

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2023



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 2023 |

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | |
|---------------------------------------------------|---------------------------------|----|--------------|
| Revenues from ordinary activities | 18.0% | Up | \$74,354,662 |
| Net profit for the period attributable to members | 23.5% | Up | \$5,437,729 |
| Dividends | | | |
| Final dividend | 5 cents per share fully franked | | |

Comment on figures reported:

The HiTech Group is primarily involved in the business of sourcing and placing ICT contractors and recruitment services into the public and private sectors. ICT consulting and contracting services is the key driver behind HiTech's strong revenue stream.

For the financial year ended 30 June 2023, the consolidated entity's results are:

- Operating revenue is \$74,477,580, an increase of 18.0% over the previous corresponding period (pcp) (FY22: \$63,096,126).
- Gross Profit is \$10,989,942, an increase of 18.1% over pcp (FY22: \$9,304,117).
- NPAT is \$5,437,729, an increase of 23.5% over pcp (FY22: \$4,403,625).
- EBITDA is \$7,626,821, an increase of 12.9% over pcp (FY22: \$6,757,822).

The directors have declared a fully franked dividend of 5 cents per share to be paid on 18 September 2023 to shareholders registered on close of business on 4 September 2023.

HiTech's unparalleled reputation and brand as a specialised ICT contractor and services provider continues to build at a time when quality technologists remain in sought after. The HiTech Group is fully prepared to take advantage of continued demand for talent in the ICT recruitment and services sector. We are continually working towards winning new business and maximising returns on our existing agreements so that profit maximisation is achieved. We continue to manage operating costs to better align with revenue and profitability targets.

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

For the year ended 30 June 2023

| | | Consolidated Group | |
|-----------------------------------------------------|-------------|---------------------------|--------------------|
| | Note | 2023 \$ | 2022 \$ |
| Revenue from continuing operations | | | |
| Sales Revenue | 5(a) | 74,354,662 | 62,981,810 |
| Cost of sales | 6 | (63,364,720) | (53,677,693) |
| Gross Profit | | 10,989,942 | 9,304,117 |
| Other revenue | 5(b) | 122,918 | 114,316 |
| Marketing expenses | | (33,771) | (24,010) |
| Occupancy expenses | | (696,719) | (224,507) |
| Insurance and legal expenses | | (58,118) | (119,448) |
| Administration expenses | | (2,428,674) | (2,112,484) |
| Other expenses from ordinary activities | | (425,323) | (314,403) |
| Profit/(Loss) before income tax | | 7,470,255 | 6,623,581 |
| Income tax (expense)/benefit | 7 | (2,032,526) | (2,219,956) |
| Profit attributable to members of the parent entity | | 5,437,729 | 4,403,625 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 5,437,729 | 4,403,625 |
| Earnings per Share: | | | |
| Basic and diluted earnings (cents per share) | 20 | 12.89 | 10.73 |

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | Notes | Consolidated Group 2023 \$ | 2022 \$ |
|--------------------------------------|-------|----------------------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 10,583,253 | 10,012,538 |
| Trade and other receivables | 9 | 1,176,515 | 2,049,224 |
| Other current assets | | 53,322 | 62,975 |
| TOTAL CURRENT ASSETS | | 12,184,090 | 12,124,737 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10 | 381,128 | 461,327 |
| Deferred tax assets | | 314,012 | 272,075 |
| Intangible assets | 12 | - | - |
| Right of use assets | | 2,424,446 | 68,479 |
| Other non-current assets | | 426,910 | 48,325 |
| TOTAL NON-CURRENT ASSETS | | 3,546,496 | 850,206 |
| TOTAL ASSETS | | 15,359,586 | 12,974,943 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 4,413,933 | 3,732,507 |
| Provision for taxation | 14 | 56,990 | 1,069,186 |
| Lease liabilities | | 281,213 | 148,571 |
| Other current liability | | - | - |
| Deferred tax liabilities | | 45,860 | 54,147 |
| Short-term provisions | 15 | 609,470 | 506,677 |
| TOTAL CURRENT LIABILITIES | | 5,407,466 | 5,511,088 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 2,143,233 | - |
| Long term provisions | 15 | 202,165 | 31,112 |
| TOTAL NON-CURRENT LIABILITIES | | 2,345,165 | 31,112 |
| TOTAL LIABILITIES | | 7,752,864 | 5,542,200 |
| NET ASSETS | | 7,606,722 | 7,432,744 |
| EQUITY | | | |
| Contributed equity | 16 | 4,450,713 | 4,450,713 |
| Reserves | | 185,638 | 185,638 |
| Retained profits | | 2,970,371 | 2,796,393 |
| TOTAL EQUITY | | 7,606,722 | 7,432,744 |

