

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT**

**FINANCIAL YEAR ENDED 30 JUNE 2018**



**HiTech Group Australia Limited**

**A.B.N. 41 062 067 878**

## APPENDIX 4E

### Preliminary Final Report

<b>HiTech Group Australia Limited</b>	
ABN: 41 062 067 878	Financial Year ended 30 June 2018

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

<b>Revenues from ordinary activities</b>	<b>13%</b>	<b>Up</b>	<b>\$26,385,262</b>
<b>Net profit for the period attributable to members</b>	<b>16%</b>	<b>Up</b>	<b>\$2,675,554</b>
<b>Dividends</b>			
<b>Final dividend</b>	<b>4 cents per share fully franked</b>		
<b>Previous corresponding period</b>	<b>3 cents per share fully franked</b>		

#### 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 active with many digital transformation projects taking place that have required specialist IT talent.

**For the financial year ended 30 June 2018**, the consolidated entity's results are:

**Operating revenue is \$26,385,262, an increase of 13% over the previous corresponding period (pcp).**

**Gross Profit is \$5,279,899, an increase of 12% over pcp (FY17: \$4,705,131).**

**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 FY2018.**

**NPAT is \$2,675,554, an increase of 16% over pcp (FY17: \$2,309,921).**

**EBITDA is \$3,814,187, an increase of 13% over pcp (FY17: \$3,364,807).**

**Our Net Tangible Assets (NTA) are \$0.19 per share (FY17: \$0.19).**

**Cash balance is \$5,862,986, an increase of 13% over pcp (FY17: \$5,206,732).**

**The directors have declared a fully franked dividend of 4 cents per share to be paid on 12 September 2018 to shareholders registered on close of business on 27 August 2018.**

HiTech remains fully prepared to take advantage of continued demand for talent 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 2018**

	Note	Consolidated Group 2018 \$	2017 \$
<b>Revenue from continuing operations</b>			
Services revenue	5(a)	26,356,197	23,322,238
Cost of services		<u>(21,076,298)</u>	<u>(18,617,107)</u>
<b>Gross Profit</b>		5,279,899	4,705,131
Other revenue	5(b)	29,065	23,360
Marketing expenses		(31,749)	(43,225)
Occupancy expenses		(168,453)	(127,386)
Insurance and legal expenses		(69,602)	(50,281)
Administration expenses		(1,227,400)	(1,244,272)
Gain on sale of current financial assets		-	146,987
Other expenses from ordinary activities		<u>(119,501)</u>	<u>(71,058)</u>
<b>Profit before Income Tax</b>		3,692,259	3,339,256
Income tax expense	7	<u>(1,122,762)</u>	<u>(1,029,335)</u>
<b>Profit attributable to Members of the parent entity</b>		2,569,497	2,309,921
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u><b>2,569,497</b></u>	<u><b>2,309,921</b></u>
<b>Earnings per Share:</b>			
Basic and diluted earnings (cents per share)	21	6.75	6.55

## 2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 30 June 2018**

	Note	Consolidated Group 2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	5,862,986	5,206,732
Trade and other receivables	9	2,613,830	2,611,093
Other assets		30,333	228,740
<b>TOTAL CURRENT ASSETS</b>		<u>8,507,149</u>	<u>8,046,565</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	10	246,292	207,592
Deferred tax assets	11	81,759	63,207
Intangible assets	12	4,131	2,379
Other non-current assets		683,801	24,063
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,015,983</u>	<u>297,241</u>
<b>TOTAL ASSETS</b>		<u>9,523,132</u>	<u>8,343,806</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,344,137	1,153,322
Provision for taxation	15	494,633	240,399
Other Current liability	14	-	74,557
Short-term provisions	16	147,559	107,738
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,986,329</u>	<u>1,576,016</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Provisions	16	124,970	102,954
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>124,970</u>	<u>102,954</u>
<b>TOTAL LIABILITIES</b>		<u>2,111,299</u>	<u>1,678,970</u>
<b>NET ASSETS</b>		<u>7,411,833</u>	<u>6,664,836</u>
<b>EQUITY</b>			
Contributed equity	17	3,738,213	3,100,213
Reserves	3	185,637	185,637
Retained earnings	3	3,487,983	3,378,986
<b>TOTAL EQUITY</b>		<u>7,411,833</u>	<u>6,664,836</u>

### 3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

#### For the Financial Year Ended 30 June 2018

	Share Capital Ordinary	Retained Earnings	Employee Equity- settled benefits Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1/7/2016</b>	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 period	-	2,309,921	-	2,309,921
Employee share options – value of employee services	231,000	-	(155,268)	75,732
<b>Balance at 30/6/2017</b>	<b>3,100,213</b>	<b>3,378,986</b>	<b>185,637</b>	<b>6,664,836</b>
<b>Balance at 1/7/2017</b>	3,100,213	3,378,986	185,637	6,664,836
Total dividends paid for the year	-	(2,460,500)	-	(2,460,500)
Total comprehensive profit for the year	-	2,569,497	-	2,569,497
Exercised options	638,000	-	-	638,000
<b>Balance at 30/6/2018</b>	<b>3,738,213</b>	<b>3,487,983</b>	<b>185,637</b>	<b>7,411,833</b>

