

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2022



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 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	49.7%	Up	\$62,981,810
Net profit for the period attributable to members	21.1%	Up	\$4,403,625
Dividends			
Final dividend	6 cents per share fully franked		
Previous corresponding period	5 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 continues to be strong with several IT infrastructure and digital/cyber security transformation projects underway, requiring specialist IT talent.

For the financial year ended 30 June 2022, the consolidated entity's results are:

- Operating revenue is \$63,096,126, an increase of 49.7% over the previous corresponding period (pcp) (FY21: \$42,168,504).
- Gross Profit is \$9,304,117, an increase of 31.8% over pcp (FY21: \$7,059,491).
- NPAT is \$4,403,625, an increase of 21.1% over pcp (FY21: \$3,636,602).
- EBITDA is \$6,757,822, an increase of 29.6% over pcp (FY21: \$5,214,886).

The directors have declared a fully franked dividend of 6 cents per share to be paid on 16 September 2022 to shareholders registered on close of business on 2 September 2022.

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. We continue to manage operating costs to better aligned with revenue and profitability targets.

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

For the year ended 30 June 2022

	Note	Consolidated Group	
		2022 \$	2021 \$
Revenue from continuing operations			
Sales Revenue	5(a)	62,981,810	42,051,802
Cost of sales	6	(53,677,693)	(34,992,311)
Gross Profit		9,304,117	7,059,491
Other revenue	5(b)	114,316	116,702
Marketing expenses		(24,010)	(10,982)
Occupancy expenses		(224,507)	(171,484)
Insurance and legal expenses		(119,448)	(16,055)
Administration expenses		(2,112,484)	(1,662,359)
Other expenses from ordinary activities		(314,403)	(203,687)
Profit/(Loss) before income tax		6,623,581	5,111,626
Income tax (expense)/benefit	7	(2,219,956)	(1,475,024)
Profit attributable to members of the parent entity		4,403,625	3,636,602
Other comprehensive income		-	-
Total comprehensive income for the year		4,403,625	3,636,602
Earnings per Share:			
Basic and diluted earnings (cents per share)	20	10.73	9.32

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	Consolidated Group 2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	8	10,012,538	6,612,460
Trade and other receivables	9	2,049,224	3,443,031
Other current assets		62,975	63,639
TOTAL CURRENT ASSETS		12,124,737	10,119,130
NON-CURRENT ASSETS			
Plant and equipment	10	461,327	536,741
Deferred tax assets		272,075	166,454
Intangible assets	12	-	-
Right of use assets		68,479	234,236
Other non-current assets		48,325	48,206
TOTAL NON-CURRENT ASSETS		850,206	985,637
TOTAL ASSETS		12,974,943	11,104,767
CURRENT LIABILITIES			
Trade and other payables	13	3,732,507	3,646,307
Provision for taxation	14	1,069,186	270,052
Lease liabilities		148,571	173,885
Other current liability		-	-
Deferred tax liabilities		54,147	185,867
Short-term provisions	15	506,677	378,447
TOTAL CURRENT LIABILITIES		5,511,088	4,654,358
NON-CURRENT LIABILITIES			
Lease liabilities		-	76,588
Long term provisions	15	31,112	54,705
TOTAL NON-CURRENT LIABILITIES		31,112	131,293
TOTAL LIABILITIES		5,542,200	4,785,651
NET ASSETS		7,432,744	6,319,116
EQUITY			
Contributed equity	16	4,450,713	3,738,213
Reserves		185,638	185,638
Retained profits		2,796,393	2,395,265
TOTAL EQUITY		7,432,744	6,319,116

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2022

	Share Capital Ordinary	Retained Earnings	Employee Equity- settled Benefits Reserve	Total
	\$	\$	\$	\$
Balance at 1/7/2020	3,738,213	2,425,664	185,638	6,349,515
Total dividends paid for the year	-	(3,667,000)	-	(3,667,000)
Total comprehensive profit for the year	-	3,636,602	-	3,636,602
Balance at 30/6/2021	3,738,213	2,395,266	185,638	6,319,117
Balance at 1/7/2021	3,738,213	2,395,266	185,638	6,319,117
Exercise of Options	712,500	-	-	712,500
Total Dividends paid for the year	-	(4,002,500)	-	(4,002,500)
Total comprehensive income for the year	-	4,403,625	-	4,403,625
Balance at 30/6/2022	4,450,713	2,796,393	185,638	7,432,744

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2022

	Note	Consolidated Group 2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		70,047,627	42,713,728
Payments to suppliers and employees		(60,909,179)	(38,481,592)
Interest received		514	2,857
Income tax (expenses)/ refund		(1,651,853)	(1,354,375)
Net cash provided by operating activities	18	7,487,109	2,880,375
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit and loss		(38,812)	(20,585)
Payment for property, plant and equipment		(20,406)	(205,053)
Net cash (used in) / provided by investing activities		(59,218)	(225,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(25,314)	16,275
Dividend paid		(4,002,500)	(3,667,001)
Net cash (used in) / provided by financing activities		(4,027,814)	(3,650,726)
Net increase / (decrease) in cash and cash equivalents held		3,400,078	(995,746)
Cash and cash equivalents at the beginning of the financial year		6,612,460	7,608,206
Cash and cash equivalents at the end of the financial year	8	10,012,538	6,612,460

5. REVENUE

	Consolidated Group	
	2022	2021
	\$	\$
Revenue from continuing operations		
(a) Services		
- Contracting and permanent placement revenue (i)	62,981,810	42,051,802
(b) Other revenue		
- Interest received – other entities	114,316	116,702
- Other	-	-
Total revenue	63,096,126	33,380,909
(i) Contracting revenue includes permanent placement fees, commission earned on contracting and contract services provided.		