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2023

| | Share Capital Ordinary | Retained Earnings | Employee Equity- settled Benefits Reserve | Total |
|-----------------------------------------|---------------------------|----------------------|-------------------------------------------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1/7/2021 | 3,738,213 | 2,395,266 | 185,638 | 6,319,117 |
| Exercise Of Options | 712,500 | - | - | 712,500 |
| Total dividends paid for the year | - | (4,002,500) | - | (4,002,500) |
| Total comprehensive profit for the year | - | 4,403,625 | - | 4,403,625 |
| Balance at 30/6/2022 | 4,450,713 | 2,796,393 | 185,638 | 7,432,744 |
| Balance at 1/7/2022 | 4,450,713 | 2,796,393 | 185,638 | 7,432,744 |
| Total Dividends paid for the year | - | (5,263,751) | - | (5,263,751) |
| Total comprehensive income for the year | - | 5,437,729 | - | 5,437,729 |
| Balance at 30/6/2023 | 4,450,713 | 2,970,369 | 185,638 | 7,606,720 |

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2023

| | Note | Consolidated Group 2023 \$ | 2022 \$ |
|--------------------------------------------------------------------|-----------|----------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 81,227,363 | 70,047,627 |
| Payments to suppliers and employees | | (71,951,020) | (60,909,179) |
| Interest received | | 10,734 | 514 |
| Income tax (expenses)/ refund | | (3,094,947) | (1,651,853) |
| Net cash provided by operating activities | 18 | 6,192,130 | 7,487,109 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of financial assets at fair value through profit and loss | | (65,360) | (38,812) |
| Payment for property, plant and equipment | | (11,091) | (20,406) |
| Net cash (used in) / provided by investing activities | | (76,451) | (59,218) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of Borrowings | | (281,213) | (25,314) |
| Dividend paid | | (5,263,751) | (4,002,500) |
| Net cash (used in) / provided by financing activities | | (5,544,964) | (4,027,814) |
| Net increase / (decrease) in cash and cash equivalents held | | 570,715 | 3,400,078 |
| Cash and cash equivalents at the beginning of the financial year | | 10,012,538 | 6,612,460 |
| Cash and cash equivalents at the end of the financial year | 8 | 10,583,253 | 10,012,538 |

5. REVENUE

| | Consolidated Group | |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Revenue from continuing operations | | |
| (a) Services | | |
| - Contracting and permanent placement revenue (i) | 74,354,662 | 62,981,810 |
| (b) Other revenue | | |
| - Interest received – other entities | 122,918 | 114,316 |
| - Other | - | - |
| Total revenue | 74,477,580 | 63,096,126 |
| (i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided. | | |

6. EXPENSES

| | Consolidated Group | |
|-----------------------------------------------------|---------------------------|-------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Cost of providing services | 63,364,720 | 53,677,693 |
| Rental expenses on operating leases | | |
| - Minimum lease payments | 2,424,446 | 148,571 |
| Depreciation and amortisation of non-current assets | | |
| - Plant and equipment | 38,529 | 43,059 |
| - Motor vehicles | 52,760 | 52,760 |
| - Software | 65,359 | 38,812 |
| Net transfers to provisions – employee benefits | 195,040 | 183,442 |

