APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2017

HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4E

Preliminary Final Report

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HiTech Group Australia Limited	
ABN: 41 062 067 878	**Financial Year ended 30 June 2017**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A
Revenues from ordinary activities		**27%**	**Up**	**23,345,598**
Net profit for the period attributable to members		**14%**	**Up**	**2,485,346**

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	No final dividend proposed	
Previous corresponding period	n/a	n/a

Comment on figures reported:

HiTech's core business is the recruitment of ICT professionals and the supply of contracting services. This sector of the market has been strong and is showing ongoing signs of growth.

For the financial year ended 30 June 2017, the consolidated entity's operating **revenue is $23,345,598 an increase of 27% over the previous corresponding period** (pcp). The permanent placement income was 13% higher and contracting revenue was 28% higher.

Gross Profit is $4,705,131 an increase of 21% over pcp (FY16: $3,892,918).

Net profit after taxation (NPAT) and Earnings before interest, taxes, depreciation and amortization (EBITDA) are normalised figures reflecting the profit attributable to the underlying business operation for FY2017.

NPAT of $2,485,346 is an increase of 14% over pcp (FY16: $2,171,768).

EBITDA is $3,575,979 an increase of 14% over pcp (FY16: $3,139,789).

Our Net Tangible Assets (NTA) are $0.19 per share.

Cash is $5,206,732 an increase of 18% over pcp (FY16: $4,408,703).

HiTech remains fully prepared to take advantage of any improvement in the ICT recruitment and services sector. We are working towards winning new business, increasing profit and ensuring that operating costs are kept to a minimum.

We are also actively seeking EPS accretive acquisitions.

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	Consolidated Group 2017 $	2016 $
Services revenue	5(a)	23,322,238	18,276,359
Cost of services		(18,617,107)	(14,383,441)
Gross Profit		4,705,131	**3,892,918**
Other revenue	5(b)	23,360	45,810
Marketing expenses		(43,225)	(80,807)
Occupancy expenses		(127,386)	(103,414)
Insurance and legal expenses		(50,281)	(46,526)
Administration expenses		(1,244,272)	(1,126,878)
Impairment of current financial assets		-	870,015
(Loss)/Gain on sale of current financial assets		146,987	(291,002)
Other expenses from ordinary activities		(71,058)	(43,483)
Profit/(Loss) before Income Tax		3,339,256	3,116,633
Income tax expense	7	(1,029,335)	(944,865)
Profit/(Loss) attributable to Members of the parent entity		2,309,921	2,171,768
Other comprehensive income		-	-
Total comprehensive income for the year		**2,309,921**	**2,171,768**
Earnings per Share:			
Basic and diluted earnings (cents per share)	21	6.55	7.01

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Consolidated Group 2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	**8**	5,206,732	4,408,703
Trade and other receivables	**9**	2,611,093	3,082,699
Financial assets at fair value through profit and loss	**10**	-	560,036
Other assets		228,740	14,422
TOTAL CURRENT ASSETS		8,046,565	8,065,860
NON-CURRENT ASSETS			
Plant and equipment	**11**	207,592	70,674
Deferred tax assets	**12**	63,207	52,861
Intangible assets	**13**	2,379	2,277
Other non-current assets	**8**	24,063	24,063
TOTAL NON-CURRENT ASSETS		297,241	149,875
TOTAL ASSETS		8,343,806	8,215,735
CURRENT LIABILITIES			
Trade and other payables	**14**	1,153,322	1,417,771
Provision for taxation	**15**	240,399	750,702
Other Current liability	**14a**	74,557	-
Short-term provisions	**16**	107,738	63,543
TOTAL CURRENT LIABILITIES		1,576,016	2,232,016
NON-CURRENT LIABILITIES			
Long Term Provisions	**16**	102,954	30,036
TOTAL NON-CURRENT LIABILITIES		102,954	30,036
TOTAL LIABILITIES		1,678,970	2,262,052
NET ASSETS		6,664,836	5,953,683
EQUITY			
Contributed equity	**17**	3,100,213	2,869,213
Reserves	**3**	185,637	340,905
Retained earnings	**3**	3,378,986	2,743,565
TOTAL EQUITY		6,664,836	5,953,683

