and equipment | Total | Leasehold improvements | Plant and equipment | Total |
| Cost | | | | | | | |
| Balance at 1 July 2008 | | 335 | 7,657 | 7,992 | 227 | 4,933 | 5,160 |
| Acquisitions | | 3 | 2,197 | 2,200 | 3 | 1,443 | 1,446 |
| Disposals | | - | (1,574) | (1,574) | - | (923) | (923) |
| Effect of movements in foreign exchange | | (4) | (249) | (253) | (4) | (178) | (182) |
| Balance at 30 June 2009 | | 334 | 8,031 | 8,365 | 226 | 5,275 | 5,501 |
| Balance at 1 July 2009 | | 334 | 8,031 | 8,365 | 226 | 5,275 | 5,501 |
| Acquisitions | | 33 | 2,481 | 2,514 | 23 | 1,690 | 1,713 |
| Disposals | | - | (1,323) | (1,323) | - | (939) | (939) |
| Effect of movements in foreign exchange | | (28) | (396) | (424) | (28) | (405) | (433) |
| Balance at 30 June 2010 | | 339 | 8,793 | 9,132 | 221 | 5,621 | 5,842 |

| <i>In thousands of AUD</i> | Note | Consolidated | | | The Company | | |
|---|------|------------------------|---------------------|-------|------------------------|---------------------|-------|
| | | Leasehold improvements | Plant and equipment | Total | Leasehold improvements | Plant and equipment | Total |
| Depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2008 | | 154 | 4,350 | 4,504 | 71 | 2,565 | 2,636 |
| Depreciation charge for the year | | 35 | 1,591 | 1,626 | 30 | 1,100 | 1,130 |
| Disposals | | - | (888) | (888) | - | (431) | (431) |
| Effects of movements in foreign exchange | 23 | (2) | (225) | (227) | (1) | (225) | (226) |
| Balance at 30 June 2009 | | 187 | 4,828 | 5,015 | 100 | 3,009 | 3,109 |
| Balance at 1 July 2009 | | 187 | 4,828 | 5,015 | 100 | 3,009 | 3,109 |
| Depreciation charge for the year | | 22 | 1,347 | 1,369 | 22 | 894 | 916 |
| Disposals | | - | (822) | (822) | - | (582) | (582) |

| | | | | | | |
|--|------|-------|-------|------|-------|-------|
| Effects of movements in foreign exchange | (11) | (178) | (189) | (11) | (221) | (224) |
| Balance at 30 June 2010 | 198 | 5,175 | 5,373 | 111 | 3,100 | 3,211 |
| Carrying amounts | | | | | | |
| At 1 July 2008 | 181 | 3,307 | 3,488 | 156 | 2,368 | 2,524 |
| At 30 June 2009 | 147 | 3,203 | 3,350 | 126 | 2,266 | 2,392 |
| At 1 July 2009 | 147 | 3,203 | 3,350 | 126 | 2,266 | 2,392 |
| At 30 June 2010 | 141 | 3,618 | 3,759 | 111 | 2,463 | 2,631 |