7. INCOME TAX

| | | |
|------------------------------------------------------------------------------|------------------|------------------|
| (a) Income tax expense | | |
| Current tax | 1,952,763 | 1,987,074 |
| Deferred tax | 79,763 | 232,881 |
| | 2,032,526 | 2,219,956 |
| (b) Numerical reconciliation of income tax to prima facie tax payable | | |
| Profit from continuing operations before income tax expense at 30.00% | 2,237,993 | 2,199,883 |
| Add tax effect of: | | |
| Imputation credits | - | - |
| Other assessable income | (91,952) | (160,083) |
| Non-deductible depreciation and amortisation and other non-allowable items | (15,009) | - |
| Less tax effect of: | | |
| Non-assessable income & imputation credit | - | - |
| Deductible expenses | 134,375 | 180,156 |
| Over provision in prior year | - | - |
| DTA previously not recognised | (232,881) | 166,454 |
| Income tax expense | 2,032,526 | 2,219,956 |

8. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | 9,021,519 | 8,461,083 |
| Bank term deposits | 1,561,734 | 1,551,455 |
| | <u>10,583,253</u> | <u>10,012,538</u> |

The effective interest rate on bank deposits at call is 1.00%

9. TRADE AND OTHER RECEIVABLES

| | Consolidated Group | |
|-------------------|---------------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Trade receivables | <u>1,023,649</u> | <u>3,443,031</u> |

(a) Impaired trade receivables

As at 30 June 2023, none of the trade receivables of the Group were impaired (2022: \$0)

(b) Past due but not impaired

As at 30 June 2023, trade receivable of \$188,530 (2022: \$117,610) 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 | 135,961 | 77,893 |
| 61-90 days | 52,569 | 39,717 |
| 90+ days | - | - |
| | <u>188,530</u> | <u>117,610</u> |

10. PLANT & EQUIPMENT

| | Plant & Equipment | Leasehold Improvements | Motor vehicles | TOTAL |
|-----------------------------------------------------------------------------------------------------|-------------------|------------------------|----------------|-----------|
| | \$ | \$ | \$ | \$ |
| As at 01 July 2022 | | | | |
| Cost or fair value | 668,654 | 79,303 | 506,613 | 1,254,570 |
| Accumulated depreciation | (517,222) | (79,303) | (196,718) | (793,243) |
| Net book value | 172,445 | - | 309,895 | 461,327 |
| Year ended 30 June 2022 | | | | |
| Opening net book balance | 151,432 | - | 309,895 | 461,327 |
| Additions | 7,555 | 3,536 | - | 11,091 |
| Depreciation charge | (38,008) | (521) | (52,760) | (91,290) |
| Net book balance | 120,979 | 3,015 | 257,135 | 381,128 |
| As at 30 June 2022 | | | | |
| Cost or fair value | 676,209 | 82,839 | 506,613 | 1,265,661 |
| Accumulated depreciation | (555,230) | (79,824) | (249,478) | (884,533) |
| Net book value | 120,979 | 3,015 | 257,135 | 381,128 |
| Plant and equipment has been tested for impairment at 30 June 2023 resulting in no impairment loss. | | | | |

11. DEFERRED TAX LIABILITIES

| | Consolidated Group | |
|--------------------------------|--------------------|---------|
| | 2023 | 2022 |
| | \$ | \$ |
| Total deferred tax liabilities | 79,763 | 232,881 |
| | 79,763 | 232,881 |

12. INTANGIBLE ASSETS

| | Consolidated Group |
|-----------------------------------------|----------------------------|
| | Intangibles at cost |
| At 1 July 2021 | |
| Computer software at cost | 1,147,664 |
| Accumulated Amortisation and impairment | (1,147,664) |
| Net book value | - |
| Year ended 30 June 2022 | |
| Opening net book balance | - |
| Additions | 38,812 |
| Amortisation and impairment | (38,812) |
| Net book value | - |
| As at 30 June 2022 | |
| Computer software at cost | 1,186,475 |
| Accumulated Amortisation and impairment | (1,186,475) |
| Net book value | - |
| Year ended 30 June 2023 | |
| Opening net book balance | - |
| Additions | 65,360 |
| Amortisation and impairment | (65,360) |
| Net book value | - |
| As at 30 June 2023 | |
| Computer software at cost | 1,251,835 |
| Accumulated Amortisation and impairment | (1,251,835) |
| Net book value | - |

