

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

ABN 79 098 210 121

**Annual report  
30 June 2007**

Hire Intelligence International Limited and its Controlled Entities

### **Corporate Directory**

#### **Registered Office**

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

#### **Directors and Secretary**

Thomas Cage  
Managing Director and Chairman  
Keegan Cage  
Executive Director and Company Secretary  
Jason Cage  
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](http://www.computershare.com)

#### **Stock Exchange**

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

#### **Lawyers**

Clayton Utz  
QV1  
Lv 7, 250 St Georges Terrace  
Perth WA 6000

#### **Auditor**

BDO Kendalls Audit and Assurance (WA) Pty Ltd,  
128 Hay Street  
Subiaco WA 6008

#### **Other Information**

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

## Hire Intelligence International Limited and its controlled entities

### Contents

	<i>Page</i>
• Company Information	4
• Chairman’s review	6
• Directors’ report (including corporate governance statement and remuneration report)	7
• Income statements	30
• Statements of changes in equity	31
• Balance sheets	32
• Cash flow statements	33
• Notes to the financial statements	34
• Directors’ declaration	69
• Independent auditor’s report to the members	70
• ASX additional information	72

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. It’s 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 22 to 25 of the director’s report which are not part of this financial report.

Hire Intelligence International Limited and its controlled entities

Company Information

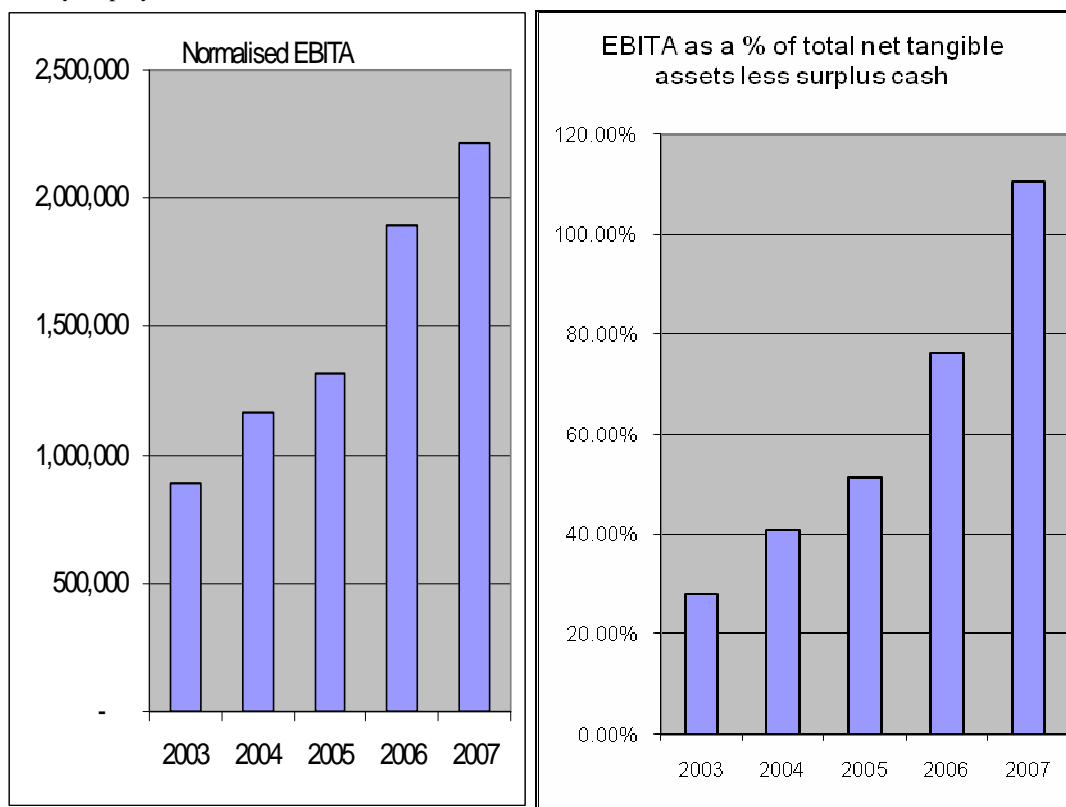
For the year ended 30 June 2007

### Year in Brief

- ⇒ Revenue of \$11.2 million up 19.9%
- ⇒ Pre-tax profit of \$3.1 million up 69.4%
- ⇒ Earnings before interest, tax and amortisation (EBITA) of \$2.9 million up 55.8%
- ⇒ Normalised EBITA of \$2.2 million up 16.9%
- ⇒ 4<sup>th</sup> consecutive year in which normalised EBITA has increased
- ⇒ After tax profit of \$2.1 million up 80.1%
- ⇒ Dividends of 2.6 cents per share declared
- ⇒ Net tangible assets of \$9.5million up 3.4%
- ⇒ Cash held of \$7.9 million up 11.3% notwithstanding payment of a \$1.5 million interim dividend
- ⇒ Cash surplus to business requirements stands at \$7.6 million
- ⇒ Acquired all Victorian and Queensland franchises which started operating as company owned outlets in Melbourne and Brisbane with effect from 1 July 2007
- ⇒ Number of company operated outlets increased from 3 to 5 effective 1 July 2007.
- ⇒ Total shareholder return (TSR) for the year from 1 July 2006 to 30 June 2007 is 137%. This compares with TSR of 18.5% in FY2006 and 46.7% in FY2005.

### Trends

Normalised earnings before interest, tax and amortisation (EBITA) continues to show strong growth yielding impressive returns on assets directly employed in the business.

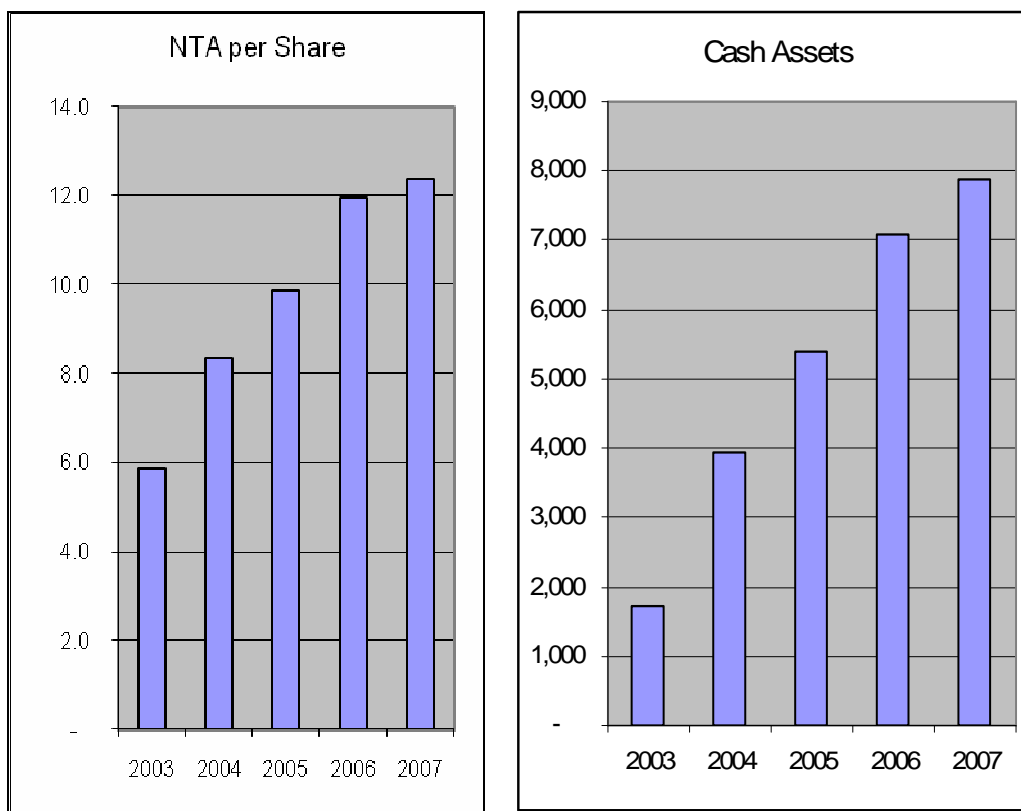


Hire Intelligence International Limited and its controlled entities

Company Information (continued)

For the year ended 30 June 2007

Net tangible assets per share as well as cash assets continue to show healthy growth notwithstanding significant dividend payments in FY2007.



Hire Intelligence International Limited and its controlled entities

Chairman's review

**For the year ended 30 June 2007**

Dear fellow shareholder

It is with pleasure that, on behalf of your Board of Directors, I present Hire Intelligence International's (HII) 2007 Annual Report.

Hire Intelligence International Limited has had another very successful year with year on year earnings before interest tax and amortisation (EBITA) from ordinary activities now having increased for 4 successive years, notwithstanding the disruptive effects of moving to larger premises in London, recruiting and training new employees for the Melbourne and Brisbane outlets that commenced operating on 1 July 2007 and computers and audio visual equipment prices continuing to fall. As a result the Company was pleased to declare two fully franked dividends during the year totalling 2.6 cents per share. Those shareholders who acquired shares on 1 July 2006 at the closing price of 16 cents per share and held until 30 June 2007 when the closing price was 36 cents per share enjoyed a total shareholder return of 22.6 cents per share or 137% return on their investment. This compares favourably to the total shareholder returns for 2005/06 of 18.5% and 2004/05 of 46.7%.

For its 2007 financial year Hire Intelligence recorded total revenue of \$11.2 million (2006: \$9.4 million) and earnings before interest, tax and amortisation (EBITA) for the period was \$2.9 million (2006: \$1.9 million) while earnings before interest, tax, depreciation and amortisation (EBITDA) totalled \$4.1 million (2006: \$3.1 million). The 2007 financial year net profit of \$2.1 million compares with \$1.2 million in 2006. An abnormal profit of \$0.7 million flowed from a transaction related to our moving to new larger premises in London.

Cash on hand increased during the 2007 financial year from \$7.1 million to \$7.9 million.

