

Chairman's Report

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Corporate directory

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Directors Mr Thomas R. Craig Chairman & Managing Director Mrs Valerie Craig Sales Director Mr Richard Elliott Non Executive Director Mr D. Roger Davies Non Executive Director	Other Information Hire Intelligence International Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. Stock Exchange The Company is listed on the Australian Stock Exchange. The Home Exchange is Perth. Lawyers: Baker & McKenzie AMP Centre 50 Bridge Street SYDNEY NSW 2000	

Since January this year, Hire Intelligence

International Ltd has had the euphoria of a successful listing, the prospect of potential rapid expansion in the USA and Germany and faced some setbacks.

Importantly, we have implemented some changes aimed at assisting Hire Intelligence to take advantage of its position as the Australian leader in short-term computer rentals and, by number of outlets, the largest short-term computer rental chain in the world.

For its 2002 financial year (the 5.5 month trading period from 16 January to 30 June 2002), Hire Intelligence recorded a \$17.41 million loss. That loss is a consequence of the Board's decision to write down the carrying values of intangible assets in the Company's balance sheet by \$18.27 million.

The bulk of the write down was in relation to the non-cash goodwill that arose as a result of the Company's acquisition of the Hire Intelligence business and its float.

As part of its review of the carrying values of intangible assets, your Board noted both the global trend towards more conservative accounting and the downturn in the Company's business in the second half of the 2002 financial year. In that light, the Board determined to write down the carrying value

of intangibles to the directors' conservative estimate of recoverable amount.

While the decision has a significant negative impact this year, there is also a benefit for the Company going forward.

In future years, Hire Intelligence's amortisation charges in relation to those intangible assets will be reduced. Those reduced charges will improve Hire Intelligence's financial result each year from 2003.

Underlying earnings

Revenue was \$5.25 million and EBITDA (excluding the write down) for the period was \$2.14 million (equivalent, pro-rata, to \$4.67 million for a full 12 months).

The underlying operating result includes \$0.70 million from the sale of the Sydney franchise by its franchisee, as noted in the Company's prospectus. Whilst the Company will receive fees upon the sale of franchises going forward, we do not anticipate fees of the magnitude of that from the Sydney sale.

After removal of the annualised amount of the Sydney sale fee, annualised EBITDA (excluding the write down) is \$3.15 million. Hire Intelligence anticipates improving on this result during the 2003 financial year.



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The Company's below prospectus forecast profit is a result of a combination of factors apart from the intangibles write down. The principal causes were:

- Hire Intelligence's focus on negotiations with a potential US master franchisee, to the detriment of other franchise sales.
- The impact of global economic concerns on rental customer behaviour.
- A more difficult than expected transition, especially in the Sydney office.
- Tough trading conditions leading to short term discounting and competitor rationalisation in the UK.

As we move into what will be Hire Intelligence's first full financial year as a listed company, the future looks positive for the Company.

Hire Intelligence continues to operate profitably and the number of franchisees is expected to continue increasing.

The Board and management of Hire Intelligence are committed to driving value for all shareholders.

I would like to formally thank my fellow Directors and all the employees of the Company for their dedication and commitment.

I would also like to thank the members of the wider Hire Intelligence family - the franchisees and customers who have helped drive the significant growth of Hire Intelligence to date and will play a vital role in our success going forward.

Thomas R. Cragg
Chairman & Managing Director

The Short-Term Computer Rental Industry

Characteristic	Industry	Hire Intelligence
Maturity	Immature	Strong growth
Size of Operation	Fragmented, Sub-scale	Co-ordinated international chain
Brand	Limited	Strong awareness
Coverage	Localised	International
System Control	Varied systems	Integrated evolving system
Staff quality	Employees	Highly qualified & trained Franchisees
Stock Availability	Localised, limited	International, extensive

On a global basis, the short-term computer equipment rental industry is relatively immature and highly fragmented. In most markets, the bulk of participants operate a single outlet servicing only those businesses within their immediate location.

Renting is considered a service, rather than a financing arrangement, and can be contrasted with the financing decision involved in leasing.

The industry is characterised by the duration of the rental contracts - as short as one day - and customers' motivations for renting.

Where a customer's need for particular IT equipment is only short term, rental for the duration of that need is often the most suitable option.

While the reasons for renting are extremely varied, common causes include business trips, training, conventions, special projects, work overload, contract

work, budget constraints, equipment repair, functions, exhibitions, promotional activities, special events and corporate restructuring.

Hire Intelligence estimates that there is the potential for 1000 to 2000 Franchise Territories worldwide.

To date, expansion of the network has focused on Australia and the UK.

The majority of Hire Intelligence outlets are in the early stage of their life cycle - giving the prospect of significant growth in royalty earnings and Company-owned outlet profit generation.

Australia

On a number of outlets basis, Hire Intelligence is the largest chain in Australia and the clear market leader.

Directors estimate the total Australian market size at approximately AS\$60 million a year and the Hire

Intelligence chain's (including franchisees) market share at approximately 19%.

Company research indicates that customer behaviour altered during the 2002 financial year with uncertainty regarding economic conditions, which impacted the Hire Intelligence chain's level of 'roll over' rental.



Roll over rental occurs where customers retain equipment beyond the end of the initial rental period. It traditionally provides a significant proportion of rental income.

As economic conditions improve, Hire Intelligence anticipates customers reverting to a pattern of retaining equipment for longer periods, with a concurrent increase in roll over rental revenue.

United Kingdom

The total short term rental income in the UK is approximately £60 million a year, the bulk of which is captured by four Hire Intelligence competitors. Although the largest chain by number of outlets,

Hire Intelligence's (including Franchisees) share currently represents only approximately 3%.

During 2002, the UK market has been characterised by difficult trading conditions and reduced short-term rental expenditure. That reduced expenditure has been driven by the impact of economic uncertainty and a number of competitors dramatically reducing prices in order to reduce surplus stock.

Directors believe that the UK market is moving into a rationalisation phase and anticipates a return to normal pricing following the completion of that phase. Hire Intelligence has traditionally priced lower than its main competitors and is positioned to increase its market penetration.

United States of America

The US is the most advanced market globally but remains relatively immature and fragmented.

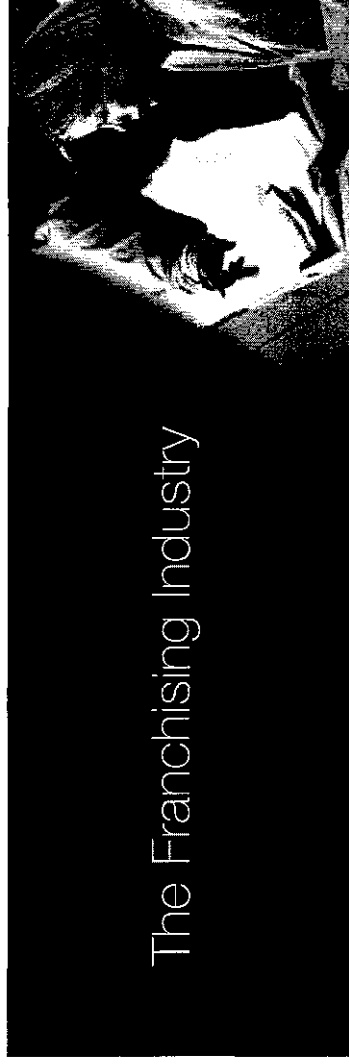
The Company has identified the US as a significant future growth opportunity in light of its sheer size and the fragmented/regionalised nature of market participants.

Hire Intelligence is presently dividing the US into Franchise Territories and anticipates the potential for 400 to 800 Franchise Territories.

Germany

Company research indicates the German market is fragmented and less mature than either the UK or Australia. Hire Intelligence has divided Germany into 86 Franchise Territories.

The Franchising Industry



Franchising encompasses several types of business management arrangements. From Hire Intelligence's perspective, franchising can be defined as follows:

"Franchising is an agreement between a franchisor and franchisee(s) under which the franchisor permits the franchisee(s) to use the franchisor's intellectual property, know-how, name and trademarks within a defined territory and for a defined time. The franchisor trains the franchisee(s) in the use of its systems and provides the franchisee(s) with support with respect to operating the business. The franchisee(s) benefit from the franchisor's research and development, marketing systems and methods of customer service. The franchisee(s) undertake to abide by the franchisor's systems and procedures in accordance with the terms of the franchise agreement. The franchisee(s) pay the franchisor an initial fee and ongoing franchise and licence fees as well as contributing to mutually beneficial advertising funds."

Franchising enables franchisee(s) to learn about and enter a new industry under the banner of a recognised name, and to face lower start-up risks as they use an established and tested business system, with the benefit of the knowledge and

support of the franchisor as backup. The franchisor is able to expand without capital outlay or having to directly manage the franchised territories. The franchisor benefits from the advertising expenditure of the franchisees which enhance its own marketing efforts and improves brand awareness and obtains a regular cash flow from franchise fees.