### 4. CONSOLIDATED STATEMENT OF CASH FLOWS

#### For the year ended 30 June 2018

	Note	Consolidated Group 2018	2017
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		28,991,146	26,245,607
Payments to suppliers and employees		(24,912,078)	(22,840,065)
Dividends received		-	-
Interest received		26,727	23,360
Interest paid		-	-
Income tax paid		(887,082)	(1,549,984)
<b>Net cash provided by operating activities</b>	<b>19</b>	<b>3,218,713</b>	<b>1,878,918</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets		(21,739)	(1,253,695)
Proceeds from sale of financial assets		-	1,960,720
Purchase of plant and equipment		(80,220)	(168,414)
Proceeds of sales from plant and equipment		-	-
<b>Net cash provided by investing activities</b>		<b>(101,959)</b>	<b>538,611</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend Paid		(2,460,500)	(1,674,500)
Proceed from issue of shares		-	55,000
<b>Net cash (used in) financing activities</b>		<b>(2,460,500)</b>	<b>(1,619,500)</b>
Net increase in cash held		656,254	798,029
Cash at the beginning of the financial year		5,206,732	4,408,703
<b>Cash at the end of the financial year</b>	<b>8</b>	<b>5,862,986</b>	<b>5,206,732</b>

## 5. REVENUE

	Note	Consolidated Group	
		2018	2017
		\$	\$
<b>Revenue from continuing operations</b>			
<b>(a) Services</b>			
- Contracting and permanent placement revenue (i)		26,356,197	23,322,238
<b>(b) Other revenue</b>			
- Interest received – other entities		26,727	23,360
- Dividends – other entities		-	-
- Other		2,338	-
<b>Total revenue</b>		<u>26,385,262</u>	<u>23,345,598</u>

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

## 6. EXPENSES

Cost of providing services	21,076,298	18,617,107
Rental expense on operating leases		
- Minimum lease payments	133,899	127,386
Depreciation and amortisation of non-current assets		
- Plant and equipment	28,339	13,887
- Motor vehicles	13,180	17,609
- Software	1,331	1,276
Net transfers (from) provisions – employee benefits	61,837	117,113
Gain/(Loss) on disposal of financial assets at fair value through profit and loss	-	(146,987)

## 7. INCOME TAX

<b>(a) Income tax expense</b>		
Current tax	1,141,314	1,039,682
Deferred tax	(18,552)	(10,347)
	<u>1,122,762</u>	<u>1,029,335</u>
<b>(b) Numerical reconciliation of income tax (benefit)/expenses to prima facie tax payable</b>		
Profit from continuing operations before income tax expense at 30% (2017:30%)	1,107,678	1,001,777
Add tax effect of:		
Imputation credits	-	-
Other assessable income	-	-
Non-deductible depreciation and amortisation and other non-allowable items	(2,646)	(7,213)
Less tax effect of:		
Non-assessable income & imputation credit	-	-
Deductible expenses	-	-
Recoupment of prior year tax losses	-	-
DTA previously not recognised	17,730	34,771
Income tax expense/(benefit)	<u>1,122,762</u>	<u>1,029,335</u>

## 8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	4,355,729	3,725,576
Bank term deposits	<u>1,507,257</u>	<u>1,481,156</u>
	<u>5,862,986</u>	<u>5,206,732</u>

The effective interest rate on bank deposits at call is 1.75%

## 9. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2018	2017
		\$	\$
Trade receivables		2,613,830	2,571,113
Provision for impairment of receivables		-	-
		<u>2,613,830</u>	<u>2,571,113</u>
Other receivables		-	39,980
		<u>2,613,830</u>	<u>2,611,093</u>

**(a) Impaired trade receivables**

As at 30 June 2018, none of the trade receivables of the Group were impaired (2017: \$0)

**(b) Past due but not impaired**

As at 30 June 2018, trade receivable of \$108,927 (2017: \$ 355,823) 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	94,893	355,823
61-90 days	14,034	-
90+ days	-	-
	<u>108,927</u>	<u>355,823</u>

## 10. PLANT & EQUIPMENT

	Consolidated Entity			
	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
<b>As at 01 July 2017</b>				
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
<b>Year ended 30 June 2018</b>				
Opening net book balance	154,764	-	52,828	207,592
Additions	28,822	79,303	4,546	112,671
Disposals	-	-	-	-
Depreciation charge	(15,847)	(44,944)	(13,180)	(73,972)
Net book balance	167,739	34,359	44,194	246,292
<b>As at 30 June 2018</b>				
Cost or fair value	416,549	79,303	89,076	584,928
Accumulated depreciation	(248,810)	(44,944)	(44,882)	(338,636)
Net book value	167,739	34,359	44,194	246,292

Plant and equipment has been tested for impairment at 30 June 2018 resulting in no impairment loss.