6. EXPENSES

	Consolidated Group	
	2022	2021
	\$	\$
Cost of providing services	53,677,693	34,992,311
Rental expenses on operating leases		
- Minimum lease payments	148,571	171,483
Depreciation and amortisation of non-current assets		
- Plant and equipment	43,059	36,251
- Motor vehicles	52,760	43,240
- Software	38,812	20,855
Net transfers to provisions – employee benefits	183,442	153,548

7. INCOME TAX

(a) Income tax expense		
Current tax	1,987,074	1,289,358
Deferred tax	232,881	185,666
	2,219,956	1,475,024
(b) Numerical reconciliation of income tax to prima facie tax payable		
Profit from continuing operations before income tax expense at 30.00%	2,199,883	1,329,023
Add tax effect of:		
Imputation credits	-	-
Other assessable income	(160,083)	(74,030)
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	180,156	50,683
Over provision in prior year	-	-
DTA previously not recognised	-	166,454
Income tax expense	2,219,956	1,475,024

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	8,461,083	5,062,301
Bank term deposits	1,551,455	1,550,159
	<u>10,012,538</u>	<u>6,612,460</u>

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

9. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2022	2021
	\$	\$
Trade receivables	<u>2,049,224</u>	<u>3,443,031</u>

(a) Impaired trade receivables

As at 30 June 2022, none of the trade receivables of the Group were impaired (2021: \$0)

(b) Past due but not impaired

As at 30 June 2022, trade receivable of \$117,610 (2021: \$264,784) 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	77,893	134,088
61-90 days	39,717	130,696
90+ days	<u>-</u>	<u>-</u>
	<u>117,610</u>	<u>264,784</u>

10. PLANT & EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor vehicles	TOTAL
	\$	\$	\$	\$
As at 01 July 2021				
Cost or fair value	648,248	79,303	506,613	1,234,164
Accumulated depreciation	(475,803)	(77,662)	(143,958)	(697,423)
Net book value	172,445	1,641	362,655	222,430
Year ended 30 June 2022				
Opening net book balance	172,445	1,641	362,655	536,741
Additions	20,405	-	-	20,405
Depreciation charge	(41,418)	(1,641)	(52,760)	(95,820)
Net book balance	151,432	1,641	309,895	536,741
As at 30 June 2022				
Cost or fair value	668,654	79,303	506,613	1,254,569
Accumulated depreciation	(517,222)	(79,303)	(196,718)	(793,242)
Net book value	151,432	-	309,895	461,327
Plant and equipment has been tested for impairment at 30 June 2021 resulting in no impairment loss.				

11. DEFERRED TAX LIABILITIES

	Consolidated Group	
	2022	2021
	\$	\$
	232,881	185,666
Total deferred tax liabilities	232,881	185,666

12. INTANGIBLE ASSETS

	Consolidated Group
	Intangibles at cost
At 1 July 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	-
Year ended 30 June 2022	
Opening net book balance	-
Additions	38,812
Amortisation and impairment	(38,812)
Net book value	-
As at 30 June 2022	
Computer software at cost	1,186,475
Accumulated Amortisation and impairment	(1,186,475)
Net book value	-

13. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2022	2021
	\$	\$
<i>Unsecured liabilities</i>		
Trade payables	928,700	315,835
Sundry payables and accrued expenses	2,803,807	3,330,472
	3,732,507	3,646,307

14. PROVISION FOR TAXATION

Current Income Tax	1,609,186	270,433
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15. PROVISIONS

Employee benefits	537,789	433,152
Reconciliation of movement in the liability is recognized in the statement of financial position as follows:-		
Prior year closing balance	433,152	279,604
Increase / (Decrease) in provision	104,637	153,548
Current year closing balance	537,789	433,152
Provisions		
- Total current	506,676	378,447
- Total non-current	31,112	54,705
	537,789	433,152

16. ISSUED EQUITY

	Consolidated Group	
	2022	2021
	\$	\$
41,050,000 ordinary shares (2021: 39,000,000)	4,450,713	3,738,213

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

Share Options:

1M options expiring in November 2022.

400K options expiring in January 2025.

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	
	2022	2021
	\$	\$
Profit after income tax	4,403,625	3,636,602
Depreciation and amortisation of non-current assets	137,057	106,589
Decrease / (Increase) in assets		
Trade and other receivables	2,106,973	30,781
Other Assets	-	-
Deferred tax assets	(105,621)	(157,754)
Increase/ (Decrease) in liabilities		
Provisions for taxation	799,134	(282,341)
Trade and other payables	94,017	(665,936)
Provisions	183,441	153,548
Deferred tax liabilities	(131,520)	59,130
Net cash flows provided by/(used in) operating activities	7,487,109	2,880,619

19. NTA BACKING

Net tangible asset backing per ordinary security (per share)	\$0.19	\$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 2022, the consolidated entity's results are:

- **Operating revenue is \$63,096,126, an increase of 49.7% over the previous corresponding period (pcp) (FY21: \$42,168,504).**
- **Gross Profit is \$9,304,117, an increase of 31.8% over pcp (FY21: \$7,059,491).**
- **NPAT is \$4,403,625, an increase of 21.1% over pcp (FY21: \$3,636,602).**
- **EBITDA is \$6,757,822, an increase of 29.6% over pcp (FY21: \$5,214,886).**

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

Dividends

The directors have declared a fully franked dividend of 6 cents per share to be paid on 16 September 2026 to shareholders registered on close of business on 2 September 2022.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large, personalised database of over 391,000 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/contingent 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 and increasing demand for talent, 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 qualification.



Elias Hazouri
CEO
12 August 2022