harristechnology
GROUP LTD.

# ASX APPENDIX 4E
## YEAR ENDED 30 JUNE 2017
HARRIS TECHNOLOGY GROUP & CONTROLLED ENTITIES

**ABN:** 93 085 545 973

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# Harris Technology Group Limited ABN 93 085 545 973

## Appendix 4E - Preliminary Final Report
## Lodged with the ASX under Listing Rule 4.3A

**Current reporting period:** 1 July 2016 to 30 June 2017 (“**FY17**”)
**Previous corresponding period:** 1 July 2015 to 30 June 2016 (“**FY16**”)

# Results for Announcement to the Market

| | | **% Change from previous corresponding period** | | **Current reporting period $A** |
|---|---|---|---|---|
| Revenues from ordinary activities | down | 5.52 | to | 51,068,575 |
| Loss from ordinary activities after tax attributable to members | up | 4.11 | to | (2,846,881) |
| Loss for the period attributable to members | up | 11.94 | to | (3,060,892) |

| **Dividends (distributions)** | Amount per share | Franked amount per share |
|---|---|---|
| Final dividend<br>Interim dividend | Nil ¢ | Nil ¢ |
| Previous corresponding period | Nil ¢ | Nil ¢ |
| Record date for determining entitlements to the dividends | N/A | |

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

Revenue for the year ended 30 June 2017 was $51,068,575, a decrease of 5.52% over the previous corresponding period (2016: $54,050,721). The decrease in revenue reflects challenging market conditions in the retail industry experienced during the year, including increased industry competition and downward pricing pressure from suppliers, which consequently had an adverse impact on Group sales.

Net loss from continuing operations was $2,846,881, an increase of loss of 4.11% over the previous corresponding period (2016: operating net loss $2,734,519).

The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

| **Net tangible assets** | June 2017 | June 2016 |
|---|---|---|
| Net tangible assets per ordinary security | (1.19) cents | (156.00) cents |

# Directors' Report

**Control gained over entities**

On 19 July 2016, Harris Technology Group Limited (formerly Shoply Limited) ("**HT8**" or the "**Company**") completed the acquisition of 100% of the shares in technology distributor Anyware Corporation Pty Ltd ("**Anyware**") and its wholly-owned subsidiary Harris Technology Pty Ltd ("**Harris Technology PL**") ("**Acquisition**").

The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of Anyware (the legal subsidiary entity) obtained accounting control of the Company (the legal parent entity).

Accordingly, this consolidated financial report of the HT8 Group for FY17 represents a continuation of the financial statements of Anyware and Harris Technology PL (on the basis that Anyware is the deemed accounting acquirer), together with the results of Harris Technology Group Limited (formerly Shoply Limited) from the Acquisition date of 19 July 2016. It should be noted that the results of the previous corresponding period for FY16 ('**pcp'**) set out in this financial report represents only the financial results of Anyware and Harris Technology PL when run as a private group. For clarity, the pcp does not include any results from Harris Technology Group Limited (formerly Shoply Limited).

On 11 November 2016, HT8 acquired 100% of the issued capital in Audion Innovision Pty Ltd ("**Audion**"). The acquisition has been accounted as a Business Combination under AASB 3. Audion was an Australian distributor of audio, video and multimedia accessories to conventional channel distributors, dealers and major retail chain stores nationwide. Audion was established in 2006 as a specialist distributor in the information technology (IT) and consumer electronics (CE) industries, and strives to be first-to-market with the latest technologies from a variety of quality international vendors.

There was no loss of control over entities during the reporting period.

**Review and results of operations**

*Acquisition accounting*

As stated above, the Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations, and therefore, this consolidated financial report of the HT8 Group for FY17 represents a continuation of the financial statements of Anyware and Harris Technology PL (on the basis that Anyware is the deemed accounting acquirer), together with the results of Harris Technology Group Limited (formerly Shoply Limited) from the Acquisition date of 19 July 2016.

The pcp results set out in this financial report represents only the financial results of Anyware and Harris Technology PL when run as a private group, and does not include any results from Harris Technology Group Limited (formerly Shoply Limited).