Franchising often involves "master franchisees". This refers to the grant by the franchisor to a regional or national master franchisee (the "sub-franchisor" or "master franchisee") of the right to sub-franchise the franchisor's system within a particular territory or region (frequently within a state or country) to other persons (franchisees). The franchisor, in effect, grants to the master franchisee the rights and obligations of the franchisor in a defined region. The master franchisee pays the franchisor a percentage of fees earned by it. Typically, the franchisor may have a network which is well established in one or more regions, but has yet to expand beyond those regions. Appointing master franchisees offers the franchisor the opportunity to further develop a network or expand more rapidly in those undeveloped regions, without being directly involved in the development or expansion.

The Hire Intelligence Franchise System

Hire Intelligence developed a unique rental management system coupled with an enlightened approach to customer service. This has been researched, packaged and documented to provide an unrivalled business "blueprint" for a successful global computer rental business. It has been Franchising policy and programme. It has been approved as a full member of the Franchise Council of Australia and the British Franchisor's Association and conforms to their Codes of Conduct. The Franchise Council of Australia has recognised Hire Intelligence as a leading Australian exporter of franchise systems having granted it the 2001 Franchise System Export Award as well as a category commendation in the 2001 Franchisor of the Year Award.

Hire Intelligence has determined franchising zones, developed franchising budgets, prepared Franchise Agreements, Master Franchise Agreements and prior disclosure documents, structured training programmes, determined Franchise liaison policies, formulated Franchises operating procedures, developed systems to facilitate Franchisees success, appointed trained and assisted new Franchisees during and after commencement of trading. It has reviewed legal requirements with respect to Franchising in a range of Asian, African, American and European countries and determined the potential number of outlets by country. It has registered its trademark in the key 30 target countries around the world. It holds annual Franchise Conferences.

Key Benefits to Franchisees

- Least risky way of owning a business
- Proven business format, systems
- Established trademark
- Group advertising
- Training & support
- Access to know how & trade secrets
- Research by Franchisor
- Established performance benchmarks
- Computer fleet management & accounting system
- Knowledge exchange & support
- Administrative time savings
- Start small & grow with demand
- Purchases direct from suppliers

Key Benefits to Franchisor

- Initial & ongoing franchise fees
- Strong cash flow & profit growth
- Rapid expansion without capital outlay
- Reduced risk exposure
- Increased market awareness of name
- Group advertising
- Expansion with less manpower & infrastructure
- More outlets to service national clients
- Franchisees provide superior service
- Brainstorming with Franchisees

The Hire Intelligence Business

"A powerful combination of strong branding, a scalable, expandable business platform and the entrepreneurial flair of owner managers is a cornerstone on which our future is built."

The successful listing of Hire Intelligence on the Australian Stock Exchange in January 2002 has been pivotal for the Company to achieve its corporate goal to be a world leader in short term computer rentals.

From an operational perspective, the Hire Intelligence business can be divided into:

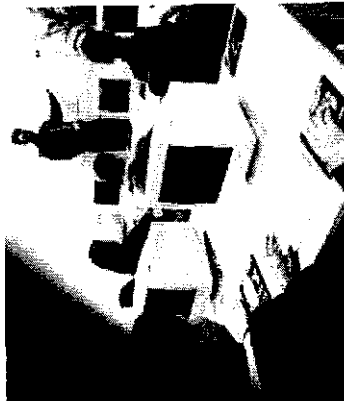
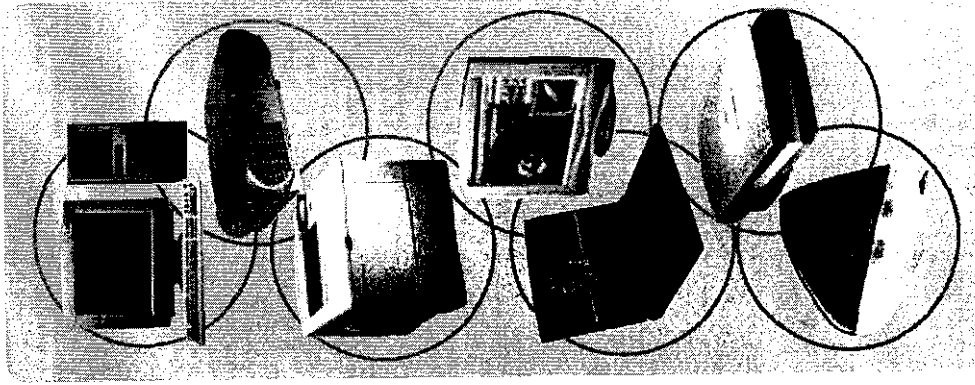
- The Operations Division, which provides short-term rental services.
- The Franchising Division, which focuses on appointing and supporting Franchisees.

Operations Division

Hire Intelligence provides short-term rental of top brand computer and audiovisual equipment, along with videoconferencing and training room facilities.

Computers and Related Equipment

Hire Intelligence rents top brand IT equipment, predominantly on a short-term basis.





Equipment is configured to client requirements and, if required, loaded with software.

All computers are virus checked on return and hard drives are wiped clean of any confidential information.

Videoconferencing

In 2002, Hire Intelligence commenced selling and renting the latest Polycom videoconferencing equipment.

Polycom equipment provides television quality images and exceptional sound at up to 10 locations simultaneously. Its many features include speaker voice tracking cameras and the ability to simultaneously show slides and presentations.

Audio Visual

Hire Intelligence rents advanced projectors, screens and other AV equipment for the most professional presentations.

Training Room Facilities

In 2001, Hire Intelligence opened its first customer-use training rooms, which feature fully networked computers, LCD data projectors, networked laser printers, refreshment facilities, on-site technical support and backup.

During 2002, the number of outlets providing training room facilities has increased and is anticipated to continue to grow.

Marketing

Hire Intelligence monitors trends and analyses its customer base by industry category, location and size. It has developed marketing strategies that involve advertising in a variety of media locally, nationally and internationally. It provides after sales service, has expanded its product range, revised its pricing policies and achieved a high level of name and logo awareness.

It has its own web page with online quotation facilities as well as information with respect to its franchisees and existing Franchisees around the world. (Refer www.hire-intelligence.com.au)



Developing the Hire Intelligence 'Brand'

Hire Intelligence has worked hard to differentiate its Company and the franchise system in the market. Hire Intelligence's market points of difference include:

Service
Hire Intelligence Franchisees are dedicated, fully trained, professional owner/operators whose primary objective is to provide the highest possible level of service.

Latest top brands at low rates
The Company's systems enable it to operate cost effectively and rent top brand products at extremely competitive prices.

Instant availability/next delivery
This Company guarantees to beat any competitor's quote on short-term computer rentals on a like for like basis, subject to stock availability.

Quality of product
Hire Intelligence's top brands that are fully serviced prior to each rental and are in excellent working order.

Virus free
Every computer is virus checked before being rented and is loaded with the latest anti-virus software to provide additional protection.

Instant availability/next delivery
Products are delivered within hours and provide on-site service and replacement where required.

Substantial stock
The Hire Intelligence chain has over 20,000 items out on rent or available to rent. Franchisees sub-rent from each other meaning no order is too large to handle.

Superior geographical coverage
Hire Intelligence is subject to no geographical constraints and operates in all states and territories. This demonstrates that customers prefer dealing with local operators.

Fast delivery
The system enables equipment delivery within hours of an order being placed.

On-site delivery
Equipment is delivered and where required, installed on site.

Brand awareness
Hire Intelligence has developed strong brand awareness supported by extensive advertising.

Trademark
Hire Intelligence's 'Hire Intelligence' has exceptional recall and market place awareness.

International coverage
Hire Intelligence operates in a number of countries further enhancing its market place stature.

Administration

Hire Intelligence controls its operations by using a fully integrated accounting and computer fleet management system, effective equipment tracking systems, key performance indicators including management accounting information, fortnightly management reporting systems as well as daily sales, cash and debt performance monitoring, staff incentive schemes, staff performance review procedures and salary review systems. Ongoing development work is conducted on the fully integrated accounting and computer fleet management system with in excess of A\$700,000 having been invested in it to date.

Operations

Hire Intelligence has a detailed Operations Manual, sophisticated computer preparation equipment, technical backup, re-imaging techniques and provides ongoing staff training. The technical department continues to develop and enhance the methods of efficiently processing and preparing equipment.

In soft format the Operations Manual contains hyper links. Hire Intelligence has also established an

intranet where Franchisees can chat to each other, view useful tips and obtain assistance 24 hours a day, seven days per week.

Financial

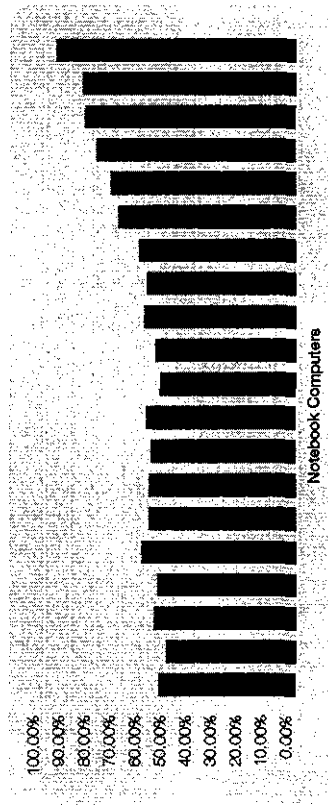
Hire Intelligence uses a range of control systems, regular management reports are prepared while senior managers provide monthly videoconference presentations to the directors.