18. INTANGIBLE ASSETS

| <i>In thousands of AUD</i> | Consolidated | | | The Company | |
|---|--------------|------------------------|--------|------------------------|-------|
| | Goodwill | Patents and Trademarks | Total | Patents and Trademarks | Total |
| Cost | | | | | |
| Balance at 1 July 2008 | 11,137 | 1,882 | 13,019 | 1,869 | 1,869 |
| Acquisitions | - | 9 | 9 | 5 | 5 |
| Balance at 30 June 2009 | 11,137 | 1,891 | 13,028 | 1,874 | 1,874 |
| Balance at 1 July 2009 | 11,137 | 1,891 | 13,028 | 1,874 | 1,874 |
| Acquisitions | - | - | - | - | - |
| Balance at 30 June 2010 | 11,137 | 1,891 | 13,028 | 1,874 | - |
| Amortisation and impairment losses | | | | | |
| Balance at 1 July 2008 | 7,438 | 1,865 | 9,303 | 1,858 | 1,858 |
| Amortisation | - | 12 | 12 | 12 | 12 |
| Balance at 30 June 2009 | 7,438 | 1,877 | 9,315 | 1,870 | 1,870 |
| Balance at 1 July 2009 | 7,438 | 1,877 | 9,315 | 1,870 | 1,870 |
| Impairment | 499 | - | 499 | - | - |
| Amortisation | - | 3 | 3 | - | - |
| Balance at 30 June 2010 | 7,937 | 1,880 | 9,817 | 1,870 | 1,870 |
| Carrying amounts | | | | | |
| At 1 July 2008 | 3,699 | 17 | 3,716 | 11 | 11 |
| At 30 June 2009 | 3,699 | 14 | 3,713 | 4 | 4 |
| At 1 July 2009 | 3,699 | 14 | 3,713 | 4 | 4 |
| At 30 June 2010 | 3,200 | 11 | 3,211 | 4 | 4 |

AMORTISATION AND IMPAIRMENT CHARGE

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

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Amortisation of trademarks | (3) | (12) | - | (12) |

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 | |
|---------------------------------------|--------------|-------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Franchising business | - | 499 | - | - |
| Sydney operation – Hi-Intelli Pty Ltd | 3,200 | 3,200 | - | - |
| | 3,200 | 3,699 | - | - |

The recoverable amount of both of the above cash-generating units, which includes intangibles with an indefinite useful life, 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 5-year period are extrapolated using varying limited growth rates which are considered appropriate. A pre-tax discount rate of 13 per cent (2009: 13%) 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.

If the pre-tax discount rate applied to projected cashflows was 13.5% instead of 13%, the carrying amount would not exceed the recoverable amount. A reasonably possible change in any of the other key assumptions would not cause the carrying amount to exceed its recoverable amount.

19. TRADE AND OTHER PAYABLES

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|--------------------------------------|------|--------------|------|-------------|-------|
| | | 2010 | 2009 | 2010 | 2009 |
| Trade payables | | 1,058 | 622 | 961 | 632 |
| Accrued expenses | | 644 | 270 | 308 | 204 |
| Loans from/ (to) controlled entities | 31 | - | - | (541) | 399 |
| | | 1,702 | 892 | 728 | 1,235 |

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

20. INTEREST-BEARING LOANS AND BORROWINGS

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Commercial bill | 950 | - | 950 | - |
| | 950 | - | 950 | - |

On 2nd December 2009 Hire Intelligence International Limited acquired ownership of land and building at 23 Barrack St Perth WA 6000 for \$7.5 million plus acquisition costs of \$396K. The property was purchased through a combination of cash reserves of \$5.916m and debt financing of \$2.0 million. The debt has been reduced to \$0.95 million at the date of this report. Interest is charged at 1.75% line fee plus a variable rate and the debt is secured by first mortgages over the group's investment property.

21. DEFERRED INCOME

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Current | | | | |
| Deferred contract income | 413 | 300 | 308 | 210 |
| | 413 | 300 | 308 | 210 |
| Non-current | | | | |
| Fixed franchise fees | 45 | 180 | 45 | - |

22. EMPLOYEE BENEFITS

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------------|--------------|------|-------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Current | | | | |
| Liability for annual leave | 140 | 140 | 120 | 107 |
| | 140 | 140 | 120 | 107 |
| Non-current | | | | |
| Liability for long-service leave | 188 | 149 | 165 | 131 |
| Total employee benefits | 188 | 289 | 165 | 238 |