For clarity and ease of comparison, the Directors note that the consolidated results for FY16 of Shoply Limited (as the Company was then named) and its controlled entities were a loss of $6,510,012, from revenues of $17,789,785. For further information on Shoply Limited's results for FY16, refer to the Company's Appendix 4E and yearly report lodged with ASX on 31 August 2016.

*Review of results*

The Company and its controlled entities (the "**Group**") present its preliminary results for FY17. The results reflect the Group's continuing capital investment in building a scalable operating platform, and expenditure associated with developing associated capabilities.

During FY17 the Group incurred a loss from continuing operations of $2,846,881 from revenues of $51,068,575 (FY16: $54,050,721), and had net cash outflows from operating activities of $196,752 (FY16: net cash inflows $1,379,493). These results include a non-cash impairment expense of $3,117,482. Excluding this non-cash impairment expense, the Group demonstrated a trend towards profitability during the full year by recording a net profit of $270,601 and positive EBITDA of $781,892.

The full year results also reflect the Group's continuing investment in and non-recurring costs relating to the post-Acquisition optimisation and consolidation initiatives.

*Review of post-Acquisition operations*

During FY17, the Group executed a number of post-Acquisition optimisation and consolidation initiatives, including by rationalising warehouse and office locations, improving and developing IT systems, undertaking full brand and product category reviews of previous underperforming businesses, discontinuing old product ranges. In particular, the Company successfully took steps to reduce its operating expenditure through the termination and sub-leasing of warehouse and office leases, which related to its pre-Acquisition operations at Castle Hill (NSW) and Alphington (VIC).

As part of its renewed focus on customer service, the Group consolidated its divisional phone systems, and has been able to measure improved customer satisfaction thus allowing targeted marketing campaigns. In addition, the Group's trading websites have been merged into a single front-end system which has resulted in improved flexibility and enabled cross-website promotions. As part of the website and platform consolidation, the Company closed down its existing Warcom and eStore websites, and redirected traffic from those websites to its centralised business technology website ht.com.au.

During FY17, the Group also undertook a comprehensive review of its strategy and operations, to ensure that the Company remains well positioned to adapt to the challenges of changing market conditions, through innovation and expansion. As part of this review, the Board determined to:

- Focus its resources on the core offering of distribution and online retailing of business technology equipment, including by divesting non-core assets and rationalising and consolidating existing core businesses to maximise operational efficiencies;
- Execute its expansion strategy through organic growth and exploring suitable acquisitions to complement its core business offering; and
- Develop innovative and efficient supply chain strategies, including a Manufacturer-To-Consumer (**M2C**) business model that will deliver cost and consumer benefits from cross border direct shipments, whilst having the benefit of a local consumer facing presence.

As part of its implementation of the above initiatives, on 11 November 2016 the Company acquired 100% of the issued capital of Audion Innovision Pty Ltd, an Australian distributor of audio, video and multimedia accessories to conventional channel distributors, dealers and major retail chain stores nationwide.

The Audion acquisition was considered by the Board to be highly complementary to the distribution arm of the Group's business, and has diversified and expanded the Group's product portfolio through the addition of leading international brands distributed by Audion. In addition, the acquisition has expanded the Group's distribution network to include Audion's customers such as major tier 1 retail chain stores in Australia.

The operations of the Audion business have been fully integrated with and absorbed into the Anyware business, in order to maximise synergies, further reduce operational costs and streamline functions. The FY17 results include the trading results of the Audion business from the acquisition date of 11 November 2016.

Following the strategic review, the Company also determined that its 'Your Home Depot' ("**YHD**") business, an online retailer of kitchen appliances and homeware products which formed part of the Company's pre-Acquisition group of businesses, was outside the core of the Harris Technology business offering. Accordingly, the Company divested the YHD business in May 2017.