The business continues to experience strong profit growth, earns exceptional returns on net assets employed, is essentially debt free, has increased the number of company-owned outlets and is entering the exciting web solutions industry.

In general terms your Board's "future" outlook contained in the 2006 Annual Report has been achieved with the results, continued positive cash flow and expansion into complimentary areas equalling or exceeding expectations. In addition we declared dividends beyond expectations.

**Outlook**

Hire Intelligence anticipates strong growth in turnover, continued growth in normalised earnings before interest and tax and expects to pay a dividend with respect to earnings during the current financial year.

Its joint venture in the provision of web solutions provides potential significant benefits going forward however the current financial year is likely to see establishment costs neutralising profits generated. Keegan Crage has been appointed Managing Director of HI Web Solutions Pty Ltd to drive this process.

Your Board intends continuing trialling new products as well as considering expanding into complimentary areas and new industries.

Your Board expects EBIT in the 2007/2008 financial year to be between \$1.8 million and \$2.7 million. This compares with a normalised EBIT of \$1.9 million for FY2007. Your Board anticipates declaring a dividend of not less than 1.5 cents per share.



Tom R Crage  
Chairman and Managing Director

Hire Intelligence International Limited and its controlled entities  
Directors' report

**For the year ended 30 June 2007**

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 2007 and the auditor's report thereon.

<b><u>Contents of directors' report</u></b>	<b><u>Page</u></b>
<b>Directors</b>	8
<b>Company secretary</b>	9
<b>Directors' meetings</b>	9
<b>Corporate governance statement</b>	10
Board of directors	10
Nomination committee	11
Remuneration committee	12
Remuneration report	13
Principles of compensation- audited	14
Directors' and executive officers' remuneration- audited	15
Audit committee	17
Risk management	18
Ethical standards	19
Communication with shareholders	20
<b>Principal activities</b>	21
<b>Operating and financial review</b>	22
<b>Dividends</b>	26
<b>Events subsequent to reporting date</b>	26
<b>Likely developments</b>	26
<b>Directors' interests</b>	26
<b>Share options</b>	27
<b>Indemnification and insurance of officers and auditors</b>	27
<b>Non-audit services</b>	28
<b>Lead auditor's independence declaration</b>	28
<b>Rounding off</b>	28
<b>Auditor's independence declaration</b>	29

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

**1. Directors**

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

<i>Name, qualifications and independence status</i>	<i>Age</i>	<i>Experience, special responsibilities and other directorships</i>
<p><b>Thomas R Crage</b>, Chairman, Managing Director, CEO</p>	60	<p>Tom Crage has two university business degrees and has been involved in franchising both as a franchisor and franchisee since September 1973. He has been a Financial Controller of KFC in South Africa and the United Kingdom, Administrative Controller of KFC in the UK, and Director of Finance for Europe, Middle East and Africa of Heublein International. Heublein owned KFC, Smirnoff Vodka, Californian and Portuguese wineries and a host of other products. In Perth, one of his companies has been a Chicken Treat franchisee granting sub-franchises. This business was sold in 1995.</p>
<p><b>Keegan T Crage</b> B.Com, Grad Dip CSP, M.Fin, M.Mktg, ACA, ACIS Executive Director Appointed 1 December 2005</p>	29	<p>Keegan worked with KPMG where he qualified as a Chartered Accountant prior to joining Hire Intelligence in 2001. Whilst at Hire Intelligence he has held various positions including General Manager of the London and Sydney operations and Franchising and Marketing Controller. He is currently the Company Secretary and an Executive Director. Keegan completed a thesis on franchisor globalisation strategies and has had marketing and franchising articles published in industry magazines.</p>
<p><b>Jason F Crage</b> B.Bus, M.Fin, ACA, ASIA Non-Executive Director Appointed 19 December 2005</p>	35	<p>Jason has extensive commercial experience with 12 years of assisting organizations throughout Europe, North America and Australia. Jason worked for a WA based Venture Capital fund before undertaking 3 years at Price Waterhouse Coopers during which he qualified as a Chartered Accountant. In 1999 he formed Formzest Ltd in the UK to provide Corporate Performance Management solutions for organizations. In 2003 Jason returned to Australia to extend Formzest's international operations. Through Formzest, Jason has worked with a variety of clients including Universal Studios, BAE, Orange and WPP.</p>

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

## **2. Company secretary**

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

## **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	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Thomas R Crage	13	13	-	-	2	2	-	-	12	12
Keegan T Crage	13	13	2	2	-	-	-	-	12	12
Jason F Crage	10	13	2	2	2	2	-	-	12	12

**A** – Number of meetings attended

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

#### **For the year ended 30 June 2007**

#### **4. Corporate governance statement**

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

##### **4.1 Board of directors**

###### **Role of the board**

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

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

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

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

###### **Board processes**

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

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

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

###### **Director education**

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

###### **Independent professional advice and access to company information**

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

### For the year ended 30 June 2007

#### 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 8 of this report. The composition of the board is determined using the following principles:

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

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

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last two years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment
- within the last two years has not been a principal or employee of a material\* professional adviser or a material\* consultant to the Company or another group member
- is not a material\* supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material\* supplier or customer
- has no material\* contractual relationship with the Company or another group member other than as a director of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially\* interfere with the director's ability to act in the best interests of the Company.

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

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

#### 4.2 Nomination committee

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

#### **For the year ended 30 June 2007**

##### **4.2 Nomination committee (continued)**

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

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

The nomination committee meets as and when it is required. The committee did not meet during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 9. The terms and conditions of the appointment and retirement of non-executive directors are set out in the Corporate Governance Policy, including expectations of attendance and preparation for all board meetings, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

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

##### **4.3 Remuneration committee**

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

The members of the remuneration committee during the year were:

- Jason Crage – Non-Executive.
- Tom Crage – 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 9.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

#### **4.4 Remuneration report**

##### **4.4.1 Principles of compensation - audited**

Remuneration is referred to as compensation throughout this report.

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

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

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

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

Compensation packages include a mix of fixed and variable compensation.

##### **Fixed compensation**

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

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

##### **Performance-linked compensation**

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

##### **Short-term and long-term incentive structure**

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

##### **Service contracts**

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

Thomas Crage, Chief Executive Officer, has a contract of employment with the Company which provides for a total package of \$291,000. Of that total, \$176,000 was taken as salary and \$115,000 was taken as superannuation. The package is reviewed each July against industry surveys, the Company's performance covering the July to June period including annual share price movement and other key performance indicators. The 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.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

**4.4 Remuneration report**

**4.4.1 Principles of compensation – audited**

*Non-executive directors*

Total compensation for all non-executive directors, last voted upon by shareholders at the 2001 AGM, is not to exceed \$180,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently up to \$34,396 per annum.

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2007

#### 4.4 Remuneration report

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

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

		<i>Short-term</i>				<i>Post-employment</i>	<i>Other long term</i>	<i>Termination benefits</i>	<i>Share-based payments</i>	<i>Total \$</i>
		<i>Salary &amp; fees \$</i>	<i>STI cash bonus \$(A)</i>	<i>Non-monetary benefits \$</i>	<i>Total</i>	<i>Superannuation benefits \$</i>	<i>\$</i>		<i>Options and rights (B) \$</i>	
<b>Directors</b>										
<b>Non-executive</b>										
Jason Crage (from 20/12/05)	2007	<b>34,396</b>			<b>34,396</b>	<b>3,096</b>	-	-	-	<b>37,492</b>
	2006	17,738	-	-	17,738	1,596	-	-	-	19,334
Bill Hassell (until 19/12/05)	2007	-	-	-	-	-	-	-	-	-
	2006	21,717	-	-	21,717	1,955	-	-	-	23,672
Graeme Sampson (until 19/12/05)	2007	-	-	-	-	-	-	-	-	-
	2006	15,484	-	-	15,484	-	-	-	-	15,484
<b>Executive</b>										
Thomas R. Crage , Chairman and Chief Executive Officer	2007	<b>176,000</b>	-	<b>2,658</b>	<b>178,658</b>	<b>115,000</b>	-	-	-	<b>293,658</b>
	2006	266,131	-	36,273	302,404	23,952	-	-	-	326,356
Keegan Crage Executive Director and Company Secretary	2007	<b>148,737</b>	<b>10,833</b>	<b>-5,537</b>	<b>154,033</b>	<b>14,361</b>	-	-	-	<b>168,394</b>
	2006	133,939	-	-3,666	130,273	12,055	-	-	-	142,328

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2007

**4.4 Remuneration report (continued)**

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

		<i>Short-term</i>				<i>Post-employment</i>	<i>Other long term</i>	<i>Termination benefits</i>	<i>Share-based payments</i>	<i>Total</i>
		<i>Salary &amp; fees</i>	<i>STI cash bonus</i>	<i>Non-monetary benefits</i>	<i>Total</i>	<i>Super-annuation benefits</i>	\$		<i>Options and rights</i>	
		\$	\$	\$		\$		\$	\$	

*Executives*

Val Crag	<b>2007</b>	<b>61,563</b>	<b>4,320</b>	<b>4,565</b>	<b>70,448</b>	<b>49,903</b>	-	-	-	<b>120,351</b>
	2006	105,079	2,606	7,901	115,586	9,692	-	-	-	125,278
Neil Levin ( from April 2005)	<b>2007</b>	<b>103,960</b>	<b>12,370</b>	<b>5,175</b>	<b>121,505</b>	<b>10,470</b>	-	-	-	<b>131,975</b>
	2006	101,197	-	952	102,149	9,108	-	-	-	111,257
Chris Hutber ( from March 2005)	<b>2007</b>	<b>136,852</b>	<b>32,904</b>	<b>7,139</b>	<b>176,895</b>	-	-	-	-	<b>176,895</b>
	2006	132,020	-	990	133,010	-	-	-	-	133,010

*Former Executives*

Lance Camacho (from Sept 04 till April 2006)	<b>2007</b>	-	-	-	-	-	-	-	-	-
	2006	80,822	-	(2,053)	78,769	7,274	-	-	-	86,043
<b>Total compensation: key management personnel (company and consolidated)</b>	<b>2007</b>	<b>661,508</b>	<b>60,427</b>	<b>14,000</b>	<b>735,935</b>	<b>192,830</b>	-	-	-	<b>928,765</b>
	2006	874,127	2,606	40,397	917,130	65,632	-	-	-	982,762

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.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

#### **4.5 Audit committee**

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

The members of the audit committee during the year were:

- Jason Crag (appointed 22 December 2005) – Non-Executive.
- Keegan Crag (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 9.