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2017

	Share Capital Ordinary $	Retained Earnings $	Employee Equity-settled benefits Reserve $	Total $
Balance at 1/7/2015	2,869,213	571,797	308,489	3,749,499
Total dividends paid for the year	-	-	-	-
Total comprehensive profit for the year	-	2,171,768	-	2,171,768
Employee share options – value of employee services	-	-	32,416	32,416
Balance at 30/6/2016	2,869,213	2,743,565	340,905	5,953,683
Balance at 1/7/2016	2,869,213	2,743,565	340,905	5,953,683
Total dividends paid for the year	-	(1,674,500)	-	(1,674,500)
Total comprehensive profit for the year	-	2,309,921	-	2,309,921
Employee share options – value of employee services	231,000	-	(155,268)	75,732
Balance at 30/6/2017	3,100,213	3,378,986	185,637	6,664,836

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	**Consolidated Group 2017 $**	**2016 $**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		26,245,607	19,657,536
Payments to suppliers and employees		(22,840,065)	(17,168,679)
Dividends received		-	17,128
Interest received		23,360	1,656
Interest paid		-	-
Income tax paid		(1,549,984)	(565,771)
Net cash provided by operating activities	**19**	1,878,918	1,941,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		(1,253,695)	(505,903)
Proceeds from sale of financial assets		1,960,720	1,189,055
Purchase of plant and equipment		(168,414)	(78,520)
Proceeds of sales from plant and equipment		-	23,470
Net cash provided by investing activities		538,611	628,102
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Paid		(1,674,500)	-
Proceed from issue of shares		55,000	
Net cash (used in) financing activities		(1,619,500)	-
Net increase in cash held		798,029	2,569,973
Cash at the beginning of the financial year		4,408,703	1,838,730
Cash at the end of the financial year	**8**	5,206,732	4,408,703

5. REVENUE

	Note	Consolidated Group 2017 $	2016 $
Revenue from continuing operations			
(a) Services			
- Contracting and permanent placement revenue (i)		23,322,238	18,276,359
(b) Other revenue			
- Interest received – other entities		23,360	1,656
- Dividends – other entities		-	24,469
- Gain on disposal of plant & equipment		-	17,117
- Other		-	2,568
Total revenue		23,345,598	18,322,169

(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.

6. EXPENSES

	2017	2016
Cost of providing services	18,617,107	14,383,441
Rental expense on operating leases		
- Minimum lease payments	127,386	103,414
Depreciation and amortisation of non-current assets		
- Plant and equipment	13,887	6,412
- Motor vehicles	17,609	15,271
- Software	1,276	1,473
Net transfers (from) provisions – employee benefits	117,113	(10,575)
Gain/(Loss) on disposal of financial assets at fair value through profit and loss	(146,987)	291,002
Unrealised (gain)/loss on financial assets at fair value through profit or loss	-	(870,015)

7. INCOME TAX

	2017	2016
(a) Income tax expense		
Current tax	1,039,682	750,702
Deferred tax	(10,347)	194,163
Recoupment of prior year tax losses	-	-
	1,029,335	944,865
(b) Numerical reconciliation of income tax (benefit)/expenses to prima facie tax payable		
Profit from continuing operations before income tax expense at 30% (2016:30%)	1,001,777	934,990
Add tax effect of:		
Imputation credits	-	(2,202)
Other assessable income	-	-
Non-deductible depreciation and amortisation and other non-allowable items	(7,213)	(265,815)
Less tax effect of:		
Non-assessable income & imputation credit	-	-
Deductible expenses	-	1,113
Recoupment of prior year tax losses	-	-
DTA previously not recognised	(34,771)	276,779
Income tax expense/(benefit)	1,029,335	944,865

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	5,206,732	4,408,703
Bank term deposits	24,063	24,063
	5,230,795	4,432,766

The effective interest rate on bank deposits at call is 2.55%

9. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group 2017 $	2016 $
Trade receivables		2,571,113	2,817,824
Provision for impairment of receivables		-	-
		2,571,113	2,817,824
Other receivables		39,980	264,875
		2,611,093	3,082,699

(a) Impaired trade receivables
As at 30 June 2017, none of the trade receivables of the Group were impaired (2016: $0)

(b) Past due but not impaired
As at 30 June 2017, trade receivable of $355,823 (2016: $ 375,539) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

30-60 days	355,823	310,095
61-90 days	-	1,980
90+ days	-	63,464
	355,823	375,539

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss are all held for trading and include the following:-

Australian listed equity securities	-	560,036

Changes in fair value are included in the profit and loss account. Refer to expenses Note 6.

