Excellence in Recruitment & Consulting

# HiTech Group Australia Limited

A.B.N. 41 062 067 878

# Annual Report 2019

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# CORPORATE DIRECTORY

HiTech Group Australia Limited's ("the Company's") shares are quoted on the official list of the Australian Securities Exchange Limited.

The ASX code for the Company's ordinary fully paid shares is "HIT".

## Directors

Ray Hazouri – *Chairman*

Elias Hazouri – *Chief executive officer*

George Shad – *Non-executive director*

## Company Secretaries

Ray Hazouri
Elias Hazouri

## Registered office and principal place of business

Level 9
189 Kent Street
Sydney NSW 2000
Telephone: (02) 9241 1919
Facsimile: (02) 9241 1731
Internet: www.hitechaust.com
E-mail:info@hitechaust.com

## Share registry

Computershare Investor Services Pty Ltd
Level 3,
60 Carrington Street,
Sydney NSW 2000
Telephone: (02) 8234 5000

## Auditors

K.S. Black & Co.
20 Grose St,
North Parramatta NSW 2151

## Bankers

St George Bank Limited
4-16 Montgomery Street
Kogarah NSW 2217

# CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholder,

It is with pleasure that the directors present this 20th annual report of HiTech Group Australia Limited ('HiTech') since the listing of the company on the Australian Securities Exchange ("ASX") on 17 April 2000.

For the financial year ended 30 June 2019, the consolidated entity's operating **revenue is $30,284,662 an increase of 15%** over the previous corresponding period (pcp):

- **Gross Profit is $5,777,819, an increase of 9%** over pcp (FY18: $5,279,899).
- Underlying **EBITDA is $4,089,810**, **an increase of 10%** over pcp
- Underlying **NPAT is $2,898,316**, **an increase of 13%** over pcp
- Underlying full diluted EPS is **7.62** cents**, an increase of 13%** over pcp
- Our Net tangible Assets (NTA) **is $0.19 per share**.

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

The Australian job market, particularly the ICT sector, has seen strong demand for quality talent. We have succeeded in placing quality candidates into many positions throughout the public and private sectors. Our focus has been on retaining our valued clients, winning new business, diversifying and ensuring that operating costs are kept to a minimum. Just as the global and local economies evolve, we are constantly evolving and improving our systems and productivity to provide a more relevant service to our clients and candidates.

HiTech remains a resilient and strong company with a strong balance sheet and ample cash reserves. We are committed to continuously improving our revenue and profitability as the opportunities arise.

Whilst we are active in non-ICT areas of recruitment, the ICT recruitment and contracting business within the group, remains our key recurring revenue generator. We have been successful in securing clients nationally so that we can further diversify our client base. HiTech has a proven business model that has evolved over the past 26 years. I am confident that our commitment to growth and profitability will enhance value for all our shareholders in the future.

We are ready to take advantage of market opportunities and EPS accretive acquisitions to increase stakeholder returns. The future for HiTech continues to look very positive. Our results are the best in our market sector in terms of profitability.

The directors extend their appreciation to all our dedicated team members, candidates, clients and shareholders for their efforts and support during the year.

Yours sincerely,

Raymond Hazouri
Chairman
09 September 2019

# CORPORATE GOVERNANCE STATEMENT

HiTech Group Australia Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations' (Third edition March 2014) for the entire FY2019 financial year.

Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

| | | Complied | Note |
|---|---|---|---|
| 1.1 | (a) Disclose the respective roles and responsibilities of its board and management. | Yes | 1 |
| | (b) Disclose those matters expressly reserved to the board and those delegated to management. | Yes | 1 |
| 1.2 | (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and | Yes | 2 |
| | (b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Yes | 2 |
| 1.3 | Have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes | 2 |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes | 2 |
| 1.5 | (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving. | No | 7 |
| | (b) Disclose the diversity policy or a summary of it. | N/A | |
| | (c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: | N/A | |
| | (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) | Yes | 7 |
| | (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indictors", as defined in and published under that Act. | N/A | |
| 1.6 | (a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and | Yes | 2 |
| | (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Yes | 2 |

# CORPORATE GOVERNANCE STATEMENT (continued)

| | | Complied | Note |
|---|---|---|---|
| 1.7 | (a) Have and disclose a process for periodically evaluating the performance of its senior executives. | Yes | 2 |
| | (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Yes | 2 |
| 2.1 | (a) Have a nomination committee. | No | 3 |
| | (b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | Yes | 3 |
| 2.2 | A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | No | 2 |
| 2.3 | (a) Disclose the names of the directors considered by the board to be independent directors, | Yes | 4 |
| | (b) Disclose if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion. | Yes | 4 |
| | (c) Disclose the length of service of each director. | Yes | 4 |
| 2.4 | A majority of the board of a listed entity should be independent directors. | No | 4 |
| 2.5 | The chair of the board should be an independent director and, in particular, should not be the same person as the CEO of the entity. | No | 5 |
| 2.6 | Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Yes | 2 |
| 3.1 | (a) Have a code of conduct for its directors, senior executives and employees. | Yes | 6 |
| | (b) Disclose the code of conduct or a summary of it. | Yes | 6 |

# CORPORATE GOVERNANCE STATEMENT (continued)

| | | Complied | Note |
|---|---|---|---|
| 4.1 | (a) Have an audit committee which: | Yes | 8 |
| | (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; | No | 8 |
| | (2) is chaired by an independent director, who is not the chair of the board, and disclose: | Yes | 8 |
| | (3) the charter of the committee; | Yes | 8 |
| | (4) has the relevant qualifications and experience of the members of the committee. | Yes | 8 |
| | (5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | Yes | 8 |
| | (b) If it does not have an audit committee, disclose that fact. | N/A | |
| 4.2 | The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Yes | 9 |
| 4.3 | Ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Yes | 8 |
| 5.1 | (a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules and | Yes | 10 |
| | (b) Disclose that policy or a summary of it. | Yes | 10 |
| 6.1 | Provide information about itself and its governance to investors via its website. | Yes | 10 |
| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication with investors. | Yes | 11 |
| 6.3 | Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Yes | 11 |
| 6.4 | Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Yes | 11 |

# CORPORATE GOVERNANCE STATEMENT (continued)

| | | Complied | Note |
|---|---|---|---|
| 7.1 | (a) have a committee or committees to oversee risk, each of which: | Yes | 12 |
| | (1) has at least three members, a majority of whom are independent directors; and | No | 12 |
| | (2) is chaired by an independent director, and disclose: | Yes | 12 |
| | (3) the charter of the committee; | Yes | 12 |
| | (4) the members of the committee; and | Yes | 12 |
| | (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | Yes | 12 |
| | (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | N/A | |
| 7.2 | (a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound | Yes | 12 |
| | (b) Disclose, in relation to each reporting period, whether such a review has taken place. | Yes | 12 |
| 7.3 | (a) if it has an internal audit function, how the function is structured and what role it performs; or | No | 12 |
| | (b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Yes | 12 |
| 7.4 | Disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Yes | 13 |
| 8.1 | (a) have a remuneration committee which: | No | 14 |
| | (1) has at least three members, a majority of whom are independent directors; and | N/A | |
| | (2) is chaired by an independent director, and disclose: | N/A | |
| | (3) the charter of the committee; | N/A | |
| | (4) the members of the committee; and | N/A | |
| | (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | N/A | |
| | (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | Yes | 14 |

# CORPORATE GOVERNANCE STATEMENT (continued)

| | | Complied | Note |
|---|---|---|---|
| 8.2 | Should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Yes | 14 |
| 8.3 | A listed entity which has an equity-based remuneration scheme should: | | |
| | (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and | Yes | 14 |
| | (b) Disclose that policy or a summary of it. | Yes | 14 |

**Notes**

1. The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The role of the board is to approve the strategic direction of the Group, guide and monitor the management of HiTech in achieving its strategic plans and oversee good governance practice.