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 2007 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.

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

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

#### **4.6 Risk management**

##### **Oversight of the risk management system**

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

##### **Risk profile**

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

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

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

##### **Risk management and compliance and control**

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

Comprehensive practices have been established to ensure:

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

#### **4.6 Risk management (continued)**

##### **Quality and integrity of personnel**

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

##### **Financial reporting**

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

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

##### **Environmental regulation**

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

#### **4.7 Ethical standards**

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

##### **Conflict of interest**

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

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in note 29 to the financial statements.

##### **Code of conduct**

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

#### **4.7 Ethical standards (continued)**

##### **Code of conduct (continued)**

##### **Trading in general Company securities by directors and employees**

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

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

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

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

#### **4.8 Communication with shareholders**

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

In summary, the Continuous Disclosure Policy operates as follows:

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

**4.8 Communication with shareholders (continued)**

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

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

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

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

**5. Principal activities**

The principal activities of the consolidated entity during the course of the financial year were the rental of computer and associated equipment and the support of franchisees to operate similar computer rental businesses.

The consolidated entity has begun investigating the establishment of an internet web site development operation. A subsidiary, HI Web Solutions Pty Ltd, (formerly Hire Intelligence USA Pty Ltd) represents this operation.

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

**Objectives**

The consolidated entity's objectives are to:

- Enhance the growth of Operations Division by opening additional outlets and updating and broadening its offerings to customers
- Establish and develop the HI Web Solutions business by marketing the offering to existing Hire Intelligence customers as well as to the broader business and government sectors
- Consider investment opportunities as and when they arise outside of the current areas of operations

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

## **6. Operating and financial review**

### **The Hire Intelligence Business**

The Hire Intelligence business is made up of three key divisions:

- The Operations Division with offices in London, Sydney and Perth and, effective 1 July, in Brisbane and Melbourne, all of which offer:
  - Short-term rental of IT and audiovisual equipment
  - Short-term rental of Videoconferencing equipment and facilities
  - Fully IT equipped training rooms
  - Leasing
- The Franchising Division, which focuses on supporting Franchisees who operate in premises throughout Australia, New Zealand, the United Kingdom and Ireland. This is best explained under three headings:
  - Franchisees with contractual relationships with the Franchisor
  - Master Franchisees with contractual relationships with the Franchisor and its own Franchisees
  - Franchisees with contractual relationships with Master Franchisees
- Web Solutions in Australia, New Zealand, Europe, South America and Africa. This is a new venture that commenced after the close of the 2006/2007 financial year. In terms of an agreement reached between Hire Intelligence and Magnon Solutions (one of India's leading web solutions companies) an Indian based company has been formed as a vehicle for profit sharing with HII owning 51.0% and Magnon 49.0% of the new entity. HII will market Magnon's services while Magnon will undertake:
  - Design, construction and operation of client websites
  - Ensure search engine optimisation
  - Develop online marketing campaigns for clients
  - Provide website hosting

The Company's key assets/features include:

- **PROFIT & ASSET GROWTH:** Steadily growing normalised EBITA and Net Tangible Assets with a return on capital employed of over 100%
- **GROWING CASH RESERVES:** Steadily growing cash reserves, no debt and \$7.6 million surplus cash
- **ICONIC BRAND:** Highly acceptable trademark that scores exceptionally highly on recall. Over \$10 million has been spent on advertising & brand building over the years
- **BUSINESS PROCESS TECHNOLOGY:** HII has a clearly defined operational framework to ensure consistent presentation and service standards across the group.
- **INFORMATION SYSTEMS TECHNOLOGY:** Exceptional integrated computer fleet management and accounting system
- **INTERNATIONAL OPERATIONS and FRANCHISEES:** Operates in Australia, New Zealand, United Kingdom and Ireland providing corporate structure and opportunities outside of Australia. It has 5 company owned outlets plus 14 franchised outlets covering 29 franchised territories.
- **WEB SOLUTIONS JOINT VENTURE:** HII has exclusive marketing rights across Australia, New Zealand, Europe, South America and Africa, to a full suite of web solutions provided by a leading Indian web solutions firm.
- **FRANKING CREDITS:** The group has \$2,499,000 worth of franking credits associated with close on \$10,333,000 historical taxed profits
- **SCALABLE PORTABLE BUSINESS MODEL:** HII has a highly scalable portable business model enabling the establishment of new franchising concepts and leveraging off its existing infrastructure.

### **Underlying earnings**

Hire Intelligence achieved total revenue of \$11.2 million (2006: \$9.4 million) for the 2007 financial year, inclusive of \$1.3 million of non recurring revenue, while earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$4.1 million (2006: \$3.1 million) inclusive of \$0.7 million of non recurring profit. The net profit for 2007 of \$2.1 million is 80% better than the 2006 result of \$1.2 million.

The business is profitable, and is essentially debt free. Cash on hand at year end was \$7.9 million.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

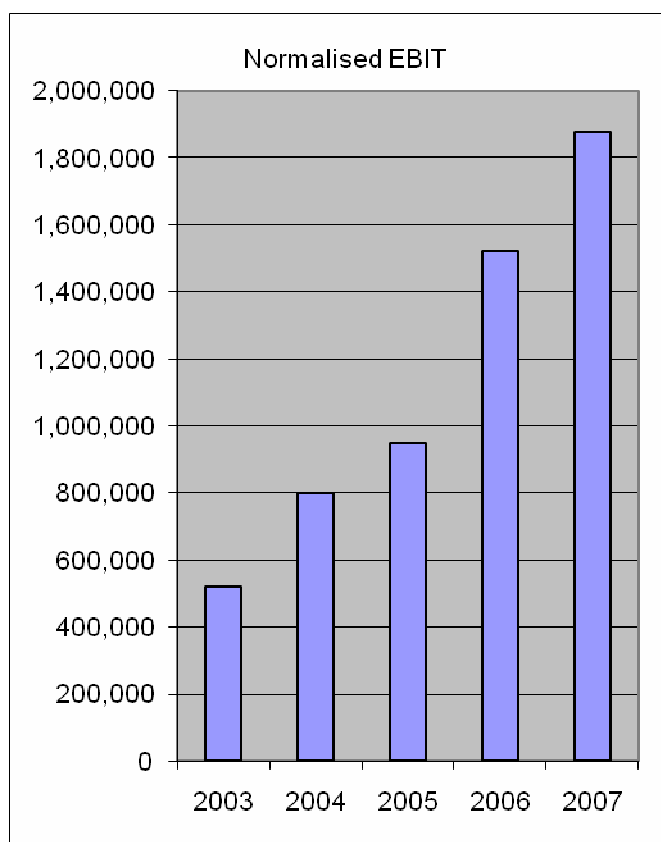
For the year ended 30 June 2007

**Operating and financial review (continued)**

Normalised earnings before interest and tax (EBIT) were \$1.9 million for the 2007 financial year compared with \$1.5 million in 2006.

Financial Years Ending 30 June	<u>AGAAP</u>	<u>AGAAP</u>	<u>AIFRS</u>	<u>AIFRS</u>	<u>AIFRS</u>
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit/Loss from ordinary activities	(2,234,000)	(5,258,000)	1,195,000	1,813,000	3,072,000
Add back Goodwill amortisation	2,799,000	6,551,000			
Less profit on sale of UK MF		(370,000)			
Less profit on moving premises					(703,000)
<b>Earnings Before Tax</b>	<b>565,000</b>	<b>923,000</b>	<b>1,195,000</b>	<b>1,813,000</b>	<b>2,369,000</b>
Less interest income	(45,000)	(128,000)	(245,000)	(290,000)	(493,000)
<b>Normalised EBIT</b>	<b>520,000</b>	<b>800,000</b>	<b>950,000</b>	<b>1,523,000</b>	<b>1,876,000</b>
<b>Growth on Prior Year</b>		<b>53.8%</b>	<b>18.8%</b>	<b>60.3%</b>	<b>23.2%</b>

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



As was the case last year, the improved profitability is due largely to a change in the mix of products and services provided to customers, cost savings and improved rental income.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2007

**6. Operating and financial review (continued)**

		<u>12 Months Ended</u>			
	30/06/03	30/06/04	30/06/05	30/06/06	30/06/07
Net Tangible Assets Per Share (cents per shares)	5.9	8.4	9.9	12.0	12.4
Cash Assets \$(000)	1,732	3,938	5,400	7,084	7,882
Revenue (incl. interest income, excl sale of UK Master Franchise)	7,542	9,070	9,286	9,353	11,216
EBITA as a % of total net tangible assets less surplus cash	28.3%	40.9%	51.4%	76.3%	116.2%

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

Net assets per share at 30 June 2007 were 17.2 cents.

**The Short Term Computer Rental and Audio Visual Industries**

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

**The Operations Division**

The Company continues to invest time and money into enhancing its proprietary software and refining its operational systems and processes to ensure that the operations are of a leading world class standard. The Company benefits from outstanding lines of communication and reporting which ensure that changes in industry are reflected in the systems and processes employed within the Company's operations on a timely basis.

As has been the case for a period of time now, equipment prices continue to fall placing pressure on margins. The Company believes that the steps taken to counter this have been successful and will strive to continue improving the operations to ensure an appropriate return is achieved on capital employed.

Our London operation moved offices during the year to a larger, better laid out facility after receiving £519,000 from our previous neighbour to move out of our previous premises that they required and we had outgrown. The move, whilst disruptive at the time, has proven to be worthwhile and will provide the capacity necessary to allow the operation to continue its impressive growth.

