

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2021



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 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	26%	Up	\$42,051,802
Net profit for the period attributable to members	9%	Up	\$3,636,602
Dividends			
Final dividend	5 cents per share fully franked		
Previous corresponding period	4 cents per share fully franked		

Comment on figures reported:

HiTech's core business is the placement of ICT contractors and recruitment services to the public and private sectors. ICT consulting services demand has been strong with several IT infrastructure and digital/cyber security transformation projects underway, requiring specialist IT talent.

For the financial year ended 30 June 2021, the consolidated entity's results are:

- Operating revenue is \$42,168,504, an increase of 26% over the previous corresponding period (pcp) (FY20: \$33,380,909).
- Gross Profit is \$7,059,491, an increase of 16% over pcp (FY20: \$6,105,679).
- NPAT is \$3,636,602, an increase of 9% over pcp (FY20: \$3,336,117).
- EBITDA is \$5,214,886, an increase of 20% over pcp (FY20: \$4,330,867).

The directors have declared a fully franked dividend of 5 cents per share to be paid on 15 September 2021 to shareholders registered on close of business on 1 September 2021.

HiTech's reputation and brand as a specialised ICT contractor and services specialist continues to build at a time when quality technologists are in high demand. The HiTech Group is fully prepared to take advantage of continued demand for talent in the ICT recruitment and services sector. We are continually working towards winning new business and maximising returns on our existing agreements so that profit maximisation is achieved. Our cost controls are fine tuned to ensure operating costs are kept to a minimum.

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

For the year ended 30 June 2021

		Consolidated Group	
	Note	2021 \$	2020 \$
Revenue from continuing operations			
Sales Revenue	5(a)	42,051,802	33,357,189
Cost of sales	6	(34,992,311)	(27,251,510)
Gross Profit		7,059,491	6,105,679
Other revenue	5(b)	116,702	23,720
Marketing expenses		(10,982)	(17,242)
Occupancy expenses		(171,484)	(202,774)
Insurance and legal expenses		(16,055)	(11,011)
Administration expenses		(1,662,359)	(1,472,949)
Other expenses from ordinary activities		(203,687)	(188,989)
Profit/(Loss) before income tax		5,111,626	4,236,434
Income tax (expense)/benefit	7	(1,475,024)	(900,317)
Profit attributable to members of the parent entity		3,636,602	3,336,117
Other comprehensive income		-	-
Total comprehensive income for the year		3,636,602	3,336,117
Earnings per Share:			
Basic and diluted earnings (cents per share)	20	9.32	8.77

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	Consolidated Group 2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	8	6,612,460	7,608,206
Trade and other receivables	9	3,443,031	2,805,159
Other current assets		63,639	32,730
TOTAL CURRENT ASSETS		10,119,130	10,446,095
NON-CURRENT ASSETS			
Plant and equipment	10	536,741	222,430
Deferred tax assets		166,454	8,700
Intangible assets	12	-	-
Right of use assets		234,236	400,580
Other non-current assets		48,206	47,734
TOTAL NON-CURRENT ASSETS		985,637	679,444
TOTAL ASSETS		11,104,767	11,125,539
CURRENT LIABILITIES			
Trade and other payables	13	3,646,307	3,358,486
Provision for taxation	14	270,052	552,393
Lease liabilities		173,885	157,610
Other current liability		-	50,921
Deferred tax liabilities		185,867	126,537
Short-term provisions	15	378,447	240,030
TOTAL CURRENT LIABILITIES		4,654,358	4,485,977
NON-CURRENT LIABILITIES			
Lease liabilities		76,588	250,473
Long term provisions	15	54,705	39,574
TOTAL NON-CURRENT LIABILITIES		131,293	290,047
TOTAL LIABILITIES		4,785,651	4,776,024
NET ASSETS		6,319,116	6,349,515
EQUITY			
Contributed equity	16	3,738,213	3,738,213
Reserves		185,638	185,638
Retained profits		2,395,265	2,425,664
TOTAL EQUITY		6,319,116	6,349,515