   The express responsibilities of the board include:

   - establishing, monitoring and reviewing corporate strategies and performance objectives;
   - appointing and when necessary replacing the CEO, Company Secretary and senior management;
   - reviewing the performance and composition of the board and approving board, CEO and executive succession planning and remuneration frameworks;
   - approving and monitoring financial reporting and Company performance, including the external audit and ensuring continuous material disclosure;
   - approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
   - ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place and effective; and
   - monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy.

   The managing director and Chief Executive Officer (CEO), Mr. E Hazouri, is a member of the board. The CEO has responsibility for the day-to-day operations of the Company and is supported in these functions by senior management. The board maintains ultimate responsibility for strategy and control of the Company.

   The board has delegated day-to-day responsibility for the management of the Company to the CEO/Chairman, including:

   - implementing corporate strategies and making recommendations to the board on significant corporate strategic initiatives;
   - implementing and maintaining appropriate risk management and compliance frameworks; and
   - keeping the board updated on the performance of the Company, including financial reporting and continuous disclosure information.

# CORPORATE GOVERNANCE STATEMENT (continued)

2. The board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the required skills. The appropriate skill mix, education, experience, personal qualities, and diversity are factors taken into account in each case, and the appropriate checks are made into the candidate's background. If these criteria are met and the board appoints the candidate as a director, that director must have their appointment approved by shareholders at the next annual general meeting. The skills, experience and expertise relevant to the position of each director in office during the year ended 30 June 2019 are detailed on pages 12 – 13 of this report.

   The board aims through the notices of meeting for annual general meetings to provide shareholders with all material information known to the board relevant to a decision on whether or not to elect or re-elect a director, as well as a statement as to whether the board supports the election or re-election of the director.

   Senior executives, including the CEO and the Company Secretaries, have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities. The appointment letter is consistent with the ASX Recommendations.

   There is no formal process for periodic evaluation of the performance of the board, board committees, individual directors and senior executive. While no performance evaluation of the Board or management was carried out during the reporting period, this is continually monitored by the Chairman and the Board. The Chairman also speaks to each director individually regarding their role as a director

   The Company Secretaries have responsibility for the company secretarial duties, including coordination of all Board business, including agendas, Board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings, and are accountable directly to the board, through the Chairman. The decision to appoint or remove company secretaries are made by the board.

3. The company does not have a nomination committee as the size of the company and the board does not warrant such a committee. All board nomination matters are considered by the whole board, including board succession, continuing development of board members and performance evaluation.

4. Of the three directors, Mr. G. Shad is a non-executive and an independent director. While a majority of the board members are not independent directors, the board believes that the people on the board can and do make independent judgements in the best interests of the company at all times. No independent director of the Company has any interest, position, association or relationship that may compromise the independence of the director based on the criteria described in Box 2.3 of the Corporate Governance Principles and Recommendations (Third edition March 2014).

5. The chairman is an executive director and a major shareholder and therefore is not an independent director. The Board believes that even though the chairman is not an independent director the chairman is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a chairman.

   The roles of Chairman and Chief Executive Officer are currently exercised by the same individual which is believed to be appropriate given the size of the Company.

   The length of service of each director is set out in the following table:

| Director | Length of Service |
|---|---|
| Mr. R. Hazouri | 26 years |
| Mr. E. Hazouri | 26 years |
| Mr. G. Shad | 16 years |

# CORPORATE GOVERNANCE STATEMENT (continued)

6. The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety.
   The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company which may be accessed on the Company's website (https://www.hitechaust.com). This code provides guidance to directors and management on practices necessary to maintain confidence in the integrity of the Company.

7. The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater diversity not only in gender but also in matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity within director and senior executive positions as they become vacant and appropriately skilled candidates are available.
   Details of female representation in the company are set out below:

| | **Number** | **%** |
|---|---|---|
| Number of women employees in the whole organisation | 8 | 57 |

   The Company is not a "relevant employer" under the Workplace Gender Equality Act.

8. The Company has established an Audit Committee with an independent chairman Mr George Shad and one other member who is an executive director. The board has established an Audit and Risk Management Committee which provides assistance to the board in fulfilling the corporate governance and oversight responsibilities of the board to verify and safeguard the integrity of the financial reporting of the Company. During the financial year, the audit and risk committee met 2 times.

   A formal charter of the audit and risk management committee has been approved by the Board a copy of which can be viewed on the Company's website (http://www.hitechaust.com).

   As required by Section 250T of the Corporations Act 2001 the company's auditor attends annual general meetings of the company and the chairman of those meetings allows a reasonable opportunity for members to ask questions of the auditor concerning the conduct of the audit and the preparation and content of the auditor's report.

9. The board requires the managing director and the employees who jointly perform the function of the chief financial officer (CFO) to state in writing to the board that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

10. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
    Established policies which can be viewed on the Company's website also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

# CORPORATE GOVERNANCE STATEMENT (continued)

11. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.
    The Company's policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure' which can be viewed on the Company's website
    Investors are able to access information about the company and its governance via the company's website (https://www.hitechaust.com) in the Investor Relations section. Investor relations representatives of HiTech are available to meet with shareholders from time to time and respond to queries addressed to our investor relations email address (info@hitechaust.com). Security holders are able to send and receive communications electronically to the Company and our share registry via our share registry, Computershare.
    HiTech aims to actively engage with shareholders and other stakeholders at the Annual General Meeting. At each AGM, discussion is encouraged regarding the performance of the company, prospects, management and the board, and any other area of interest or concern. Security holders who are unable to attend the AGM are able to ask questions and make comments ahead of the meeting, for response both individually and as a discussion item at the AGM.

12. The board has established policies on risk oversight and management which may be viewed on the Company website (https://www.hitechaust.com). The audit and risk committee oversees both the audit and risk management of the company. Details of the composition, independence and membership of the committee can be found under the section 4.1 of this document, as related to the audit function of the committee, and the committee charter may be found on the HiTech website.
    The board continually monitors areas of significant business risk with input from the audit and risk committee. Practices have been established to ensure:
    - capital expenditure and revenue commitments above a certain size obtain prior Board approval;
    - financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
    - occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
    - business transactions are properly authorised and executed;
    - the quality and integrity of personnel;
    - financial reporting accuracy and compliance with the financial reporting regulatory framework; and
    - crisis management policies are in effect.

    Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the board or audit and risk committee.
    The board continually monitors the Company's risk management framework and reviews the audit and risk committee charter and policy on risk oversight and management annually to ensure that the framework is robust. The Company's risk management framework has been continuously monitored throughout the year ended 30 June 2019, and revisions have been made as necessary on an ongoing basis throughout the financial year.
    The risk management and internal control processes of the Company are evaluated and monitored for effectiveness by the audit and risk committee in conjunction with the board on an ongoing basis.