During the year the Company agreed to acquire all previously franchised territories in Queensland and Victoria at no cost and commenced operating company owned outlets in Melbourne and Brisbane effective July 1<sup>st</sup>. This takes the number of company owned outlets to 4 in Australia and one in London, United Kingdom. The Company is of the view that both outlets are under-performing and intends taking a range of measures to improve performance dramatically. The measures and other restructuring are likely to reduce profit expectations from these two outlets in FY2008 but are expected to yield solid results in FY2009.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2007

## **6. Operating and financial review (continued)**

### **The Franchising Division**

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

The division contributed external revenues of \$1.4 million in the 2007 financial year compared with \$1.3 million in the 2006 financial year. There are currently 4 franchise operations in Australia, 2 in New Zealand, 1 Ireland and 7 in the United Kingdom which operate under a total of 29 franchise agreements. A number of these franchise agreements are due for renewal in the coming 12 months.

### **Corporate Objectives**

The company's objectives are to:

- Enhance the growth of Operations Division by opening additional outlets, updating and broadening its offerings to customers.
- Establish and develop the HI Web Solutions business by marketing the offering to existing Hire Intelligence customers as well as to the broader business and government sectors.
- Consider investment opportunities as and when they arise outside of the current areas of operations.

### **Future**

Hire Intelligence anticipates strong growth in turnover, continued growth in normalised earnings before interest and tax and expects to pay a dividend with respect to earnings during the current financial year. This financial year is forecast to be the Company's fifth successive year of growth in normalised earnings before interest and tax (EBIT). The Company believes it will be able to continue improving turnover and market share within the industry however it does not anticipate selling any franchises during the present financial year.

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

- Organic growth from existing operations. The risk remains that continued price drops may adversely impact upon organic growth.
- Franchisees and Master Franchisees repurchasing their franchises and master franchises as they expire.
- Where Franchisees do not repurchase their turnover is expected to move to company-owned outlets where they are within serviceable distance of the areas not repurchased.
- Where Franchisees and Master Franchisees do not repurchase franchise and master franchise territories and they are not within serviceable distance from company owned outlets consideration will be given to selling these areas to new Franchisees or Master Franchisees or alternatively opening company owned outlets or controlling the Master Franchise Territories ourselves.
- HI Web Solutions. During the current financial year revenue is expected to be offset by setup costs however going forward it is expected to be a solid profit contributor.
- Leasing.
- Expansion into complimentary areas.
- Diversification into new industries.

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

Its joint venture in the provision of web solutions provides potential significant benefits going forward however the current financial year is likely to see establishment costs neutralising profits generated. Keegan Cragg has been appointed Managing Director of HI Web Solutions Pty Ltd to drive this process.

Your Board intends continuing trialling new products as well as considering expanding into complimentary areas and new industries.

Your Board expects EBIT in the 2007/2008 financial year to be between \$1.8 million and \$2.7 million. This compares with a normalised EBIT of \$1.9 million for FY2007. Your Board anticipates declaring a dividend of not less than 1.5 cents per share.

### **Significant changes in the state of affairs**

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

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

**7. Dividends**

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

20 August 07 Fully franked 0.6 cent dividend of \$462,197.74  
22 May 07 Fully franked 2 cent dividend of \$1,540,659.10

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

**8. Events subsequent to reporting date**

The Company agreed to acquire all previously franchised territories in Queensland and Victoria at no cost and commenced operating company owned outlets in Melbourne and Brisbane effective July 1<sup>st</sup>. This takes the number of company owned outlets to 4 in Australia and one in London, United Kingdom. The Company is of the view that both outlets are under-performing and intends taking a range of measures to improve performance dramatically. The measures and other restructuring are likely to reduce profit expectations from these two outlets in FY2008 but are expected to yield solid results in FY2009.

HI Web Solutions Pty Ltd, a 100% owned subsidiary of Hire Intelligence International Limited entered into a joint venture with a leading Indian website solutions provider. In terms of the agreement reached an Indian based company shall be formed as a vehicle for profit sharing with HII Web Solutions owning 51.0% and Magnon 49.0% of the new entity. HI Web Solutions will market the services while the Indian web solutions provider will undertake:

- Design, construction and operation of client websites
- Ensure search engine optimisation
- Develop online marketing campaigns for clients
- Provide website hosting

Both HI Web Solutions and the Indian web solutions provider will provide their services at cost with the profit being made by the new entity. HII shall have exclusive marketing rights for Australia, New Zealand, Europe, Africa and South America with exclusive marketing rights in the UK restricted to an extensive list of companies reserved by HII.

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:

	<b>Hire Intelligence International Limited</b>	
	<b>Ordinary shares</b>	<b>Options over ordinary shares</b>
Tom Crage	69,667,376	Nil
Keegan Crage	Nil	Nil
Jason Crage	Nil	Nil

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

## **11. Share options**

### **Options granted to directors and officers of the Company**

No options have been granted during the financial year.

### **Unissued shares under options**

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

<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of shares 2007</b>	<b>Number of shares 2006</b>
30 June 2007*	50 cents	-	2,000,000
		-	2,000,000

\* Vendors options granted to Hire Intelligence Pty Ltd, a related party of T R Crage at an exercise price of 50 cents each. These options were exercisable at any time prior to 5.00pm (WST) on 30 June 2007. The options were not exercised and have now lapsed.

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

### **Shares issued on exercise of options**

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options (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 \$8,373 (2006:\$39,050) in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

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

- premiums totalling \$8,373 (2006:\$39,050) 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.

Hire Intelligence International Limited and its controlled entities

Directors' report (continued)

**For the year ended 30 June 2007**

**13. Non-audit services**

During the year the Company's auditor, has not performed any other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, BDO (KPMG in 2006), 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:

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Audit services (BDO):		
Auditors of the Company		
audit and review of financial reports	65,286	-
Audit services (KPMG Australia):		
Auditors of the Company		
audit and review of financial reports	-	78,683
	<u>65,286</u>	<u>78,683</u>
Services other than statutory audit:		
<b>Other services</b>		
Other assurance services	-	-
Taxation compliance services (KPMG Australia)	10,000	22,301
	<u>75,286</u>	<u>100,933</u>

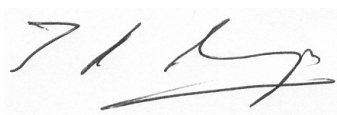
**14. Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 29 and forms part of the directors' report for financial year ended 30 June 2007.

**15. Rounding off**

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

This report is made with a resolution of the directors:



Tom Crage  
Executive Chairman

Dated at Perth this 30<sup>th</sup> day of August 2007



30 August 2007

**Private and Confidential**

The Directors  
Hire Intelligence International Limited  
110 Jersey Street  
JOLIMONT WA 6014

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF HIRE INTELLIGENCE INTERNATIONAL LIMITED**

As lead auditor of Hire Intelligence International Limited for the year ended 30 June 2007, 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; and
- 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.

Yours faithfully  
**BDO Kendalls Audit & Assurance (WA)**

BDO Kendalls

**Chris Burton**  
Partner

## Hire Intelligence International Limited and its controlled entities

## Income statements

## For the year ended 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>The Company</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Sales Revenue	1,2	9,465	9,058	5,357	5,061
Cost of sales		(2,548)	(1,992)	(1,593)	(1,166)
<b>Gross profit</b>		<b>6,917</b>	<b>7,066</b>	<b>3,764</b>	<b>3,895</b>
Dividend income		-	-	1,907	-
Compensation from office relocation		1,257	-	1,257	-
Office relocation expenses		(554)	-	(554)	-
Distribution expenses		(261)	(304)	(191)	(215)
Marketing expenses		(577)	(532)	(356)	(359)
Occupancy expenses		(429)	(480)	(302)	(332)
Administrative expenses		(3,395)	(3,851)	(2,573)	(3,017)
Amortisation of trademarks	16	(379)	(376)	(379)	(369)
<b>Results from operating activities</b>	2,3,4	<b>2,579</b>	<b>1,523</b>	<b>2,573</b>	<b>(397)</b>
Financial income	6	494	295	475	286
Financial expenses	6	(1)	(5)	(1)	(5)
<b>Net financing income</b>		<b>493</b>	<b>290</b>	<b>474</b>	<b>281</b>
<b>Profit before tax</b>		<b>3,072</b>	<b>1,813</b>	<b>3,047</b>	<b>(116)</b>
Income tax (expense)	7	(945)	(632)	(393)	(5)
<b>Profit for the year</b>		<b>2,127</b>	<b>1,181</b>	<b>2,654</b>	<b>(121)</b>
<b>Profit attributable to equity holders of the parent</b>					
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>					
Basic earnings per share	8	2.76cps	1.53cps		
Diluted earnings per share	8	2.76cps	1.53cps		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 34 to 68.

Hire Intelligence International Limited and its controlled entities  
Statements of changes in equity

*In thousands of AUD*

<b>Consolidated</b>	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Total equity</b>
<b>For the financial year ended 30 June 2006</b>				
Opening Balance at 1 July 2005	37,729	(25,597)	(80)	12,052
Foreign exchange translation differences	-	-	59	53
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(25,597)</b>	<b>(21)</b>	<b>12,111</b>
Net profit	-	1,181	-	1,181
<b>Closing balance at 30 June 2006</b>	<b>37,729</b>	<b>(24,416)</b>	<b>(21)</b>	<b>13,292</b>

**For the financial year ended 30 June 2007**

Opening Balance at 1 July 2006	37,729	(24,416)	(21)	13,292
Foreign exchange translation differences	-	-	(173)	(173)
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(24,416)</b>	<b>(194)</b>	<b>13,119</b>
Net profit	-	2,127	-	2,127
Dividends	-	(2,003)	-	(2,003)
<b>Closing balance at 30 June 2007</b>	<b>37,729</b>	<b>(24,292)</b>	<b>(194)</b>	<b>13,243</b>

**Company**

**For the financial year ended 30 June 2006**

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

**For the financial year ended 30 June 2007**

Opening Balance at 1 July 2006	37,729	(26,974)	10	10,765
Foreign exchange translation differences	-	-	(104)	(104)
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(26,974)</b>	<b>(94)</b>	<b>10,661</b>
Net profit	-	2,654	-	2,654
Dividends	-	(2,003)	-	(2,003)
<b>Closing balance at 30 June 2007</b>	<b>37,729</b>	<b>(26,323)</b>	<b>(94)</b>	<b>11,312</b>

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 34 to 68.

