

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2022



HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4D

Half Year Report

HiTech Group Australia Limited	
A.B.N 41 062 067 878	Half Year ended 31 December 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	Up	37%	To	\$40,716,058
Profit from ordinary activities after tax attributable to members	Up	14%	To	\$2,250,293
Net profit for the period attributable to members	Up	14%	To	\$2,250,293
NTA per share	\$0.17 (31 Dec 2022)		\$0.18 (31 Dec 2021)	
Interim dividend	Interim dividend of 5 cents per share fully franked			
Previous corresponding period	Fully franked 5 cents/share paid 18/03/2022			

HITECH GROUP LTD (HIT.ASX) ANNOUNCES RECORD FIRST HALF RESULTS

HiTech Group (HIT.ASX, HiTech), is a specialist provider of recruitment and contracting services to the private and Australian government sectors. HiTech is a market leader in sourcing and placing, ICT, Finance and office support personnel for permanent and contract positions. HiTech is broadening its business operations with the development of its ICT services and consulting business lines as it seeks to take advantage of higher margin assignments and the surging demand for ICT talent.

HiTech today released its first half results and Appendix 4D for FY2023. The Company is pleased to provide commentary on its activities in H1 FY2023 to accommodate the lodgement of results. Key highlights include:

- **Revenue of \$40.71m up 37% of 1HFY22 (\$29.82m)**
- **Gross profit \$4.94m up 21% on pcp**
- **EBITDA of \$3.23m up 10% on pcp**
- **Net profit before tax \$3.17m up 10% on pcp**
- **Net profit after tax \$2.25m up 14% on pcp**
- **Interim dividend of 5.0 cents per share**

INTERIM DIVIDEND

The Company is pleased to declare an **interim fully franked dividend of 5 cents per share**.

The Company will have approximately \$0.42 million retained earnings and \$1.38 million in franking credits following payment of the interim dividend for future capital management initiatives. Cash reserves available following the dividend will be \$4.51 million which will be utilised for working capital and any potential expansion opportunities the Directors may consider from time to time.

Dates applicable for the interim dividend and special dividend are:

Ex-dividend date: 06 March 2023

Record date: 07 March 2023

Payment date: 21 March 2023

Outlook

HiTech is well positioned to capture market demand for ICT talent and services with a strong balance sheet and long-term supplier agreements in place. The Australian Government has targeted a reduction in ICT contracting in some agencies. We have seen a reduction in contracting agreements leading into the end of the calendar year, however, there are several Government agencies still looking to bolster their talent pool, especially in the cyber security and digital infrastructure space which should counter the other agencies' reduction.

Early signs of continued demand in the federal government sector for specialist IT talent are encouraging. HiTech remains fully prepared to take advantage of the demand for skilled IT talent as and when the opportunities present themselves.

HiTech has several active client mandates for our services and continues to see various tender pipelines for new business in both the federal and state government sectors where some ICT programs of work remain vital. As the global and local economy experiences uncertainty, we are well positioned for changes in demand for our service and are working on bolstering our talent pool with more specialised talent at the highest government security levels in readiness for increased demand.

With more than 55 years combined expertise in the ICT Talent and Services market, there is no more experienced and financially secure Australian organisation in our sector or board suitably positioned to maximise shareholder return and navigate economic headwinds as they are encountered.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

		Consolidated Group	
		31 December 2022	31 December 2021
		\$	\$
Sales Revenue	2(a)	40,696,182	29,821,741
Cost of sales	3	(35,746,779)	(25,738,344)
Gross Profit		4,949,403	4,083,397
Other revenue	2(b)	19,876	2,262
Unrealised gain/(loss) on financial assets			
Marketing expenses		(26,328)	(14,995)
Occupancy expenses		(190,453)	(76,413)
Insurance and legal expenses		(11,384)	(53,116)
Administration expenses		(1,392,357)	(961,361)
Other expenses from ordinary activities		(176,253)	(107,197)
Profit/(Loss) before income tax		3,172,505	2,872,577
Income tax (expense)/benefit		(922,212)	(909,139)
Profit attributable to members of the parent entity		2,250,293	1,963,438
Other comprehensive income		-	-
Total comprehensive income for the year		2,250,293	1,963,438
Earnings per Share:			
Basic earnings (cents per share)		5.35	5.03
Diluted earnings (cents per share)		5.35	5.03