## 11. DEFERRED TAX ASSETS

	Note	Consolidated Group	
		2018 \$	2017 \$
<b>The balance comprises temporary differences attributable to :</b>			
Provisions		81,759	63,207
Total deferred tax assets		81,759	63,207



## 12. INTANGIBLE ASSETS

	<b>Consolidated Group</b>
	<b>Intangibles at cost</b>
<b>At 1 July 2016</b>	
Computer software at cost	1,089,065
Accumulated Amortisation and impairment	<u>(1,086,788)</u>
Net book value	<u>2,277</u>
<b>Year ended 30 June 2017</b>	
Opening net book balance	2,277
Additions	1,378
Amortisation and impairment	<u>(1,276)</u>
Net book value	<u>2,379</u>
<b>As at 30 June 2017</b>	
Computer software at cost	1,090,443
Accumulated Amortisation and impairment	<u>(1,088,064)</u>
Net book value	<u>2,379</u>
<b>Year ended 30 June 2018</b>	
Opening net book balance	2,379
Additions	3,083
Amortisation and impairment	<u>(1,331)</u>
Net book value	<u>4,131</u>
<b>As at 30 June 2018</b>	
Computer software at cost	1,093,526
Accumulated Amortisation and impairment	<u>(1,089,395)</u>
Net book value	<u>4,131</u>

## 13. TRADE AND OTHER PAYABLES

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<i>Unsecured liabilities</i>			
Trade payables		254,796	9,580
Sundry payables and accrued expenses		<u>1,089,341</u>	<u>1,143,742</u>
		<u>1,344,137</u>	<u>1,153,322</u>

## 14. OTHER CURRENT LIABILITY

Unearned Revenue	<u>-</u>	<u>74,557</u>
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## 15. PROVISION FOR TAXATION

Current Income Tax	<u>494,633</u>	<u>240,399</u>
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## 16. PROVISIONS

Employee benefits	<u>272,529</u>	<u>210,692</u>
Reconciliation of movement in the liability is recognized in the balance sheet as follows:-		
Prior year closing balance	210,692	93,579
Increase in provision	<u>61,837</u>	<u>117,113</u>
Current year closing balance	<u>272,529</u>	<u>210,692</u>
Provisions		
- Total current	147,559	107,738
- Total non-current	124,970	102,954
	<u>272,529</u>	<u>210,692</u>

## 17. ISSUED EQUITY

	Consolidated Group	
	2018	2017
	\$	\$
38,050,000 fully paid ordinary shares (2017: 35,150,000)	3,738,213	3,100,213

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

### **Share Options**

During FY2018, 2,900,000 share options were exercised. At year end, there are 5.6M 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	
	2018	2017
	\$	\$
Profit from ordinary activities after related income tax	2,569,497	2,309,921
Depreciation and amortisation of non-current assets	42,850	32,772
Net (gain)/loss on sale of financial assets	-	(146,987)
Bad and doubtful debts	-	8,760
Decrease/(Increase) in assets		
Trade and other receivables	195,674	246,938
Other assets	-	-
Deferred tax assets	(18,552)	-
Increase/(Decrease) in liabilities		
Provisions for taxation	254,234	(510,301)
Trade and other payables	113,172	(179,298)
Provisions	61,837	117,113
Deferred tax liability	-	-
Net cash flows (used in)/from operating activities	3,218,712	1,878,918

## 20. NTA BACKING

Net tangible asset backing per ordinary security (per share)	\$0.19	\$0.19
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## 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 2018, the consolidated entity's results are:

**Operating revenue is \$26,385,262, an increase of 13% over the previous corresponding period (pcp).**

**Gross Profit is \$5,279,899, an increase of 12% over pcp (FY17: \$4,705,131).**

**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 FY2018.**

**NPAT is \$2,675,554, an increase of 16% over pcp (FY17: \$2,309,921).**

**EBITDA is \$3,814,187, an increase of 13% over pcp (FY17: \$3,364,807).**

**Our Net Tangible Assets (NTA) are \$0.19 per share (FY17: \$0.19).**

**Cash is \$5,862,986, an increase of 13% over pcp (FY17: \$5,206,732).**

**The directors have declared a fully franked dividend of 4 cents per share** to be paid on 12 September 2018 to shareholders registered on close of business on 27 August 2018.

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 6.75 cents per share as compared with 6.55 cents per share in the previous corresponding period.

#### **Dividends**

The directors have declared a fully franked dividend of 4 cents per share to be paid on 12 September 2018 to shareholders registered on close of business on 27 August 2018.

#### **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  
13 August 2018