## Hire Intelligence International Limited and its controlled entities

## Balance sheets

As at 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>The Company</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>					
Cash and cash equivalents	9	7,882	7,084	6,052	6,544
Trade and other receivables	10	1,468	1,705	954	649
Inventories	11	106	75	60	60
Other assets	12	157	126	142	114
<b>Total current assets</b>		<b>9,613</b>	<b>8,990</b>	<b>7,208</b>	<b>7,367</b>
Investments	27	-	-	8,609	8,609
Trade and other receivables	10	857	1,082	1,585	1,016
Deferred tax assets	14	228	222	194	194
Property, plant and equipment	15	2,778	2,445	1,847	1,453
Intangible assets	16	3,704	4,069	12	377
<b>Total non-current assets</b>		<b>7,567</b>	<b>7,818</b>	<b>12,247</b>	<b>11,649</b>
<b>Total assets</b>		<b>17,180</b>	<b>16,808</b>	<b>19,455</b>	<b>19,016</b>
<b>Liabilities</b>					
Trade and other payables	17	1,174	893	6,375	7,552
Interest-bearing loans and borrowings	18	-	5	-	5
Deferred income	19	272	837	217	117
Income tax payable	13	828	408	828	408
Employee benefits	20	153	149	113	122
Provisions	21	568	83	534	-
<b>Total current liabilities</b>		<b>2,995</b>	<b>2,375</b>	<b>8,067</b>	<b>8,204</b>
Deferred income	19	855	1,082	-	-
Employee benefits	20	87	59	76	47
<b>Total non-current liabilities</b>		<b>942</b>	<b>1,141</b>	<b>76</b>	<b>47</b>
<b>Total liabilities</b>		<b>3,937</b>	<b>3,516</b>	<b>8,143</b>	<b>8,251</b>
<b>Net assets</b>		<b>13,243</b>	<b>13,292</b>	<b>11,312</b>	<b>10,765</b>
<b>Equity</b>					
Issued capital	22	37,729	37,729	37,729	37,729
Reserves	22	(194)	(21)	(94)	10
Retained earnings	22	(24,292)	(24,416)	(26,323)	(26,974)
<b>Total equity attributable to equity holders of the parent</b>		<b>13,243</b>	<b>13,292</b>	<b>11,312</b>	<b>10,765</b>

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 34 to 68.

Hire Intelligence International Limited and its controlled entities  
Statements of cash flows

**For the year ended 30 June 2007**

<i>In thousands of AUD</i>		<b>Consolidated</b>		<b>The Company</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>	<b>Note</b>				
Cash receipts from customers		9,652	9,955	5,392	5,534
Cash paid to suppliers and employees		(6,954)	(6,937)	(4,383)	(5,020)
Cash generated from operations		2,698	3,018	1,009	514
Other revenue		1,257	-	1,257	
Interest paid		(6)	(5)	(6)	(5)
Income taxes paid/(benefit)		(531)	(384)	(543)	250
<b>Net cash inflow from operating activities</b>	28	<b>3,418</b>	<b>2,629</b>	<b>1,717</b>	<b>759</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		441	350	326	245
Payments for property, plant and equipment		(2,009)	(1,585)	(1,464)	(1,089)
Payments for other non current assets		(14)	-	(14)	-
Interest received		494	295	475	286
<b>Net cash (outflow) from investing activities</b>		<b>(1,088)</b>	<b>(940)</b>	<b>(677)</b>	<b>(559)</b>
<b>Cash flows from financing activities</b>					
Loans from controlled entities		-	-	-	1,411
Payment of finance lease liabilities		-	(5)	-	(5)
Dividends paid		(1,532)	-	(1,532)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(1,532)</b>	<b>(5)</b>	<b>(1,532)</b>	<b>1,406</b>
Net increase in cash and cash equivalents		798	1,684	(492)	1,607
Cash and cash equivalents at 1 July		7,084	5,400	6,544	4,937
<b>Cash and cash equivalents at 30 June</b>	9	<b>7,882</b>	<b>7,084</b>	<b>6,052</b>	<b>6,544</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 68.

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies**

	<b>Page</b>		<b>Page</b>
(a) Statement of compliance	36	(o) Financial assets	43
(b) Basis of preparation	36	(p) Revenue	43
(c) Basis of consolidation	36	(q) Expenses	44
(d) Foreign currency	37	(r) Income tax	44
(e) Property, plant and equipment	37	(s) Segment reporting	46
(f) Intangible assets	38	(t) Goods and services tax	46
(g) Trade and other receivables	39	(u) Dividends	46
(h) Inventories	39	(v) Contributed equity	46
(i) Cash and cash equivalents	39	(w) Earnings per share	46
(j) Impairment	40	(x) Accounting estimates and judgements	47
(k) Share capital	42	(y) New accounting standards and interpretations	47
(l) Employee benefits	42		
(m) Provisions	42		
(n) Trade and other payables	43		

## Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007 (continued)

	<b>Page</b>		<b>Page</b>
2. Segment reporting	47	23. Financial instruments	61
3. Other income and expenses	49	24. Operating leases	62
4. Personnel expenses	49	25. Contingencies	63
5. Auditors' remuneration	49	26. Deed of cross guarantee	63
6. Net financing income	49	27. Investments	65
7. Income tax expense	50	28. Reconciliation of cash flows from operating activities	65
8. Earnings per share	51	29. Related parties	66
9. Cash and cash equivalents	52	30. Other related party transactions	67
10. Trade and other receivables	52	31. Events subsequent to reporting date	68
11. Inventories	52		
12. Other assets	52		
13. Current tax assets and liabilities	52		
14. Deferred tax assets and liabilities	53		
15. Property, plant and equipment	54		
16. Intangible assets	55		
17. Trade and other payables	57		
18. Interest-bearing loans and borrowings	57		
19. Deferred income	58		
20. Employee benefits	58		
21. Provisions	58		
22. Capital and reserves	59		

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**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 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 28 August 2007.

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB'), other authoritative pronouncements adopted by the Australian AIG Standards Board, Urgent Issues Group 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.

**(b) Basis of preparation**

The financial report is presented in Australian dollars.

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

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

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

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

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

**(c) Basis of consolidation**

**(i) Subsidiaries**

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

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

**(ii) Transactions eliminated on consolidation**

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(d) Foreign currency**

**(i) Foreign currency transactions**

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

**(ii) Financial statements of foreign operations**

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

**(iii) Net investment in foreign operations**

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

**(e) Property, plant and equipment**

**(i) Owned assets**

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

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

**(ii) Leased assets**

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

**(iii) Subsequent costs**

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

**(iv) Depreciation**

All items of property, plant and equipment have limited useful lives and are depreciated/amortised using methods described below over their estimated useful lives.

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**Significant accounting policies (continued)**

**(e) Property, plant and equipment (continued)**

**(iv) Depreciation (continued)**

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

	<b>2007</b>	2006	Method
<i>Property, plant and equipment</i>			
Leasehold improvements	<b>12%-20%</b>	12%-20%	reducing balance
Plant and equipment	<b>20%-40%</b>	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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(f) Intangible assets (continued)**

**(iii) Other intangible assets**

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

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

**(iv) Subsequent expenditure**

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

**(v) Amortisation**

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

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

**(g) Trade and other receivables**

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

**(h) Inventories**

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

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

**(i) Cash and cash equivalents**

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(j) Impairment**

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

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

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

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

**(i) Calculation of recoverable amount**

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

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

**(ii) Reversals of impairment**

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

An impairment loss in respect of goodwill is not reversed.

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(j) Impairment (continued)**

**(iii) Derecognition of financial assets and liabilities**

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

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(k) Share capital**

**Transaction costs**

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

**(l) Employee benefits**

**(i) Long-term service benefits**

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

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

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

**(iii) Defined contribution superannuation fund**

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

**(m) Provisions**

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(n) Trade and other payables**

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

**(o) Financial assets**

The franchise business has current franchise agreements in terms of which certain minimum royalty revenues are receivable by the consolidated entity. These revenues conform to the definition of financial assets under AIFRS. Accordingly the future minimum receivable amounts under these agreements are recognised as a receivable with a corresponding adjustment to deferred revenues. The assets and their corresponding deferred income balance is determined by discounting future cash flows using an appropriate pre tax discount rate. Accounting policy (p) below sets out the revenue recognition basis for this income.

**(p) Revenue**

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

**(i) Rental Contracts**

Rental revenue is recognised on a straight line basis over the term of the rental agreement. Where revenue is received in advance it is deferred and recognised as unearned revenue in the balance sheets. Unearned revenue is then recognised in the income statements over the term of the rental agreement.

**(ii) Franchise fees**

Initial franchise fees are recognised at the date the franchise passes to the franchisee, usually upon completion of the initial training course. Ongoing franchise fees are recognised as they accrue. Minimum future fixed fees are deferred and are only recognised in the income statement when they become due and payable.

**(iii) Sale of licences and other goods**

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

**(iv) Rendering of services**

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

**(v) Interest revenue**

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

**(vi) Sale of non-current assets**

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(q) Expenses**

**(i) Operating lease payments**

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

**(ii) Finance lease payments**

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

**(iii) Net financing costs**

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

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

**(r) Income tax**

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- (i) initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and
- (ii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(r) Income tax (continued)**

**(i) Tax consolidation**

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

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

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

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

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

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

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(r) Income tax (continued)**

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

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

**(s) Segment reporting**

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

**(t) Goods and services tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO or UK tax authority is included as a current asset or liability in the balance sheet.

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

**(u) 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.

**(v) Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options 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.

**(w) 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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**1. Significant accounting policies (continued)**

**(x) Accounting estimates and judgements**

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

**Key sources of estimation uncertainty**

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

**Impairment of goodwill and intangibles with indefinite useful lives**

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

**(y) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments : Disclosure, and AASB 2005-10 Amendments to Australian Accounting Standards , are applicable to annual reporting periods beginning after 1 January 2007. These standards have not been adopted early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's and parent entity's financial instruments.