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT HALF YEAR ENDED 31 DECEMBER 2022**

	Notes	Consolidated Group	
		31 December 2022	31 December 2021
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		9,910,496	6,907,650
Trade and other receivables		1,781,288	3,678,444
Other current assets		88,601	85,932
TOTAL CURRENT ASSETS		11,780,384	10,672,025
NON-CURRENT ASSETS			
Plant and equipment	4	417,912	496,562
Deferred tax assets		302,280	198,988
Rights Of Use Assets		-	151,358
Intangible assets		-	-
Other non-current assets		474,735	48,206
TOTAL NON-CURRENT ASSETS		1,194,926	895,114
TOTAL ASSETS		12,975,311	11,567,139
CURRENT LIABILITIES			
Trade and other payables		4,786,655	3,382,402
Provision for taxation		224,815	(26,200)
Lease Liabilities	5	-	159,515
Other current liability		-	-
Short-term provisions		542,198	448,986
TOTAL CURRENT LIABILITIES		5,553,668	3,964,702
NON-CURRENT LIABILITIES			
Deferred tax liabilities		114,045	475,069
Lease Liabilities	5	-	-
Long term provisions		147,561	82,331
TOTAL NON-CURRENT LIABILITIES		261,606	557,380
TOTAL LIABILITIES		5,815,274	4,522,082
NET ASSETS		7,160,037	7,045,057
EQUITY			
Contributed equity		4,450,713	4,450,713
Reserves		185,638	185,638
Retained profits/(losses)		2,523,686	2,408,706
TOTAL EQUITY		7,160,037	7,045,057

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Issued Capital Ordinary	Retained Profits/ (Accumulated Losses)	Employee Equity- settled benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2021	4,450,713	2,395,268	185,638	7,031,619
Total Dividends paid for the half year	-	(1,950,000)	-	(1,950,000)
Total comprehensive income for the half year	-	1,963,438	-	1,963,438
Balance at 31/12/2021	<u>4,450,713</u>	<u>2,408,706</u>	<u>185,638</u>	<u>7,045,057</u>
Balance at 1/7/2022	4,450,713	2,796,393	185,638	7,432,743
Employee share options – value of employee services	-	-	-	-
Total Dividends paid for the half year	-	(2,523,000)	-	(2,523,000)
Total comprehensive income for the half year	-	2,250,293	-	2,250,293
Balance at 31/12/2022	<u>4,450,713</u>	<u>2,523,686</u>	<u>185,638</u>	<u>7,160,036</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

	Consolidated Group	
	31 December 2022	31 December 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	46,239,968	32,254,665
Payments to suppliers and employees	(42,472,199)	(29,497,721)
Dividends received	-	-
Interest received	-	2,262
Interest paid	-	-
Income tax (expense)/ refund	(1,345,640)	(504,952)
Net cash provided by / (used in) operating activities	2,422,129	2,254,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment	-	-
Payment for property, plant and equipment	(1,171)	(9,063)
Net cash (used in) / provided by investing activities	(1,171)	(9,063)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,523,000)	(1,950,000)
Net cash (used in) / provided by financing activities	(2,523,000)	(1,950,000)
Net increase / (decrease) in cash held	(102,042)	295,191
Cash at the beginning of the financial year	10,012,538	6,612,459
Cash at the end of the half year	9,910,496	6,907,650

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

a) Reporting Entity

HiTech Group Australia Limited (“HiTech” or the “Company”) is a public company limited by shares, incorporated and domiciled in Australia. The consolidated half year financial report of the Company as at, and for the half-year ended 31 December 2022, comprises the Company and its controlled entities (together referred to as the “Group” and individually as the “Group entities”). It is also recommended that these half-year financial reports be read in conjunction with the annual financial reports for the year ended 30 June 2022 and public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

b) Statement of compliance

The consolidated half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. It does not include full disclosure of the type normally included in annual financial statements.