Financial controls include debtor vetting, customer analysis, levels of stock utilisation, rollover rental percentage achieved and Franchisee Activity Reports, monitoring the effectiveness of advertising, benchmarking, trend analysis, cash flow analysis, profit mapping, and analysis of monthly financial results showing variances to budget, forecast and prior year.

The company also analyses the number of customers as a percentage of total number of businesses in each Territory for each outlet internationally.

The business is well funded and has a good springboard for future development.

The graph below illustrates one of the tools used to measure stock utilisation.



Franchise Division

Hire Intelligence has developed its business system and has driven expansion by rolling out that business system into a franchise network.

From a single outlet in July 1996, the chain currently comprises Company-owned offices in Perth, Sydney and London and 54 Franchised Territories operating across Australia, the United Kingdom, New Zealand, Ireland and the Philippines.

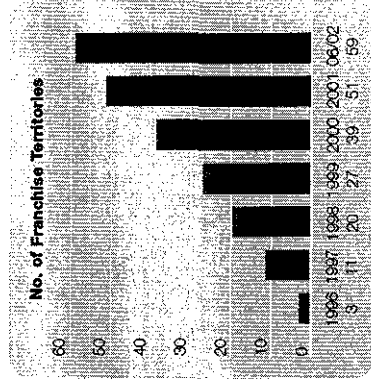


Hire Intelligence's status as a leading Australian

exporter of franchise systems was recognised with the 2001 Franchise System Export Award. The Company also received a category commendation in the 2001 Franchisor of the Year Award. It has been selected as a finalist in the Franchise Council of Australia's

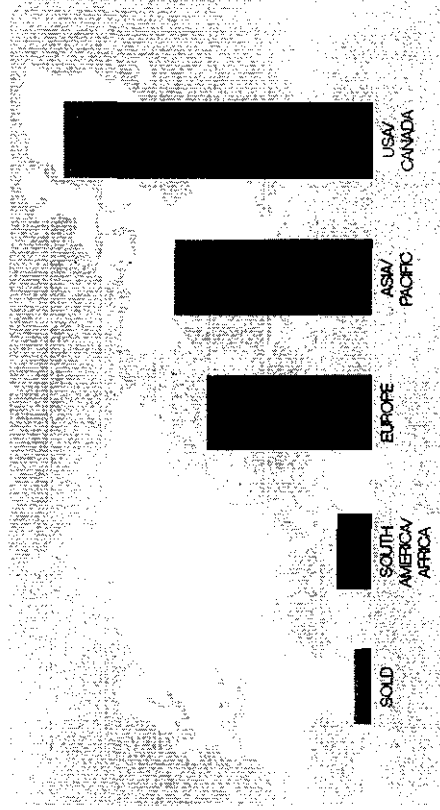
prestigious 2002 Franchisor of the Year Awards.

The 10 Franchisees who now own more than one Franchise Territory provide a ringing endorsement of the strength of the Hire Intelligence business model.



Note: June 2002 includes 5 company owned franchise territories in Sydney.

Going forward, Hire Intelligence's strategic plan involves driving growth in the Company-owned and franchised outlets and continuing its controlled expansion into 1000 to 2000 potential Franchise Territories.



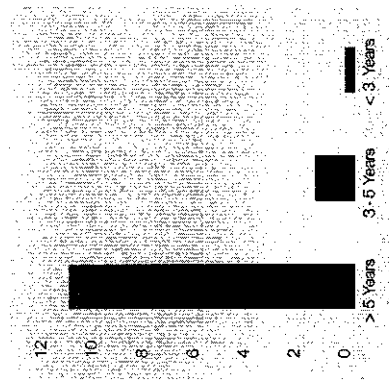
Blue above indicates the estimated potential for 1000 to 2000 outlets compared to 59 territories sold to date (red).

Hire Intelligence Franchising Model

Hire Intelligence subsidiary Cityside Asset Pty Ltd acts as the Hire Intelligence franchisor and provides a highly developed and robust franchising system, an industry leading fleet management and accounting system and ongoing training and support. In return, Cityside receives initial and ongoing franchise and other fees.

Hire Intelligence franchisees

The majority of outlets are in the early stage of their life cycle resulting in significant upside potential in royalty earnings and company-owned outlets' profit generation. The analysis below was based on number of clients on each outlet's data base shown as a percentage of the number of businesses within its designated catchment area. Some outlets control multiple territories. Further outlets have opened during the past financial year.



At the time of preparing the information there were 6 businesses greater than 5 years, 14 businesses between 3 and 5 years with the balance less than 3 years.

The trademark has been registered in more countries and now has registration protection in 30 of the 34 targeted countries including the USA, Canada, the European Union (15 countries) and Japan.

In addition to Australia, New Zealand, the United Kingdom and Ireland, Cityside has divided Canada, South Africa, Germany, the Netherlands, Belgium, Denmark, Malaysia, Thailand, the Philippines, and India into Master Franchise territories and a significant portion of the USA, into Franchise Territories. Generally, the number of businesses per suburb/area are counted across a country and divided into Franchise Territories.

Franchising laws have been reviewed in 16 countries. The website has been upgraded and an intranet has been introduced.

Franchise enquiries continue to be received from around the world and we continue to review enquiries so that we appoint financially sound competent executives to ensure the continued strength of our chain.

Performance of Franchisees

Australian Franchisees who have traded for at least one full financial year excluding initial Franchisees with limited capital and smaller Territories achieved:

	Year ending 30 June 2000	2001
Average per Franchisee		
Rental Income	784,815	1,266,760
Pre-tax profit	375,568	534,451
Average per Franchise Territory		
Rental Income	382,498	591,154
Pre-tax profit	175,265	249,410

All profits are shown as pre-tax and exclude abnormal once off items (e.g. initial training, donations), finance & interest costs or salaries and other benefits paid to the Franchisee.

Developments since listing

Hire Intelligence's aim is to continuously improve both its own operations and the quality of its franchise system. To that end, the Company has taken a variety of steps since listing in January.

In broad terms, those improvements can be broken into three categories. Outlined below are just some of the step taken and changes implemented to build a strong and robust future for the Company.

Franchising

- Preparation of new general and financial overview franchising brochures.
- Appointment of eight additional Franchisees.
- Promotion of Franchisee expansion into training rooms and videoconferencing facilities.

Operational

- Preparation of new corporate brochures.
- Development of new advertising methods and sales presentation techniques.
- Commencement of the rental of videoconferencing facilities.
- Upgrade of the JBS integrated computer fleet management and accounting system.

Financial Control

- Introduction of additional key performance indicators.
- Creation of the position and appointment of a Group Financial Controller.
- Creation of the position and appointment of a Financial Accountant in the London Office.
- Policy of senior executives reporting directly to the Board via videoconferencing on a monthly basis.

Future

The company operates in an immature, fragmented industry with immense growth potential, is well placed to improve on its position within the industry, has a robust, scalable franchising model and has overcome its difficulties since listing.

The business remains sound with the company working on and anticipating improved results for the benefit of shareholders. It remains financially sound generating positive operating cash flows and we anticipate continued growth in its operating business and award winning franchise chain.

I thank my fellow directors, executives, staff and franchisees for their support and commitment during the past financial year.

Thomas R Cragg
Chairman & Managing Director

Hire Intelligence International Limited

and its Controlled Entities

APN 79 000 210 121

Financial Statements

For the year ended 30 June 2002

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Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were adopted by the Board on 15 May 2002. In view of the recent formation of the consolidated entity and, consequently, the size of its operations, the Board will review and implement policies over time to ensure an effective and efficient Corporate Governance regime. These practices are dealt with under the following headings: Board of Directors and its Committees, Internal control framework, Business risk management, and the Role of shareholders.

Board of Directors and its Committees

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 its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Board processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Remuneration Committee, an Audit Committee and a Market Disclosure Committee. These committees have written mandates 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 and a business risk management process.

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

The agenda for meetings is prepared by the Company Secretary in conjunction with the Managing Director. Standing items include the managing directors' report, financial reports and strategic matters. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

The Board will conduct an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Composition of the Board

The names of the directors of the company in office at the date of this Statement are set out in the Directors' Report on page 21 of this financial report.

The composition of the Board is determined using the following principles:

- the Board must comprise at least three directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified

Corporate Governance Statement (continued)

- the Board should be comprised of both executive and non-executive directors
- the Board should have enough directors to serve on various committees of the Board without overburdening the directors or making it difficult for them to fully discharge their responsibilities
- the Board should comprise directors with a broad range of complementary skills and experience
- directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years.