(ii) AASB-I 10 Interim financial reporting and impairment , is applicable to annual reporting periods beginning after 30 November 2006. The Group has not recognised an impairment loss in an interim report that has subsequently been reversed in the annual report and therefore application will have no impact on the financial statements.

**2. Segment reporting**

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

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

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

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

**Business segments**

The consolidated entity comprises the following main business segments:

- IT and AV equipment rentals
- Franchising

**Geographical segments**

The consolidated entity comprises the following geographical segments:

- Australia
- United Kingdom

**(b) Business segments**

	<b>Computer Equipment rentals</b>		<b>Franchising</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Revenue</b>								
External segment revenue	<b>8,328</b>	7,790	<b>1,137</b>	1,268		-	<b>9,465</b>	9,058
Inter-segment revenue	<b>166</b>	292	<b>249</b>	250	<b>(415)</b>	(542)	-	-
Total segment revenue	<b>8,494</b>	8,082	<b>1,386</b>	1,518	<b>(415)</b>	(542)	<b>9,465</b>	9,058
<b>Total revenue</b>							<b>9,465</b>	9,058
<b>Result</b>								
Segment result	<b>1,926</b>	1,295	<b>1,096</b>	1,195	-	-	<b>3,022</b>	2,490
<b>Unallocated corporate income -relocation</b>							<b>1,257</b>	-
<b>Unallocated corporate expense - relocation</b>							<b>(554)</b>	-
<b>Unallocated corporate expenses - other</b>							<b>(653)</b>	(677)
<b>Profit before tax</b>							<b>3,072</b>	1,813
<b>Income tax expense</b>							<b>(945)</b>	(632)
<b>Net profit</b>							<b>2,127</b>	1,181
Depreciation	<b>1,171</b>	1,114	-	-	-	-	<b>1,171</b>	1,114
Amortisation	<b>379</b>	376	-	-	-	-	<b>379</b>	376
<b>Assets</b>								
Segment assets excluding intangible assets	<b>10,046</b>	9,949	<b>3,430</b>	2,790	-	-	<b>13,476</b>	12,739
intangible assets	<b>3,693</b>	3,699	<b>11</b>	370	-	-	<b>3,704</b>	4,069
<b>Consolidated total assets</b>							<b>17,180</b>	16,808
<b>Liabilities</b>								
Segment liabilities	<b>2,599</b>	2,181	<b>1,338</b>	1,335	-	-	<b>3,937</b>	3,516
<b>Consolidated total liabilities</b>							<b>3,937</b>	3,516
Acquisition of non-current assets	<b>2,023</b>	1,585	-	-	-	-	<b>2,023</b>	1,585

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

### 3. Other income and expenses

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net bad and doubtful debts	45	(27)	46	(22)
Government grants received	-	-	-	-
Net loss on disposal of property, plant and equipment	(48)	(43)	(39)	(45)
Intercompany management fees received	-	-	160	292
Intercompany dividends received	-	-	1,907	-
Operating lease rental payments	(370)	(342)	(259)	(211)
Depreciation	(1,171)	(1,114)	(716)	(622)

### 4. Personnel expenses

*In thousands of AUD*

Wages and salaries	2,294	2,111	1,683	1,556
Other associated personnel expenses	157	176	105	138
Contributions to defined contribution superannuation funds	132	132	75	86
Increase in liability for annual and long service leave	22	281	20	275
	<b>2,605</b>	<b>2,700</b>	<b>1,883</b>	<b>2,055</b>

### 5. Auditors' remuneration

*In AUD*

#### Audit services

Auditors of the Company

BDO –Audit services	65,286	-	65,286	-
KPMG Australia –Audit services	-	78,683	-	78,683
	<b>65,286</b>	<b>78,683</b>	<b>65,286</b>	<b>78,683</b>

#### Other services

Other assurance services

KPMG Australia -Taxation services

Other assurance services	-	-	-	-
KPMG Australia -Taxation services	10,000	22,301	10,000	22,301
	<b>75,286</b>	<b>100,984</b>	<b>75,286</b>	<b>100,984</b>

### 6. Net financing income

*In thousands of AUD*

Interest income	494	295	475	286
Financial income	494	295	475	286
Interest expense	(1)	(5)	(1)	(5)
Financial expenses	(1)	(5)	(1)	(5)
Net financing income	<b>493</b>	<b>290</b>	<b>474</b>	<b>281</b>

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 7. Income tax expense

### Recognised in the income statement

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>The Company</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Current tax expense</b>					
Current year		1,024	575	438	(22)
Adjustments for prior years		(69)	30	(41)	(17)
		<b>955</b>	<b>605</b>	<b>397</b>	<b>(39)</b>
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		(10)	27	(4)	44
	14	(10)	27	(4)	44
<b>Total income tax expense/(benefit) in income statement</b>		<b>945</b>	<b>632</b>	<b>393</b>	<b>5</b>
Attributable to:					
Continuing operations		945	632	393	5
Discontinuing operations		-	-	-	-
		<b>945</b>	<b>632</b>	<b>393</b>	<b>5</b>

### Numerical reconciliation between tax expense and pre-tax net profit

<i>In AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Profit before tax	3,072	1,819	3,047	(117)
Income tax expense/(benefit) using the domestic corporation tax rate of 30% (2006: 30%)	922	545	914	(35)
Increase in income tax expense due to:				
Non-deductible expenses	114	111	114	111
Decrease in income tax expense due to:				
Non assessable income	-	-	(572)	-
Effect on tax rate in foreign jurisdictions	(22)	(54)	(22)	(54)
	<b>1,014</b>	<b>602</b>	<b>434</b>	<b>22</b>
Under / (over) provided in prior years	(69)	30	(41)	(17)
Income tax expense on pre-tax net profit	<b>945</b>	<b>632</b>	<b>393</b>	<b>5</b>

<i>In AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Relating to equity settled transactions	-	56	-	56
	<b>-</b>	<b>56</b>	<b>-</b>	<b>56</b>

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 8. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of 2.76 cents per share (2006: 1.54 cents per share) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 77,032,958 (2006: 77,032,958), calculated as follows:

### Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated	
	2007	2006
Profit for the period	2,127	1,181

### Weighted average number of ordinary shares

	Consolidated	
	2007	2006
Issued ordinary shares throughout the year	77,032,958	77,032,958

### Diluted earnings per share

Share options over nil (2006: 2,000,000) shares issued on 10 December 2001 have not been included in the calculation of diluted EPS as they were not dilutive and have lapsed.

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

**9. Cash and cash equivalents**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Bank balances	2,131	703	301	163
Bank negotiable certificate of deposit	5,751	6,381	5,751	6,381
Cash and cash equivalents	<b>7,882</b>	7,084	<b>6,052</b>	6,544

The bank negotiable certificate of deposit has a maturity date of 31 July 2007 and bears interest at 6.45% ( 2006: 6.80%)

**10. Trade and other receivables**

<i>In thousands of AUD</i>				
<b>Current</b>				
Other trade receivables and prepayments	1,310	974	796	576
Fixed franchise fees	-	658	-	-
Rent bond	158	73	158	73
	<b>1,468</b>	<b>1,705</b>	<b>954</b>	<b>649</b>
<b>Non-current</b>				
Fixed franchise fees	857	1,082	-	-
Loans to controlled entities	-	-	1,585	1,016
	<b>857</b>	<b>1,082</b>	<b>1,585</b>	<b>1,016</b>

**11. Inventories**

<i>In thousands of AUD</i>				
Finished goods	106	75	60	60

**12. Other assets**

<i>In thousands of AUD</i>				
Prepayments	157	126	142	114

**13. Current tax assets and liabilities**

The current tax liability for the consolidated entity of \$828,000 (2006: \$407,000) and for the Company of \$828,000 (2006: \$407,000) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the tax-consolidated group.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

#### 14. Deferred tax assets and liabilities

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<i>In thousands of AUD</i>						
Property, plant and equipment	97	85	-	-	97	85
Intangibles	-	-	-	-	-	-
Employee benefits	88	75	-	-	88	75
Other creditors	83	32	-	-	83	32
Other items	0	30	(40)	-	(40)	30
Tax (assets) / liabilities	268	222	(40)	-	228	222

##### The Company

<i>In thousands of AUD</i>						
Property, plant and equipment	97	85	-	-	97	85
Intangibles	-	-	-	-	-	-
Employee benefits	57	47	-	-	57	47
Other creditors	80	32	-	-	80	32
Other items	-	30	(40)	-	(40)	30
Tax (assets) / liabilities	234	194	(40)	-	194	194

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

### 15. Property, plant and equipment

	Note	Consolidated			The Company		
		Leasehold improvements	Plant and equipment	Total	Leasehold improvements	Plant and equipment	Total
<i>In thousands of AUD</i>							
<b>Cost</b>							
Balance at 1 July 2005		233	4,644	<b>4,877</b>	131	2,551	2,682
Acquisitions		-	1,585	<b>1,585</b>	-	1,089	1,089
Disposals		-	(1,222)	<b>(1,222)</b>	-	(765)	(765)
Effect of movements in foreign exchange		4	65	<b>69</b>	8	65	73
Balance at 30 June 2006		237	5,072	<b>5,309</b>	139	2,940	3,079
Balance at 1 July 2006		237	5,072	<b>5,309</b>	139	2,940	3,079
Acquisitions		234	1,785	<b>2,009</b>	224	1,240	1,464
Disposals		(103)	(876)	<b>(979)</b>	(103)	(876)	(979)
Effect of movements in foreign exchange		4	132	<b>(56)</b>	(6)	129	(123)
Balance at 30 June 2007		362	6,113	<b>6,475</b>	254	3,433	3,687
<i>In thousands of AUD</i>							
<b>Depreciation and impairment losses</b>							
Balance at 1 July 2005		106	2,445	<b>2,551</b>	53	1,395	1,448
Depreciation charge for the year		26	1,088	<b>1,114</b>	14	608	622
Disposals		-	(827)	<b>(827)</b>		(474)	(474)
Effects of movements in foreign exchange		2	24	<b>26</b>	2	28	30
Balance at 30 June 2006		134	2,730	<b>2,864</b>	69	1,557	1,626
Balance at 1 July 2006		134	2,730	<b>2,864</b>	69	1,557	1,626
Depreciation charge for the year		33	1,138	<b>1,171</b>	27	689	716
Disposals		(52)	(258)	<b>(310)</b>	(58)	(416)	(474)
Effects of movements in foreign exchange	22	2	(30)	<b>(28)</b>	2	(30)	(28)
Balance at 30 June 2007		117	3,580	<b>3,697</b>	40	1,800	1,840
<b>Carrying Amounts</b>							
At 1 July 2005		127	2,199	2,326	78	1,156	1,234
At 30 June 2006		103	2,342	2,445	70	1,383	1,453
At 1 July 2006		103	2,342	2,445	70	1,383	1,453
At 30 June 2007		245	2,533	2,778	214	1,633	1,847

