

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2016



HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4E

Preliminary Final Report

HiTech Group Australia Limited	
A.B.N 41 062 067 878	Financial Year ended 30 June 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A				
Revenues from ordinary activities		21%	Up	18,322,169
Profit from ordinary activities after tax attributable to members		169%	Up	2,171,768
Net profit for the period attributable to members		169%	Up	2,171,768
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 2016, the consolidated entity's operating revenue is \$18,322,169, an increase of 21% over the previous corresponding period (pcp) . The high margin permanent placement income was 10% higher and contracting revenue was 23% higher. Gross Profit is \$3,892,918 , an increase of 22% over pcp (FY15: \$3,180,051). Net profit after taxation (NPAT) is \$2,171,768 an increase of 169% over pcp (FY15: \$807,721) . Earnings before interest, taxes, depreciation and amortization (EBITDA) is \$3,139,789 an increase of 133% over pcp (FY15: \$1,348,972) . Our Net Tangible Assets (NTA) are \$0.19 per share an increase of 58% over pcp (FY15: \$0.12) . Cash is \$4,408,703 an increase of 140% over pcp (FY15: \$1,838,730) . HiTech remains fully prepared to take advantage of any improvement in the ICT recruitment sector. We are working towards winning new business, increasing profit and ensuring that operating costs are kept to a minimum.				

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

For the year ended 30 June 2016

		Consolidated Group	
		2016	2015
	Note	\$	\$
Services revenue	5(a)	18,276,359	15,038,428
Cost of services		(14,383,441)	(11,858,377)
Gross Profit		3,892,918	3,180,051
Other revenue	5(b)	45,810	66,479
Marketing expenses		(80,807)	(97,466)
Occupancy expenses		(103,414)	(121,949)
Insurance and legal expenses		(46,526)	(68,391)
Administration expenses		(1,126,878)	(838,953)
Borrowing costs		-	(6,301)
Impairment of current financial assets		870,015	(835,848)
(Loss)/Gain on sale of current financial assets		(291,002)	80,523
Other expenses from ordinary activities		(43,483)	(29,060)
Profit/(Loss) before Income Tax		3,116,633	1,329,085
Income tax expense	7	(944,865)	(521,364)
Profit/(Loss) attributable to Members of the parent entity		2,171,768	807,721
Other comprehensive income		-	-
Total comprehensive income for the year		2,171,768	807,721
Earnings per Share:			
Basic and diluted earnings (cents per share)	21	7.01	2.61

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Consolidated Group	
	Note	2016	2015
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	4,408,703	1,838,730
Trade and other receivables	9	3,082,699	2,636,241
Financial assets at fair value through profit and loss	10	560,036	654,343
Other assets		14,422	22,717
TOTAL CURRENT ASSETS		8,065,860	5,152,031
NON-CURRENT ASSETS			
Plant and equipment	11	70,674	30,163
Deferred tax assets	12	52,861	297,535
Intangible assets	13	2,277	3,610
Other non-current assets		24,063	24,063
TOTAL NON-CURRENT ASSETS		149,875	355,371
TOTAL ASSETS		8,215,735	5,507,402
CURRENT LIABILITIES			
Trade and other payables	14	1,417,771	1,033,034
Provision for taxation	15	750,702	620,715
Short-term provisions	16	63,543	95,526
TOTAL CURRENT LIABILITIES		2,232,016	1,749,275
NON-CURRENT LIABILITIES			
Long Term Provisions	16	30,036	8,628
TOTAL NON-CURRENT LIABILITIES		30,036	8,628
TOTAL LIABILITIES		2,262,052	1,757,903
NET ASSETS		5,953,683	3,749,499
EQUITY			
Contributed equity	17	2,869,213	2,869,213
Reserves	3	340,905	308,489
Retained earnings/(Accumulated Losses)	3	2,743,565	571,797
TOTAL EQUITY		5,953,683	3,749,499

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

	Share Capital Ordinary	Retained Earnings / (Losses)	Employee Equity- settled benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2014	2,869,213	(235,924)	307,060	2,940,349
Total dividends paid for the year	-	-	-	-
Total comprehensive profit for the period	-	807,721	-	807,721
Employee share options – value of employee services	-	-	1,429	1,429
Balance at 30/6/2015	2,869,213	571,797	308,489	3,749,499
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 period	-	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

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated Group 2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,657,536	15,495,318
Payments to suppliers and employees		(17,168,679)	(14,372,027)
Dividends received		17,128	44,420
Interest received		1,656	2,972
Interest paid		-	(6,301)
Income tax (expense)/ refund		(565,771)	5,532
Net cash provided by operating activities	19	1,941,870	1,169,914
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		(505,903)	(510,536)
Proceeds from sale of financial assets		1,189,055	1,448,141
Purchase of plant and equipment		(78,520)	(1,505)
Proceeds of sales from plant and equipment		23,470	-
Net cash provided by / (used in) investing activities		628,102	936,100
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(900,000)
Net cash (used in) financing activities		-	(900,000)
Net increase/(decrease) in cash held		2,569,973	1,206,014
Cash at the beginning of the financial year		1,838,730	632,716
Cash at the end of the financial year	8	4,408,703	1,838,730

5. REVENUE

	Note	Consolidated Group 2016 \$	2015 \$
Revenue from continuing operations			
(a) Services			
- Contracting and permanent placement revenue (i)		18,276,359	15,038,428
(b) Other revenue			
- Interest received – other entities		1,656	2,972
- Dividends – other entities		24,469	63,506
- Gain on disposal of plant & equipment		17,117	
- Other		2,568	1
Total revenue		18,322,169	15,104,907
(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.			

6. EXPENSES

Cost of providing services	14,327,353	11,858,377
Rental expense on operating leases		
- Minimum lease payments	103,414	95,701
Depreciation and amortisation of non-current assets		
- Plant and equipment	6,412	6,664
- Motor vehicles	15,271	4,852
- Software	1,473	2,070
Net transfers (from) provisions – employee benefits	(10,575)	17,396
Loss/(Gain) on disposal of financial assets at fair value through profit and loss	291,002	(80,523)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(870,015)	835,848

7. INCOME TAX

(a) Income tax expense		
Current tax	750,702	661,272
Deferred tax	194,163	(113,928)
Recoupment of prior year tax losses	-	(25,980)
	944,865	521,364
(b) Numerical reconciliation of income tax (benefit)/expenses to prima facie tax payable		
Profit from continuing operations before income tax expense at 30% (2015:30%)	934,990	398,726
Add tax effect of:		
Imputation credits	(2,202)	5,726
Other assessable income	-	-
Non-deductible depreciation and amortisation and other non-allowable items	(265,815)	259,440
Less tax effect of:		
Non-assessable income & imputation credit	-	-
Deductible expenses	1,113	(2,620)
Recoupment of prior year tax losses	-	(25,980)
DTA previously not recognised	276,779	(113,928)
Income tax expense/(benefit)	944,865	521,364

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	4,408,703	1,774,785
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Bank term deposits	-	63,945
	4,408,703	1,838,730

The effective interest rate on bank deposits at call is 2.0% (2015: 1.50%)

9. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group 2016 \$	2015 \$
Trade receivables		2,817,824	2,632,534
Provision for impairment of receivables		-	-
		2,817,824	2,632,534
Other receivables		264,875	3,707
		3,082,699	2,636,241

(a) Impaired trade receivables

As at 30 June, 2016, none of the trade receivables of the Group were impaired (2015: \$0)

(b) Past due but not impaired

As at 30 June, 2016, trade receivable of \$375,539 (2015: \$ 172,247) 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	310,095	169,404
61-90 days	1,980	899
90+ days	63,464	1,944
	375,539	172,247

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	654,343
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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 2014				
Cost or fair value	223,956	32,453	82,974	339,383
Accumulated depreciation	(205,999)	(32,453)	(60,757)	(299,209)
Net book value	17,957	-	22,217	40,174
Year ended 30 June 2015				
Opening net book balance	17,957	-	22,217	40,174
Additions	1,505	-	-	1,505
Depreciation charge	(6,664)	-	(4,852)	(11,516)
Net book balance	12,798	-	17,365	30,163
As at 30 June 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

Plant and equipment has been tested for impairment at 30 June 2016 resulting in no impairment loss for the year.

12. DEFERRED TAX ASSETS

		Consolidated Group	
		2016	2015
	Note	\$	\$
The balance comprises temporary differences attributable to :			
Provisions		24,787	38,054
Plant & Equipment			
Fair value loss adjustments		28,074	285,461
Prior year tax losses brought to account		-	(25,980)
Total deferred tax assets		52,861	297,535

13. INTANGIBLE ASSETS

	Consolidated Group
	Intangibles at cost
At 1 July 2014	
Computer software at cost	1,086,788
Accumulated Amortisation and impairment	(1,083,245)
Net book value	<u>3,543</u>
Year ended 30 June 2015	
Opening net book balance	3,543
Additions	2,137
Amortisation and impairment	(2,070)
Net book value	<u>3,610</u>
As at 30 June 2015	
Computer software at cost	1,088,925
Accumulated Amortisation and impairment	(1,085,315)
Net book value	<u>3,610</u>
Year ended 30 June 2016	
Opening net book balance	3,610
Additions	140
Amortisation and impairment	(1,473)
Net book value	<u>2,277</u>
As at 30 June 2016	
Computer software at cost	1,089,065
Accumulated Amortisation and impairment	(1,086,788)
Net book value	<u>2,277</u>

Intangible assets have been tested for impairment at 30 June 2016 resulting in no impairment loss for the year.

Intangible assets have a finite useful life and amortisation charges are included in the statement of comprehensive income.

14. TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2016	2015
		\$	\$
<i>Unsecured liabilities</i>			
Trade payables		158,989	323,693
Sundry payables and accrued expenses		1,258,782	709,341
		<u>1,417,771</u>	<u>1,033,034</u>

15. PROVISION FOR TAXATION

Current Income Tax	<u>750,702</u>	<u>620,715</u>
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16. PROVISIONS

Employee benefits	93,579	104,154
Reconciliation of movement in the liability is recognized in the balance sheet as follows:-		
Prior year closing balance	104,154	86,758
Increase in provision	(10,575)	17,396
Current year closing balance	<u>93,579</u>	<u>104,154</u>
Provisions		
- Total current	63,543	95,526
- Total non-current	30,036	8,628
	<u>93,579</u>	<u>104,154</u>

17. ISSUED EQUITY

	Consolidated Group	
	2016	2015
	\$	\$
31,000,000 fully paid ordinary shares (2015: 31,000,000)	2,869,213	2,869,213

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

Share Options

Share options are issued to staff under the employee share option plan. There were 1,600,000 options issued under the plan to staff during the financial year. At year end, there were 4,500,000 outstanding options which were issued in the current and previous years.

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	
	2016	2015
	\$	\$
Profit from ordinary activities after related income tax	2,171,769	807,721
Depreciation and amortisation of non-current assets	23,156	13,586
Net (gain)/loss on sale of financial assets	291,002	(80,523)
Equity settled share based payments	32,416	1,430
Unrealized (gain)/loss on financial assets	(870,015)	835,848
Gain in disposal of plant and equipment	(17,117)	-
Decrease/(Increase) in assets		
Trade and other receivables	(446,458)	(1,033,764)
Other assets	8,295	(11,384)
Deferred tax assets	244,674	(113,231)
Increase/(Decrease) in liabilities		
Provisions for taxation	129,987	620,715
Trade and other payables	384,737	102,042
Provisions	(10,575)	28,171
Deferred tax liability	-	(697)
Net cash flows (used in)/from operating activities	1,941,870	1,169,914

20. NTA BACKING

Net tangible asset backing per ordinary security (per share)	\$0.19	\$0.12
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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 2016, the consolidated entity's operating **revenue is \$18,322,169, an increase of 21% over the previous corresponding period (pcp)**. The high margin permanent placement income was 10% higher and contracting revenue was 23% higher.

Gross Profit is \$3,892,918, an increase of 22% over pcp (FY15: \$3,180,051).

Net profit after taxation (NPAT) is \$2,171,768 an increase of 169% over pcp (FY15: \$807,721).

Earnings before interest, taxes, depreciation and amortization (EBITDA) is \$3,139,789 an increase of 133% over pcp (FY15: \$1,348,972).

Our Net Tangible Assets (NTA) are \$0.19 per share an increase of 58% over pcpc (FY15: \$0.12).

Cash is \$4,408,703 an increase of 140% over pcpc (FY15: \$1,838,730).

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

EPS

Basic and diluted earnings per share for the current financial year was 7.01 cents per share as compared with 2.61 cents per share in the previous corresponding period. At 30 June 2016, 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 65% of net profit after tax. However, that has been dependent on a number of factors including profits, available cash and the financial and taxation position of the Group.

The directors have declared a fully franked final dividend of 2 cents per share. The dividend will be paid on 23 September, 2016 to shareholders registered on close of business on 9 September, 2016. Total amount is \$620,000. This represents a dividend yield of 3.6% at the current share price of 55 cents.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised, database of over 320,000 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 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
Company Secretary
22 August 2016