The composition of the Board is reviewed periodically

to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board then selects a panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's constitution directors must keep the

Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists 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.

Director dealings in Company shares

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

- in the four 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
- where the dealing is of a short-term nature.

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, and notify 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.

The overriding principle in respect of executive remuneration is that of openness. Service agreements for executives of the Company do not exceed three years in duration. Both of these principles facilitate strengthened shareholder control over levels of compensation for loss of office.

The members of the Remuneration Committee during the year were:

Thomas R. Craige (Chairman)
Richard A. Elliott

Further details of directors' remuneration and superannuation are set out in the Directors' Report and Note 27 to the financial statements.

Audit Committee

The Audit Committee comprises two non-executive directors. The Audit Committee's role is to:

- (a) review the Company's annual report and ensure the reliability of the financial information presented and compliance with current laws, relevant regulations and accounting standards;
- (b) monitor compliance of the accounting records and procedures, in conjunction with the Company's auditor, on matters overseen by the Australian Securities and Investments

Remuneration Committee

The Remuneration Committee is comprised of a non-executive director and the Chairman. The Remuneration Committee is responsible for determining and reviewing the compensation

Corporate Governance Statement (continued)

Commission, Australian Stock Exchange Limited and Australian Taxation Office;

(c) review internal controls and recommend enhancements;

(d) review audit reports and management letters to ensure prompt action is taken by the Company's management; and

(e) nominate the external auditor and review the fees charged by the auditor as well as the adequacy of the scope and quality of the annual statutory audit and half-year review.

The Board considers that the Audit Committee will improve the quality of financial reporting by reviewing the financial statements of behalf of the Board and increase shareholder confidence in the credibility and objectivity of the financial statements.

The members of the Audit Committee during the year were:

Richard A. Elliott

D. Roger Davies

The external auditors, the Managing Director and Group Financial Controller are invited to Audit Committee meetings at the discretion of the Committee. The Committee did not meet during the trading period.

Disclosure Committee

The Board appointed a Disclosure Committee on 15 May, 2002 which is responsible for making decisions

about what information is material. The Disclosure Committee consists of the Managing Director, the Company Secretary and at least one non-executive director.

The Company is committed to:

- ensuring that shareholders and the market are provided with full and timely information about its activities;

- complying with the general and continuous disclosure principles contained in the Australian Stock Exchange Limited Listing Rules and the Corporations Act 2001; and

- ensuring that all market participants have equal opportunities to receive externally available information issued by Hire Intelligence.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following headings:

- Financial reporting - an annual budget will be approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly.

- Continuous disclosure - the consolidated entity has a policy that all market participants have equal opportunities to receive externally available information issued by the Company and has procedures to ensure that all price sensitive information is disclosed to the Australian Stock Exchange in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

- a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the Board

- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board

- the Company Secretary is responsible for all communications with the Australian Stock Exchange.

- Operating unit controls - financial controls and procedures including information systems controls are detailed in procedures manuals.

Business risk management

The Company takes a systematic approach to the assessment and mitigation of risk. The Company's risk management policy focuses on implementing and applying systems to improve decision making capabilities. The Company's Executive Team is continuously developing its management and

reporting systems as it strives for an effective performance and exposure measurement regime.

The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001

- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial report is sent to any shareholder who requests it

- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders
- notices of all meetings of shareholders.

Corporate Governance Statement (continued)

All documents that are released publicly will be made available on the consolidated entity's internet web site at www.hire-intelligence.com.au

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 and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Directors' Report

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 period ended 30 June 2002 and the auditor's report thereon.

Directors

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

Thomas R. Crage *Chairman and Managing Director*, Age 55

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 franchise granting sub-franchises. This business was sold in 1995.

Valerie Crage *Sales Director*, Age 56

Valerie Crage has been the Sales Director since 1997. She has been a hands on operator controlling the Sales and Technical Divisions of the Perth Office for the past 4 years. Valerie has a background in sales prior to joining Hire Intelligence and has been a director of the family businesses since October 1981.

Richard Elliott *Age 62*

Richard Elliott BS (Hons), MS, was Chief Executive Officer of Australian Occidental, Citgo Australia, and Laurel Bay Petroleum. He was a founder of Dover Consultants Pty Ltd, and was consultant to the Premier of Western Australia from 1993 to 1998. He was a Director of Aerodata Holdings, and is currently a Director of Arc Energy NL, and Chairman of Amity Oil Limited. He is a member of the Australian Institute of Company Directors.

D. Roger Davies *Age 40*

D. Roger Davies LLB (Hons), is a partner in the national law firm, Blake Dawson Waldron, and is head of the firm's Corporate Advisory Group in Perth. Roger practises corporate and securities law, with an emphasis on mergers and acquisitions, public floatations and other forms of capital raising, as well as providing advice to public companies on miscellaneous Corporations Act and Australian Stock Exchange Listing Rules matters. Roger is the lead lecturer in Western Australia on the Securities Institute of Australia's graduate diploma course on Securities Industry Law and Ethics.

Directors' Report (continued)

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial period are:

Director	Board Meetings	
	A	B
T. R. Cragg	11	11
V. Cragg	11	11
R. A. Elliott	10	11
D. R. Davies	8	8

A - Number of meetings attended

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

No Board sub-committee meetings were held during the financial period.

Principal activities

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

Hire Intelligence International Limited was incorporated on 19 September 2001. The Company was admitted to the official list of the Australian Stock Exchange and commenced operations on 16 January 2002, following the acquisitions detailed below:

- The Hire Intelligence rental business, operating in London and Perth, was acquired as a going concern by an agreement dated 10 December 2001, from Hire Intelligence Pty Ltd in its capacity as trustee for the Valerie Unit Trust. The purchase consideration of \$5,354,477 was discharged by the issue of 27,062,743 Company shares to the vendor. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$13,531,372
- 100% of the issued share capital of Cityside Asset Pty Ltd, the Hire Intelligence franchising business operator, was acquired by an agreement dated 10 December 2001, from Hamwrex Nominees Pty Ltd in its capacity as trustee for the Cragg Family Trust. The purchase consideration of \$6,512,000 was discharged by the issue of

32,913,124 Company shares to the vendor. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$16,456,562

- 100% of the issued share capital of HI-Intelli Pty Ltd, a rental business operating in Sydney, was acquired under the terms of an agreement dated 10 December 2001 from Michael John DeGruyter, Gillian Vaughan DeGruyter and Alfred Brett Dryland. The total consideration of \$ 6,926,946 was satisfied by the issue of 2,057,090 Company shares and the payment (net of an adjustment of \$ 101,599 to the original purchase consideration of \$ 7,028,545) of \$ 5,898,401 in cash. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$1,028,545.

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

Review and results of operations

The Consolidated Entity's operating profit before tax for the period from 19 September 2001 to 30 June 2002, before charging \$18,273,000 to write down intangible assets to their recoverable amount, was \$860,000. The Company commenced operations on 16 January 2002.

The Company received an introduction and sale fee of \$700,000, for arranging the sale of HI-Intelli Pty Ltd, on behalf of its shareholders, to the Company.

A review of operations of the Consolidated Entity during the period and the results of those operations are set out in the Chairman's Report.

Dividends

No dividends were paid or declared by the Company to members since incorporation.

Directors' Report (continued)

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- Contributed equity of \$37,459,000 was raised as follows:

	Number of shares	\$'000
Issued on incorporation	1	-
New Shares issued for cash under a Prospectus dated 10 December 2001	14,600,000	7,300
Shares issued in respect of acquisitions	27,062,743	13,531
- Hire Intelligence rental business	32,913,124	16,457
- Cityside Asset Pty Ltd shares	2,057,090	1,028
- Hi-Intelli Pty Ltd shares	400,000	200
Shares issued to the Sponsoring Broker and another broker		(1,057)
Capital Raising Costs	<u>77,032,958</u>	<u>37,459</u>

- Net cash received from the above events of \$7,300,000 was applied as follows:

	\$'000
Acquisition of Hi-Intelli Pty Ltd shares	5,898
Capital Raising Costs paid in cash to 30 June 2002	857
Stamp Duty paid to 30 June 2002	333
Retained for working capital and payment of stamp duty	<u>212</u>
	<u>7,300</u>

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulation.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

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. This will require further investment in the international expansion of the franchise which has performed well over recent years and offers sound opportunities for future development.

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.

Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive directors and senior executives may receive bonuses and options to purchase shares based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

Directors' Report (continued)

Director	Base emolument \$	Non-cash benefits* \$	Super contributions \$	Total \$
<i>Non-executive</i>				
D. R. Davies	16,774	-	-	16,774
R. A. Elliott	13,790	-	1,103	14,893

<i>Executive</i>				
T. R. Cragg	22,983	10,619	1,839	35,441
V. Cragg	22,983	10,099	1,839	34,921

Executive officers (excluding directors)

The Company

<i>Current</i>				
P. Brown - UK Franchising Manager	92,726	2,748	5,172	100,646
R. W.M. Cunliffe - Financial Accountant (UK)	70,188	3,991	5,172	79,351
K. T. Cragg - General Manager Operations (Europe)	34,700	34,617	3,546	72,863
G.R. Veasey - Financial Accountant	31,172	3,523	2,494	37,189
A.D.O'Brien - Group Financial Controller	5,787	410	463	6,660

Consolidated

<i>Current</i>				
P. Brown - UK Franchising Manager	92,726	2,748	5,172	100,646
R. W.M. Cunliffe - Financial Accountant (UK)	70,188	3,991	5,172	79,351
K. T. Cragg - General Manager Operations (Europe)	34,700	34,617	3,546	72,863
M. DeGruyter - General Manager Operations, Sydney	43,328	3,340	3,320	49,988
G.R. Veasey - Financial Accountant	31,172	3,523	2,494	37,189

* *Atained leave entitlements with the exception of K.T. Cragg, which includes payment of overseas living expenses.*

Options granted to T.R. Cragg and V. Cragg as Directors are detailed below.

Options

Since incorporation, the Company granted options over unissued ordinary shares to the following directors of the Company as part of their remuneration:

Directors

	Number of options granted*	Exercise price	Expiry date
T.R. Cragg	3,000,000	70 cents	30 June, 2012 **
T.R. Cragg	2,000,000	90 cents	30 June, 2012 ***
V. Cragg	1,000,000	70 cents	30 June, 2012 **
V. Cragg	500,000	90 cents	30 June, 2012 ***

* All options were granted during the financial year. No options have been granted since the end of the financial year.

** Exercisable for 5 years from the end of the financial year (which must be no later than 30 June 2007) in which the Company's audited profit, before interest and tax, is more than double the Company's audited profit for the financial year ending 30 June 2002 and the price of shares on the Australian Stock Exchange has reached at least \$1.00 per share.

*** Exercisable for 5 years from the end of the financial year (which must be no later than 30 June 2007) in which the Company's audited profit, before interest and tax, is 250% higher than the Company's audited profit for the financial year ending 30 June 2002 and the price of shares on the Australian Stock Exchange has reached at least \$1.25 per share.

No options have been granted to the five most highly remunerated officers of the Company.

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

Expiry date	Exercise price	Number of shares
30 June 2007 *	50 cents	2,000,000
30 June 2012 **	70 cents	4,000,000
30 June 2012 **	90 cents	2,500,000

Directors' Report (continued)

* Vendors options granted to Hire Intelligence Pty Ltd, a related party of T.R. Crage and V.Crage at an exercise price of 50 cents each. These options are exercisable at any time prior to 5.00pm (WST) on 30 June 2007.

** These options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the consolidated entity achieving performance hurdles as described above.

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

During or since the end of the financial year, the Company did not issue any ordinary shares as result of the exercise of options.

Directors' interests

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

Hire Intelligence International Limited		
	Ordinary shares	Options over ordinary shares
T. R. Crage	52,955,867	7,000,000
V. Crage	52,955,867	3,500,000
R. A. Elliott	112,000	-
D. R. Davies	30,000	-

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company, T.R. Crage, V. Crage, R.A. Elliott and D. R. Davies 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.

The Company has also agreed to indemnify the Company Secretary for all liabilities to another person (other than the Company or a related body corporate) that may arise from this position, 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 incorporation the Company has paid insurance premiums of \$15,072 in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The insurance premiums relate to:

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

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

Rounding off

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

Dated at Perth this 27th day of August 2002.

Signed in accordance with a resolution of the directors:

Thomas R. Crage
Director

Statements of financial performance

For the period from 19 September 2001 to 30 June 2002

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
Sales revenue	2	4,648	1,379
Cost of sales		(1,298)	(799)
Gross Profit		<u>3,350</u>	<u>580</u>
Other revenues from ordinary activities	2	600	964
Distribution expenses		(83)	(48)
Marketing expenses		(355)	(79)
Occupancy expenses		(195)	(138)
Administrative expenses		(1,766)	(1,319)
Write down of non-current assets to recoverable amount	3(a)	(18,273)	(18,273)
Goodwill amortisation	3(b)	(691)	(190)
Loss from ordinary activities before related income tax expense		<u>(17,413)</u>	<u>(18,503)</u>
Income tax expense relating to ordinary activities	5(a)	(516)	(9)
Net loss attributable to members of Hire Intelligence International Limited	19	<u>(17,929)</u>	<u>(18,512)</u>
Non-owner transaction changes in equity	18	<u>(33)</u>	<u>(34)</u>
Net exchange difference relating to self-sustaining foreign operations		(33)	(34)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		<u>(17,962)</u>	<u>(18,546)</u>
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		<u>(17,962)</u>	<u>(18,546)</u>
Basic earnings per share: Ordinary shares	6	-\$ 0.40	
Diluted earnings per share: Ordinary shares	6	-\$ 0.40	

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 33 to 61.

Statements of financial position

As at 30 June 2002

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
Current assets			
Cash assets	8	1,011	578
Receivables	9	1,390	724
Inventories	10	79	51
Other	11	165	121
Total current assets		<u>2,645</u>	<u>1,474</u>
Non-current assets			
Other financial assets	12	-	13,661
Property, plant and equipment	13	2,894	1,401
Intangible assets	14	15,608	3,710
Deferred tax asset	5(d)	55	32
Total non-current assets		<u>18,557</u>	<u>18,804</u>
Total assets		<u>21,202</u>	<u>20,278</u>
Current liabilities			
Payables	15	1,049	1,211
Current tax liabilities	5(b)	369	17
Provisions	16	63	44
Deferred income		164	59
Total current liabilities		<u>1,645</u>	<u>1,331</u>
Non-current liabilities			
Deferred tax liabilities	5(c)	49	24
Provisions	16	11	10
Total non-current liabilities		<u>60</u>	<u>34</u>
Total liabilities		<u>1,705</u>	<u>1,365</u>
Net assets		<u>19,497</u>	<u>18,913</u>
Equity			
Contributed equity	17	37,459	37,459
Reserves	18	(33)	(34)
Accumulated losses	19	(17,929)	(18,512)
Total equity	21	<u>19,497</u>	<u>18,913</u>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 33 to 61.

Statements of cash flows

For the period from 19 September 2001 to 30 June 2002

	Consolidated	The Company
Note	2002 \$'000	2002 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	4,575	1,235
Cash payments in the course of operations	(2,819)	(1,715)
Interest received	26	18
Other revenue	5	616
Income taxes paid	(329)	-
Net cash provided by operating activities	1,458	154
	5(b)	25(b)
Cash flows from investing activities		
Payments for controlled entities (net of cash acquired)	(5,814)	(5,892)
Proceeds on disposal of non-current assets	402	249
Payments for property, plant and equipment	(1,101)	(459)
Payments for intangible assets	(377)	(376)
Net cash used in investing activities	(6,890)	(6,478)
	24(b)	
Cash flows from financing activities		
Proceeds from issue of shares	7,300	7,300
Transaction costs from issue of shares	(857)	(857)
Proceeds from borrowings	-	459
Net cash provided by financing activities	6,443	6,902
Net increase/(decrease) in cash held	1,011	578
Cash at the beginning of the financial year	-	-
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	-
Cash at the end of the financial year	1,011	578
	25(a)	

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 33 to 61.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

1. Statement of significant accounting policies	(c) Revenue recognition - Note 2
The significant policies which have been adopted in the preparation of this financial report are:	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 benefits will flow to the entity and the revenue can be reliably measured.
(a) Basis of preparation	Rental Contracts
The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.	Rental revenue is recognised on a straight line basis over the term of the rental agreement. Where revenue is received in advance it is deferred and recognised as unearned revenue in the statement of financial position. Unearned revenue is then recognised in the statement of financial performance over the term of the rental agreement.
It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.	Franchise fees
These accounting policies have been consistently applied by each entity in the consolidated entity.	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.
(b) Principles of consolidation	Sale of licences and other goods
Controlled entities	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.
The financial statements of controlled entities are included from the date control commences until the date control ceases.	Rendering of services
Transactions eliminated on consolidation	Revenue from rendering of services is recognised as it accrues in the period in which the service is provided.
Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.	

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Interest revenue

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

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Dividends

Revenue from dividends and distributions from controlled entities is recognised by the parent entity in the period for which they are declared by the controlled entities.

Export Market Development Grants

Revenue from Export Market Development Grants is recognised in the period in which the related export market development costs are expensed.

(d) Goods and services tax

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

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

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

(e) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change, except where:

- hedging specific anticipated transactions or net investments in self-sustaining operations
- relating to amounts payable or receivable in foreign currency forming part of a net investment in a

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency translation reserve on consolidation.

Translation of controlled foreign operations

The assets and liabilities of foreign operations, including controlled entities that are self-sustaining, are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the operations.
The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is transferred to retained profits in the year of disposal.

