

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2020



HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4E

Preliminary Final Report

HiTech Group Australia Limited	
ABN: 41 062 067 878	Financial Year ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	10%	Up	\$33,357,189
Net profit for the period attributable to members	15%	Up	\$3,336,117
Dividends			
Final dividend	4 cents per share fully franked		
Previous corresponding period	4 cents per share fully franked		

Comment on figures reported:

HiTech's core business is the recruitment of ICT professionals and the supply of contracting services to the public and private sectors. ICT consulting services demand has been strong with several digital transformation projects underway, requiring specialist IT talent.

[For the financial year ended 30 June 2020, the consolidated entity's results are:](#)

- **Operating revenue is \$33,380,909, an increase of 10% over the previous corresponding period (pcp) (FY19: \$30,284,662).**
- **Gross Profit is \$6,105,679, an increase of 6% over pcp (FY19: \$5,777,819).**
- **NPAT is \$3,336,117, an increase of 15% over pcp (FY19: \$2,898,316).**
- **EBITDA is \$4,330,867, an increase of 8% over pcp (FY19: \$4,016,143).**
- **Our Net Tangible Assets (NTA) is \$0.18 per share (FY19: \$0.19).**
- **Cash balance is \$7,608,206, an increase of 28% over pcp (FY19: \$5,927,690).**

The directors have declared a fully franked dividend of 4 cents per share to be paid on 14 September 2020 to shareholders registered on close of business on 31 August 2020.

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

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

For the year ended 30 June 2020

	Note	Consolidated Group	
		2020 \$	2019 \$
Revenue from continuing operations			
Sales Revenue	5(a)	33,357,189	30,256,920
Cost of sales	6	<u>(27,251,510)</u>	<u>(24,479,101)</u>
Gross Profit		6,105,679	5,777,819
Other revenue	5(b)	23,720	27,742
Marketing expenses		(17,242)	(22,677)
Occupancy expenses	6	(202,774)	(177,088)
Insurance and legal expenses		(11,011)	(7,915)
Administration expenses	6	(1,472,949)	(1,505,628)
Other expenses from ordinary activities		<u>(188,989)</u>	<u>(246,923)</u>
Profit/(Loss) before income tax		4,236,434	3,845,330
Income tax (expense)/benefit	7	<u>(900,317)</u>	<u>(947,014)</u>
Profit attributable to members of the parent entity		3,336,117	2,898,316
Other comprehensive income		-	-
Total comprehensive income for the year		<u>3,336,117</u>	<u>2,898,316</u>
Earnings per Share:			
Basic and diluted earnings (cents per share)	20	8.77	7.62

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	Consolidated Group 2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	8	7,608,206	5,927,690
Trade and other receivables	9	2,805,159	3,076,645
Other current assets		32,730	141,306
TOTAL CURRENT ASSETS		10,446,095	9,145,641
NON-CURRENT ASSETS			
Plant and equipment	10	222,430	74,682
Deferred tax assets		8,700	-
Intangible assets	12	-	859
Right of use assets		400,580	-
Other non-current assets		47,734	46,781
TOTAL NON-CURRENT ASSETS		679,444	122,322
TOTAL ASSETS		11,125,539	9,267,963
CURRENT LIABILITIES			
Trade and other payables	13	2,720,486	1,396,913
Provision for taxation	14	552,393	-
Lease liabilities		157,610	-
Other current liability		50,921	-
Deferred tax liabilities		126,537	384,184
Short-term provisions	15	240,030	183,101
TOTAL CURRENT LIABILITIES		3,847,977	1,964,198
NON-CURRENT LIABILITIES			
Lease liabilities		250,473	-
Long term provisions	15	39,574	37,617
TOTAL NON-CURRENT LIABILITIES		290,047	37,617
TOTAL LIABILITIES		4,138,024	2,001,815
NET ASSETS		6,987,515	7,266,148
EQUITY			
Contributed equity	16	3,738,213	3,738,213
Reserves		185,638	185,638
Retained profits/(losses)		3,063,664	3,342,297
TOTAL EQUITY		6,987,515	7,266,148

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 30 June 2020

	Share Capital Ordinary	Retained Earnings	Employee Equity- settled Benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2018	3,738,213	3,487,981	185,638	7,411,832
Total dividends paid for the year	-	(3,044,000)	-	(3,044,000)
Total comprehensive profit for the year	-	2,898,316	-	2,898,316
Balance at 30/6/2019	3,738,213	3,342,297	185,638	7,266,148
Balance at 1/7/2019	3,738,213	3,342,297	185,638	7,266,148
Total Dividends paid for the year	-	(3,614,750)	-	(3,614,750)
Total comprehensive income for the year	-	3,336,117	-	3,336,117
Balance at 30/6/2020	3,738,213	3,063,664	185,638	6,987,515

4. CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year Ended 30 June 2020

	Note	Consolidated Group 2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		36,351,779	32,776,017
Payments to suppliers and employees		(30,362,728)	(28,603,836)
Interest received		22,767	27,640
Income tax (expenses)/ refund		(859,594)	(1,066,466)
Net cash provided by operating activities	18	5,152,224	3,133,355
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit and loss		(18,439)	(979)
Payment for property, plant and equipment		3,870	(23,672)
Net cash (used in) / provided by investing activities		(14,569)	(24,651)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		157,610	-
Dividend paid		(3,614,750)	(3,044,000)
Net cash (used in) / provided by financing activities		(3,457,140)	(3,044,000)
Net increase in cash and cash equivalents held		1,680,516	64,704
Cash and cash equivalents at the beginning of the financial year		5,927,690	5,862,986
Cash and cash equivalents at the end of the financial year	8	7,608,206	5,927,690

5. REVENUE

	Consolidated Group	
	2020 \$	2019 \$
Revenue from continuing operations		
(a) Services		
- Contracting and permanent placement revenue (i)	33,357,189	30,256,920
(b) Other revenue		
- Interest received – other entities	23,720	27,742
- Other	-	-
Total revenue	<u>33,380,909</u>	<u>30,284,662</u>
(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.		

6. EXPENSES

	Consolidated Group	
	2020 \$	2019 \$
Cost of providing services	27,251,510	24,479,101
Rental expenses on operating leases		
- Minimum lease payments	202,774	138,512
Depreciation and amortisation of non-current assets		
- Plant and equipment	53,122	170,337
- Motor vehicles	45,733	10,102
- Software	19,298	18,116
Net transfers to provisions – employee benefits	<u>58,886</u>	<u>(51,811)</u>

7. INCOME TAX

(a) Income tax expense		
Current tax	818,988	562,829
Deferred tax	<u>81,329</u>	<u>384,185</u>
	<u>900,317</u>	<u>947,014</u>
(b) Numerical reconciliation of income tax to prima facie tax payable		
Profit from continuing operations before income tax expense at 27.50%	1,134,166	1,057,466
Add tax effect of:		
Imputation credits	-	-
Other assessable income	(226,924)	-
Non-deductible depreciation and amortisation and other non-allowable items	-	(13,086)
Less tax effect of:		
Non-assessable income & imputation credit	-	-
Deductible expenses	1,775	-
Over provision in prior year	-	(97,366)
DTA previously not recognised	<u>(8,700)</u>	<u>-</u>
Income tax expense	<u>900,317</u>	<u>947,014</u>

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	6,090,904	4,393,874
Bank term deposits	<u>1,547,302</u>	<u>1,533,816</u>
	<u>7,608,206</u>	<u>5,927,690</u>

The effective interest rate on bank deposits at call is 1.01%

9. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2020	2019
	\$	\$
Trade receivables	<u>2,805,159</u>	<u>3,076,645</u>

(a) Impaired trade receivables

As at 30 June 2020, none of the trade receivables of the Group were impaired (2019: \$0)

(b) Past due but not impaired

As at 30 June 2020, trade receivable of \$86,803 (2019: \$185,919) 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	65,977	106,970
61-90 days	23,424	76,659
90+ days	<u>(2,598)</u>	<u>2,289</u>
	<u>86,803</u>	<u>185,918</u>

10. PLANT & EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 01 July 2019				
Cost or fair value	429,923	79,303	84,530	593,756
Accumulated depreciation	(405,140)	(58,951)	(54,984)	(519,075)
Net book value	24,784	20,351	29,547	74,682
Year ended 30 June 2020				
Opening net book balance	24,784	20,351	29,547	74,682
Additions	52,362	-	194,242	246,604
Depreciation charge	(43,752)	(9,370)	(45,733)	(98,856)
Net book balance	33,394	10,981	178,055	222,430
As at 30 June 2020				
Cost or fair value	482,286	79,303	278,772	840,361
Accumulated depreciation	(448,892)	(68,321)	(100,717)	(617,930)
Net book value	33,394	10,981	178,055	222,430

Plant and equipment has been tested for impairment at 30 June 2020 resulting in no impairment loss.

11. DEFERRED TAX LIABILITIES

	Consolidated Group	
	2020	2019
	\$	\$
Total deferred tax liabilities	126,537	384,184
	126,537	384,184

12. INTANGIBLE ASSETS

	Consolidated Group	
	Intangibles at cost	
At 1 July 2018		
Computer software at cost		1,093,526
Accumulated Amortisation and impairment		(1,089,395)
Net book value		<u>4,131</u>
Year ended 30 June 2019		
Opening net book balance		4,131
Additions		14,844
Amortisation and impairment		(18,116)
Net book value		<u>859</u>
As at 30 June 2019		
Computer software at cost		1,108,370
Accumulated Amortisation and impairment		(1,107,511)
Net book value		<u>859</u>
Year ended 30 June 2020		
Opening net book balance		859
Additions		18,438
Amortisation and impairment		(19,297)
Net book value		<u>-</u>
As at 30 June 2020		
Computer software at cost		1,126,809
Accumulated Amortisation and impairment		(1,126,809)
Net book value		<u>-</u>

13. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2020	2019
	\$	\$
<i>Unsecured liabilities</i>		
Trade payables	467,752	269,042
Sundry payables and accrued expenses	2,252,734	1,127,871
	<u>2,720,486</u>	<u>1,396,913</u>

14. PROVISION FOR TAXATION

Current Income Tax	552,393	-
	<u>552,393</u>	<u>-</u>

15. PROVISIONS

Employee benefits	279,604	220,718
	<u>279,604</u>	<u>220,718</u>

Reconciliation of movement in the liability is recognized in the balance sheet as follows:-

Prior year closing balance	220,718	272,529
Increase / (Decrease) in provision	58,886	(51,811)
Current year closing balance	<u>279,604</u>	<u>220,718</u>
Provisions		
- Total current	240,030	183,101
- Total non-current	39,574	37,617
	<u>279,604</u>	<u>220,718</u>

16. ISSUED EQUITY

	Consolidated Group	
	2020	2019
	\$	\$
38,050,000 ordinary shares (2019: 38,050,000)	3,738,213	3,738,213

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

Share Options:

There are 4M options expiring in November 2022.

17. SEGMENT INFORMATION

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

18. NOTES TO STATEMENT OF CASH FLOWS

	Consolidated Group	
	2020	2019
	\$	\$
Profit after income tax	3,336,117	2,898,316
Depreciation and amortisation of non-current assets	118,153	198,555
Decrease / (Increase) in assets		
Trade and other receivables	(380,062)	(477,139)
Deferred tax assets	(8,700)	(116,342)
Increase/ (Decrease) in liabilities		
Provisions for taxation	860,854	(9,000)
Trade and other payables	1,424,623	690,776
Provisions	58,886	(51,811)
Deferred tax liabilities	(257,647)	-
Net cash flows from/(used in) operating activities	5,152,224	3,133,355

19. NTA BACKING

Net tangible asset backing per ordinary security (per share)

\$0.18 \$0.19

20. COMMENTARY ON RESULTS FOR THE PERIOD

HiTech's core business is the recruitment of ICT professionals and the supply of contracting services. This sector of the market has been strong in the past year.

For the financial year ended 30 June 2020, the consolidated entity's results are:

- **Operating revenue is \$33,380,909, an increase of 10% over the previous corresponding period (pcp) (FY19: \$30,284,662).**
- **Gross Profit is \$6,105,679, an increase of 6% over pcp (FY19: \$5,777,819).**
- **NPAT is \$3,336,117, an increase of 15% over pcp (FY19: \$2,898,316).**
- **EBITDA is \$4,330,867, an increase of 8% over pcp (FY19: \$4,016,143).**
- **Our Net Tangible Assets (NTA) is \$0.18 per share (FY19: \$0.19).**
- **Cash balance is \$7,608,206, an increase of 28% over pcp (FY19: \$5,927,690).**

The directors have declared a fully franked dividend of 4 cents per share to be paid on 14 September 2020 to shareholders registered on close of business on 31 August 2020.

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

We are also actively seeking EPS accretive acquisitions.

EPS

Basic and diluted earnings per share for the current financial year was 8.77 cents per share as compared with 7.62 cents per share in the previous corresponding period.

Dividends

The directors have declared a fully franked dividend of 4 cents per share to be paid on 14 September 2020 to shareholders registered on close of business on 31 August 2020.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised database of over 375,000 specialised ICT professionals which has been developed over the years through various strategies of recruitment.

The HiTech client base, of over 490 active clients, is well established, with strong representation by high technology companies, banking/financial services companies, plus Federal Government departments and agencies. HiTech has also entered into preferred supplier agreements for the supply of staff in both the public and private sectors.

Permanent recruitment, which comprises the search and selection of candidates for full time employment, is characterised by high profit margins. We have been and will continue to develop this side of the business as demand improves.

ICT contracting, comprising the provision of ICT professionals for temporary and other non-permanent staffing needs of clients for specific projects has continued to supply HiTech with steady cash flow. ICT contracting is viewed as a relatively higher volume business with lower margins relative to permanent recruitment revenue. We continue to grow this part of the revenue stream.

Factors which are likely to affect results in the future

While there is still a relatively short supply of quality candidates, any potential drop in ICT resources demand will result in lower margins, less contracts and downward pressure on permanent placement numbers.

We have retained our preferred supplier status with our valued clients and are working towards further developing these relationships. We are constantly evolving and improving our systems and productivity to provide a better service to our clients and candidates.

We expect to secure further contracts in the near future and develop our business in both the government and private sector.

21. AUDIT OF ACCOUNTS

This report is based on accounts that are in the process of being audited and are not likely to be subject to dispute or qualification.



Elias Hazouri
CEO
12 August 2020