

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2020



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 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	Up	19%	To	\$18,841,648
Profit from ordinary activities after tax attributable to members	Up	17%	To	\$1,648,279
Net profit for the period attributable to members	Up	17%	To	\$1,648,279
NTA per share	\$0.19 (31 Dec 2020)		\$0.19 (31 Dec 2019)	
Dividends (paid 14 September 2020)	Fully franked 4 cents per share			
Interim dividend and Special Dividend	Interim dividend of 4 cents per share fully franked plus a special dividend of 1.5 cents per share fully franked			
Previous corresponding period	Fully franked 4 cents/share paid 12/09/2020			

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

HiTech Group (HIT.ASX, HiTech), is a specialist provider of contracting, consulting and recruitment services to the private and Australian government sectors. HiTech are experts at 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.

HiTech today released its first half results and Appendix 4D for FY2021. The Company is pleased to provide commentary on its activities in 1H FY2021 to accommodate the lodgement of results. Key highlights include:

- Revenue of \$18.84m up 19% of 1HFY20 (\$15.79m)
- Gross profit \$3.26m up 11% on pcip
- EBITDA of \$2.15m up 9% on pcip
- Net profit before tax \$2.11m up 8% on pcip
- Net profit after tax \$1.65m up 17% on pcip
- Interim dividend of 4.0 cents per share
- Special dividend 1.5 cents per share

INTERIM DIVIDEND & SPECIAL DIVIDEND

The Company is pleased to declare an **interim fully franked dividend of 4 cents per share. Additionally, the Directors are pleased to announce a fully franked special dividend of 1.5 cents per share.** The special dividend will trade ex-dividend and be paid on the same dates as the interim dividend.

The Company will have approximately \$1.04 million retained earnings and \$0.85 million in franking credits following payment of the interim and special dividend for future capital management initiatives. Cash reserves available following the special dividend will be \$2.79 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: 04 March 2021

Record date: 05 March 2021

Payment date: 19 March 2021

Outlook

HiTech has significantly increased profit through a determined focus on profitable engagement and targeting new business opportunities primarily in the ICT contingent workforce and projects sector. Whilst the COVID-19 related economic disruptions have been forced upon us, our systems and processes have yet again proven to be resilient and able to withstand unforeseen economic shocks. Our staff have stayed well and safe and we have all managed to support each other in difficult circumstances. HiTech remains fully prepared to take advantage of the ongoing strong demand for skilled IT talent as the recovery of the Australian economy takes place. We continue to see strong government demand for ICT talent and services as multi-year transformation projects power on and new ones are created to meet the online/digital demands of the new economy.

HiTech has several active mandates and continues to see a robust tender pipeline for new business in both the federal and state government sectors where digital transformation initiatives are in full swing and have been expedited due to COVID-19. ICT transformation projects relating to remote access have increased the need for specialised services such as cyber security and cloud security. The HiTech Group is well positioned to capture this new pipeline of work via our talent pool and services on demand division. With more than 50 years combined expertise in the ICT Talent and Services market, there is no better Australian organisation suitably positioned to maximise shareholder return.

HiTech is well positioned to leverage further growth of the Company's proprietary HiBase predictive intelligence candidate database. HiBase is a database of more than 375,000 professional candidates available for contract or permanent positions in private and public sectors.

Along with its government customers, the Company is pleased to see some traction emerge in private sector demand for ICT talent. This has been a relatively untapped opportunity for HiTech and one that we will pursue to further bolster our revenue stream as the private sector recovers and updates its ICT capabilities.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

		Consolidated Group	
		31 December 2020	31 December 2019
		\$	\$
Sales Revenue	2(a)	18,841,648	15,795,944
Cost of sales	3	(15,583,975)	(12,864,822)
Gross Profit		3,257,673	2,931,122
Other revenue	2(b)	20,895	10,397
Unrealised gain/(loss) on financial assets			
Marketing expenses		(45,821)	(10,906)
Occupancy expenses		(92,522)	(93,153)
Insurance and legal expenses		(5,907)	(5,659)
Administration expenses		(935,625)	(710,539)
Other expenses from ordinary activities		(86,436)	(173,715)
Profit/(Loss) before income tax		2,112,258	1,947,547
Income tax (expense)/benefit		(463,980)	(538,095)
Profit attributable to members of the parent entity		1,648,279	1,409,451
Other comprehensive income		-	-
Total comprehensive income for the year		1,648,279	1,409,451
Earnings per Share:			
Basic earnings (cents per share)		4.33	3.70
Diluted earnings (cents per share)		4.33	3.70