The accounting policies applied by the Group in this consolidated half-year financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2022.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 14 February 2023.

c) Basis of measurement

The consolidated half year financial reports have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

d) New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

2. REVENUE

	Half year ended	
	31 December 2022	31 December 2021
	\$	\$
Revenue from operating activities		
(a) Contracting and permanent placement revenue	40,696,182	29,821,741
(b) Other Revenue		
- Interest received - other entities	-	875
- Sundry Income	19,876	1,386
	<u>40,716,058</u>	<u>29,824,003</u>

3. EXPENSES

	Half year ended	
	31 December 2022 \$	31 December 2021 \$
Cost of providing services	35,746,779	25,738,344
Rental expenses on operating leases		
- Minimum lease payments	-	159,515
Depreciation and amortisation of non-current assets		
- Plant and equipment	18,194	21,221
- Motor vehicles	26,380	26,380
- Software	-	-
Net transfers to provisions – employee benefits		
Share based employee benefits	-	-

4. PLANT AND EQUIPMENT

	Consolidated Entity			
	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 30 June 2022				
Cost or fair value	668,654	79,303	506,613	1,254,570
Accumulated depreciation	(517,222)	(79,303)	(196,718)	(793,243)
Net book value	151,432	-	309,895	461,327
Half Year ended 31 December 2022				
Opening net book balance	151,432	-	309,895	461,327
Additions	430	741	-	1,171
Disposals	-	-	-	-
Depreciation charge	(18,194)	(12)	(26,380)	(44,586)
Net book balance	133,668	729	283,515	417,912
As at 31 December 2022				
Cost or fair value	669,084	80,044	506,613	1,255,741
Accumulated depreciation	(535,416)	(79,315)	(223,098)	(837,829)
Net book value	133,668	729	283,515	417,912

5. LEASES

An extension option is included in the existing office lease. The extension and termination option is exercisable only by the group and not by the respective lessor.

In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an option. When exercising lease extensions of building premises, the Group considers the following factors:

- Any termination and make good penalties;
- Value of leasehold improvements;
- Cost of disruption to the business to relocate; and
- Availability and cost other suitable properties.

Extension options are only included in the lease term if the lease is reasonably certain to be explained. As a result, the Group has not included the extension option.

	31 December 2022	31 December 2021
	\$	\$
Amounts recognised in the statement of financial position		
Right Use Assets		
Leased buildings – right of use	-	151,358
	-	151,358
Additions to the right of use assets during the period \$Nil		
Lease Liabilities		
Current		
Leases for building premises	-	159,515
	-	159,515
Non-Current		
Leases for building premises	-	-
	-	-

6. CURRENT PROVISIONS

Current provisions are for staff entitlements and accrued expenses expected to be settled within twelve months.

7. EQUITY SECURITIES

No shares were issued in the reporting period. There are currently 42.05 million listed shares on issue.

8. SHARE-BASED PAYMENTS

No share based payments were granted in the reporting period.

9. NTA BACKING

	Half year ended	
	31 December 2022	31 December 2021
	\$	\$
Net tangible asset backing per ordinary security (per share)	0.19	0.18

10. CONTINGENT LIABILITIES

There are no contingent liabilities and contingent liabilities at balance date.

11. EVENTS SUBSEQUENT TO REPORTING DATE

There are no circumstances that have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial periods.

12. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The Group has not gained or lost control over any entity during the financial period.

13. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The Group has no associate or joint venture entities.

14. RELATED PARTIES DISCLOSURES

All arrangements with related parties are consistent with those disclosed in the 2022 Annual Report.

15. COMMENTARY ON RESULTS FOR THE PERIOD

General

The Group's core business is in recruitment of permanent and contracting ICT professionals. We have won new business which led to increasing our revenue and profit.

EPS

Basic earnings per share for the first half of the current financial year were 5.35 cents per share compared to 5.03 cents per share in the previous corresponding period.

Segment Information

The Group reports to management and allocates resources on a single reporting entity basis.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large proprietary database of over 400,000 specialised and skilled professionals that have been secured through a strategy of multiple sourcing tools and networking drives. HiTech's candidate database is the primary source of skilled professionals that we draw upon to fulfil our clients' personnel demands. This is a proprietary database that is invaluable to our business and ensures we maintain our sustainable competitive advantage in the market place. This same database is utilised to resource our ICT Services business.

The HiTech Client base includes corporate and government clients and 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.

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 cash flow. ICT contracting is viewed as a relatively higher volume business with lower margins. We have worked on reducing low margin contracting business and building higher margin contract opportunities. We actively seek new managed services arrangements that will further increase strong margin income. This strategy has delivered favourable results without the need to significantly increase the operating cost base as yet.

Factors which are likely to affect results in the future

While there is still a relatively short supply of good quality candidates, with the advent of the COVID-19 disruptions, any potential drop in ICT resources demand will result in lower margins and downward pressure on permanent placement numbers. Capturing the increasing demand for talent will further enhance our results.