**Key business risks**

There are a number of factors that could have an effect on the financial prospects of the Group. These include:

- **E-commerce risks** – There are a number of inherent risks associated with operating in the e-commerce sector, including but not limited to security breaches (particularly in relation to credit card security), fraud exposure, customer disputes and chargebacks. For instance, security risks arising from intrusions from viruses and hackers could disrupt the Group's business operations and may lead to loss in customer confidence and sales revenue.

- **Reliance on technology** – The successful operation of the Group's business is dependent on various technologies including the internet and co-located dedicated servers. Any significant disruption to these systems could have a materially detrimental effect on the Group's business. Further, there is no guarantee that the technology utilised by the Group will not, in the future, be superseded by other technologies.

- **Competition risk** - The business technology distribution and retail industry is competitive and the Group may face increased competition from existing competitors (including through downward price pressure) and new competitors that enter the industry. Increased competition could have an adverse effect on the financial performance, industry position and future prospects of the Group. The Board has considered in particular the competition risk arising from Amazon's intended entry into the Australian market. The Board anticipates several positive opportunities for the Group to increase sales volumes and traffic through Amazon's market place platform, and consequently the Group does not believe that Amazon as a new market entrant will have a material adverse impact to the Group's business. Notwithstanding this, the Group is cognisant of the need to continue solidifying its competitive edge in the market through further development of systems and innovative solutions, and maintaining a high level of customer service.

- **Supplier pressure or relationship damage** – The Group's business model depends on having access to a wide range of products to distribute and sell. An increase in pricing pressure from suppliers or a damaged relationship with a supplier may increase the prices at which the Group procures products, or limit the Group's ability to procure products from that supplier. If prices of products increase, the Group will be required to pass on or absorb the price increases, which may result in a decreased demand for the Group's products or a decrease in profitability. If the Group is no longer able to order parts from a key supplier, it may lose customer orders and accounts, resulting in lower sales. Any decline in demand, sales or profitability may have an adverse effect on the Group's business and financial performance.

- **Managing growth and integration risk** – The integration of acquired businesses and the continued strategy of growing through acquisition will require the Group to integrate these businesses and where appropriate upscale its operational and financial systems, procedures and controls and expand and retain, manage and train its employees. There is a risk of a material adverse impact on the Group if it is not able to manage its expansion and growth efficiently and effectively, or if the performance of acquired businesses does not meet expectations.

**Forward strategy and Outlook**

The Company has expended significant resources during the FY17 in implementing the above-mentioned initiatives, and executing its strategy to standardise and enhance business disciplines across the merged entity's operations and websites. The Board is optimistic that the benefits of these post-Acquisition optimisation and consolidation initiatives will soon be realised in the form of longer term cost reductions and operational efficiencies.

Notwithstanding the highly competitive market in which the Group operates, the Board is confident that the foundations laid during FY17 have positioned the Group to successfully implement its strategy of innovation and expansion in FY18.

In FY18, the Company will continue to progress its joint venture business in Hong Kong to facilitate and strengthen its M2C strategy with JV partners in Shenzhen, China. This joint venture is expected to enable the Company to distribute a broad range of products which will be supplied direct from manufacturers in China to consumers in Australia, whilst maintaining a local consumer facing presence in Australia. Revenue generation from this joint venture M2C business is expected to commence in late FY18.

The Company's objective is to be a leading local e-commerce company in the growing M2C landscape, and to achieve sustainable revenue growth through further development of this scalable business model.

In FY18, the Group will also continue to pursue its expansion strategy through organic growth and exploring suitable acquisitions to complement its core business offering.

Signed on behalf of the Board of Harris Technology Group Limited

**Andrew Plympton**
Non-Executive Chairman
31 August 2017

# HARRIS TECHNOLOGY GROUP LIMITED
# & CONTROLLED ENTITIES
# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
# FOR THE FULL YEAR ENDED 30 JUNE 2017