13. TRADE AND OTHER PAYABLES

| | Consolidated Group | 2022 | 2022 |
|--------------------------------------|---------------------------|-------------|-------------|
| | \$ | \$ | \$ |
| <i>Unsecured liabilities</i> | | | |
| Trade payables | 505,133 | 928,700 | |
| Sundry payables and accrued expenses | 3,908,800 | 2,803,807 | |
| | 4,413,933 | 3,732,507 | |

14. PROVISION FOR TAXATION

| | | |
|--------------------|-----------|-----------|
| Current Income Tax | 2,241,076 | 1,609,186 |
|--------------------|-----------|-----------|

15. PROVISIONS

| | | |
|---------------------------------------------------------------------------------------------------------------|---------|---------|
| Employee benefits | 811,636 | 616,595 |
| Reconciliation of movement in the liability is recognized in the statement of financial position as follows:- | | |
| Prior year closing balance | 616,595 | 433,152 |
| Increase / (Decrease) in provision | 195,041 | 104,637 |
| Current year closing balance | 811,636 | 537,789 |
| Provisions | | |
| - Total current | 609,471 | 506,676 |
| - Total non-current | 202,165 | 31,112 |
| | 811,635 | 537,789 |

16. ISSUED EQUITY

| | Consolidated Group | |
|-----------------------------------------------|--------------------|-----------|
| | 2023 | 2022 |
| | \$ | \$ |
| 42,200,000 ordinary shares (2022: 41,050,000) | 4,450,713 | 4,450,713 |

Ordinary shares carry one vote per share and carry the right to dividends.

Share Options:

250K options expiring in January 2025.

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 | |
|-----------------------------------------------------------|--------------------|-----------|
| | 2023 | 2022 |
| | \$ | \$ |
| Profit after income tax | 5,437,729 | 4,403,625 |
| Depreciation and amortisation of non-current assets | 156,650 | 137,057 |
| Decrease / (Increase) in assets | | |
| Trade and other receivables | 882,363 | 2,106,973 |
| Other Assets | - | - |
| Deferred tax assets | (41,937) | (105,621) |
| Increase/ (Decrease) in liabilities | | |
| Provisions for taxation | (1,012,196) | 799,134 |
| Trade and other payables | 582,767 | 94,017 |
| Provisions | 195,041 | 183,441 |
| Deferred tax liabilities | (8,287) | (131,520) |
| Net cash flows provided by/(used in) operating activities | 6,192,130 | 7,487,109 |

19. NTA BACKING

| | | |
|--------------------------------------------------------------|--------|--------|
| Net tangible asset backing per ordinary security (per share) | \$0.18 | \$0.18 |
|--------------------------------------------------------------|--------|--------|

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 2023, the consolidated entity's results are:

- **Operating revenue is \$74,477,580, an increase of 18.0% over the previous corresponding period (pcp) (FY22: \$63,096,126).**
- **Gross Profit is \$10,989,942, an increase of 18.1% over pcp (FY22: \$9,304,117).**
- **NPAT is \$5,437,729, an increase of 23.5% over pcp (FY22: \$4,403,625).**
- **EBITDA is \$7,626,821, an increase of 12.9% over pcp (FY22: \$6,757,822).**

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

We continue to seek EPS accretive acquisitions in the broader ICT services sector.

EPS

Basic and diluted earnings per share for the current financial year was 12.89 cents per share as compared with 10.73 cents per share in the previous corresponding period.

Dividends

The directors have declared a fully franked dividend of 5 cents per share to be paid on 18 September 2023 to shareholders registered on close of business on 4 September 2023.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised database of over 402,000 specialised ICT professionals which has been developed over the years through various strategies of recruitment.

The HiTech client base is well established, with strong representation by Federal Government departments and agencies, recognised private enterprise and state government departments.

ICT contracting, comprising the provision of ICT professionals for temporary/contingent and other non-permanent staffing needs of clients for specific projects is the primary source of HiTech's recurring steady cash flow. ICT contracting is viewed as a relatively higher volume business with recurring contractual arrangement for the supply of the service. We continue to grow this part of the revenue stream alongside permanent recruitment.

Factors which are likely to affect results in the future

While there is still an increasing short supply of quality candidates and demand for talent, 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, added new panel memberships 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 qualification.



Elias Hazouri
CEO
11 August 2023