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 16. Intangible assets

	Consolidated			The Company		
	Goodwill	Patents and trademarks	Total	Goodwill	Patents and trademarks	Total
<i>In thousands of AUD</i>						
<b>Cost</b>						
Balance at 1 July 2005	11,137	1,841	12,978	-	1,841	1,841
Acquisitions	-	8	8	-	8	8
Balance at 30 June 2006	11,137	1,849	12,986	-	1,849	<b>1,849</b>
Balance at 1 July 2006	11,137	1,849	12,986	-	1,849	<b>1,849</b>
Acquisitions	-	14	14	-	14	14
Balance at 30 June 2007	11,137	1,863	13,000	-	1,863	<b>1,863</b>
<b>Amortisation and impairment losses</b>						
Balance at 1 July 2005	7,438	1,103	8,541	-	1,103	1,103
Amortisation for the year	-	376	376	-	370	370
Balance at 30 June 2006	7,438	1,479	8,917	-	1,472	1,472
Balance at 1 July 2006	7,438	1,479	8,917	-	1,472	1,472
Amortisation for the year	-	379	379	-	379	379
Balance at 30 June 2007	7,438	1,858	9,296	-	1,851	1,851
<b>Carrying amounts</b>						
At 1 July 2005	3,699	737	4,436	-	738	738
At 30 June 2006	3,699	370	4,069	-	377	377
At 1 July 2006	3,699	370	4,069	-	377	377
At 30 June 2007	3,699	5	3,704	-	12	12

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 16. Intangible assets (continued)

### Amortisation and impairment charge

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Amortisation of trademarks	(379)	(376)	(379)	(369)

### Impairment tests for cash generating units containing goodwill

The following business units have significant carrying amounts of goodwill:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Franchising business – Cityside Asset Pty Ltd	980	980	-	-
Sydney operation – Hi-Intelli Pty Ltd	2,719	2,719	-	-
	<b>3,699</b>	<b>3,699</b>	<b>-</b>	<b>-</b>

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

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

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

#### 17. Trade and other payables

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>The Company</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Trade payables		528	531	413	408
Accrued expenses		646	362	374	308
Loans from controlled entities	30	-	-	5,588	6,836
		<u>1,174</u>	<u>893</u>	<u>6,375</u>	<u>7,552</u>

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

#### 18. Interest-bearing loans and borrowings

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Current liabilities</b>				
Finance lease liabilities	-	5	-	5
	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>

#### Financing facilities

	<b>Consolidated</b>		<b>The Company</b>	
<b>Facilities utilised at reporting date</b>				
Finance lease liability secured by motor vehicles	-	5	-	5
	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>

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

#### Finance lease facility

The consolidated entity's lease liabilities were secured by the leased assets of \$nil (2006: \$11,000), and in the event of default, the leased assets reverted to the lessor.

#### Finance lease liabilities

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

<i>In thousands of AUD</i>	<b>Consolidated</b>					
	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
Less than one year	-	-	-	5	-	5
Between one and five years	-	-	-	-	-	-

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30  
June 2007

## 19 Deferred income

*In thousands of AUD*

### Current

Fixed franchise fees  
Deferred contract income

### Non-current

Fixed franchise fees

	Consolidated		The Company	
	2007	2006	2007	2006
Fixed franchise fees	-	658	-	-
Deferred contract income	272	179	217	117
	<u>272</u>	<u>837</u>	<u>217</u>	<u>117</u>
Fixed franchise fees	855	1,082	-	-

## 20. Employee benefits

### Current

*In thousands of AUD*

Liability for annual leave

### Non Current

Liability for long-service leave  
Total employee benefits

Liability for annual leave	153	149	113	122
Liability for long-service leave	87	59	76	47
Total employee benefits	<u>240</u>	<u>208</u>	<u>189</u>	<u>169</u>

## 21. Provisions

*In thousands of AUD*

### Consolidated

Balance at 1 July 2006  
Provisions made during the year  
Provisions used during the year  
Balance at 30 June 2007

	Advertising fund	Dividends	Other	Total
Balance at 1 July 2006	83	-	-	83
Provisions made during the year	-	470	59	529
Provisions used during the year	(44)	-	-	(44)
Balance at 30 June 2007	<u>39</u>	<u>470</u>	<u>59</u>	<u>568</u>

### Company

Balance at 1 July 2006  
Provisions made during the year  
Provisions used during the year  
Balance as at 30 June 2007

Balance at 1 July 2006	-	-	-	-
Provisions made during the year	-	470	64	534
Provisions used during the year	-	-	-	-
Balance as at 30 June 2007	<u>-</u>	<u>470</u>	<u>64</u>	<u>534</u>

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

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 22. Capital and reserves

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

<b>Consolidated For the financial year ended 30 June 2006</b>	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Total equity</b>
Opening Balance at 1 July 2005	37,729	(25,597)	(80)	12,052
Foreign exchange translation differences	-	-	53	53
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(25,597)</b>	<b>(21)</b>	<b>12,111</b>
Net profit	-	1,181	-	1,181
<b>Closing balance at 30 June 2006</b>	<b>37,729</b>	<b>(24,416)</b>	<b>(21)</b>	<b>13,292</b>

### For the financial year ended 30 June 2007

Opening Balance at 1 July 2006	37,729	(24,416)	(21)	13,292
Foreign exchange translation differences	-	-	(173)	(173)
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(24,416)</b>	<b>(194)</b>	<b>13,119</b>
Net profit	-	2,127	-	2,127
Dividends	-	(2,003)	-	(2,003)
<b>Closing balance at 30 June 2007</b>	<b>37,729</b>	<b>(24,292)</b>	<b>(194)</b>	<b>13,243</b>

<b>Company For the financial year ended 30 June 2006</b>	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Translation reserve</b>	<b>Total equity</b>
Opening Balance at 1 July 2005	37,729	(26,852)	(2)	10,875
Foreign exchange translation differences	-	-	12	12
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(26,852)</b>	<b>10</b>	<b>10,887</b>
Net profit	-	(122)	-	(122)
<b>Closing balance at 30 June 2006</b>	<b>37,729</b>	<b>(26,974)</b>	<b>10</b>	<b>10,765</b>

### For the financial year ended 30 June 2007

Opening Balance at 1 July 2006	37,729	(26,974)	10	10,765
Foreign exchange translation differences	-	-	(104)	(104)
<b>Total non-profit items recognised directly in equity</b>	<b>37,729</b>	<b>(26,974)</b>	<b>(94)</b>	<b>10,661</b>
Net profit	-	2,654	-	2,654
Dividends	-	(2,003)	-	(2,003)
<b>Closing balance at 30 June 2007</b>	<b>37,729</b>	<b>(26,323)</b>	<b>(94)</b>	<b>11,312</b>

Hire Intelligence International Limited and its controlled entities  
Notes to the consolidated financial statements for the year ended 30 June 2007

## 22. Capital and reserves (continued)

### Share capital

*In thousands of shares*

On issue at 1 July

On issue at 30 June – fully paid

### The Company Ordinary Shares

	2007	2006
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 07	Fully franked 0.6 cent dividend of \$462,197.74
22 May 07	Fully franked 2 cent dividend of \$1,540,659.10

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

### Dividend franking account

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

*In thousands of AUD*

	2007	2006
30 per cent franking credits available to shareholders of Hire Intelligence International Limited for subsequent financial years	2,499	2,624

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

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

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

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

### 23. Financial instruments

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

#### Credit risk

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

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

#### Foreign currency risk

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

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

#### Effective interest rates and repricing analysis

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

2007	Note	Effective interest rate	Total	6 months or less	6-12 months
<i>In thousands of AUD</i>					
Cash and cash equivalents	9	6.45%	7,882	7,882	-
Finance lease liabilities*	18	-	-	-	-
			<b>7,882</b>	<b>7,882</b>	<b>-</b>

\* These assets/liabilities bear interest at a fixed rate

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

\* These assets/liabilities bear interest at a fixed rate

#### 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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

#### 24. Operating leases and commitments

##### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Less than one year	434	317	300	213
Between one and five years	1,025	380	573	248
More than five years	410	-	410	-
	<u>1,869</u>	<u>697</u>	<u>1,283</u>	<u>461</u>

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 2007, \$370,000 was recognised as an expense in the income statement in respect of operating leases (2006: \$ 342,000).

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

## 25. Contingencies

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

### Contingent liabilities considered remote

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

## 26. Deed of cross guarantee

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

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

The subsidiaries subject to the Deed are:

- Hi-Intelli Pty Ltd; and
- Cityside asset Pty Ltd; and
- Web Solutions Pty Ltd( formerly Hire Intelligence USA Pty Ltd)

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2007 is set out on below.