(f) Taxation - Note 5

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried

forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(g) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.
Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(h) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(i) Receivables - Note 9

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(j) Inventories - Note 10

Inventories are carried at the lower of cost and net realisable value.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(k) Investments - Note 12

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(l) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(m) Goodwill - Note 14

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

(n) Recoverable amount of non-current assets

valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Cost versus fair value

Except where specifically stated, non-current assets are recorded at the lower of cost and recoverable amount.

(o) Depreciation and amortisation

Useful lives

All assets, excluding trademarks and know-how, have limited useful lives and are depreciated/amortised using the 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, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

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

2002	
Property, plant and equipment	
Leasehold improvements	0%-20% reducing balance
Plant and equipment	20%-40% reducing balance
Intangibles	
Goodwill	20 years straight line
Trademarks and know-how *	

* Trademarks and know-how are disclosed in the financial statements at the lower of cost and recoverable amount. The carrying values of trademarks and know-how are reviewed each year to ensure that they are not in excess of recoverable amount.

The Director believes the depreciable amount of the trademarks and know-how to be negligible based on the expected residual values compared with carrying values and therefore do not amortise.

(p) Payables - Note 15

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

(q) Employee entitlements - Note 26

Wages, salaries, annual leave and sick leave

Liabilities for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are charged against income as they are incurred.

(r) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(s) Provisions - Note 16

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, except where noted.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
--	------	--------------------------------	-------------------------------

2 Revenue from ordinary activities

Sale of goods revenue from operating activities		199	194
Rendering of services revenue from operating activities		4,449	1,185
		<u>4,648</u>	<u>1,379</u>

Other revenues:

<i>From operating activities</i>			
Export Market Development Grants		165	80
Interest:			
Other parties		26	19
Management Services Income:			
Controlled entities	29	-	610

From outside operating activities

Gross proceeds from sale of non-current assets		402	249
Other		<u>7</u>	<u>6</u>

Total other revenues

		<u>600</u>	<u>964</u>
--	--	------------	------------

Total revenue from ordinary activities

		<u>5,248</u>	<u>2,343</u>
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Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Consolidated The Company
2002 2002
\$'000 \$'000

3 Loss from ordinary activities before income tax expense

(a) Individually significant expenses / (revenues) included in loss from ordinary activities before income tax expense

Write down of non current assets to recoverable amount	18,273	18,273
Introduction and sale fee for arranging the sale of the franchise business of Hi-Intelli Pty Ltd, on behalf of its shareholders, to the Company	(700)	-

(b) Loss from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following items:

Write-down in value of inventories	11	11
Depreciation of: plant and equipment	574	268
Amortisation of: goodwill	691	190
leasehold improvements	17	8
Total depreciation and amortisation	708	198
	1,282	466

Net bad and doubtful debts expense including movements in provision for doubtful debts

Net expense from movements in provision for:
employee entitlements

Net (gain)/loss on disposal of non-current assets:

property, plant and equipment

Operating lease rental expense:

minimum lease payments

Consolidated The Company
2002 2002
\$ \$

4 Auditors' remuneration

Audit services

Auditors of the Company - KPMG	65,000	65,000
Audit and review of the financial reports		

Other services

Auditors of the Company - KPMG	21,710	21,710
Other assurance services	24,159	16,389
Taxation services	45,869	38,099
	110,869	103,099

Consolidated The Company
2002 2002
\$'000 \$'000

5 Taxation

(a) Income tax expense

Prima facie income tax credit calculated at 30% on the loss from ordinary activities	(5,224)	(5,551)
Increase in income tax expense due to:		
Non deductible write down of non current assets to recoverable amount	5,482	5,482
Amortisation of goodwill	208	57
Tax losses of non-resident entities not carried forward as future income tax benefit	37	37
Sundry items	(5)	(34)
Decrease in income tax expense due to:		
Effect of lower rates of tax on overseas income	18	18
Income tax expense attributable to profit from ordinary activities	516	9
Income tax expense/(credit) attributable to profit from ordinary activities is made up of:		
Current income tax provision	507	17
Deferred income tax provision	49	24
Future income tax benefit	(40)	(32)
	516	9

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Consolidated 2002 \$'000	The Company 2002 \$'000
5 Taxation (continued)		
(b) Current tax liabilities		
<i>Provision for current income tax</i>		
Movements during the year:		
Balance at beginning of year	-	-
Income tax paid	(329)	-
- operating activities	(329)	-
Addition through acquisition of a controlled entity	191	-
Current year's income tax expense on profit from ordinary activities	507	17
	<u>369</u>	<u>17</u>

(c) Deferred tax liabilities

Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:

Accrued Income	49	24
----------------	----	----

(d) Deferred tax assets

Future income tax benefit

Provisions and accrued employee entitlements not currently deductible

Future income tax benefit not taken to account

The potential future income tax benefit in a controlled entity, which is a company, arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain:

Tax losses carried forward	37	37
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The potential future income tax benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- no change in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Consolidated 2002 \$'000
6 Earnings per share	
Earnings	
Net Loss	(17,929)
Basic Earnings	<u>(17,929)</u>
Effect of share options on issue	-
Diluted Earnings	<u>(17,929)</u>

Classification of securities as potential ordinary shares

Options outstanding, detailed below have not been classified as potential ordinary shares and are excluded from the diluted earnings per share calculation.

Further details of these securities are contained in Note 29.

	Consolidated 2002 Number
Weighted average number of shares used as the denominator	
Number for basic earnings per share	45,026,304
Ordinary shares	-
Effect of share options on issue	-
Number for diluted earnings per share	<u>45,026,304</u>

The weighted average number of shares is calculated based on the number of days of trading, since 16 January 2002, divided by the number of days since incorporation on 19 September 2001.

Share Options over 8,500,000 shares issued on 10 December 2001 have not been included in the calculation of diluted EPS as they are not dilutive. Full details of these options are set out in Note 29.

Notwithstanding the Earnings per share performance, Net Assets per Share at 30 June 2002 were 25%.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

7 Segment reporting

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 mainly comprise 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, based on the consolidated entity's management reporting system:

Computer equipment rentals

Short-term rental of computer equipment and related products.

Franchising

Sale of, and ongoing franchise fees charged for, rights to use the franchiser's intellectual property.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australasia

Computer rental offices based in Perth and Sydney. Franchising operations based in Perth.

United Kingdom & Ireland

Computer rental and franchising operations based in London.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Computer Equipment	Rentals	Franchising	Eliminations	Consolidated
	2002	2002	2002	2002	2002
	\$'000	\$'000	\$'000	\$'000	\$'000
7 Segment reporting (continued)					
Primary reporting - Business segments					
Revenue					
External segment revenue	3,165	2,083	-	-	5,248
Inter-segment revenue	611	118	(729)	-	-
Total segment revenue	3,776	2,201	(729)		5,248
Total revenue					5,248

Result					
Segment result	(8,342)	(8,827)			(17,169)
Unallocated corporate expenses					(244)
Profit from ordinary activities before income tax					(17,413)
Income tax expense					(516)
Net profit					(17,929)

Depreciation	574	-	-	-	574
Amortisation	334	374	-	-	708
Individually significant items					
Introduction and sale fee	-	700	-	-	700
Write down of non current assets to recoverable amount	(8,552)	(9,721)			(18,273)

Assets					
Segment assets excluding goodwill	6,805	589	-	-	7,394
Goodwill	7,445	6,363	-	-	13,808
Consolidated total assets					21,202

Liabilities					
Segment liabilities	1,082	623	-	-	1,705
Consolidated total liabilities					1,705
Acquisitions of non-current assets	21,826	16,459	-	-	38,285

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Australasia UK & Ireland Consolidated	
	2002	2002
	\$'000	\$'000
7 Segment reporting (continued)		
Secondary reporting – Geographical segments		
External segment revenue by location of customers	3,560	1,688
Segment assets by location of assets	19,770	1,432
Acquisitions of non-current assets	37,142	1,143
		38,285

8 Cash assets

	Consolidated The Company	
	2002	2002
	\$'000	\$'000
Cash at bank and on hand	811	378
Bank short term deposits	200	200
	1,011	578

The bank short term deposits are on overnight terms and pay interest at an interest rate of 4% at 30 June 2002.

9 Receivables

	Consolidated The Company	
	2002	2002
	\$'000	\$'000
Current		
Trade debtors	1,025	424
Less: Provision for doubtful trade debtors	(1)	-
	1,024	424
Other debtors	366	300
	1,390	724

Other debtor amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is generally not obtained.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Consolidated The Company	
	2002	2002
	\$'000	\$'000
10 Inventories		
Current		
Finished goods at net realisable value	79	51
11 Other current assets		
Prepayments	165	121

12 Other financial assets

	Consolidated The Company	
	2002	2002
	\$'000	\$'000
Non-current		
Investments in controlled entities:		
Unlisted shares – cost	-	23,383
Write down to recoverable amount	-	(9,722)
Unlisted shares carried at recoverable amount	-	13,661

The expected net cash flows included in determining recoverable amount have been discounted at the rate of 15% per annum.

13 Property, plant and equipment

	Consolidated The Company	
	2002	2002
	\$'000	\$'000
Leasehold improvements:		
At cost	205	114
Accumulated amortisation	(17)	(8)
	188	106
Plant and equipment:		
At cost	3,007	1,540
Accumulated depreciation	(301)	(245)
	2,706	1,295
Total property, plant and equipment net book value	2,894	1,401

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Consolidated The Company 2002 \$'000

13 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

<i>Leasehold improvements</i>		
Carrying amount at beginning of year	-	-
Additions	16	1
Acquisition through controlled entities acquired	76	-
Acquisition from Hire Intelligence Pty Ltd	115	115
Amortisation	(17)	(8)
Net foreign currency differences on translation of self-sustaining operations	(2)	(2)
Carrying amount at end of year	188	106

Plant and equipment

Carrying amount at beginning of year	-	-
Additions	1,135	511
Disposals	(452)	(278)
Acquisition through controlled entities acquired	1,214	-
Acquisition from Hire Intelligence Pty Ltd	1,404	1,351
Depreciation	(574)	(268)
Net foreign currency differences on translation of self-sustaining operations	(21)	(21)
Carrying amount at end of year	2,706	1,295
	2,894	1,401

14 Intangible assets

Goodwill:

At cost	30,437	8,316
Amortisation	(691)	(190)
Write down to recoverable amount	(15,936)	(6,216)
	13,808	1,910
Trademarks and know-how		
At cost	4,135	4,135
Write down to recoverable amount	(2,335)	(2,335)
	1,800	1,800
	15,608	3,710

The expected net cash flows included in determining recoverable amount have been discounted at the rate of 15% per annum.

Consolidated The Company 2002 \$'000

15 Payables

Trade creditors	492	374
Other creditors and accruals	557	837
	1,049	1,211

16 Provisions

Current		
Employee entitlements	63	44
Non-current		
Employee entitlements	11	10
	74	54

17 Contributed equity

Share Capital		
77,032,958 ordinary shares fully paid	37,459	37,459

Ordinary share capital

<i>Movements during the year</i>		
Balance at incorporation	-	-
Shares issued	-	-
- 14,600,000 for cash pursuant to a prospectus dated 10 December 2001	7,300	7,300
- 59,975,867 to the founding shareholders in respect of the purchase of shares in Cityside Asset Pty Ltd and the purchase of the rental business of Hire Intelligence Pty Ltd	29,988	29,988
- 2,057,090 to the vendors in respect of the purchase of the shares in Hi-Intelli Pty Ltd	1,028	1,028
- 400,000 to the sponsoring broker and another broker pursuant to a prospectus dated 10 December 2001 *	200	200
- Transaction costs arising from issue pursuant to prospectus dated 10 December 2001	(1,057)	(1,057)
- Balance at end of year	37,459	37,459

* 300,000 Company shares were issued to the sponsoring broker and 100,000 Company shares were issued to a second broker in connection with services provided for the Company's listing on the Australian Stock Exchange on 16 January 2002.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

17 Contributed equity (continued)

Initial Public Offering and Acquisitions

On 16 January 2002 Hire Intelligence International Limited commenced operations following the Initial Public Offering of shares and the acquisitions detailed below:

- The Hire Intelligence rental business, operating in London and Perth, was acquired as a going concern by an agreement dated 10 December 2001, from Hire Intelligence Pty Ltd in its capacity as trustee for the Valerie Unit Trust. The purchase consideration of \$5,354,477 was discharged by the issue of 27,062,743 Company shares to the vendor. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$13,531,372.
- 100% of the issued share capital of Cityside Asset Pty Ltd, the Hire Intelligence franchising business operator, was acquired by an agreement dated 10 December 2001 from Hanvrex Nominees Pty Ltd in its capacity as trustee for the Crage Family Trust. The purchase consideration of \$6,512,000 was discharged by the issue of 32,913,124 Company shares to the vendor. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$16,456,562.
- 100% of the issued share capital of Hi-Intelli Pty Ltd, a rental business operating in Sydney, was acquired under the terms of an agreement dated 10 December 2001 from Michael John DeGruyter, Gillian Vaughan DeGruyter and Alfred Brett Dryland. The total consideration of \$6,926,946 was satisfied by the issue of 2,057,090 Company shares and the payment (net of an adjustment of \$101,599 to the original purchase consideration of \$7,028,545) of \$5,898,401 in cash. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$1,028,545.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
18 Reserves			
Foreign currency translation		(33)	(34)
Movements during the year			
Foreign currency translation			
Balance at incorporation		-	-
Exchange difference on net investment in foreign operations and related hedges:		(33)	(34)
Balance at end of year		(33)	(34)

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 1(e).

19 Accumulated losses

Retained profits at incorporation	-	-
Net loss attributable to members of the parent entity	(17,929)	(18,512)
Accumulated losses at end of year	(17,929)	(18,512)

20 Dividends

No dividends were recognised or paid in the current year by the Company.

21 Total equity reconciliation

Total equity at incorporation	-	-
Total changes in parent entity interest in equity recognised in statement of financial performance	(17,962)	(18,546)
Transactions with owners as owners:		
Contributions of equity	17	37,459
Total equity at end of year	19,497	18,913

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

22 Additional financial instruments disclosure

(a) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
			\$'000	\$'000	\$'000
2002					
<i>Financial assets</i>					
Cash assets	8	4%	1,011	-	1,011
Receivables	9	-	-	1,390	1,390
			1,011	1,390	2,401
<i>Financial liabilities</i>					
Payables			-	1,049	1,049
Employee entitlements	16,26	-	-	74	74
			-	1,123	1,123

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by performing extensive due diligence procedures on major new customers.

(c) Net fair values of financial assets and liabilities

Valuation approach

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, other debtors, accounts payable, dividends payable and employee entitlements approximate net fair value.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

23 Commitments

Consolidated The Company
2002 2002
\$'000 \$'000

Capital expenditure commitments

<i>Plant and equipment</i>	
Contracted but not provided for and payable:	
Within one year	144
One year or later and no later than five years	-
Later than five years	-
	144

Non-cancellable operating lease commitments

Future operating lease commitments not provided for in the financial statements and payable:	
Within one year	306
One year or later and no later than five years	1,056
Later than five years	234
	1,596
	1,179

The consolidated entity leases property under non-cancellable operating leases expiring from four to seven years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

Ordinary Share Consolidated Entity Interest

2002
%

24 Controlled entities

(a) Particulars in relation to controlled entities

<i>Parent entity</i>	
Hire Intelligence International Limited	
<i>Controlled entities</i>	
Cityside Asset Pty Ltd	100
Hi-Intelli Pty Ltd	100
Hire Intelligence (USA) Pty Ltd	100

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

24 Controlled entities (Continued)

(b) Acquisition of controlled entities

Hi-Intelli Pty Ltd was acquired on 16 January 2002 and the operating results of the entity from that date have been included in consolidated operating profit. The entity operates a computer rental business in 5 franchise territories in Sydney.

Cityside Asset Pty Ltd was acquired on 10 January 2002 and the operating results from that date have been included in consolidated operating profit. The entity's main activity is the franchising of the Hire Intelligence computer rental business.

Hire Intelligence (USA) Pty Ltd was incorporated on 6 May 2002 and did not trade during the financial period.

Details of the acquisitions are as follows:

	2002	\$'000
Fair value of net assets of entity acquired:		
Property, plant and equipment		1,290
Deferred tax asset		16
Cash assets		78
Inventories		10
Receivables		338
Prepayments		12
Payables		(281)
Current tax liability		(191)
Employee benefits		(8)
		1,264
Goodwill on acquisition		22,119
		23,383

	Consolidated	The Company
	2002	2002
	\$'000	\$'000
Consideration	5,892	5,892
Cash acquired	(78)	-
Outflow of cash	5,814	5,892
Consideration:		
Cash	5,892	5,892
Shares issued at fair value	17,486	17,486
Deferred	5	5
	23,383	23,383

24 Controlled entities (Continued)

(c) Acquisition of operations

The Hire Intelligence rental business was acquired as a going concern on 16 January 2002 and the operating results of the business from that date have been included in consolidated operating profit. The business operates in London and Perth. The purchase consideration of \$5,354,477 was discharged by the issue of 27,962,743 Company shares to the vendor. The Company has applied UIG 41 Fair value of Equity Instruments issued as Purchase Consideration and accordingly the shares have been brought to account at fair value of 50 cents per share for a total value of \$13,531,372.

Details of the acquisitions are as follows:

	2002	
	\$'000	
Fair value of net assets of entity acquired:		
Property, plant and equipment	1,519	
Trademarks and know-how	4,135	
Inventories	38	
	5,692	
Goodwill on acquisition	7,839	
	13,531	
	Consolidated	The Company
	2002	2002
	\$'000	\$'000
Shares issued at fair value	13,531	13,531

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
25 Notes to the statements of cash flows			
(a) Reconciliation of cash			
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:			
Cash assets	8	1,011	578
(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities			
Loss from ordinary activities after income tax		(17,929)	(18,512)
Add/(less) items classified as investing/financing activities:			
(Profit)/loss on sale of non-current assets		(4)	28
Add/(less) non-cash items:			
Amortisation		708	198
Depreciation		574	268
Unrealised foreign exchange (gain)/loss		(7)	(10)
Write down of non current assets to recoverable amount		18,273	18,273
Write-down in value of inventory		11	11
(Decrease)/increase in income taxes payable		178	18
(Decrease)/increase in deferred tax provision		49	24
(Increase)/decrease in deferred tax asset		(40)	(32)
Net cash provided by operating activities before change in assets and liabilities		1,813	266
Change in assets and liabilities adjusted for effects of purchase of controlled entities during the financial year:			
(Increase)/decrease in inventories		(42)	(24)
(Increase)/decrease in prepayments		(153)	(121)
(Increase)/decrease in trade/other debtors		(1,051)	(724)
(Decrease)/increase in other operating liabilities		439	280
(Decrease)/increase in accounts payable		222	364
(Decrease)/increase in deferred income		164	59
(Decrease)/increase in provisions		66	54
Net cash provided by operating activities		1,438	154

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

	Note	Consolidated 2002 \$'000	The Company 2002 \$'000
26 Employee entitlements			
Aggregate liability for employee entitlements, including on-costs			
Current	16	63	44
Non-current	16	11	10
		74	54
Number of employees			
Number of employees at year end		31	
27 Directors' remuneration			
Directors' income			
The number of directors of the Company whose income from the Company or any related party falls within the following bands:			
\$ 10,000 - \$ 19,999	2		
\$ 30,000 - \$ 39,999	2		
			2002
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party			\$ 102,029

28 Executives remuneration

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

No Australian based executive officer's remuneration exceeded \$100,000 in the trading period.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

29 Related parties

Directors

The names of each person holding the position of director of Hire Intelligence International Limited during the financial period are Messrs T.R. Cragg, R.A. Elliott, D.R. Davies and Ms. V. Cragg.

Details of directors' remuneration are set out in Note 27.

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

Loans to directors

No loans were made to directors or their related parties during the financial period.

Consolidated

2002

Number held

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

Hire Intelligence International Limited:

Ordinary shares

Options over ordinary shares

53,097,868

8,500,000

Directors' transactions in shares and share options

During the year, directors of Hire Intelligence International Limited and their director-related entities acquired a total of 53,121,868 ordinary fully paid shares in the Company and disposed of 24,000 ordinary fully paid shares in the Company.

During the year, Hire Intelligence International Limited granted options over 8,500,000 unissued shares to directors as follows:

- T.R. Cragg and V. Cragg were granted 3,000,000 and 1,000,000 options respectively to acquire shares at an exercise price of 70 cents each. These options are exercisable for 5 years from the end of the financial year (which must be no later than 30 June 2007) in which the Company's audited profit, before interest and tax, is more than double the Company's audited profit for the financial year ending 30 June 2002, and the price of shares on the Australian Stock Exchange has reached at least \$1.00 per share.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

29 Related parties (Continued)

- T.R. Cragg and V. Cragg were granted 2,000,000 and 500,000 options respectively to acquire shares at an exercise price of 90 cents each. These options are exercisable for 5 years from the end of the financial year (which must be no later than 30 June 2007) in which the Company's audited profit, before interest and tax, is 250% higher than the Company's audited profit for the year ending 30 June 2002, and the price of shares on the Australian Stock Exchange has reached at least \$1.25 per share.
- Hire Intelligence Pty Ltd, an entity related to T.R. Cragg and V. Cragg, was granted 2,000,000 options to acquire shares at an exercise price of 50 cents each. These options are exercisable at any time prior to 5.00pm (WST) on 30 June 2007.

Directors' transactions with the Company or its controlled entities

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to directors and their director-related entities were as follows:

Director	Transaction	Note	Consolidated The Company	
			2002	2002
			\$	\$
D. R. Davies	Legal fees	(i)	203,831	203,831
R. A. Elliott	Purchase of computer equipment		1,526	1,526
T.R. Cragg and V. Cragg	Acquisition of businesses	(ii)	29,987,934	29,987,934

(i) D.R. Davies is a partner of Blake Dawson Waldron, which provides legal services including services with respect to the Initial Public Offering of shares, to the Company and its controlled entities.

(ii) On 16 January 2002, the Company acquired the rental business, operating in Perth and London, from Hire Intelligence Pty Ltd (in its capacity as trustee for the Valerie Unit Trust), and 100% of the issued share capital of Cityside Asset Pty Ltd, the Hire Intelligence franchising business operator, from Hamwren Pty Ltd (in its capacity as trustee for the Cragg Family Trust). The fair value of the shares issued in consideration for these transactions was \$29,987,934. Refer note 17.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

29 Related parties (Continued)

Amounts receivable from and payable to directors and their director-related entities at balance date arising from these transactions were as follows:

	Consolidated	The Company
	2002	2002
	\$	\$
Current receivables		
Trade debtors	3,785	-
Less: Provision for doubtful debts	-	-
	<u>3,785</u>	<u>-</u>
Current payables		
Trade creditors	10,376	10,376

From time to time, directors of the Company or its controlled entities, or their director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Non-director related parties

The classes of non-director related parties are:

- wholly-owned controlled entities
- directors of related parties and their director-related entities.

Transactions

All transactions with non-director related parties are on normal terms and conditions.

Directors of related parties (not being directors of the entity or their director-related entities)

From time to time, directors of related parties or their director-related entities may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by consolidated entity employees or customers and are trivial or domestic in nature.

Other related parties

The commonly controlled entities, Hire Intelligence Pty Ltd and Hamwrex Nominees Pty Ltd were parties to the business acquisition agreement referred to in note 17.

Notes to the financial statements

For the period from 19 September 2001 to 30 June 2002

29 Related parties (Continued)

	Note	Consolidated	The Company
		2002	2002
		\$	\$

The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:

Management services income			
Wholly-owned controlled entities		-	610

Receivables

Amounts receivable other than trade debts

Current			
Wholly-owned controlled entities		-	30

There are no trade debts receivable from non director-related parties.

Payables

Aggregate amounts payable to non director-related parties:

Amounts payable other than trade creditors			
Current			
Wholly-owned controlled entities		-	523

Percentage of equity interest

Details of equity interests held in classes of related parties are set out as follows:
Controlled entities 24(a)

Directors' declaration

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

- (a) the financial statements and notes, set out on pages 30 to 61, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2002 and of their performance; as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 27th day of August 2002.

Signed in accordance with a resolution of the directors:

Thomas R. Crag
Director

Independent audit report to the members of Hire Intelligence International Limited

Scope

We have audited the financial report of Hire Intelligence International Limited ("the Company") for the financial period ended 30 June 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 29 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at year's end or from time to time during the financial period. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the

consolidated entity's financial position, and

performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Hire Intelligence International Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the financial period ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

B. C. Fullarton
Partner
Perth, WA
27th August 2002

Shareholder information

As at 29 August 2002

Substantial shareholders

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

Shareholder	Ordinary
Hamwrex Nominees Pty Limited	29,051,534
Hire Intelligence Pty Limited	23,904,333
Citicorp Nominees Pty Limited	4,403,846

Unquoted equity securities

Options over ordinary shares

Refer to note 29

Voting rights

Ordinary shares

Refer to note 17

Distribution of equity security holders

Category	Number of equity security holders
Ordinary shares	
1 - 1,000	77
1,001 - 5,000	295
5,001 - 10,000	254
10,001 - 100,000	300
100,000 and over	29
	955

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Hamwrex Nominees Pty Limited<The Cragg Family A/C>	29,051,534	37.71
Hire Intelligence Pty Limited<The Valere Unit A/C>	23,904,333	31.03
Citicorp Nominees Pty Limited<CIFS Developing Companies A/C>	4,403,846	5.72
Capax Pty Limited<The Rhonda Gray Family A/C>	900,000	1.17
Mr M.J. DeGruyter	802,266	1.04
Mr A.B. Dryland	719,981	0.93
LGH Holdings Limited	540,500	0.70
Ms G.V. DeGruyter	534,843	0.69
Hire IQ Pty Limited	403,190	0.52
Gibbair Pty Limited	340,000	0.44
Rogard Pty Limited<Super Fund A/C>	300,000	0.39
Mr G.S. Minniti	200,465	0.26
Giovanni Nominees Pty Limited	200,000	0.26
Mr S.P. Tapodina	200,000	0.26
Mr J.P. Willoughby & Mr W.R. Willoughby<Willoughby Family A/C>	195,000	0.25
Key Factors Pty Limited	180,000	0.23
Mr W.R. Willoughby & Mrs J.P. Willoughby	180,000	0.23
Reid Super Co Pty Limited<Willoughby S F A/C>	175,000	0.23
Mr D. Panagakis	160,000	0.21
Mr B.P. Leonard	158,027	0.21
	63,548,985	82.48