13. HiTech recognises the importance of ensuring the economic, environmental and social sustainability of the Company. The board monitors sustainability issues and works closely with management to establish best practices. The board has determined that there are no current material exposures to economic, environmental and social sustainability risks.

# CORPORATE GOVERNANCE STATEMENT (continued)

14. Due to the size of the Board, the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board.

    The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executive has been approved by the board. All executives receive a base salary, superannuation and performance incentives. The board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies. Executives are entitled to participate in the employees share option arrangements. The criteria used in determining the issue of options to management include achievement of revenue and profit targets, new business generated, loyalty and years of service plus other criteria.

    Options are issued to Directors and Company Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all Directors and executives of the Company to increase goal congruence among Directors, executives and shareholders

    The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

    If a participant in equity-based remuneration scheme established by the Company enters into any transactions (whether through the use of derivatives or otherwise) which is designed to limit the economic risk of participating in the equity-based remuneration scheme:

    (a) the participant must disclose details of the transaction to the Company Secretary;

    (b) the Company Secretary will disclose to the Board all details of any such economic risk management transactions.

    The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

# DIRECTORS' REPORT

The directors of HiTech Group Australia Limited present their report on the company and its controlled entities for the financial year ended 30 June 2019.

## Directors

## Information on directors

The following persons were Directors of HiTech Group Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

**Raymond Hazouri**

Chairman, Company Secretary (appointed Company Secretary 13 February 2015)

*Qualifications:* BA (Sydney University), DipEd.

*Experience:* Founded HiTech in 1993 and has over 28 years' experience in the IT industry. Prior to establishing HiTech, Ray worked in a number of capacities in the information technology industry ranging from management positions, technical IT consulting roles including systems analysis/programming, project management and sales roles. Ray worked and consulted for a broad range of employers in the private, multinational, SME, and public sectors.

*Interest in shares and options:* 17,660,000 ordinary shares and 2,000,000 options in HiTech Group Australia Limited.

*Other current and former directorship in last three years*: Nil

**George Shad**

Non-executive Director.

*Qualifications: Solicitor*

*Experience:* Appointed to the Board on 30 July 2003. Principal of Shad Partners Solicitors with thirty years' experience as a lawyer specialising in commercial and conveyancing work.

George is a panel solicitor for a number of major banks and his expertise and contacts in the corporate sector will assist HiTech in furthering its client base.

*Special responsibilities:* Chairman of the Audit and Risk Committee

*Interest in shares:* 250,000 ordinary shares in HiTech Group Australia Limited.

*Other current and former directorship in last three years*: Nil

**Elias Hazouri**

Executive Director, Chief Executive Officer, Company Secretary (appointed Company Secretary 13 February 2015)

*Qualifications: B Sc, MBA*

*Experience:* Appointed to the Board on 30 July 2003 as an alternate Director representing Ray Hazouri when he was not available. Over 28 years' experience in IT and banking. Elias was previously a director of HiTech from 1993-March 2000. Elias's knowledge of HiTech's business is extensive.

Throughout his career, Elias has been integral to the development of many IT systems and IT support departments. He has held roles ranging from programmer to technology support head. Elias is a key resource and knowledge base to the HiTech account managers and is jointly responsible for generating new business.

Elias has advised on business strategy, both from a financial and operational perspective, since the inception of HiTech in 1993. Elias is employed in the capacity of Chief Executive Officer.

*Interest in shares and options:* 6,826,202 ordinary shares, 2,000,000 options in HiTech Group Australia Limited beneficially owned by him.

*Other current and former directorship in last three years*: Nil

## Company Secretaries

**Ray Hazouri (Director)**

**Elias Hazouri (Director)**

## Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year 2 board meetings and 2 audit committee meetings were held.

| | **Board of Directors** | | **Audit Committee** | |
|---|---|---|---|---|
| | **No eligible to Attend** | **Attended** | **No eligible to Attend** | **Attended** |
| Mr R Hazouri (*by invitation) | 2 | 3 | 2* | 2* |
| Mr E Hazouri | 2 | 3 | 2 | 2 |
| Mr G Shad | 2 | 3 | 2 | 2 |

## Dividends

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

## Earnings per share

| | |
|---|---|
| Basic and Diluted earnings per share | 7.62 |

## Corporate structure

HiTech Group Australia Limited is a listed public company, limited by shares, and is incorporated and domiciled in Australia. HiTech has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

## Nature of operations and principal activities

The consolidated entity's principal activity during the financial year was the supply of recruitment services for permanent and contract staff to the ICT sector.

During the financial year, there were no significant changes in the nature of these operations.

## Group overview

The HiTech Group currently supplies permanent and contract staff from its large, personalised, database of over 340,000 specialised ICT, Finance and Office Support professionals which has been developed over the past 26 years. Its main business comes from IT contracting/consulting.

The HiTech client base is well established, with strong representation by technology companies, banking/financial services companies plus Federal & State Government departments and agencies. HiTech has also entered into preferred supplier agreements for the supply of staff in both the public and private sectors.

## Operating and financial review

### Operating results

For the financial year ended 30 June 2019, the consolidated entity's operating **revenue is $30,284,662 an increase of 15%** over the previous corresponding period (pcp):

- **Gross Profit is $5,777,819, an increase of 9%** over pcp (FY18: $5,279,899).
- **EBITDA is $4089,810**, an increase of **10%** over pcp
- **NPAT is $2,898,316**, an increase of **13%** over pcp
- Basic and Diluted **EPS is 7.62 cents**, **an increase of 13%** over pcp
- Our Net Tangible Assets (NTA) is $0.19 per share.

Permanent recruitment comprises the search and selection of candidates for full time employment. 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 strong recurring cash flow.

HiTech's recruitment business is broadly based in the ICT sector and operates across the full range of ICT services, including digital transformation, systems development, infrastructure architecture & cloud integration, operations, support and project management. As the digital transformation cycle gains momentum, there is a growing need for skilled ICT professionals, especially in the digital specialisation space. HiTech is addressing the demand for specialised ICT skills by making use of its database and comprehensive contacts internationally.

We have scope to grow our revenue by further developing our other divisions including; office support, sales and finance. Whilst this diversification remains minor in comparison to ICT consulting and recruitment, it allows us to potentially grow our earnings further.

HiTech's reputation for top quality service and the provision of the best talent available, has resulted in HiTech establishing a small but successful niche market position. The demand for quality technical candidates has increased over the past 12 months.

HiTech's market share of the total multibillion dollar Australian consulting & recruitment market is relatively small. This represents a huge growth potential for the group. HiTech is focused on servicing existing clients by providing a complete recruitment and ICT service solution in addition to contracting.

As HiTech's core competency is in recruitment & talent acquisition, our strategy is to build on our existing client base and maximise revenue from existing clients by effectively providing personnel to not only the ICT sector but also to other sectors such as administration and office support, sales and marketing, and finance. There is also a possibility of broadening the consolidated entity's operations into geographical markets in which HiTech operates.

We are working towards winning new business and ensuring that operating costs are kept to a minimum.

## Future developments, prospects and business strategies

The FY2020 growth will depend on the prevailing economic conditions at the time. There are signs of continuing business confidence coming into the market. The most significant areas for us will be the continuation of an increase in job vacancies in ICT including cloud & cyber security requirements. Skilled professionals of top quality remain in short supply. We cannot, at this point, forecast with any certainty the results of next year. The directors' main objective will be organic growth in the consolidated entity's core business and further enhancing existing client business.