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2021

	Share Capital Ordinary	Retained Earnings	Employee Equity- settled Benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2019	3,738,213	2,704,297	185,638	6,628,148
Total dividends paid for the year	-	(3,614,750)	-	(3,614,750)
Total comprehensive profit for the year	-	3,336,117	-	3,336,117
Balance at 30/6/2020	3,738,213	2,425,664	185,638	6,349,515
Balance at 1/7/2020	3,738,213	2,425,664	185,638	6,349,515
Total Dividends paid for the year	-	(3,667,001)	-	(3,667,001)
Total comprehensive income for the year	-	3,636,602	-	3,673,902
Balance at 30/6/2021	3,738,213	2,395,265	185,638	6,319,118

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2021

	Note	Consolidated Group 2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		42,713,728	36,351,779
Payments to suppliers and employees		(38,481,592)	(30,362,728)
Interest received		2,857	22,767
Income tax (expenses)/ refund		(1,354,375)	(859,594)
Net cash provided by operating activities	18	2,880,375	5,152,224
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit and loss		(20,585)	(18,439)
Payment for property, plant and equipment		(205,053)	3,870
Net cash (used in) / provided by investing activities		(225,638)	(14,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		16,275	157,610
Dividend paid		(3,667,001)	(3,614,750)
Net cash (used in) / provided by financing activities		(3,650,726)	(3,457,140)
Net increase / (decrease) in cash and cash equivalents held		(995,746)	1,680,516
Cash and cash equivalents at the beginning of the financial year		7,608,206	5,927,690
Cash and cash equivalents at the end of the financial year	8	6,612,460	7,608,206

5. REVENUE

	Consolidated Group	
	2021	2020
	\$	\$
Revenue from continuing operations		
(a) Services		
- Contracting and permanent placement revenue (i)	42,051,802	33,357,189
(b) Other revenue		
- Interest received – other entities	3,329	23,720
- Other	113,373	-
Total revenue	42,168,504	33,380,909
(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.		

6. EXPENSES

	Consolidated Group	
	2021	2020
	\$	\$
Cost of providing services	34,992,311	27,251,510
Rental expenses on operating leases		
- Minimum lease payments	171,483	202,774
Depreciation and amortisation of non-current assets		
- Plant and equipment	36,251	53,122
- Motor vehicles	43,240	45,733
- Software	20,855	19,298
Net transfers to provisions – employee benefits	153,548	58,886

7. INCOME TAX

(a) Income tax expense		
Current tax	1,289,358	818,988
Deferred tax	185,666	81,329
	1,475,024	900,317
(b) Numerical reconciliation of income tax to prima facie tax payable		
Profit from continuing operations before income tax expense at 26.00%	1,329,023	1,134,166
Add tax effect of:		
Imputation credits	-	-
Other assessable income	(74,030)	(226,924)
Non-deductible depreciation and amortisation and other non-allowable items	(6,856)	-
Less tax effect of:		
Non-assessable income & imputation credit	9,750	-
Deductible expenses	50,683	1,775
Over provision in prior year	-	-
DTA previously not recognised	166,454	(8,700)
Income tax expense	1,475,024	900,317

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	5,062,301	6,090,904
Bank term deposits	1,550,159	1,547,302
	<u>6,612,460</u>	<u>7,608,206</u>

The effective interest rate on bank deposits at call is 1.00%

9. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2021	2020
	\$	\$
Trade receivables	3,443,031	2,805,159

(a) Impaired trade receivables

As at 30 June 2021, none of the trade receivables of the Group were impaired (2020: \$0)

(b) Past due but not impaired

As at 30 June 2021, trade receivable of \$264,784 (2020: \$86,803) 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	134,088	65,977
61-90 days	130,696	23,424
90+ days	-	(2,598)
	<u>264,784</u>	<u>86,803</u>

10. PLANT & EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 01 July 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
Year ended 30 June 2021				
Opening net book balance	33,394	10,981	178,055	222,430
Additions	165,962	-	227,841	393,803
Depreciation charge	(26,911)	(9,340)	(43,241)	(79,492)
Net book balance	172,445	1,641	178,055	536,741
As at 30 June 2021				
Cost or fair value	648,248	79,303	278,772	506,613
Accumulated depreciation	(475,803)	(77,662)	(100,717)	(697,423)
Net book value	172,445	1,641	178,055	536,741
Plant and equipment has been tested for impairment at 30 June 2021 resulting in no impairment loss.				

