

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2018



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 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A

Revenues from ordinary activities	Up	6%	To	14,058,092
Profit from ordinary activities after tax attributable to members	Up	15%	To	1,230,364
Net profit for the period attributable to members	Up	15%	To	1,230,364
NTA per share	\$0.19 (31 Dec 2018)		\$0.20 (31 Dec 2017)	
Dividends (paid 12 September 2018)	Fully franked 4 cents per share			
Interim dividend	Interim dividend of 4 cents per share proposed.			
Previous corresponding period	Fully franked 3 cents/share Paid 14/9/2017			

Record Half Year Results for the HiTech Group

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

Revenue for the first half of FY2019 increased by 6% to \$14,058,092 over pcp (FY18 \$13,282,901).

Gross Profit increased by 27% to \$2,641,461 over pcp (FY18: \$2,086,988).

EBITDA increased by 12% to \$1,796,271 over pcp (FY18: \$1,599,606).

Net profit before tax increased by 11% to \$1,700,529 over pcp (FY18: \$1,532,003).

Net profit after tax (NPAT) increased by 15% to \$1,230,364 over pcp (FY18: \$1,069,201).

Our Net Tangible Assets (NTA) is \$0.19 per share.

Cash for the half year increased by 3% to \$6,103,775 over pcp (FY18: \$5,943,569).

The directors have declared an interim fully franked dividend of 4 cents per share, to be paid on 19 March 2019

HiTech has significantly increased profit by winning focusing on profitable engagements and targeting new business primarily in the ICT contingent workforce and projects space. HiTech remains fully prepared to take advantage of the strong demand for skilled IT talent and growth of the Australian economy. We are working towards winning new business in both the federal government and private corporate sector whilst ensuring that operating costs are kept to a minimum. We are determined to better utilise our proprietary candidate database to further develop the ICT Services business offering.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

		Consolidated Group	
		31 December 2018	31 December 2017
		\$	\$
Sales Revenue	2(a)	14,057,500	12,894,688
Cost of sales	3	<u>(11,416,039)</u>	<u>(10,807,700)</u>
Gross Profit		2,641,461	2,086,987
Other revenue	2(b)	592	388,213
Unrealised gain/(loss) on financial assets			
Marketing expenses		(11,065)	(18,006)
Occupancy expenses		(78,506)	(79,261)
Insurance and legal expenses		(3,958)	(40,143)
Administration expenses		(743,088)	(757,121)
Other expenses from ordinary activities		<u>(104,907)</u>	<u>(48,666)</u>
Profit/(Loss) before income tax		1,700,529	1,532,003
Income tax (expense)/benefit		<u>(470,165)</u>	<u>(462,802)</u>
Profit attributable to members of the parent entity		1,230,364	1,069,201
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>1,230,364</u>	<u>1,069,201</u>
Earnings per Share:			
Basic earnings (cents per share)		3.23	3.04
Diluted earnings (cents per share)		3.23	3.04

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 2018**

	Notes	Consolidated Group	
		31 December 2018 \$	31 December 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		6,103,775	5,865,986
Trade and other receivables		1,655,175	2,613,830
Other current assets		53,452	30,333
TOTAL CURRENT ASSETS		7,812,402	8,507,149
NON-CURRENT ASSETS			
Plant and equipment	4	407,183	246,293
Deferred tax assets		81,759	81,759
Intangible assets		10,523	4,131
Other non-current assets		684,293	683,802
TOTAL NON-CURRENT ASSETS		1,183,758	1,015,983
TOTAL ASSETS		8,996,160	9,523,132
CURRENT LIABILITIES			
Trade and other payables		1,266,526	1,344,137
Provision for taxation		409,258	494,633
Other current liability		-	-
Short-term provisions	5	154,025	147,559
TOTAL CURRENT LIABILITIES		1,829,809	1,986,329
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	-
Long term provisions		46,154	124,970
TOTAL NON-CURRENT LIABILITIES		46,154	124,970
TOTAL LIABILITIES		1,875,963	2,111,299
NET ASSETS		7,120,197	7,411,833
EQUITY			
Contributed equity		3,738,213	3,738,213
Reserves		185,638	185,638
Retained profits/(losses)		3,196,346	3,487,982
TOTAL EQUITY		7,120,197	7,411,833

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 2018**

	Issued Capital Ordinary	Retained Profits/ (Accumulated Losses)	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 half year	-	(1,054,500)	-	(1,054,500)
Total comprehensive income for the half year	-	1,069,201	-	1,069,201
Balance at 31/12/2017	<u>3,100,213</u>	<u>3,393,687</u>	<u>185,637</u>	<u>6,679,537</u>
Balance at 1/7/2018	3,738,213	3,487,983	185,637	7,411,833
Employee share options – value of employee services	-	-	-	-
Total Dividends paid for the half year	-	(1,522,000)	-	(1,522,000)
Total comprehensive income for the half year	-	1,230,364	-	1,230,364
Balance at 31/12/2018	<u>3,738,213</u>	<u>3,196,347</u>	<u>185,637</u>	<u>7,120,197</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Consolidated Group	
	31 December 2018	31 December 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	16,517,871	15,072,218
Payments to suppliers and employees	(13,946,609)	(12,723,118)
Dividends received	-	-
Interest received	491	15,592
Interest paid	-	-
Income tax (expenses)/ refund	(553,021)	(459,789)
Net cash provided by operating activities	2,018,732	1,904,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment	(491)	(45,313)
Payment for property, plant and equipment	(255,452)	(68,253)
Net cash (used in) / provided by investing activities	(255,943)	(113,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,522,000)	(1,054,500)
Net cash (used in) / provided by financing activities	(1,522,000)	(1,054,500)
Net (decrease)/increase in cash held	240,789	736,837
Cash at the beginning of the financial year	5,862,986	5,206,732
Cash at the end of the half year	6,103,775	5,943,569

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. These consolidated half year financial report of the Company as at and for the half-year ended 31 December 2018 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 2018 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 2018.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 11 February 2019.

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 of 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 2018	31 December 2017
	\$	\$
Revenue from operating activities		
(a) Contracting and permanent placement revenue	14,057,500	12,894,688
(b) Other Revenue		
- Interest received - other entities	490	15592
- Sundry Income	101	372,621
	<u>11,147,423</u>	<u>8,172,099</u>

3. EXPENSES

	Half year ended	
	31 December 2018 \$	31 December 2017 \$
Cost of providing services	11,416,039	10,807,700
Rental expenses on operating leases		
- Minimum lease payments	69,256	64,644
Depreciation and amortisation of non-current assets		
- Plant and equipment	80,612	76,082
- Motor vehicles	13,949	6,631
- Software	1,672	482
Net transfers to provisions – employee benefits		29,871
Share based employee benefits	-	-

4. PLANT AND EQUIPMENT

	Consolidated Entity			
	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 30 June 2018				
Cost or fair value	416,549	79,303	89,076	584,928
Accumulated depreciation	(248,810)	(44,944)	(44,882)	(338,636)
Net book value	167,739	34,359	44,194	246,292
Half Year ended 31 December 2018				
Opening net book balance	167,739	34,359	44,194	246,292
Additions	181		255,271	255,452
Disposals	-	-	-	-
Depreciation charge	(73,609)	(7,003)	(13,949)	(94,561)
Net book balance	94,311	27,356	285,516	407,183
As at 31 December 2018				
Cost or fair value	416,731	79,303	344,346	840,380
Accumulated depreciation	(322,419)	(51,948)	(58,830)	(433,197)
Net book value	94,312	27,355	285,516	407,183

5. CURRENT PROVISIONS

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

6. EQUITY SECURITIES

No shares were issued in the reporting period. There are currently 38.05 million listed shares on issue.

7. SHARE-BASED PAYMENTS

No share based payments were granted in the reporting period.

8. NTA BACKING

	Half year ended	
	31 December 2018	31 December 2017
	\$	\$
Net tangible asset backing per ordinary security (per share)	0.19	0.20

9. CONTINGENT LIABILITIES

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

10. 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

11. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

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

12. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The group has no associate or joint venture entities.

13. RELATED PARTIES DISCLOSURES

All arrangements with related parties are consistent with those disclosed in the 2018 Annual Report.

14. 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 3.23 cents per share compared to 3.04 cents per share in the previous corresponding period.

Segment Information

The consolidated entity 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 360,000 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. This strategy has delivered favourable results without the need to significantly increase the operating cost base.

Factors which are likely to affect results in the future

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

We continue to explore participation in the rationalisation of the recruitment and ICT industries. We have looked and are still looking at potential acquisitions 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. We are constantly evolving and improving our systems and productivity to provide a better service to our clients and candidates.

HiTech has tendered for private and government recruitment business recently and has been successful. We expect to secure further contracts in the near future and win more business as the economy continues to grow.

15. 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 Scott Bennison are attached.



Ray Hazouri
Director

Sydney, 11 February 2019



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 2018. 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 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 FY2019 results. The details are as follows:

Revenue for the first half of FY2019 increased by 6% to \$14,058,092 over pcp (FY18 \$13,282,901).

Gross Profit increased by 27% to \$2,641,461 over pcp (FY18: \$2,086,988).

EBITDA increased by 12% to \$1,796,271 over pcp (FY18: \$1,599,606).

Net profit before tax increased by 11% to \$1,700,529 over pcp (FY18: \$1,532,003).

Net profit after tax (NPAT) increased by 15% to \$1,230,364 over pcp (FY18: \$1,069,201).

Our Net Tangible Assets (NTA) is \$0.19 per share.

Cash for the half year increased by 3% to \$6,103,775 over pcp (FY18: \$5,943,569).

This substantial improvement in results is, primarily, due to new business and stronger contracting numbers.

HiTech remains fully prepared to take advantage of the recruitment market and potential growth of the Australian economy. We are working towards winning new business in both the federal government and private corporate sector whilst ensuring that operating costs are kept to a minimum.

HiTech has a proven business model that has evolved over the past 26 years. Our major revenue is still generated from our core ICT recruitment business and we are active in non-ICT areas of recruitment. We have been active in securing clients all around Australia.

Outlook for FY2019

The outlook for FY2019 is positive with increased revenue and profit results expected, heralding potentially yet another, consecutive, record year, commensurate with the first half results, depending primarily on the prevailing economic conditions at the time.

Our significant, but steady growth, should continue in the future, as expected.

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

A handwritten signature in black ink, appearing to be 'R. Hazouri', written in a cursive style.

R. Hazouri, Director
Sydney, 11 February 2019

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 economic entity's financial position as at 31 December 2018 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, 11 February 2019

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 2018, 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 entity, 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 2018 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*.

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 2018 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 2018 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: 11/2/19

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K.S. Black & Co.

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

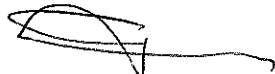
To the Directors of Hitech Group Australia Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 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 *11th* day of *February* 2019