23. PROVISIONS

| | Advertising fund | Dividends | Other | Totals |
|---------------------------------|------------------|-----------|-------|--------|
| Consolidated | | | | |
| <i>In thousands of AUD</i> | | | | |
| Balance at 1 July 2008 | 156 | 1,541 | - | 1,697 |
| Provisions made during the year | - | - | - | - |
| Provisions used during the year | (94) | (764) | - | (858) |
| Balance at 30 June 2009 | 62 | 777 | - | 839 |
| Balance at 1 July 2009 | 62 | 777 | - | 839 |
| Provisions made during the year | - | 308 | 5 | 313 |
| Provisions used during the year | (62) | (769) | - | (831) |
| Balance at 30 June 2010 | - | 316 | 5 | 321 |
| Company | | | | |
| <i>In thousands of AUD</i> | | | | |
| Balance at 1 July 2008 | - | 1,541 | 2 | 1,543 |
| Provisions made during the year | - | - | - | - |
| Provisions used during the year | - | (764) | (2) | (766) |
| Balance at 30 June 2009 | - | 777 | - | 777 |

| | | | | |
|---------------------------------|---|-------|---|-------|
| Balance at 1 July 2009 | - | 777 | - | 777 |
| Provisions made during the year | - | 308 | - | 308 |
| Provisions used during the year | - | (769) | - | (769) |
| Balance at 30 June 2010 | - | 316 | - | 316 |

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.

24. CAPITAL AND RESERVES

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

| Consolidated | Issued capital | Retained earnings | Translation reserve | Total equity |
|---|----------------|-------------------|---------------------|--------------|
| For the financial year ended 30 June 2009 | | | | |
| <i>In thousands of AUD</i> | | | | |
| Opening balance at 1 July 2008 | 37,729 | (24,128) | (490) | 13,111 |
| Foreign exchange translation differences | - | - | (36) | (36) |
| Total non-profit items recognised directly in equity | - | - | (36) | (36) |
| Total comprehensive income | - | 966 | - | 966 |
| Dividends | - | (770) | - | (770) |
| Closing balance at 30 June 2009 | 37,729 | (23,932) | (526) | 13,271 |

For the financial year ended 30 June 2010

| | | | | |
|---|--------|----------|-------|--------|
| <i>In thousands of AUD</i> | | | | |
| Opening balance at 1 July 2009 | 37,729 | (23,932) | (526) | 13,271 |
| Foreign exchange translation differences | - | - | (237) | (237) |
| Total non-profit items recognised directly in equity | - | - | (237) | (237) |
| Total comprehensive income | - | 576 | - | 576 |
| Dividends | - | (308) | - | (308) |
| Closing balance at 30 June 2010 | 37,729 | (23,664) | (763) | 13,302 |

Company

For the financial year ended 30 June 2009

| | | | | |
|---|--------|----------|-------|--------|
| <i>In thousands of AUD</i> | | | | |
| Opening balance at 1 July 2008 | 37,729 | (25,736) | (458) | 11,535 |
| Foreign exchange translation differences | - | - | (121) | (121) |
| Total non-profit items recognised directly in equity | - | - | (121) | (121) |
| Total comprehensive income | - | 2,510 | - | 2,510 |
| Dividends | - | (770) | - | (770) |
| Closing balance at 30 June 2009 | 37,729 | (23,996) | (579) | 13,154 |

For the financial year ended 30 June 2010

| | | | | |
|---|--------|----------|---------|--------|
| <i>In thousands of AUD</i> | | | | |
| Opening balance at 1 July 2009 | 37,729 | (23,996) | (579) | 13,154 |
| Foreign exchange translation differences | - | - | (518) | (518) |
| Total non-profit items recognised directly in equity | - | - | (518) | (518) |
| Total comprehensive income | - | 4,110 | - | 4,110 |
| Dividends | - | (308) | - | (308) |
| Closing balance at 30 June 2010 | 37,729 | (20,194) | (1,097) | 16,438 |

| Share Capital | The Company Ordinary Shares | |
|----------------------------------|--|-------------|
| | 2010 | 2009 |
| In thousands of shares | | |
| On issue at 1 July | 77,032 | 77,032 |
| On issue at 30 June – fully paid | 77,032 | 77,032 |

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

The following dividends were paid or provided for during the period:

20 August 09 Fully franked 1 cent dividend of \$770,329 was paid

15 June 10 Fully franked 0.4 cent dividend of \$308,131 was declared

No further dividends were declared, approved, or provided for during the period.