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 2020

	Notes	Consolidated Group 31 December 2020 \$	31 December 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		4,935,076	6,715,931
Trade and other receivables		3,561,215	2,650,041
Other current assets		80,049	66,536
TOTAL CURRENT ASSETS		8,576,340	9,432,508
NON-CURRENT ASSETS			
Plant and equipment	4	440,917	238,346
Deferred tax assets		45,323	100,778
Rights Of Use Assets		317,115	483,459
Intangible assets		-	-
Other non-current assets		47,734	685,271
TOTAL NON-CURRENT ASSETS		851,088	1,507,855
TOTAL ASSETS		9,427,428	10,940,362
CURRENT LIABILITIES			
Trade and other payables		1,575,986	2,388,913
Provision for taxation		(46,218)	523,254
Lease Liabilities	5	146,078	75,376
Other current liability		851	851
Short-term provisions		337,725	194,107
TOTAL CURRENT LIABILITIES		2,014,422	3,182,502
NON-CURRENT LIABILITIES			
Deferred tax liabilities		80,404	156,843
Lease Liabilities	5	171,037	408,053
Long term provisions		47,771	39,335
TOTAL NON-CURRENT LIABILITIES		299,212	604,261
TOTAL LIABILITIES		2,313,634	3,786,763
NET ASSETS		7,113,794	7,153,599
EQUITY			
Contributed equity		3,738,213	3,738,213
Reserves		185,638	185,638
Retained profits		3,189,943	3,229,748
TOTAL EQUITY		7,113,794	7,153,599

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 2020**

	Issued Capital Ordinary	Retained Profits/ (Accumulated Losses)	Employee Equity- settled benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2019	3,738,213	3,342,297	185,638	7,266,148
Total Dividends paid for the half year	-	(1,522,000)	-	(1,522,000)
Total comprehensive income for the half year	-	1,409,451	-	1,230,364
Balance at 31/12/2019	<u>3,738,213</u>	<u>3,229,748</u>	<u>185,638</u>	<u>7,153,599</u>
Balance at 1/7/2020	3,738,213	3,063,664	185,638	6,987,515
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	-	1,648,279	-	1,648,279
Balance at 31/12/2020	<u>3,738,213</u>	<u>3,189,943</u>	<u>185,638</u>	<u>7,113,794</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 2020

	Consolidated Group	
	31 December 2020	31 December 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	17,933,402	17,712,564
Payments to suppliers and employees	(17,662,829)	(15,360,644)
Dividends received	-	-
Interest received	-	10,397
Interest paid	-	-
Income tax (expense)/ refund	(1,145,346)	(263,704)
Net cash (used in) / provided by operating activities	(874,774)	2,098,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment	-	-
Payment for property, plant and equipment	(276,357)	211,628
Net cash (used in) / provided by investing activities	(276,357)	211,628
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,522,000)	(1,522,000)
Net cash (used in) / provided by financing activities	(1,522,000)	(1,522,000)
Net (decrease)/increase in cash and cash equivalents held	(2,673,131)	788,241
Cash and cash equivalents at the beginning of the financial year	7,608,207	5,927,690
Cash and cash equivalents at the end of the half year	4,935,076	6,715,931

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 2020, 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 2020 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 2020.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 12 February 2021.

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 2020	31 December 2019
	\$	\$
Revenue from operating activities		
(a) Contracting and permanent placement revenue	18,841,648	15,795,944
(b) Other Revenue		
- Interest received - other entities	-	10,397
- Sundry Income	20,985	-
	<u>18,862,633</u>	<u>15,806,341</u>

3. EXPENSES

	Half year ended	
	31 December 2020	31 December 2019
	\$	\$
Cost of providing services	15,583,975	12,864,822
Rental expenses on operating leases		
- Minimum lease payments	146,078	75,376
Depreciation and amortisation of non-current assets		
- Plant and equipment	45,299	27,481
- Motor vehicles	389,321	14,613
- 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 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
Half Year ended 31 December 2020				
Opening net book balance	33,394	10,981	178,055	222,430
Additions	25,407	-	227,841	253,248
Disposals	-	-	-	-
Depreciation charge	(13,502)	(4,685)	(16,575)	(34,762)
Net book balance	45,299	6,297	389,321	440,917
As at 31 December 2020				
Cost or fair value	505,662	79,303	506,613	1,091,578
Accumulated depreciation	(460,363)	(73,006)	(117,292)	(650,661)
Net book value	45,299	6,297	389,321	440,917

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 2020 \$	31 December 2019 \$
Amounts recognised in the statement of financial position		
Right Use Assets		
Leased buildings – right of use	317,115	483,459
	317,115	483,459
Additions to the right of use assets during the period \$Nil		
Lease Liabilities		
Current		
Leases for building premises	146,078	75,376
	146,078	75,376
Non-Current		
Leases for building premises	171,037	408,083
	171,037	408,083

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 38.05 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 2020 \$	31 December 2019 \$
Net tangible asset backing per ordinary security (per share)	0.19	0.19

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity 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 PARTY DISCLOSURES

All arrangements with related parties are consistent with those disclosed in the 2020 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 4.33 cents per share compared to 3.70 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 375,000 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. As the economy recovers from the devastating pandemic events, we seek to capture the growth with an increased full service offering to existing and new clients.

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 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 has tendered for private and government recruitment business recently and has been successful. We expect to secure further contracts soon and win more business as the economy recovers and 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 Scott Bennison are attached.



Ray Hazouri
Director

Sydney, 15 February 2021

For personal use only



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 2020. 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 contracting, consulting and 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 FY2021 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.

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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, 15 February 2021

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 2020 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, 15 February 2021