11. DEFERRED TAX LIABILITIES

	Consolidated Group	
	2021	2020
	\$	\$
Total deferred tax liabilities	185,666	126,537
	185,666	126,537

12. INTANGIBLE ASSETS

	Consolidated Group
	Intangibles at cost
At 1 July 2019	
Computer software at cost	1,108,370
Accumulated Amortisation and impairment	(1,107,511)
Net book value	859
Year ended 30 June 2020	
Opening net book balance	859
Additions	18,438
Amortisation and impairment	(19,297)
Net book value	-
As at 30 June 2020	
Computer software at cost	1,126,809
Accumulated Amortisation and impairment	(1,126,809)
Net book value	-
Year ended 30 June 2021	
Opening net book balance	-
Additions	20,855
Amortisation and impairment	(20,855)
Net book value	-
As at 30 June 2021	
Computer software at cost	1,147,664
Accumulated Amortisation and impairment	(1,147,664)
Net book value	-

13. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2021	2020
	\$	\$
<i>Unsecured liabilities</i>		
Trade payables	315,835	467,752
Sundry payables and accrued expenses	3,330,472	2,252,734
	3,646,307	2,720,486

14. PROVISION FOR TAXATION

Current Income Tax	270,433	552,393
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15. PROVISIONS

Employee benefits	433,152	279,604
Reconciliation of movement in the liability is recognized in the balance sheet as follows:-		
Prior year closing balance	279,604	220,718
Increase / (Decrease) in provision	153,548	58,886
Current year closing balance	433,152	279,604
Provisions		
- Total current	378,447	240,030
- Total non-current	54,705	39,574
	433,152	279,604

16. ISSUED EQUITY

	Consolidated Group	
	2021	2020
	\$	\$
39,000,000 ordinary shares (2020: 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	
	2021	2020
	\$	\$
Profit after income tax	3,636,602	3,336,117
Depreciation and amortisation of non-current assets	106,589	118,153
Decrease / (Increase) in assets		
Trade and other receivables	30,781	(380,062)
Other Assets	-	-
Deferred tax assets	(157,754)	(8,700)
Increase/ (Decrease) in liabilities		
Provisions for taxation	(282,341)	860,854
Trade and other payables	(665,936)	1,424,623
Provisions	153,548	58,886
Deferred tax liabilities	59,130	(257,647)
Net cash flows provided by/(used in) operating activities	2,880,619	5,152,224

19. NTA BACKING

Net tangible asset backing per ordinary security (per share)	\$0.16	\$0.16
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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 2021, the consolidated entity's results are:

- **Operating revenue is \$42,168,504, an increase of 26% over the previous corresponding period (pcp) (FY20: \$33,380,909).**
- **Gross Profit is \$7,059,491, an increase of 16% over pcp (FY20: \$6,105,679).**
- **NPAT is \$3,636,602, an increase of 9% over pcp (FY20: \$3,336,117).**
- **EBITDA is \$5,214,886, an increase of 20% over pcp (FY20: \$4,330,867).**

The directors have declared a fully franked dividend of 5 cents per share to be paid on 15 September 2021 to shareholders registered on close of business on 1 September 2021.

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 9.32 cents per share as compared with 8.77 cents per share in the previous corresponding period.

Dividends

The directors have declared a fully franked dividend of 5 cents per share to be paid on 15 September 2021 to shareholders registered on close of business on 1 September 2021.

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 is well established, with strong representation by Federal Government departments and agencies, recognised private enterprise and state government departments.

ICT contracting, comprising the provision of ICT professionals for temporary and other non-permanent staffing needs of clients for specific projects is the primary source of HiTech's recurring steady cash flow. ICT contracting is viewed as a relatively higher volume business with recurring contractual arrangement for the supply of the service. We continue to grow this part of the revenue stream alongside permanent recruitment.

Factors which are likely to affect results in the future

While there is still an increasing 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 2021