| | Notes | **Consolidated 30-Jun-17 $** | Consolidated 30-Jun-16 $ |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | 1 | **51,068,575** | 54,050,721 |
| Direct costs | | **(41,994,531)** | (45,212,012) |
| **Gross profit** | | **9,074,044** | 8,838,709 |
| Other income | 1 | **10,271** | 29,255 |
| Distribution expenses | | **(872,233)** | (792,766) |
| Marketing expenses | | **(209,479)** | (118,521) |
| Transaction expenses | | **(230,785)** | (153,967) |
| Employee contractor and director expenses | | **(4,794,704)** | (4,641,459) |
| Occupancy costs | | **(1,150,612)** | (1,002,426) |
| Technology expenses | | **(479,514)** | (387,615) |
| Holding company expenses | | **(273,880)** | (88,233) |
| Depreciation and amortisation expenses | 2 | **(130,033)** | (91,271) |
| Impairment expense | 2 | **(3,117,482)** | (3,436,684) |
| Other expenses | | **(266,051)** | (250,121) |
| Finance costs | 2 | **(381,258)** | (136,997) |
| Exchange gain / (loss) | | **(25,165)** | (77,018) |
| **Profit / (Loss) before income tax** | | **(2,846,881)** | (2,309,114) |
| Income tax benefit / (expense) | | **-** | (425,405) |
| **Profit / (Loss) from continuing operations** | | **(2,846,881)** | (2,734,519) |
| **Discontinued operation** | | | |
| Profit / (Loss) from discontinued operation | 13 | **(214,011)** | - |
| **Total Comprehensive (loss) / profit for the period** | | **(3,060,892)** | (2,734,519) |
| Earnings per share from continuing operations (cents per share) | | | |
| - Basic earnings / (loss) per share | 12 | **(2.20)** | (1,367.26) |
| - Diluted earnings / (loss) per share | | **(2.20)** | (1,367.26) |

# HARRIS TECHNOLOGY GROUP LIMITED
# & CONTROLLED ENTITIES
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 30 JUNE 2017

| | Note | **Consolidated 30-Jun-17 $** | Consolidated 30-Jun-16 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | **2,219,264** | 2,083,471 |
| Trade and other receivables | 4 | **5,979,589** | 5,622,169 |
| Inventories | 5 | **7,238,240** | 5,679,130 |
| Prepayments and deposits | 6 | **100,580** | 104,859 |
| **Total Current Assets** | | **15,537,673** | 13,489,629 |
| **Non-current Assets** | | | |
| Property, plant and equipment | 7 | **844,910** | 784,846 |
| Intangible Assets | 8 | **22,028** | - |
| **Total Non-current Assets** | | **866,938** | 784,846 |
| **Total Assets** | | **16,404,611** | 14,274,475 |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | **8,923,541** | 8,257,440 |
| Financial liability | 10 | **4,355,881** | 1,643,629 |
| Employee benefit liabilities | 11 | **462,788** | 330,564 |
| **Total Current Liabilities** | | **13,742,210** | 10,231,633 |
| **Non-current Liabilities** | | | |
| Financial liability | 10 | **4,251,422** | 4,183,925 |
| Employee benefit liabilities | 11 | **40,498** | 170,878 |
| **Total Non-current Liabilities** | | **4,291,920** | 4,354,803 |
| **Total Liabilities** | | **18,034,130** | 14,586,436 |
| **Net Assets** | | **(1,629,519)** | (311,961) |
| **Equity** | | | |
| Contributed equity | | **6,706,411** | 4,963,077 |
| Accumulated profit / (loss) | | **(8,335,930)** | (5,275,038) |
| **Total equity** | | **(1,629,519)** | (311,961) |

# HARRIS TECHNOLOGY GROUP LIMITED
# & CONTROLLED ENTITIES
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE FULL YEAR ENDED 30 JUNE 2017

| | **Share Capital** | **Retained earnings** | **Total Equity** |
|---|---|---|---|
| | **$** | **$** | **$** |
| **At 1 July 2016** | **4,963,077** | **(5,275,038)** | **(311,961)** |
| **Profit for the period** | **-** | **(2,846,881)** | **(2,846,881)** |
| Other comprehensive income | **-** | **(214,011)** | **(214,011)** |
| **Total comprehensive income** | **-** | **(3,060,892)** | **(3,060,892)** |
| **Transactions with owners in their capacity as owners** | | | |
| Dividend paid | **-** | **-** | **-** |
| Share placement from investors | **800,000** | **-** | **800,000** |
| Share issued on reverse acquisition | **933,471** | **-** | **933,471** |
| Share issued in lieu of payments | **9,863** | **-** | **9,863** |
| **At 30 JUNE 2017** | **6,706,411** | **(8,335,930)** | **(1,629,519)** |