## Significant Changes in state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

## Events subsequent to reporting date

The directors declared a fully franked final dividend of 4 cents per share. The dividend was paid on 12 September 2019 to shareholders registered on close of business on 29 August 2018. (Note 18)

## Environmental regulations

The consolidated entity's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Indemnifying officers or auditor

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure all of the directors of the company has named above, the company secretaries and all executive officers of the company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such by an officer or auditor.

## Remuneration report - Audited

This report outlines the remuneration arrangements in place for directors and executives of HiTech Group Australia Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The names of directors in office at any time during or since the end of the year are:

Mr Raymond Hazouri, Mr George Shad and Mr Elias Hazouri

### Remuneration Policy

The Board determine the remuneration policy applicable to each executive key management person as and when required based on market rates and capacity to pay. Currently all executive key management personnel are contractors to the Company except for the Chairman and Executive Director, Ray Hazouri, and all were appointed under arm's length agreements acceptable to both parties.

Key management personnel are entitled to participate in the employee share option benefits at the discretion of the Board.

### Details of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of HiTech Group Australia Limited are set out in the following table:

Refer to note 29 for disclosure of share and option details.

**Remuneration - Key management personnel of the Group 2019**

| 2019 | Short-term employee Benefits | Post-employment benefits | Long-term benefits | |
|---|---|---|---|---|
| Name | Cash salary and fees | Superannuation | Long service leave | Total |
| Non-executive directors | $ | $ | | $ |
| G. Shad* | 10,000 | - | - | 10,000 |
| **Sub-total non-executive directors** | 10,000 | - | - | 10,000 |
| Executive directors | | | | |
| R. Hazouri* | 400,000 | 48,712 | (7,942) | 440,770 |
| E. Hazouri* | 399,896 | - | - | 399,896 |
| **Sub-total Executive directors** | 799,896 | 48,712 | (7,942) | 840,666 |
| **Total compensation (group)** | 809,896 | 48,712 | (7,942) | 850,666 |

**Remuneration - Key management personnel of the Group 2018**

| 2018 | Short-term employee Benefits | Post-employment benefits | Long-term benefits | |
|---|---|---|---|---|
| Name | Cash salary and fees | Superannuation | Long service leave | Total |
| Non-executive directors | $ | $ | | $ |
| G. Shad* | 10,000 | - | - | 10,000 |
| **Sub-total non-executive directors** | 10,000 | - | - | 10,000 |
| Executive directors | | | | |
| R. Hazouri | 325,000 | 28,161 | 5,303 | 358,464 |
| E. Hazouri* | 374,020 | - | - | 374,020 |
| **Sub-total Executive directors** | 699,020 | 28,161 | 5,303 | 732,484 |
| **Total compensation (group)** | 709,020 | 28,161 | 5,303 | 742,484 |

* Wholly paid to a related entity of the key management person

### Group performance in relation to key management personnel compensation

The following table shows the performance of the Consolidated Group over the past six financial years:-

| FY | Sales Revenue $ | NPAT/(NLAT) $ | Basic EPS Cents | Diluted EPS Cents | Net Equity $ | NTA per share cents | Dividends $ | Average Share Price Cents |
|---|---|---|---|---|---|---|---|---|
| 2013 | 7,309,770 | 164,504 | 0.53 | 0.53 | 3,242,189 | 10.45 | - | 4.50 |
| 2014 | 7,975,179 | (150,658) | (0.49) | (0.49) | 2,940,349 | 9.00 | 155,000 | 7.28 |
| 2015 | 15,104,907 | 807,721 | 2.61 | 2.61 | 3,749,499 | 12.08 | - | 7.50 |
| 2016 | 18,322,169 | 2,171,768 | 7.01 | 7.01 | 5,953,683 | 19.00 | - | 22.00 |
| 2017 | 22,234,598 | 2,485,346 | 6.57 | 6.55 | 6,664,836 | 19.00 | 1,674,500 | 56.00 |
| 2018 | 26,356,197 | 2,675,554 | 6.75 | 6.75 | 7,411,833 | 19.00 | 2,460,500 | 83.22 |
| 2019 | 30,256,920 | 2,898,316 | 7.62 | 7.62 | 7,266,148 | 19.00 | 3,044,000 | 101.00 |

The outlook for FY2020 will depend on the prevailing state of the local and global economy. We cannot forecast exact results at this point.

### Employment contracts

Mr Ray Hazouri, is employed under a contract, whilst the CEO, Mr Elias Hazouri, is retained as a contractor under a service contract. Under the terms of the present contracts, these executives may resign from their positions and thus terminate their contract by giving one year's written notice.

The company may terminate these employment agreements by providing twelve months written notice or by payment in lieu of the notice period based on the executives' fixed component of remuneration.

## Auditor Independence declaration

The lead auditor's independence declaration for the year ended 30 June, 2019, as required under section 307C of the Corporations Act 2001, has been received and is set out on page 18 of the financial report.

**Non-audit services**

The board of directors, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditor imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the auditors for the year ended 30 June, 2019:

| | |
|---|---|
| Taxation services | $ 1,800 |

## Proceedings on behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 23 of the Corporations Act 2001.

Signed in accordance with a resolution of the board of directors.

Raymond Hazouri
Director

Sydney, 9 September 2019

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***Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001***

To the Directors of Hitech Group Australia Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there has been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of HiTech Group Australia Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

Scott Bennison
Audit Partner

Dated in Sydney on this 9th day of September 2019

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 25-43, are in accordance with the Corporations Act 2001, including:

   a) Complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Raymond Hazouri
Director
Sydney, 9 September 2019

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To the Members of the HiTech Group Australia Limited

**Opinion**

We have audited the financial report of HiTech Group Australia Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001.*

**Basis of opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Cash and cash equivalents**<br>Refer to note 7 – cash and cash equivalents.<br><br>At 30 June 2019, the Group has cash and cash equivalents of $5.927mil.<br><br>The material amount and volume of cash transactions is a key audit matter. | **Our procedures included, amongst others:**<br>· external bank confirmations.<br>· Increased substantive testing in relation to receipts and payments.<br>· Traced sample of receipts and payments to invoices and confirm authorisation.<br>· Reviewed general ledger to check for unusual and/or large payments.<br>· Confirmed balance in the financial statements by reconciling bank statements to general ledger balances. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Trade and other receivables**<br>Refer to note 8 – trade and other receivables.<br><br>At 30 June 2019, the Group has trade and other receivables of $3.076mil.<br><br>Included in trade and other receivables are amounts relating to accrued income that are material.<br><br>The material amount of trade and other receivable in the financial statements in conjunction with accrued income is a key audit matter. | **Our procedures included, amongst others:**<br>· We have confirmed balances of trade receivables to customer invoices.<br>· We have reviewed the provision for doubtful debts and considered it reasonable.<br>· We have reviewed other receivables, considered impairment and sighted documentation.<br>· We have selected sample invoices prior to and after 30 June to confirm cut-off.<br>· We have performed subsequent receipt testing. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Sales revenue and cost of sales**<br>Refer to note 4(a) and 4(c).<br><br>For the year ended 30 June 2019, the Group's had gross sales revenue of \$30.256mil and cost of sales of \$24.479.<br><br>We note that Included in gross revenue is accrued sales revenue that is material.<br><br>Additionally, included in the cost of sales are employment/contractor expenditure of \$21.922mil that is material due to its size and percentage of total expenditure.<br><br>For the reasons stated above, gross sales revenue and cost of sales are a key audit matter. | **Our procedures included, amongst others:**<br>· We have sampled invoices relating to sales and cost of sales, confirmed details, traced to general ledger and traced to bank statements.<br>· In respect of sales revenue, we performed subsequent receipts testing to confirm valuation.<br>· We have performed testing of sales and expenditure invoices prior to and post 30 June 2019 to confirm cut-off.<br>· We have reviewed documentation relating to employee/contractors to ensure correct classification in the financial statements and employee entitlements. Opinion |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

**Directors' responsibility for the financial report**

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the presentation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement individually or in the aggregate, that could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

**Report on the Remuneration Report**
**Opinion on the Remuneration Report**

We have audited the Remuneration Report include in pages 15 to 16 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report for the year ended 30 June 2019 complies with section 300A of the Corporation Act 2001.