DIVIDEND FRANKING ACCOUNT

| The Company | 2010 | 2009 |
|--|-------------|-------------|
| <i>In thousands of AUD</i> | | |
| 30 per cent franking credits available to shareholders of Hire Intelligence International Limited for subsequent financial years | 3,254 | 3,280 |

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

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- (d) 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.

CAPITAL RISK MANAGEMENT

The Group considers capital to entail net assets and debt that can be used to further generate future returns for the Group. The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. Currently the group has interest bearing debt of \$0.95m relating to the purchase of investment properties. The yield on investment properties is monitored regularly. These assets are positively geared.

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|----------------------------------|------|--------------|---------|-------------|---------|
| | | 2010 | 2009 | 2010 | 2009 |
| Total borrowings | | 950 | - | 950 | - |
| Less : cash and cash equivalents | | (671) | (6,794) | (462) | (4,989) |
| Net debt | | 279 | (6,794) | 488 | (4,989) |
| Total equity | | 13,302 | 13,271 | 16,438 | 13,154 |
| Total capital | | 13,581 | 6,447 | 16,926 | 8,165 |
| Gearing ratio | | 2% | - | 3% | - |

25. FINANCIAL RISK MANAGEMENT

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- Meet all its financial commitments as and when they fall due
- Maintain the capacity to fund its forecast business development strategies
- Ensure a reasonable return to shareholders, and
- Maintain a strong long term credit rating

Market, liquidity and credit risk arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury policies and procedures. The Group's principal financial instruments include cash, trade receivable, borrowings, and trade payables, which arise directly from operations.

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

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.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

At the statement of financial position 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, in the statement of financial position.

The maximum exposure to credit risk at the reporting date was as follows:

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|----------------------------|------|--------------|-------|-------------|-------|
| | | 2010 | 2009 | 2010 | 2009 |
| Cash and cash equivalents | | 671 | 6,794 | 462 | 4,989 |
| Trade receivables | 11 | 1,133 | 1,048 | 962 | 949 |
| Intercompany receivables | | - | - | 2,659 | 2,455 |

The following are details of receivables past due but not impaired.

| <i>In thousands of AUD</i> | Total | <30days | 30-60 days | >60 days |
|--------------------------------|-------|---------|------------|----------|
| Consolidated Trade receivables | 1,133 | 318 | 380 | 435 |
| Parent Trade receivables | 962 | 646 | 189 | 127 |

These relate to a number of independent customers for whom there is no recent history of default.

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.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting. The consolidated entity does not hedge the exposure in respect of monetary assets or liabilities.

As at 30 June 2010 and 30 June 2009, the Group and Company is not materially exposed foreign currency risk.

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 reporting date and the periods in which they reprice.

| | Note | Effective interest rate | Total | 6 months or less | 6-12 months |
|------------------------------|------|-------------------------|-------|------------------|-------------|
| 2010 | | | | | |
| <i>In thousands of AUD</i> | | | | | |
| <i>Financial Assets</i> | | | | | |
| Cash and cash equivalents | 10 | 0.57% | 671 | 671 | - |
| | | | 671 | 671 | - |
| <i>Financial Liabilities</i> | | | | | |
| Interest bearing loan | 20 | 7.76% | 950 | - | 950 |
| | | | 950 | - | 950 |
| 2009 | | | | | |
| <i>In thousands of AUD</i> | | | | | |
| Cash and cash equivalents | 10 | 4.15% | 6,794 | 6,794 | - |
| | | | 6,794 | 6,794 | - |

The Group has limited interest rate risk. As at 30 June 2010, if interest rates had increased or decreased by 100 basis points from the year end rates with all other variables held constant, before tax profit would have been \$2,790 lower or higher respectively (2009: 67,940 higher or lower respectively).

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 and are non interest bearing. All other receivables / payables are discounted to determine the fair value if the amounts are considered material.

26. OPERATING LEASES AND COMMITMENTS

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|----------------------------|---------------------|--------------|--------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Less than one year | 602 | 582 | 453 | 432 |
| Between one and five years | 320 | 724 | 232 | 475 |
| More than five years | - | - | - | - |
| | 922 | 1,306 | 685 | 907 |

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 2010, \$627,000 was recognised as an expense in the profit or loss in respect of operating leases (2009: \$559,000).

27. CONTINGENCIES

The directors are not aware of any contingent assets or liabilities as at the date of this report.

28. INVESTMENTS

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|---|--------------|------|-------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Available for sale financial asset –listed equity | - | 11 | - | 11 |
| Investments in controlled entities at cost | - | - | 4,226 | 4,226 |
| | - | 11 | 4,226 | 4,237 |

| <i>In thousands of AUD</i> | Note | Country of Incorporation | Ownership interest | |
|---|------|--------------------------|--------------------|------|
| | | | 2010 | 2009 |
| Parent entity | | | | |
| Hire Intelligence International Limited | | Australia | | |
| Subsidiaries | | | | |
| Hi- Intelli Pty Ltd | | Australia | 100% | 100% |
| Cityside asset Pty Ltd | | Australia | 100% | 100% |
| Web Solutions Pty Ltd (formerly Hire Intelligence USA Pty Ltd) | | Australia | 100% | 100% |

29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| <i>In thousands of AUD</i> | Note | Consolidated | | The Company | |
|---|------|--------------|-------|-------------|---------|
| | | 2010 | 2009 | 2010 | 2009 |
| Cash flows from operating activities | | | | | |
| Profit for the period | | 576 | 966 | 4,110 | 2,510 |
| Adjustments for: | | | | | |
| Depreciation | 16 | 1,429 | 1,626 | 976 | 1,130 |
| Amortisation and impairment | 17 | 502 | 12 | - | 12 |
| Gain on debt forgiveness | | - | - | (3,165) | - |
| Foreign exchange movements | | (237) | (36) | (518) | (121) |
| Net loss/(profit) on sale of investment assets | | 150 | 120 | 32 | 37 |
| Impairment | | 23 | 503 | 156 | 4,889 |
| Investment income | 7 | (100) | (393) | (98) | (397) |
| (Decrease)/ increase in income tax payable | | 143 | (296) | 143 | (296) |
| Operating profit before changes in working capital and provisions | | 2,486 | 2,502 | 1,636 | 7,764 |
| (Increase)/decrease in other assets | | 747 | 178 | 639 | 82 |
| (Increase)/decrease in deferred tax asset | | 20 | (243) | 119 | (259) |
| (Increase)/decrease in other financial assets | | - | 523 | - | 523 |
| (Increase)/decrease in trade and other receivables | | 115 | 970 | (207) | (446) |
| (Increase)/decrease in inventories | | 26 | 15 | 5 | (12) |
| (Decrease)/increase in deferred income | | (67) | (503) | 98 | 31 |
| (Decrease)/increase in trade and other payables | | 818 | (309) | (507) | (5,367) |
| (Decrease)/Increase in provisions and employee benefits | | (787) | (944) | (723) | (804) |
| Net cash from operating activities | | 3,358 | 2,189 | 1,060 | 1,512 |

30. KEY MANAGEMENT PERSONNEL

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:

| Executive directors | Non-executive directors | Executives |
|---|--------------------------------|-------------------|
| Tom Crage (Chief Executive Officer and Chairman) | Jason Crage | Val Crage |
| Keegan Crage | | Chris Hutber |
| | | Neil Levin |

The key management personnel compensation included in 'personnel expenses' (see note 4) are as follows:

| <i>In thousands of AUD</i> | Consolidated | | The Company | |
|------------------------------|---------------------|--------------|--------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Short-term employee benefits | 905 | 919 | 775 | 919 |
| Post-employment benefits | 71 | 247 | 60 | 247 |
| | 976 | 1,166 | 835 | 1,166 |

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 6 to 10.

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

During the period Solution Minds Pty Ltd (formerly Formzest Pty Ltd) purchased equipment from the company at arm's length for \$1,794 (2009: \$2,141). Jason Crage (Non Executive director) is a director of Solution Minds Pty Ltd and exerts significant influence over the financial and operating policies of the company.

During the period \$24,737 (2009: \$24,680) was paid to Ledger Corporate Pty Ltd or its associated entities in respect of professional consultancy services provided to the company. Ledger Corporate Pty Ltd's Managing Director is a relative of Thomas Crage (Chief Executive Officer). These services are provided at arm's length in all instances.

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

32. 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 other 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.

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 22 to 60, 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 2010 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, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) the audited remuneration disclosures included in the Directors' report For the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.
- (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.
- (d) the consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

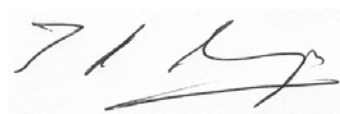
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 28 will be able to meet any obligations or liabilities when they become due and payable.

3. The remuneration disclosures in the audited Remuneration Report on pages 6 to 10 in the Directors' report for the year ended 30 June 2010 complies with Section 300A of the Corporations Act 2001.

4. 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 2010.

Dated at 110 Jersey St, Jolimont Perth this 24th day of August 2010.

Signed in accordance with a resolution of the directors:



Thomas Cragge

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIRE INTELLIGENCE INTERNATIONAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Hire Intelligence International Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of Hire Intelligence International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1a.


Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Hire Intelligence International Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit


Chris Burton
Director

Perth, Western Australia
Dated this 24 day of August 2010

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 12 AUGUST 2010

SUBSTANTIAL SHAREHOLDERS

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

| Shareholder | % | Number |
|---|-------|------------|
| Hamwrex Nominees Pty Ltd and associated companies | 91.28 | 70,317,764 |

VOTING RIGHTS

Ordinary shares

Refer to note 24 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 | 33 |
| 5,001 - 10,000 | 34 |
| 10,001 - 100,000 | 75 |
| 100,001 and over | <u>17</u> |
| | <u>165</u> |

The number of shareholders holding less than a marketable parcel of ordinary shares is 39, holding 125,174 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.

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 LIMITED | 46,334,930 | 60.15% |
| HIRE INTELLIGENCE PTY LTD <THE VALERIE UNIT A/C> | 23,982,833 | 31.130 |
| DAVID GRAY & COMPANY PTY LTD | 580,000 | 0.750 |
| DORRAN PTY LTD | 500,000 | 0.650 |
| MRS EMILY VIVIAN MACMANUS | 497,427 | 0.650 |
| MEGGSIES PTY LTD | 430,550 | 0.560 |
| MR PIER COTTEE | 423,750 | 0.550 |
| STIBBCO INVESTMENTS PTY LTD | 198,500 | 0.260 |
| CITICORP NOMINEES PTY LIMITED | 191,800 | 0.250 |
| LARKIN INVESTMENT PORTFOLIO PTY LTD | 185,000 | 0.240 |
| MR CRAIG LIDDELL | 184,053 | 0.240 |
| MR DOUGLAS ROBERT GRAHAM NEILD | 178,028 | 0.230 |
| MR PETER ALASTAIR SIM + MRS SHEILA MARY MEIKLE SIM <SIM SUPER FUND A/C> | 142,060 | 0.180 |
| MR JOHN MICHAEL DE RAY + MRS MICHELE ANN DE RAY <THE DE RAY SUPER FUND A/C> | 110,000 | 0.140 |
| MR JOHN JANSEN + MRS DALE LORRAINE JANSEN <THE JJ RETIREMENT FUND A/C> | 100,000 | 0.130 |
| NOMIAL PTY LTD | 100,000 | 0.130 |
| MR MICHAEL ROGERS <M G & T A ROGERS SUPER A/C> | 100,000 | 0.130 |
| MR ZIGGY GILL | 98,000 | 0.130 |
| MR ROGER JEFFREY MARTIN & MRS HELEN THERESE MARTIN | 96,000 | 0.120 |
| MR DAVID JOHN GRAY | 90,000 | 0.120 |
| | <hr/> | |
| | 74,522,931 | 96.31% |
| | <hr/> | |