| | Share Capital | Retained earnings | Total Equity |
|---|---|---|---|
| | $ | $ | $ |
| At 1 July 2015 | 2,963,077 | (2,113,519) | 849,558 |
| Profit for the period | - | (2,734,519) | (2,734,519) |
| Other comprehensive income | - | - | - |
| Total comprehensive income | - | (2,734,519) | (2,734,519) |
| Transactions with owners in their capacity as owners | | | |
| Dividend paid | - | (427,000) | (427,000) |
| Share issued | 2,000,000 | - | 2,000,000 |
| At 30 JUNE 2016 | 4,963,077 | (5,275,038) | (311,961) |

# HARRIS TECHNOLOGY GROUP LIMITED
# & CONTROLLED ENTITIES
# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE FULL YEAR ENDED 30 JUNE 2017

| | Notes | **Full Year to 30-Jun-17 $** | Full Year to 30-Jun-16 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **60,080,507** | 57,876,234 |
| Payments to suppliers and employees | | **(60,281,369)** | (56,519,068) |
| Interest received | | **4,110** | 22,327 |
| **Net cash flows (used in) / provided by operating activities** | 14 | **(196,752)** | 1,379,493 |
| **Cash flows from investing activities** | | | |
| Cash acquired on reverse acquisition of Shoply | | **508,496** | - |
| Acquisition of Audion | | **(1,420,706)** | - |
| Disposal of YHD | | **140,000** | - |
| Payments for property, plant and equipment | | **(127,562)** | (148,759) |
| **Net cash flows used in investing activities** | | **(899,772)** | (148,759) |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | | **800,000** | 2,000,000 |
| Proceeds from borrowings | | **4,913,136** | 439,211 |
| Repayment of borrowings | | **(4,480,819)** | (1,883,234) |
| Dividend paid | | **-** | (427,000) |
| **Net cash flows provided by financing activities** | | **1,232,317** | 128,977 |
| **Net increase in cash and cash equivalents** | | **135,793** | 1,359,711 |
| Cash and cash equivalents at the beginning of the financial year | | **2,083,471** | 723,760 |
| **Cash and cash equivalents at the end of the financial year** | | **2,219,264** | 2,083,471 |

# HARRIS TECHNOLOGY GROUP LIMITED
# & CONTROLLED ENTITIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE FULL YEAR ENDED 30 JUNE 2017

| **1. Revenue** | **Consolidated Jun-17 $** | Consolidated Jun-16 $ |
|---|---|---|
| Sales | **50,490,689** | 53,643,744 |
| Freight income | **577,886** | 406,977 |
| **Total sales revenue** | **51,068,575** | 54,050,721 |
| | | |
| Other income | | |
| Interest received | **2,157** | 22,327 |
| Profit on sale of non-current asset | **8,114** | 6,928 |
| **Total other income** | **10,271** | 29,255 |

| **2. Operating profit (loss)** | **Consolidated Jun-17 $** | Consolidated Jun-16 $ |
|---|---|---|
| **Net profit (loss) and expenses** | | |
| Profit (loss) before income tax includes the following specific expenses | | |
| Depreciation | | |
| Plant and equipment | **2,978** | 2,680 |
| Computer equipment | **12,457** | 10,179 |
| Office and warehouse equipment | **52,514** | 27,325 |
| Motor vehicles | **21,956** | 26,936 |
| Leasehold improvement | **26,775** | 24,151 |
| **Total depreciation** | **116,680** | 91,271 |
| | | |
| Amortisation | | |
| Software development | **13,353** | - |
| **Total amortisation** | **13,353** | - |
| | | |
| **Total depreciation and amortisation** | **130,033** | 91,271 |
| | | |
| Impairment expense | | |
| Goodwill | **824,482** | 3,436,684 |
| Intangible assets | **2,293,000** | - |
| | | |
| **Total impairment expense** | **3,117,482** | 3,436,684 |

| Finance costs | | |
|---|---|---|
| Interest expense - overseas | **217,998** | 71,255 |
| Interest expense - local | **163,260** | 65,742 |
| **Total finance costs** | **381,258** | 136,997 |

| **3. Cash and cash equivalents** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| Cash at bank and on hand | **2,219,264** | 2,083,471 |
| **Total** | **2,219,264** | 2,083,471 |

| **4. Trade and other receivables** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| Trade receivables | **6,034,135** | 5,619,578 |
| Allowance for impairment loss | **(64,878)** | (17,409) |
| | **5,969,257** | 5,602,169 |
| Other receivables | **10,332** | 20,000 |
| **Total** | **5,979,589** | 5,622,169 |

**5. Inventory**

| | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| Inventories | **7,340,757** | 5,750,680 |
| Provision for stock obsolescence | **(102,517)** | (71,550) |
| **Total** | **7,238,240** | 5,679,130 |

| **6. Prepayments and deposits** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| Prepayments | **82,590** | 104,859 |
| Deposits | **17,990** | - |
| **Total** | **100,580** | 104,859 |

| **7. Property, plant and equipment** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| **Improvement** | | |
| At cost | **532,700** | 445,969 |
| Less: Accumulated amortisation | **(84,145)** | (54,101) |
| | **448,555** | 391,868 |

| | | |
|---|---|---|
| **Office and warehouse equipment** | | |
| At cost | **380,042** | 310,033 |
| Less: Accumulated depreciation | **(175,705)** | (117,909) |
| | **204,337** | 192,124 |
| **Computer equipment** | | |
| At cost | **506,556** | 460,992 |
| Less: Accumulated depreciation | **(480,781)** | (447,086) |
| | **25,775** | 13,906 |
| **Motor vehicles** | | |
| At cost | **267,966** | 266,715 |
| Less: Accumulated depreciation | **(101,723)** | (79,767) |
| **Total motor vehicles** | **166,243** | 186,948 |
| **Total property, plant and equipment** | **844,910** | 784,846 |

| **8. Intangible assets** | **Consolidated Jun-17 $** | Consolidated Jun-16 $ |
|---|---|---|
| Software development | **143,265** | - |
| Less: Accumulated amortisation | **(121,237)** | - |
| **Total** | **22,028** | - |

| **9. Trade and other payables** | **Consolidated Jun-17 $** | Consolidated Jun-16 $ |
|---|---|---|
| Trade payables | **8,370,707** | 7,459,127 |
| Accruals | **244,577** | 114,862 |
| Tax payable / (refundable) | **(39,346)** | 219,926 |
| Other payables | **301,980** | 463,525 |
| Onerous contract provision | **45,623** | - |
| **Total** | **8,923,541** | 8,257,440 |

| **10. Financial liability** | **Consolidated Jun-17 $** | Consolidated Jun-16 $ |
|---|---|---|
| *Current* | | |
| Trade finance | **2,155,504** | 439,211 |
| Borrowings | **2,150,518** | 1,154,559 |
| Hire purchase | **49,859** | 49,859 |
| **Total current** | **4,355,881** | 1,643,629 |

| | | |
|---|---|---|
| *Non - current* | | |
| Borrowings | **-** | 189,909 |
| Director loans | **4,138,305** | 3,838,305 |
| Hire purchase | **113,117** | 155,711 |
| **Total non- current** | **4,251,422** | 4,183,925 |

| **11. Employee benefits liabilities** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **$** | $ |
| *Current* | | |
| Provision for annual leave | **291,541** | 270,517 |
| Provision for long service leave | **171,247** | 60,047 |
| | **462,788** | 330,564 |
| *Non - current* | | |
| Provision for long service leave | **40,498** | 170,878 |
| **Total** | **503,286** | 501,442 |

| **12. Earnings per share (cents per share)** | **Consolidated** | Consolidated |
|---|---|---|
| | **Jun-17** | Jun-16 |
| | **cents** | cents |
| **Earnings per share for profit from continuing operations attributable to the owners of Harris Technology Group Limited** | | |
| Basic earnings per share | **(2.20)** | (1,367.26) |
| Diluted earnings per share | **(2.20)** | (1,367.26) |
| **Earnings per share for profit from discontinued operations attributable to the owners of Harris Technology Group Limited** | | |
| Basic earnings per share | **(0.17)** | **-** |
| Diluted earnings per share | **(0.17)** | - |
| **Earnings per share for profit attributable to the owners of Harris Technology Group Limited** | | |
| Basic earnings per share | **(2.37)** | (1,367.26) |
| Diluted earnings per share | **(2.37)** | (1,367.26) |

## 13. Discontinued operation

### (a) Description

In its ASX announcement dated 29 May 2017, the Group announced the divestment of its 'Your Home Depot' (YHD) business, a non-core asset which formed part of the Company's pre-Acquisition group of businesses.

The YHD business was sold on 29 May 2017 with effect from 1 June 2017 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

### (b) Financial performance

The financial performance presented is for the ten months ended 1 June 2017.

| | Jun-17 |
|---|---|
| | **$** |
| Sales revenue | **2,503,490** |
| Direct cost | **(1,962,038)** |
| Expenses | **(905,463)** |
| Gain on sale of the business | **150,000** |
| **Profit / (Loss) from discontinued operation** | **(214,011)** |

| | |
|---|---|
| | **$** |
| Net cash flow from operating activities | **(151,242)** |
| Net cash inflow from investing activities (2017 includes an inflow of $140,000 from the sale of the business | **140,000** |
| Net cash flow from financing activities | **-** |
| **Net increase / (decrease) in cash generated by the subsidiary** | **(11,242)** |

**(c) Details of the sale of the business**

| **Consideration received or receivable** | **$** |
|---|---|
| Cash | **150,000** |
| Fair value of inventory | **582,287** |
| Total disposal consideration | **732,287** |
| **Carrying amount of net assets sold** | **582,287** |
| **Gain on sale before income tax** | **150,000** |

| **14. Reconciliation of net (loss) / profit after tax to net cash flows from operations** | **Consolidated Jun-17** | Consolidated Jun-16 |
|---|---|---|
| | **$** | $ |
| **Net (loss) / profit before tax from continuing operations** | **(2,846,881)** | (2,734,519) |
| **Net (loss) / profit before tax from discontinued operations** | **(214,011)** | - |
| **Net (loss) / profit after tax** | **(3,060,892)** | (2,734,519) |
| **Adjustments to reconcile (loss) / profit after tax to net cash flows** | | |
| Depreciation of non-current assets | **143,492** | 91,271 |
| Amortisation | **121,237** | - |
| Finance costs | **104,062** | - |
| Profit / (loss) on sale of non-current assets | **(8,314)** | (6,928) |
| Share based payment | **9,863** | - |
| Impairment expense | **3,117,482** | 3,436,684 |

| | | |
|---|---|---|
| **Changes in assets and liabilities** | | |
| (Increase) / decrease in Trade and other receivables | **1,068,667** | (1,106,424) |
| (Increase) / decrease in Inventories | **(872,524)** | (581,743) |
| (Increase) / decrease in Prepayments and deposits | **291,864** | (13,255) |
| Increase / (decrease) in Trade and other payables | **(463,748)** | 2,294,407 |
| Increase / (decrease) in Onerous contract provision | **(564,751)** | - |
| Increase / (decrease) in Employee benefit liabilities | **(83,190)** | - |
| **Net cash flows from operating activities** | **(196,752)** | 1,379,493 |

**15.** This report is based on accounts that are in the process of being audited.

Signed in accordance with a resolution of the Directors

**Andrew Plympton**
Non-Executive Chairman

Melbourne, 31 August 2017