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**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KS Black & Co
Chartered Accountants

Scott Bennison
Audit Partner
Dated in Sydney on this 9th day of September 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For the Financial Year Ended 30 June 2019

| | Note | Consolidated Group 2019 $ | 2018 $ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Sales Revenue | **4(a)** | 30,256,920 | 26,356,197 |
| Cost of sales | **5** | (24,479,101) | (21,076,298) |
| **Gross Profit** | | 5,777,819 | 5,279,899 |
| Other revenue | **4(b)** | 27,742 | 29,065 |
| Marketing expenses | | (22,677) | (31,749) |
| Occupancy expenses | | (177,088) | (168,453) |
| Insurance and legal expenses | | (7,915) | (69,602) |
| Administration expenses | | (1,505,628) | (1,227,400) |
| Other expenses from ordinary activities | | (246,923) | (119,501) |
| **Profit/(Loss) before income tax** | | 3,845,330 | 3,692,259 |
| Income tax (expense)/benefit | **6** | (947,014) | (1,122,762) |
| Profit attributable to members of the parent entity | | 2,898,316 | 2,569,497 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | **2,898,316** | **2,569,497** |
| **Earnings per Share:** | | | |
| Basic and diluted earnings (cents per share) | **28** | 7.62 | 6.75 |

*Notes to financial statements are included on pages 27-43*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 30 June 2019

| | Notes | Consolidated Group 2019 $ | 2018 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | **7** | 5,927,690 | 5,862,986 |
| Trade and other receivables | **8** | 3,076,645 | 2,613,830 |
| Other current assets | **9** | 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 | **13** | 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 | **14** | 2,034,913 | 1,344,137 |
| Provision for taxation | **15** | - | 494,633 |
| Deferred tax liabilities | | 384,184 | - |
| Short-term provisions | **16** | 183,101 | 147,559 |
| **TOTAL CURRENT LIABILITIES** | | 2,602,198 | 1,986,329 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | - | |
| Long term provisions | **16** | 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 | **17** | 3,738,213 | 3,738,213 |
| Reserves | | 185,637 | 185,637 |
| Retained earnings | | 3,342,298 | 3,487,983 |
| **TOTAL EQUITY** | | 7,266,148 | 7,411,833 |

*Notes to financial statements are included on pages 27-43*

# 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 | - | 2,898,315 | - | 2,898,315 |
| **Balance at 30/6/2019** | 3,738,213 | 3,342,298 | 185,637 | 7,266,148 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the Financial Year Ended 30 June 2019

| | Note | Consolidated Group 2019 $ | 2018 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts from customers** | | 32,776,017 | 28,991,146 |
| Payments to suppliers and employees | | (28,603,836) | (24,912,078) |
| Dividends received | | - | - |
| Interest received | | 27,640 | 26,727 |
| Interest paid | | - | - |
| Income tax paid | | (1,066,466)) | (887,082) |
| **Net cash provided by operating activities** | **27** | 3,133,355 | 3,218,712 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of financial assets | | (979) | (21,739) |
| Proceeds from sale of financial assets | | - | - |
| Purchase of plant and equipment | | (23,672) | (80,220) |
| **Net cash provided by investing activities** | | (24,651) | (101,959) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend Paid | | (2,460,500) | (2,460,500) |
| Proceed from issue of shares | | - | - |
| **Net cash (used in) financing activities** | | (3,044,000) | (2,460,500) |
| Net increase in cash held | | 64,704 | 656,254 |
| Cash at the beginning of the financial year | | 5,862,986 | 5,206,732 |

| | | | |
|---|---|---|---|
| **Cash at the end of the financial year** | **7** | 5,927,690 | 5,862,986 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of HiTech Group Australia Limited and its subsidiaries.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report was authorised for issue on 18 September 2019 by the Board of Directors.

**(i) Compliance with IFRS**

The consolidated financial statements of the HiTech Group Australia Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**(ii) Historical cost convention**

These financial statements have been prepared under the historical cost convention, modified where applicable by the measurement at fair value of selected financial assets and financial liabilities.

**(b) Financial report prepared on a going concern basis**

The Directors believe that it is appropriate to prepare the financial report on a going concern basis because

a) The Group had $5,927,690 in cash at 30 June 2019;

b) The Group has budgeted for sales in FY2020 at the same level of FY2019 with expected new contracting income from NSW Government contracts.

**(c) Principles of consolidation**

***Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HiTech Group Australia Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. HiTech Group Australia Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

**(e) Revenue recognition**

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue for the rendering of contracting and consulting services is recognised upon delivery of the service to the client while permanent placement fees are brought to account at the time of placement rather than the day of commencement of work. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

All Australian revenue is stated net of the amount of goods and services tax (GST).

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer to note 1(k).

**(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

HiTech Group Australia and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(g) Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**(h) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(i) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**(j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(k) Investments and other financial assets**

***Classification***

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

***(i) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) and receivables in the statement of financial position.

***Financial assets – reclassification***

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

**(l) Investments and other financial assets (continued)**

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

***Recognition and derecognition***

Purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

# NOTES TO THE FINANCIAL STATEMENTS

***Measurement***

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

***Impairment***

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Impairment testing of trade receivables is described in note 1(j).

**(m) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing balance or straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

| | Useful Life |
|---|---|
| Plant and equipment | 3-5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

**(n) Intangible assets**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to the Non-current asset – Intangible Assets (Note 12). Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a diminishing balance basis at 40% per annum.

**(o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(p) Employee benefits**

***(i) Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits plus annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

***(ii) Share-based payments***

Share-based compensation benefits may be provided to directors, employees and company consultants.

The fair value of shares or options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the

shares/options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity

**(q) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(r) Earnings per share**

***(i) Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year

***(ii) Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except, where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis except for the GST component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

**(t) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(u) Critical accounting estimates and judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

**Key estimates – Impairment**

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The Group's financial assets at fair value through profit or loss are financial assets held for trading and are shares in listed entities which are recorded at fair value at balance date being the closing market bid price on that day. Impairment gains during the reporting period have been recorded as other income in the statement of comprehensive income.

**Key judgements – impairment of receivables**

The directors have reviewed outstanding debtors as at 30 June 2019 and have formed the opinion that all debtors outstanding are collectible and have therefore decided that a provision for impairment should not be made. The major portion of debtors outstanding at balance date was with Australian Government departments with little or no risk of default.

**(v) Parent entity financial information**

The financial information for the parent entity, HiTech Group Australia Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below,

***Investments in subsidiaries***

Investments in subsidiaries are accounted for at cost in the financial statements of HiTech Group Australia Limited.

**(w) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments*

AASB 9 Financial Instruments and applicable amendments, effective from 1 January 2018, addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. It has now also introduced revised rules around hedge accounting and impairment. The Group will adopt this standard and the amendments from 1 July 2019 and it does not expect this to have a significant impact on the recognition and measurement of the Group's financial instruments. The derecognition rules have not been changed from the previous requirements and the Group does not apply hedge accounting.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for its adoption. The standard will require contracts to be identified, together with the separate performance obligations within the contract. The transaction price will be determined adjusted for the time value of money. Revenue is recognised when each performance obligation is satisfied. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Group will adopt this standard from 1 July 2019 and the impact of its adoption is expected to be minimal on the Group.

*AASB 16 Leases*

AASB 16 *Leases* was released in February 2016 and is mandatory for periods beginning on or after 1 January 2020. The new standard introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis; and

- Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

The standard will affect primarily the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $692,559, see note 22. As at 30 June 2019 if AASB 16 Leases was adopted the disclosure would be as follows:

| | |
|---|---|
| Right of use assets | $692,559 |
| Lease liability | |
| Current | $138,512 |
| Non-current | $554,047 |

Over the life of the right of use asset the following amounts would be recognised in the statement of financial performance:

| | |
|---|---|
| Amortisation charge | $692,559 |

## NOTE 2: FINANCIAL RISK MANAGEMENT

The Groups activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include analysing the effect of interest rate rises, and other price risks, aging analysis for credit risk and comparison of the investment portfolios against the ASX All Ordinaries Index to determine market risk.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas including interest rate risk, credit risk, and investment of excess liquidity. The groups functional and presentation currency is the Australian dollars and the Group has no foreign exchange dealings and therefore does not use derivative financial instruments.

The total for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Consolidated Group | |
|---|---|---|
| | **2019** **$** | **2018** **$** |
| **Financial Assets** | | |
| Cash | 4,393,874 | 4,355,729 |
| Deposits at call | 1,533,816 | 1,507,257 |
| Trade and other receivables | 3,076,645 | 2,613,830 |

| | | |
|---|---|---|
| Financial assets at fair value through profit or loss | - | - |
| Other assets | 826,087 | 714,134 |
| | 9,830,422 | 9,190,950 |
| **Financial Liabilities** | | |
| Trade and other payables | 2,034,913 | 1,344,137 |
| | 2,034,913 | 1,344,137 |

**(a) Credit risk**

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management. Sales to customers are required to be settled in cash, mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | Consolidated Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| **Trade and other receivables** | | |
| Counterparts with external credit rating (Moody's) | | |
| **AAA** Federal government departments and instrumentalities | 2,737,516 | 2,460,213 |
| Counterparts without external credit rating | | |
| Group 1 | - | - |
| Group 2 | 339,129 | 153,617 |
| Group 3 | - | - |
| **Total trade and other receivables** | **3,076,645** | **2,613,830** |
| **Cash at bank and short-term bank deposits** | | |
| AA2 | 5,927,690 | 5,862,986 |

Group 1 — new customers (less than 6 months)
Group 2 — existing customers (more than 6 months) with no defaults in the past
Group 3 — existing customers (more than 6 months) with some defaults in the past. The default was not recovered.

**(b)Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial Liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational and financing activities;
- Ensuring that adequate capital raising activities are undertaken;
- maintaining a reputable credit profile; and
- investing surplus cash only with major financial institutions.

The Group has no long term financial liabilities and uses existing cash and funds generated from operations to balance cash flow requirements.
All financial liabilities are due to be settled in less than one year.

| Weighted Av. Interest Rate | Interest free | Floating | Fixed interest maturing | | Total |
|---|---|---|---|---|---|
| | | | 1 year or less | 1 to 5 years | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash | NA | - | 4,393,874 | | | 4,393,874 |
| Deposits at call | 1.75% | | 1,533,816 | | | 1,533,816 |
| Trade and other receivables | NA | 3,076,645 | | | | 3,076,645 |
| Other assets | NA | | 141,306 | 46,781 | 638,000 | 826,087 |
| | | 3,076,645 | 6,068,996 | 46,781 | 638,000 | 9,830,422 |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | NA | 2,034,913 | | | | 2,034,913 |
| | | 2,034,913 | | | | 2,034,913 |

| | Weighted average interest rate | Interest free | Floating | Fixed interest maturing<br>1 year or less | 1 to 5 years | Total |
|---|---|---|---|---|---|---|
| 2018 | | | | | | |
| Financial Assets | | | | | | |
| Cash | NA | - | 4,355,729 | - | - | 4,355,729 |
| Bank deposits at call | 1.75% | - | 1,507,257 | - | - | 1,507,257 |
| Trade and other receivables | NA | 2,613,830 | - | - | - | 2,613,830 |
| Financial assets at fair value through profit or loss | NA | - | - | - | - | - |
| Other Assets | NA | 638,000 | 30,333 | 45,801 | - | 714,134 |
| | | 3,251,830 | 5,893,319 | 45,801 | - | 9,190,950 |
| Financial Liabilities | | | | | | |
| Trade and other payables | NA | 1,344,137 | - | - | - | 1,344,137 |
| | | 1,344,137 | - | - | - | 1,344,137 |

## NOTE 3: SEGMENT INFORMATION

The Consolidated Group operates primarily in one geographical and in one business segment, namely the recruitment industry in Australia and reports to the Board on the performance of the Group as a whole.

## NOTE 4: 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** | 30,284,662 | 26,385,262 |

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

## NOTE 5: 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 | (51,811) | 61,837 |

## NOTE 6: INCOME TAX

| | | | |
|---|---|---|---|
| **(a)** | **Income tax expense** | | |
| | Current tax | 481,071 | 1,141,314 |
| | Deferred tax | 465,943 | (18,552) |
| | | 947,014 | 1,122,762 |
| **(b)** | **Numerical reconciliation of income tax (benefit)/expenses to prima facie tax payable** | | |
| | Profit before income tax expense at 27.50% (2018: 30%) | 1,057,466 | 1,107,678 |
| | Add tax effect of: | | |
| | Non-deductible depreciation and amortisation and other non-allowable items | (13,086) | (2,646) |
| | Less tax effect of: | | |
| | Over provision in prior year | (97,366) | - |
| | DTA previously not recognised | - | 17,730 |
| | Income tax expense/(benefit) | 947,014 | 1,122,762 |

## NOTE 7: CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|---|---|---|
| | **2019** **$** | **2018** **$** |
| Cash at bank and in hand | 4,393,874 | 4,355,729 |

| | | |
|---|---|---|
| Bank term deposits | 1,533,816 | 1,507,257 |
| | 5,927,690 | 5,862,986 |

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

**Reconciliation of cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | 5,927,690 | 5,862,986 |
| | 5,927,690 | 5,862,986 |

**Interest rate exposure**

The Group and the parent entity's exposure to interest rate risk is discussed in Note 2.

## NOTE 8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated Group | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Trade and other receivables | 3,076,644 | 2,613,830 |

**(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 | 2,289 | - |
| | 185,918 | 108,927 |

**(c) Credit terms**

Credit terms which apply to trade customers are payment within 30 days from date of invoice.

**(d) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

## NOTE 9: OTHER CURRENT ASSETS

| | | |
|---|---|---|
| Prepayment | 44,655 | 30,333 |
| Overprovision for taxation | 96,651 | |
| | 141,306 | 30,333 |

## NOTE 10: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

**Consolidated Entity**

| | Plant & Equipment<br>$ | Leasehold Improvements<br>$ | Motor vehicles<br>$ | TOTAL<br>$ |
|---|---|---|---|---|
| **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 | (405,139) | (58,952) | (54,983) | (519,074) |
| 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.

## NOTE 11: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

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

## NOTE 12: NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | Consolidated Group Intangibles at cost |
|---|---|
| **At 1 July 2017** | |
| Computer software at cost | 1,090,443 |
| Accumulated Amortisation and impairment | (1,088,064) |
| Net book value | 2,379 |
| **Year ended 30 June 2018** | |
| Opening net book balance | 2,379 |
| Additions | 3,083 |
| Amortisation and impairment | (1,331) |
| Net book value | 4,131 |
| **As at 30 June 2018** | |
| Computer software at cost | 1,093,526 |
| Accumulated Amortisation and impairment | (1,089,395) |
| Net book value | 4,131 |
| **Year ended 30 June 2019** | |
| Opening net book balance | 4.131 |
| Additions | 14,844 |
| Amortisation and impairment | (18,116) |
| Net book value | 859 |
| **As at 30 June 2019** | |
| Computer software at cost | 1,108,370 |
| Accumulated Amortisation and impairment | (1,107,511) |
| Net book value | 859 |

## NOTE 13: NON-CURRENT ASSETS – OTHER ASSETS

| | Consolidated Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Loan to Key Management Personnel | 638,000 | 638,000 |
| Security deposit for leased premises | 46,781 | 45,801 |
| | 684,781 | 683,801 |

## NOTE 14: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| *Unsecured liabilities* | | |
| Trade payables | 269,042 | 254,796 |
| Sundry payables and accrued expenses | 1,765,871 | 1,089,341 |
| | 2,034,913 | 1,344,137 |

## NOTE 15: PROVISION FOR TAXATION

| | Consolidated Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Current Income Tax | **-** | **494,633** |

## NOTE 16: CURRENT LIABILITIES – SHORT-TERM 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 | (51,811) | 61,837 |
| Current year closing balance | 220,718 | 272,529 |
| Provisions | | |
| - Total current | 183,101 | 147,559 |
| - Total non-current | 37,617 | 124,970 |
| | 220,718 | 272,529 |

## NOTE 17: CONTRIBUTED EQUITY

| | | |
|---|---|---|
| 38,050,000 fully paid ordinary shares (2018: 35,150,000) | 3,738,213 | 3,100,213 |

Ordinary shareholders participate in dividends and the proceeds of winding-up of the parent entity in proportion to the number of shares held.
At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

***Share Options***

Information relating to Group's employee share option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 29. 1.6M options lapsed in February 2019.

***Capital risk management***

The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements and the Group's capital management strategy has not changed during the reporting period.

## NOTE 18: DIVIDENDS

| | | |
|---|---|---|
| Dividends paid | 3,044,000 | 2,460,500 |
| Franking credits available for subsequent financial years based on a tax rate of 27.50% (2018: 30%) | | |

## NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES

| | | |
|---|---|---|
| **(a) Key management personnel compensation:** | | |
| Short-term employee benefits | 809,896 | 709,020 |
| Post-employment benefits | 48,712 | 28,161 |
| Long Service Leave | (7,942) | 5,303 |
| | 850,666 | 742,484 |

Details of key management personnel compensation are disclosed in the Remuneration Report on pages 15-17.

**(b) Equity instrument disclosures relating to key management personnel**

***(i) Options provided as remuneration and shares issued on exercise of such options***

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options can be found in the Remuneration Report on pages 15-17.

***(ii) Options holdings***

| 2019 | Balance 1.7.19 | Granted as Remuneration | Options Exercised | Options Cancelled/ lapsed | Balance 30.6.19 | Total Vested and Exercisable 30.6.19 | Total un-exercisable 30.6.19 |
|---|---|---|---|---|---|---|---|
| Staff | 4,000,000 | - | - | 1,600,000 | 4,000,000 | - | 4,000,000 |
| | - | - | - | - | - | - | - |

| 2018 | Balance 1.7.16 | Granted as Remuneration | Options Exercised | Options Cancelled/ lapsed | Balance 30.6.17 | Total Vested and Exercisable 30.6.17 | Total un-exercisable 30.6.17 |
|---|---|---|---|---|---|---|---|
| Staff | 2,900,000 | 4,000,000 | (2,900,000) | - | 4,000,000 | - | 2,900,000 |
| | - | - | - | - | - | - | - |

***(iii) Shareholdings***

| 2019 | Balance 1.7.18 | Received as Remuneration | Options Exercised | Balance 30.6.19 |
|---|---|---|---|---|
| *No of shares held by Key Management Personnel* | | | | |
| R. Hazouri | 17,766,000 | - | - | 17,660,000 |
| E. Hazouri | 6,86,202 | - | - | 6,826,202 |
| | 24,486,202 | - | - | 24,486,202 |

## NOTE 20: REMUNERATION OF AUDITORS

**Consolidated Group**

| | 2019 $ | 2018 $ |
|---|---|---|
| During the year the following fees were paid or payable for services provided by the auditor of the parent entity: | | |
| Audit and review of the financial statements | 14,225 | 13,744 |
| Other services: | | |
| - preparation of tax return and other services | 1,800 | 1,380 |
| | 16,025 | 15,124 |

## NOTE 21: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities at balance date.

## NOTE 22: COMMITMENTS

### Non-cancellable operating leases

**Lease commitments**

The Company has obligation under the terms of these leases of its office premises for terms of up to 5 years, there are contractual options to extend the leases. Lease payments are payable in advance by equal monthly instalments due on the 1st day of each month. Future minimum rental payables under non-cancellable operating leases as at 30 June 2019 are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Due not later than one year | 138,512 | 148,141 |
| Due later than one year and not later than five years | 554,047 | 526,906 |
| | 692,559 | 675,047 |

**Recognition and measurement**

Transactions are classified as contingent liabilities where the company's obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the company has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Company as a lease*

Operation lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

## NOTE 23: RELATED PARTY DISCLOSURES

***(a) Subsidiaries***
Interests in subsidiaries are set out in Note 24.

***(b) Key management personnel***
Disclosures relating to key management personnel are set out in Note 19.

## NOTE 24: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b)

| Name of entity | Country of Incorporation | Class of Shares | Equity holding** 2019 | 2018 |
|---|---|---|---|---|
| ***Parent entity*** | | | | |
| HiTech Group Australia Limited | Australia | Ordinary | | |
| ***Controlled entities*** | | | | |
| HiTech Contracting Pty Ltd* | Australia | Ordinary | 100% | 100% |
| eConsulting Australia Pty Ltd* | Australia | Ordinary | 100% | 100% |

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

** The proportion of ownership interest is equal to the proportion of voting power held.

## NOTE 25: PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

| | Parent Entity | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| **Statement of Financial Position** | | |
| Current assets | 9,145,641 | 8,507,149 |
| Total assets | 9,905,963 | 9,523,132 |
| Current liabilities | 2,602,198 | 1,986,329 |
| Total liabilities | 2,639,815 | 2,111,299 |
| Shareholders' equity | | |
| Contributed equity | 3,738,213 | 3,738,213 |
| Option reserve | 185,637 | 185,637 |
| Retained Profit | 3,342,298 | 3,487,983 |
| Total equity | 7,266,148 | 7,411,833 |
| Profit for the year | 2,898,316 | 2,569,497 |
| Total Comprehensive income | 2,898,316 | 2,569,497 |

## NOTE 26: SUBSEQUENT EVENTS

The directors have declared a fully franked interim dividend of 4 cents per share. Total amount of $1,522,000 was paid on 12 September 2019 to shareholders registered at close of business on 29 August 2019.