### Summarised income statement and retained profits

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
<i>Profit before tax</i>	3,072	1,813
<i>Income tax expense</i>	(945)	(632)
<i>Profit after tax</i>	2,127	1,181
<i>Dividends</i>	(2,003)	-
<i>Retained profits at beginning of year</i>	(24,416)	(25,597)
<i>Retained losses at end of year</i>	(24,292)	(24,416)

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

**26. Deed of cross guarantee (continued)**

<b>Balance Sheet</b> <i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and cash equivalents	7,882	7,084
Trade and other receivables	1,468	1,705
Inventories	106	75
Other	157	126
<b>Total current assets</b>	<b>9,613</b>	<b>8,990</b>
Receivables	857	1,082
Deferred tax assets	228	222
Property, plant and equipment	2,778	2,445
Intangible assets	3,704	4,069
<b>Total non-current assets</b>	<b>7,567</b>	<b>7,818</b>
<b>Total assets</b>	<b>17,180</b>	<b>16,808</b>
<b>Liabilities</b>		
Trade and other payables	1,174	893
Interest-bearing loans and borrowings	-	5
Deferred Income	272	837
Income tax payable	828	408
Employee benefits	153	149
Provisions	568	83
<b>Total current liabilities</b>	<b>2,995</b>	<b>2,375</b>
Deferred income – long term	855	1,082
Employee benefits	87	59
<b>Total non-current liabilities</b>	<b>942</b>	<b>1,141</b>
<b>Total liabilities</b>	<b>3,937</b>	<b>3,516</b>
<b>Net assets</b>	<b>13,243</b>	<b>13,292</b>
<b>Equity</b>		
Issued capital	37,729	37,729
Reserves	(194)	(21)
Retained earnings	(24,292)	(24,416)
<b>Total equity attributable to equity holders of the parent</b>	<b>13,243</b>	<b>13,292</b>

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

## 27. Investments

	Consolidated		The Company	
	2007	2006	2007	2006
Investments in controlled entities at cost	-	-	8,609	8,609
Details of consolidated entities				
	<i>Note</i>		<b>Ownership interest</b>	
			<b>2007</b>	<b>2006</b>
<b>Parent entity</b>				
Hire Intelligence International Limited		Australia		
<b>Subsidiaries</b>				
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%

## 28. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		The Company	
		2007	2006	2007	2006
<b>Cash flows from operating activities</b>					
Profit for the period		2,127	1,181	2,654	(121)
<i>Adjustments for:</i>					
Depreciation	15	1,171	1,114	716	622
Amortisation	16	379	376	379	370
Foreign exchange losses		-	7	-	31
Investment income	6	(494)	(295)	(475)	(286)
Loss on sale of property, plant and equipment	3	48	45	39	45
(Decrease)/ increase in income tax payable		420	632	420	(250)
<b>Operating profit before changes in working capital and provisions</b>		3,651	3,060	3,733	410
(Increase)/decrease in other assets		(141)	11	(76)	7
(Increase)/decrease in trade and other receivables		465	160	(875)	40
(Increase)/decrease in inventories		(32)	(43)	-	(48)
(Decrease)/increase in deferred income		(563)	44	101	39
(Decrease)/increase in trade and other payables		282	(97)	(1,177)	(148)
(Decrease)/Increase in provisions and employee benefits		287	(122)	554	209
Income taxes paid		(531)	(384)	(543)	250
<b>Net cash from operating activities</b>		3,418	2,629	1,717	759

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

## 29. Related parties

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

### *Non-executive directors*

Jason Crage

### *Executives*

Val Crage

Chris Hutber

Neil Levin

Dan Hill

Jerry van Driel-Vis

### *Executive directors*

Tom Crage (Chief Executive Officer and Chairman)

Keegan Crage

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

In AUD	Consolidated		The Company	
	2007	2006	2007	2006
<i>Short-term employee benefits</i>	736	917	614	815
<i>Post-employment benefits</i>	193	66	183	57
	929	983	797	872

### *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 8 to 28.

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 Formzest Pty Ltd purchased equipment from the company at arm's length for \$6,648. Jason Crage (Non Executive director) is a director of Formzest Pty Ltd and exerts significant influence over the financial and operating policies of the company.

During the period \$18,900 was paid to Ledger Capital Pty Ltd in respect of professional consultancy services provided to the company. Ledger Capital 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.

Hire Intelligence International Limited and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2007

## 29. Related parties (continued)

### Movements in shares

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

<i>Ordinary shares</i>	<b>Held at</b>		<b>Sales/</b>	<b>Held at</b>
	<b>1 July 2005</b>	<b>Purchases</b>	<b>Expiration</b>	<b>30 June 2006</b>
<b>Directors</b>				
TR Crage	61,442,523	8,224,853	-	69,667,376
WRB Hassell	65,000	-	(65,000)	-
GL Sampson	60,000	-	(60,000)	-
<i>Options</i>				
<b>Directors</b>				
TR Crage	2,000,000	-	-	2,000,000
<i>Ordinary shares</i>	<b>Held at</b>		<b>Expiration</b>	<b>Held at</b>
	<b>1 July 2006</b>	<b>Purchases</b>		<b>30 June 2007</b>
<b>Directors</b>				
TR Crage	69,667,376	-	-	69,667,376
<i>Options</i>				
<b>Directors</b>				
TR Crage	2,000,000		(2,000,000)	-

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

## 30. Other related party transactions

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:				
Dividend income	-	-	1,907	-
Wholly-owned controlled entities				
Management services income	-	-	166	292
Wholly-owned controlled entities				
<b>Receivables</b>				
Amounts receivable other than trade debts				
Current	-	-	1,585	1,016
Wholly-owned controlled entities				
<b>Payables</b>				
Amounts payable other than trade creditors				
Current	-	-	5,588	6,836
Wholly-owned controlled entities				

### **31. Events subsequent to reporting date**

The Company agreed to acquire all previously franchised territories in Queensland and Victoria at no cost and commenced operating company owned outlets in Melbourne and Brisbane effective July 1<sup>st</sup>. This takes the number of company owned outlets to 4 in Australia and one in London, United Kingdom. The Company is of the view that both outlets are under-performing and intends taking a range of measures to improve performance dramatically. The measures and other restructuring are likely to reduce profit expectations from these two outlets in FY2008 but are expected to yield solid results in FY2009.

HI Web Solutions Pty Ltd, a 100% owned subsidiary of Hire Intelligence International Limited entered into a joint venture with a leading Indian website solutions provider. In terms of the agreement reached an Indian based company shall be formed as a vehicle for profit sharing with HII Web Solutions owning 51.0% and Magnon 49.0% of the new entity. HI Web Solutions will market the services while the Indian web solutions provider will undertake:

- Design, construction and operation of client websites
- Ensure search engine optimisation
- Develop online marketing campaigns for clients
- Provide website hosting

Both HI Web Solutions and the Indian web solutions provider will provide their services at cost with the profit being made by the new entity. HII shall have exclusive marketing rights for Australia, New Zealand, Europe, Africa and South America with exclusive marketing rights in the UK restricted to an extensive list of companies reserved by HII.

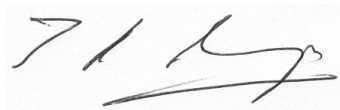
There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results 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 30 to 68 and the remuneration disclosures that are contained in sections 4.4.1, and 4.4.2 of the Remuneration report in the Directors' report, set out on pages 8 to 28 in the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) the remuneration disclosures that are contained in sections 4.4.1 and 4.4.2 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act from the chief executive officer and chief financial officer for the financial year ended 30 June 2007.

Dated at 110 Jersey St, Jolimont Perth this 30<sup>th</sup> day of August 2007.

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 and AASB 124 Remuneration Disclosures Contained in the Directors' Report**

We have audited the accompanying financial report of Hire Intelligence International Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 13 to 16 of the directors' report and not in the financial report.

#### *Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' 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 control 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

#### *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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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*, provided to the directors of Hire Intelligence International Limited on 30 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

#### *Auditor's Opinion on the Financial Report*

In our opinion the financial report of Hire Intelligence International Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

#### *Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report*

In our opinion the remuneration disclosures that are contained in pages 13 to 16 of the directors' report comply with Accounting Standard AASB 124.

#### **BDO Kendalls Audit & Assurance (WA) (formerly BDO)**

BDO Kendalls



**Chris Burton**

Partner

Perth, Western Australia.

Dated this 30<sup>th</sup> day of August 2007

#### ASX Additional information

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

Shareholdings as at 27 August 2007

#### Substantial shareholders

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

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

#### Voting rights

##### Ordinary shares

Refer to note 22 in the financial statements

##### Options

Refer to note 11 of the Directors Report

#### Distribution of equity security holders by number

Category	Ordinary shares
1 - 1,000	8
1,001 - 5,000	32
5,001 - 10,000	33
10,000 - 100,000	74
100,000 and over	19
	<u>166</u>

The number of shareholders holding less than a marketable parcel of ordinary shares is 8, holding 2,226 shares.

#### Stock Exchange

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

#### Other information

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

ASX Additional information (continued)

On-market buy-back

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

**Twenty largest shareholders as at 27 August 2007**

Name	Number of ordinary shares held	Percentage of capital held
Hamwrex Nominees Pty Ltd	45,684,542	59.31%
Hire Intelligence Pty Ltd	23,982,833	31.13%
Citicorp Nominees Pty Ltd	1,711,540	2.22%
David Gray & Co Pty Ltd	650,000	0.84%
Meggsies Pty Ltd	599,762	0.78%
Hire IQ Pty Ltd	416,448	0.54%
Dr John Warwick Cox	225,000	0.29%
Mr Douglas Robert Graham Neild	218,897	0.28%
Sim Super Fund Account	150,000	0.19%
Miss Mary Graham Neild	135,500	0.18%
JDR Holdings Pty Ltd	120,000	0.16%
Batoka Pty Ltd	105,952	0.14%
Gerke Family Super Fund Account	100,000	0.13%
Huic Nominees Pty Ltd	100,000	0.13%
Larkin Investment Portfolio Pty Ltd	100,000	0.13%
Reid Super Fund Pty Ltd	100,000	0.13%
Mr Ziggy Gill	98,000	0.13%
Super John Pty Ltd	95,953	0.12%
Mr David John Gray	90,000	0.12%
Mr Philip Robert Grandfield	85,000	0.11%
	74,769,427	97.06%