11. PLANT & EQUIPMENT

	Consolidated Group			
	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	$	$	$	$
At 1 July 2015				
Cost or fair value	225,461	32,453	82,974	340,888
Accumulated depreciation	(212,663)	(32,453)	(65,609)	(310,725)
Net book value	12,798	-	17,365	30,163
Year ended 30 June 2016				
Opening net book balance	12,798	-	17,365	30,163
Additions	7,486	-	70,894	78,380
Disposal	-	-	(16,186)	(16,186)
Depreciation charge	(6,412)	-	(15,271)	(21,683)
Net book balance	13,872	-	56,802	70,674
As at 30 June 2016				
Cost or fair value	232,947	32,453	70,894	336,294
Accumulated depreciation	(219,075)	(32,453)	(14,092)	(265,620)
Net book value	13,872	-	56,802	70,674
Year ended 30 June 2017				
Opening net book balance	13,872	-	56,802	70,674
Additions	154,779	-	13,636	168,415
Disposal	-	-	-	-
Depreciation charge	(13,887)	-	(17,610)	(31,497)
Net book balance	154,764	-	52,828	207,592
As at 30 June 2017				
Cost or fair value	387,726	-	84,530	472,256
Accumulated depreciation	(232,962)	-	(31,702)	(264,664)
Net book value	154,764	-	52,828	207,592

Plant and equipment has been tested for impairment at 30 June 2017 resulting in no impairment loss for the year.

12. DEFERRED TAX ASSETS

		Consolidated Group	
		2017	2016
	Note	$	$
The balance comprises temporary differences attributable to :			
Provisions		63,207	24,787
Plant & Equipment			
Fair value loss adjustments		-	28,074
Prior year tax losses brought to account		-	-
Total deferred tax assets		63,207	52,861

13. INTANGIBLE ASSETS

	Consolidated Group
	Intangibles at cost
At 1 July 2015	
Computer software at cost	1.088.925
Accumulated Amortisation and impairment	(1,085,315)
Net book value	3,610
Year ended 30 June 2016	
Opening net book balance	3,610
Additions	140
Amortisation and impairment	(1,473)
Net book value	2,277
As at 30 June 2016	
Computer software at cost	1,089,065
Accumulated Amortisation and impairment	(1,086,788)
Net book value	2,277
Year ended 30 June 2017	
Opening net book balance	2,277
Additions	1,378
Amortisation and impairment	(1,276)
Net book value	2,379
As at 30 June 2017	
Computer software at cost	1,090,443
Accumulated Amortisation and impairment	(1,088,064)
Net book value	2,379

14. TRADE AND OTHER PAYABLES

	Note	Consolidated Group 2017 $	2016 $
Unsecured liabilities			
Trade payables		9,580	158,989
Sundry payables and accrued expenses		1,143,742	1,258,782
		1,153,322	1,417,771

14 (a) OTHER CURRENT LIABILITY

Unearned Revenue	74,557	-

15. PROVISION FOR TAXATION

Current Income Tax	240,399	750,702

16. PROVISIONS

Employee benefits	210,692	93,579
Reconciliation of movement in the liability is recognized in the balance sheet as follows:-		
Prior year closing balance	93,579	104,154
Increase in provision	117,113	(10,575)
Current year closing balance	210,692	93,579
Provisions		
- Total current	107,738	63,543
- Total non-current	102,954	30,036
	210,692	93,579

17. ISSUED EQUITY

	Consolidated Group 2017 $	2016 $
35,150,000 fully paid ordinary shares (2016: 31,000,000)	3,100,213	2,869,213

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options
During FY2017, 4,150,000 share options were exercised. At year end, there are 4.5M outstanding share options.

18. SEGMENT INFORMATION

The Consolidated Group operates primarily in one geographical and in one business segment, namely the ICT recruitment industry in Australia and reports to the Board on the performance of the Group as a whole.

19. NOTES TO STATEMENT OF CASH FLOWS

	Consolidated Group 2017 $	2016 $
Profit from ordinary activities after related income tax	2,299,575	2,171,769
Depreciation and amortisation of non-current assets	32,772	23,156
Net (gain)/loss on sale of financial assets	(146,987)	291,002
Bad and doubtful debts	8,760	
Equity settled share based payments	-	32,416
Unrealized (gain)/loss on financial assets	-	(870,015)
Gain in disposal of plant and uquipment	-	(17,117)
Decrease/(Increase) in assets		
Trade and other receivables	257,284	(446,458)
Other assets	-	8,295
Deferred tax assets	-	244,674
Increase/(Decrease) in liabilities		
Provisions for taxation	(510,301)	129,987
Trade and other payables	(179,298)	384,737
Provisions	117,113	(10,575)
Deferred tax liability	-	-
Net cash flows (used in)/from operating activities	1,878,918	1,941,870

20. NTA BACKING

Net tangible asset backing per ordinary security (per share)	$0.19	$0.19

21. COMMENTARY ON RESULTS FOR THE PERIOD

General

HiTech’s core business is the recruitment of ICT professionals and the supply of contracting services. This sector of the market has been strong in the past year.

For the financial year ended 30 June 2017, the consolidated entity’s operating **revenue is $23,345,598 an increase of 27% over the previous corresponding period** (pcp). The high margin permanent placement income was 13% higher and contracting revenue was 28% higher.

Gross Profit is $4,705,131 an increase of 21% over pcp (FY16: $3,892,918).

Net profit after taxation (NPAT) and Earnings before interest, taxes, depreciation and amortization (EBITDA) are normalised figures to reflect the profit attributable to the underlying business operation for FY2017. NPAT of $2,485,346 is an increase of 14% over pcp (FY16: $2,171,768). EBITDA is $3,575,979 an increase of 14% over pcp (FY16: $3,139,789).

Our Net Tangible Assets (NTA) are $0.19 per share (FY16: $0.19).

Cash is $5,206,732 an increase of 18% over pcp (FY16: $4,408,703).
HiTech remains fully prepared to take advantage of any improvement in the ICT recruitment and services sector. We are working towards winning new business, increasing profit and ensuring that operating costs are kept to a minimum.

We are also actively seeking EPS accretive acquisitions.

EPS

Basic and diluted earnings per share for the current financial year was 6.55 cents per share as compared with 7.01 cents per share in the previous corresponding period. At 30 June 2017, there were no outstanding options which were dilutive.

Dividends

It has been the dividend policy of the board since listing to make an annual fully franked dividend payout of approximately 60% of net profit after tax. However, that has been dependent on a number of factors including available cash and the financial and taxation position of the Group.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised, database of over 340,000 specialised ICT professionals which has been developed over the years through various strategies of recruitment.

The HiTech client base, of over 490 active clients, is well established, with strong representation by high technology companies, banking/financial services companies plus Federal Government departments and agencies. HiTech has also entered into preferred supplier agreements for the supply of staff in both the public and private sectors.

Permanent recruitment, which comprises the search and selection of candidates for full time employment, is characterised by high profit margins. We have been and will continue to develop this side of the business as demand improves.

ICT contracting, comprising the provision of ICT professionals for temporary and other non-permanent staffing needs of clients for specific projects has continued to supply HiTech with steady cash flow. ICT contracting is viewed as a relatively higher volume business with lower margins relative to permanent recruitment revenue. We continue to grow this part of the revenue stream.

Factors which are likely to affect results in the future

While there is still a relatively short supply of quality candidates, any potential drop in ICT resources demand will result in lower margins, less contracts and downward pressure on permanent placement numbers.

We have retained our preferred supplier status with our valued clients and are working towards further developing these relationships. We are constantly evolving and improving our systems and productivity to provide a better service to our clients and candidates.

We expect to secure further contracts in the near future and develop our business in both the government and private sector.

22. AUDIT OF ACCOUNTS

This report is based on accounts that are in the process of being audited and are not likely to be subject to dispute or qualification.

Elias Hazouri
CEO
15 August 2017