## NOTE 27: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated Group | |
|---|---|---|
| | **2019** **$** | **2018** **$** |
| Profit after 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) | 195674 |
| Deferred tax assets | 81,759 | (18,552) |
| Overprovision for taxation | (96,652) | |
| Increase/ (Decrease) in liabilities | | |
| Provisions for taxation | (494,633) | 254,234 |
| Trade and other payables | 690,776 | 113,172 |
| Provisions | (51,811) | 61,837 |
| Deferred tax liabilities | 384,184 | - |
| Net cash flows provided by/(used in) operating activities | 3,133,355 | 3,218,712 |

## NOTE 28: EARNINGS PER SHARE

| | Cents per Share | Cents per Share |
|---|---|---|
| Basic and diluted earnings per share | 7.62 | 6.75 |

### *Basic and diluted earnings per share*

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:-

| | $ | $ |
|---|---|---|
| Earnings (i) | 2,898,316 | 2,569,497 |
| | **No** | **No.** |
| Weighted average number of ordinary shares (ii) | 38,050,000 | 38,050,000 |

(i) Earnings used in the calculation of basic earnings per share are net profit after tax as per the income statement.

(ii) The options outstanding are considered to be potential ordinary shares and therefore have not been included in the determination of basic earnings per share. Where dilutive, these potential ordinary shares are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share (refer below).

## NOTE 29: SHARE-BASED PAYMENTS

**Employee option plan**

The Company has established an employee share option plan in respect of which share options may be issued to participating employees and executive directors. Options issued to directors are approved by shareholders at annual general meetings.

The directors consider that the option plan provides employees and directors invited to take part in the plan, with an opportunity and an incentive to participate in the company's future growth and success.

The allocation of options to an employee or directors under the option plan is based on his or her potential future contributions to the growth and profitability of the company. Options generally lapse on the employee's resignation or termination.

When the options are converted to shares they carry full dividend and voting rights.

The closing share price of an ordinary share of HiTech Group Australia Limited on the Australian Stock Exchange at 30 June 2019 was $1.00.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **No** | **Weighted Average Exercise Price** | **No** | **Weighted Average Exercise Price** |
| Balance at beginning of financial year (i) | 4,000,000 | 0.75 | 2,900,000 | 0.04 |
| | | | 1,000,000 | 0.06 |
| | | | 1,600,000 | 0.22 |
| Granted during the financial year (ii) | - | | 250,000 | 0.22 |
| | | | 2,900,000 | 0.22 |
| Exercised during the financial year | - | | (250,000) | 0.22 |
| | | | (2,900,000) | 0.04 |
| | | | (1,000,000) | 0.06 |
| Lapsed/cancelled during the financial year (iii) | 1,600,000 | | - | |
| Outstanding at end of financial year (iv) | 4,000,000 | | 4,500,000 | |
| Exercisable at end of financial year (v) | - | | - | |

# STOCK EXCHANGE INFORMATION

### Statement of quoted securities as at 30 August 2019

### DISTRIBUTION

- There are 671 shareholders holding a total of 38,050,000 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 82.1% of the total issued shares on issue.
- Voting rights for ordinary shares are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.

### Distribution of quoted securities as at 30 August 2019

Ordinary fully paid shares

| Range of holding | Number of holders |
|---|---|
| 1 - 1,000 | 82 |
| 1,001 - 5,000 | 280 |
| 5,001 - 10,000 | 127 |
| 10,001 - 100,000 | 162 |
| 100,001 - and over | 20 |
| Total holders | 671 |

There are 25 shareholders holding less than a marketable parcel.

### Substantial shareholdings as at 30 August 2019 of Fully Paid Ordinary Shares

| Ordinary shareholder | Total relevant interest notified | % of total voting rights |
|---|---|---|
| Ray Hazouri Nominees Pty Limited and Raymond Hazouri | 17,660,000 ordinary shares | 46.41% |
| E. Hazouri | 6,826,202 ordinary shares | 17.94% |
| S. Hazouri | 1,980,000 ordinary shares | 5.20% |

### Directors' share and option holdings

As at 3007 August 2019, directors of the Company held a relevant interest in the following shares and options issued by the Company.

| Director | Shares | Options |
|---|---|---|
| R. Hazouri | 17,660,000 | 2,000,000 |
| G. Shad | 250,000 | |
| E. Hazouri | 6,826,202 | 2,000,000 |

### Material differences to Appendix 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX.

### Restricted securities

There are no restricted securities on issue by the Company.

# STOCK EXCHANGE INFORMATION

## TOP TWENTY SHAREHOLDERS as at 02 September 2019

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | RAYHAZOURI NOMINEES PTY LTD | 15,450,000 | 40.60 |
| 2. | MR ELIAS HAZOURI | 6,826,202 | 17.94 |
| 3. | RAYMOND HAZOURI | 2,000,000 | 5.26 |
| 4. | SALEM HAZOURI | 1,980,000 | 5.20 |
| 5. | MR JOHN RICHARD SNELL | 1,020,476 | 2.68 |
| 6. | NATIONAL NOMINEES LIMITED | 680,000 | 1.79 |
| 7. | DORRAN PTY LTD | 553,000 | 1.45 |
| 8. | HAROLD CRIPPS HOLDINGS PTY LTD | 541,759 | 1.42 |
| 9. | MRS THERESE GUY + MR DAVID GUY <THERESE SUPER FUND A/C> | 320,000 | 0.84 |
| 10. | SHAD FAMILY SUPER PTY LTD <MANSHA ENT EMPLOYEE S/F A/C> | 250,000 | 0.66 |
| 11. | GATTENSIDE PTY LTD <HCH (1987) SUPER FUND A/C> | 232,858 | 0.61 |
| 12. | NCH PTY LTD | 225,999 | 0.59 |
| 13. | MR RAY HAZOURI | 210,000 | 0.55 |
| 14. | MRS THERESE GUY + MR DAVID GUY <THERESE GUY SUPER FUND A/C> | 180,000 | 0.47 |
| 15. | SHERWOOD PASTORAL LIMITED | 169,000 | 0.44 |
| 16. | UNIFIED CONSTRUCTIONS PTY LTD <THE SA WANDOO AVENUE A/C> | 142,000 | 0.37 |
| 17. | DORINCO PTY LTD | 140,000 | 0.37 |
| 18. | MR ERVIN SOMOSI | 115,000 | 0.30 |
| 19. | INDWECO PTY LTD | 101,000 | 0.27 |
| 20. | RJB ETAL PTY LTD <ROBIN BATTERHAM S/F A/C> | 100,010 | 0.26 |
| **Totals: Top 20 holders of FULLY PAID ORDINARY SHARES** | | **31,237,304** | **82.10** |