We continue to explore participation in the rationalisation of the recruitment and ICT services industries. We have looked and are still looking at potential acquisitions/mergers that are EPS accretive and suit our criteria.

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

HiTech continues to tender for private and government recruitment business recently with much success. We expect to secure further contracts soon and win more business as the economy grows.

16. REVIEW OF ACCOUNTS

This report is based on accounts that have been reviewed and are not subject to dispute or qualification. Copies of the review report and independence declaration from K.S Black & Co are attached.



Ray Hazouri
Director

Sydney, 17 February 2023



HiTech Group Australia Limited

DIRECTORS' REPORT

The directors of HiTech Group Australia Limited ("HiTech Group" or "the company") submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2022. To comply with the provisions of the Corporations Act 2001, the directors report the following:

Directors

The names of directors of the company during or since the end of the half-year are:

Mr Raymond Hazouri, Chairman
Mr Elias Hazouri, Chief Executive Officer
Mr George Shad

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.

Review of operations

HiTech's core business is the provision of recruitment services and ICT services to both the private and Australian government sectors. HiTech sources and places ICT, Finance and Office support personnel for permanent and contracting positions.

The directors are pleased to release to the market HiTech's half yearly FY2023 results. The details are as follows:

HiTech is broadening its business operations with the development of its ICT services and consulting business lines as it seeks to take advantage of higher margin assignments.

HiTech today released its first half results and Appendix 4D for FY2023. The Company is pleased to provide commentary on its activities in 1H FY2023 to accommodate the lodgement of results. Key highlights include:

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HiTech has several active client mandates for our services and continues to see various tender pipelines for new business in both the federal and state government sectors where some ICT programs of work remain vital. As the global and local economy experiences uncertainty, we are well positioned for changes in demand for our service and are working on bolstering our talent pool with more specialised talent at the highest government security levels in readiness for increased demand. With more than 55 years combined expertise in the ICT Talent and Services market, there is no more experienced and financially secure Australian organisation in our sector or board suitably positioned to maximise shareholder return and navigate economic headwinds as they are encountered.

Auditor's declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



R. Hazouri, Director
Sydney, 17 February 2023

HiTech Group Australia Limited DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



R Hazouri
Director

Sydney, 17 February 2023

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 629 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

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

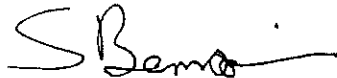
To the Directors of Hitech Group Australia Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 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
Partner

Dated in Sydney on this *14th* day of *February* 2023

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HiTech Group Australia Limited

Report on the Consolidated Interim Financial Report

We have reviewed the accompanying half-year Financial Report of HiTech Group Australia Limited ("Company"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement in changes in equity and the consolidated statement of cash flows; for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information, and the director's declaration of the consolidated Group, comprising both the Company and the entities it controlled as the half-year's end or from time to time during the half-year.

Director's Responsibility for the Half-Year Financial Report

The directors of Hitech Group Australia Limited are responsible for the preparation and fair presentation of the half-year Financial Report that gives a true and fair view in accordance with *Accounting Standards* and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair of the HiTech Group Australia Limited consolidated entity's financial position as at 31 December 2022 and its performances for the half-year ended on that date; and complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hitech Group Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of the person responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Phone 02 8839 3000
Fax 02 8839 3055



Liability limited by a
scheme approved
under Professional
Standards Legislation


CHARTERED ACCOUNTANTS
AUSTRALIA - NEW ZEALAND

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

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20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

Electronic presentation of reviewed financial report

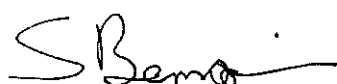
The auditor's review report related to the financial report of HiTech Group Australia Limited for the half-year ended 31 December 2022 included on the website of the HiTech Group Australia Limited. The Company's directors are responsible for the integrity of the website. We have not been engaged to report on the integrity. The auditor's review report refers only to the statements named above, It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HiTech Group Australia Limited is not in accordance with the Corporations Act 2001 including:

- i. Giving a true and fair view of the entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- ii. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KS Black & Co
Chartered Accountants




Scott Bennison
Partner

Dated: 14/2/2023

Phone 02 8839 3000
Fax 02 8839 3055

Liability limited by a
scheme approved
under Professional
Standards Legislation



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND