

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2019



HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4E

Preliminary Final Report

HiTech Group Australia Limited	
ABN: 41 062 067 878	Financial Year ended 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	15%	Up	\$30,284,662
Net profit for the period attributable to members	13%	Up	\$2,898,316
Dividends			
Final dividend	4 cents per share fully franked		
Previous corresponding period	4 cents per share fully franked		

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

For the financial year ended 30 June 2019, the consolidated entity's results are:

- **Operating revenue is \$30,284,662, an increase of 15% over the previous corresponding period (pcp) (FY18: \$26,385,262).**
- **Gross Profit is \$5,777,819, an increase of 9% over pcp (FY18: \$5,279,899).**
- **NPAT is \$2,898,316, an increase of 13% over pcp (FY18: \$2,569,497).**
- **EBITDA is \$4,089,810, an increase of 10% over pcp (FY18: \$3,706,044).**
- **Our Net Tangible Assets (NTA) is \$0.19 per share (FY18: \$0.19).**
- **Cash balance is \$5,927,690, an increase of 1% over pcp (FY18: \$5,862,986).**

The directors have declared a fully franked dividend of 4 cents per share to be paid on 12 September 2019 to shareholders registered on close of business on 29 August 2019.

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 AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	Consolidated Group	
		2019 \$	2018 \$
Revenue from continuing operations			
Sales Revenue	5(a)	30,256,920	26,356,197
Cost of sales	6	<u>(24,479,101)</u>	<u>(21,076,298)</u>
Gross Profit		5,777,819	5,279,899
Other revenue	5(b)	27,742	29,065
Marketing expenses		(22,677)	(31,749)
Occupancy expenses	6	(177,088)	(168,453)
Insurance and legal expenses		(7,915)	(69,602)
Administration expenses	6	(1,505,628)	(1,227,400)
Other expenses from ordinary activities		<u>(246,923)</u>	<u>(119,501)</u>
Profit/(Loss) before income tax		3,845,330	3,692,259
Income tax (expense)/benefit	7	<u>(947,014)</u>	<u>(1,122,762)</u>
Profit attributable to members of the parent entity		2,898,316	2,569,497
Other comprehensive income		-	-
Total comprehensive income for the year		<u>2,898,316</u>	<u>2,569,497</u>
Earnings per Share:			
Basic and diluted earnings (cents per share)	20	7.65	6.75

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	Consolidated Group 2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	8	5,927,690	5,862,986
Trade and other receivables	9	3,076,645	2,613,830
Other current assets		141,306	30,333
TOTAL CURRENT ASSETS		9,145,641	8,507,149
NON-CURRENT ASSETS			
Plant and equipment	10	74,682	246,293
Deferred tax assets	11	-	81,759
Intangible assets	12	859	4,131
Other non-current assets		684,781	683,802
TOTAL NON-CURRENT ASSETS		760,322	1,015,983
TOTAL ASSETS		9,905,963	9,523,132
CURRENT LIABILITIES			
Trade and other payables	13	2,034,913	1,344,137
Provision for taxation	14	-	494,633
Deferred tax liabilities		384,184	-
Short-term provisions	15	183,101	147,559
TOTAL CURRENT LIABILITIES		2,602,198	1,986,329
NON-CURRENT LIABILITIES			
Long term provisions	15	37,617	124,970
TOTAL NON-CURRENT LIABILITIES		37,617	124,970
TOTAL LIABILITIES		2,639,815	2,111,299
NET ASSETS		7,266,148	7,411,833
EQUITY			
Contributed equity	16	3,738,213	3,738,213
Reserves		185,637	185,637
Retained profits/(losses)		3,342,298	3,487,983
TOTAL EQUITY		7,266,148	7,411,833

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Financial Year Ended 30 June 2019

	Share Capital Ordinary	Retained Earnings	Employee Equity- settled Benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2017	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
Balance at 30/6/2018	3,738,213	3,487,983	185,637	7,411,833
Balance at 1/7/2018	3,738,213	3,487,983	185,637	7,411,833
Total Dividends paid for the year	-	(3,044,000)	-	(3,044,000)
Total comprehensive income for the year	-	2,898,316	-	2,898,316
Balance at 30/6/2019	3,738,213	3,342,298	185,637	7,266,148

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Consolidated Group 2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		32,776,017	28,991,145
Payments to suppliers and employees		(28,603,836)	(24,912,078)
Interest received		27,640	26,727
Income tax (expenses)/ refund		(1,066,466)	(887,082)
Net cash provided by operating activities		3,133,355	3,218,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit and loss		(979)	(21,739)
Payment for property, plant and equipment		(23,672)	(80,220)
Net cash (used in) / provided by investing activities		(24,651)	(101,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(3,044,000)	(2,460,500)
Net cash (used in) / provided by financing activities		(3,044,000)	(2,460,500)
Net (decrease)/increase in cash and cash equivalents held		64,704	656,254
Cash and cash equivalents at the beginning of the financial year		5,862,986	5,206,732
Cash and cash equivalents at the end of the financial year	8	5,927,690	5,862,986

5. REVENUE

	Consolidated Group	
	2019 \$	2018 \$
Revenue from continuing operations		
(a) Services		
- Contracting and permanent placement revenue (i)	30,256,920	26,356,197
(b) Other revenue		
- Interest received – other entities	27,742	26,727
- Other	-	2,338
Total revenue	<u>30,284,662</u>	<u>26,385,262</u>
(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.		

6. EXPENSES

	Consolidated Group	
	2019 \$	2018 \$
Cost of providing services	24,479,101	21,076,298
Rental expenses on operating leases		
- Minimum lease payments	138,512	133,899
Depreciation and amortisation of non-current assets		
- Plant and equipment	170,337	28,339
- Motor vehicles	10,102	13,180
- Software	18,116	1,331
Net transfers to provisions – employee benefits	<u>(51,811)</u>	<u>61,837</u>

7. INCOME TAX

(a) Income tax expense		
Current tax	562,829	1,141,314
Deferred tax	<u>384,185</u>	<u>(18,552)</u>
	<u>947,014</u>	<u>1,122,762</u>
(b) Numerical reconciliation of income tax (benefit)/expenses to prima facie tax payable		
Profit from continuing operations before income tax expense at 27.50% (2018: 30%)	1,057,466	1,107,678
Add tax effect of:		
Imputation credits	-	-
Other assessable income	-	-
Non-deductible depreciation and amortisation and other non-allowable items	(13,086)	(2,646)
Less tax effect of:		
Non-assessable income & imputation credit	-	-
Deductible expenses	-	-
Over provision in prior year	(97,366)	-
DTA previously not recognised	-	17,730
Income tax expense/(benefit)	<u>947,014</u>	<u>1,122,762</u>

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	4,393,874	4,355,729
Bank term deposits	1,533,816	1,507,257
	<u>5,927,690</u>	<u>5,862,986</u>

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

9. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	2018
	\$	\$
Trade receivables	<u>3,076,645</u>	<u>2,613,830</u>

(a) Impaired trade receivables

As at 30 June 2019, none of the trade receivables of the Group were impaired (2018: \$0)

(b) Past due but not impaired

As at 30 June 2019, trade receivable of \$185,919 (2018: \$108,927) 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	106,970	94,893
61-90 days	76,659	14,034
90+ days	<u>2,289</u>	-
	<u>185,918</u>	<u>108,927</u>

10. PLANT & EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 01 July 2018				
Cost or fair value	416,550	79,303	89,076	584,928
Accumulated depreciation	(248,810)	(44,944)	(44,881)	(338,636)
Net book value	167,740	34,359	44,194	246,293
Year ended 30 June 2019				
Opening net book balance	167,740	34,359	44,194	246,293
Additions	13,374	-	(4,545)	8,828
Depreciation charge	(156,330)	(14,007)	(10,102)	(180,439)
Net book balance	24,784	20,352	29,547	74,682
As at 30 June 2019				
Cost or fair value	429,923	79,303	84,530	593,756
Accumulated depreciation	(405,140)	(58,951)	(54,984)	(519,075)
Net book value	24,784	20,351	29,547	74,682

Plant and equipment has been tested for impairment at 30 June 2019 resulting in no impairment loss.

11. DEFERRED TAX ASSETS

	Note	Consolidated Group	
		2019	2018
		\$	\$
The balance comprises temporary differences attributable to :			
Provisions		-	81,759
Total deferred tax assets		-	81,759

12. INTANGIBLE ASSETS

	Consolidated Group
	Intangibles at cost
At 1 July 2017	
Computer software at cost	1,090,443
Accumulated Amortisation and impairment	<u>(1,088,064)</u>
Net book value	<u>2,379</u>
Year ended 30 June 2018	
Opening net book balance	2,379
Additions	3,083
Amortisation and impairment	<u>(1,331)</u>
Net book value	<u>4,131</u>
As at 30 June 2018	
Computer software at cost	1,093,526
Accumulated Amortisation and impairment	<u>(1,089,395)</u>
Net book value	<u>4,131</u>
Year ended 30 June 2019	
Opening net book balance	4,131
Additions	14,844
Amortisation and impairment	<u>(18,116)</u>
Net book value	<u>859</u>
As at 30 June 2019	
Computer software at cost	1,108,370
Accumulated Amortisation and impairment	<u>(1,107,511)</u>
Net book value	<u>859</u>

13. TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2019	2018
		\$	\$
<i>Unsecured liabilities</i>			
Trade payables		269,042	254,796
Sundry payables and accrued expenses		<u>1,765,871</u>	<u>1,089,341</u>
		<u>2,034,913</u>	<u>1,344,137</u>

14. PROVISION FOR TAXATION

Current Income Tax	-	<u>494,633</u>
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15. PROVISIONS

Employee benefits	220,718	272,529
Reconciliation of movement in the liability is recognized in the balance sheet as follows:-		
Prior year closing balance	272,529	210,692
Increase / (Decrease) in provision	<u>(51,811)</u>	61,837
Current year closing balance	<u>220,718</u>	<u>272,529</u>
Provisions		
- Total current	183,101	147,559
- Total non-current	<u>37,617</u>	<u>124,970</u>
	<u>220,718</u>	<u>272,529</u>

16. ISSUED EQUITY

	Consolidated Group	
	2019	2018
	\$	\$
38,050,000 fully paid ordinary shares (2018: 38,050,000)	3,738,213	3,738,213

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

Share Options:

1.6M options expired in February 2019.

17. 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.

18. NOTES TO STATEMENT OF CASH FLOWS

	Consolidated Group	
	2019	2018
	\$	\$
Profit from ordinary activities after related income tax	2,898,316	2,569,497
Depreciation and amortisation of non-current assets	198,555	42,850
Decrease / (Increase) in assets		
Trade and other receivables	(477,139)	195,674
Deferred tax assets	(116,342)	(18,552)
Increase/ (Decrease) in liabilities		
Provisions for taxation	(9,000)	254,234
Trade and other payables	690,776	113,172
Provisions	(51,811)	61,837
Net cash flows from/(used in) operating activities	3,133,355	3,218,712

19. NTA BACKING

Net tangible asset backing per ordinary security (per share)	\$0.19	\$0.19
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20. COMMENTARY ON RESULTS FOR THE PERIOD

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 2019, the consolidated entity's results are:

Operating revenue is \$30,284,663, an increase of 15% over the previous corresponding period (pcp) (FY18: \$26,385,262).

Gross Profit is \$5,777,820, an increase of 9% over pcp (FY18: \$5,279,899).

NPAT is \$2,898,316, an increase of 13% over pcp (FY18: \$2,569,497).

EBITDA is \$4,089,810, an increase of 10% over pcp (FY18: 3,706,044)

Our Net Tangible Assets (NTA) is \$0.19 per share (FY18: \$0.19).

Cash balance is \$5,927,692, an increase of 1% over pcp (FY18: \$5,862,986).

The directors have declared a fully franked dividend of 4 cents per share to be paid on 12 September 2019 to shareholders registered on close of business on 29 August 2019.

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 7.30 cents per share as compared with 6.75 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 13 September 2019 to shareholders registered on close of business on 29 August 2019.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised, database of over 370,000 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.

21. 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
12 August 2019