# Harris Technology Group Limited
## ABN 93 085 545 973

**Current reporting period:** 1 July 2020 to 30 June 2021
**Previous corresponding period:** 1 July 2019 to 30 June 2020

# Appendix 4E - Results for Announcement to the Market

| | | **% Change from previous corresponding period** | | **Current reporting period $A** |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 206.49% | to | 41,800,861 |
| Profit from ordinary activities after tax attributable to members | up | 73.69% | to | 1,753,416 |
| Profit for the period attributable to members | up | 73.69% | to | 1,753,416 |

| **Dividends (distributions)** | Amount per share | Franked amount per share |
|---|---|---|
| Final dividend<br>Interim dividend | Nil ¢ | Nil ¢ |
| Previous corresponding period | Nil ¢ | Nil ¢ |
| Record date for determining entitlements to the dividends | N/A | |

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

Revenue for the year ended 30 June 2021 was $41,800,861, an increase of 206.49% over the previous corresponding period (2020: $13,638,567).

Net profit from continuing operations after tax for the year ended 30 June 2021 was $1,753,416, an increase of 73.69% the previous corresponding period (2020: $1,009,522).

The Company does not propose to pay a dividend.

Further details about results and operations during the year can be found in the Harris Technology Group Limited 2021 Annual Report.

| **Net tangible assets** | June 2021 | June 2020 |
|---|---|---|
| Net tangible assets per ordinary security | 2.8 cents | (2.04) cents |

**Control gained or lost over entities**

Nil

**Details of associates and joint venture entities**

Nil

**Attachments**

The annual report of Harris Technology Group Limited for the year ended 30 June 2021 is attached.

**Signed**
As authorised by the Board of Directors

**Alan Sparks**
**Chairman**
**26 August 2021**

harristechnology
Let's talk technology


# ANNUAL REPORT
# YEAR ENDED 30 JUNE 2021
# ABN : 93 085 545 973

# Harris Technology Group Growth Strategy

Leverage rapid growth from major e-Commerce Platforms

To become the leading Tech Seller on all major e-Commerce marketplaces

Expand into other catagories and grow market share

# Chairman and CEO Letter

Dear Shareholders,

We are pleased to present the review of operations and Annual Report for Harris Technology Group Limited for the financial year ended 30 June 2021.

## Review and Results of Operations

### Pivoting the business

The Group has over the past two to three years undergone a dramatic change in pivoting from being a mixed business of B2B distribution and B2C retail of IT Technology products to a pure-play online retailer.

All business of the group is conducted online via our own eCommerce site www.ht.com.au and via the major online marketplace platforms including Amazon, eBay, Kogan and Catch.

2021 saw the successful conclusion of the implementation of this bold strategy with confirmation from the results of its validity, highlighted by 49% year-on-year increase in normalised operating profit.

### Exceptional growth

Harris Technology has over the past 20 months held the No 1 seller position on Amazon Australia marketplace and having obtained 100% 5-star review rating in recent months. This is something our team members should be very proud of given the volume of reviews exceeded 6,000, which is an extremely difficult feat to achieve.

Exceptional sales records were broken during Amazon sales events on Black Friday and Prime Day. In June 2021, the company also set a record monthly eBay sales above $1M. Over the 2021 FY, the company's monthly sales have consistently broken records.

A strategy of diversifying the categories offered on our eCommerce channels begun in the second half of the fiscal year with pleasing results achieved in the Gaming category and further category expansion planned during the 2022 financial year.

Resulting sales revenue in 2021 was $41.8M representing a 206% year-on-year increase.

### Strengthening the balance sheet

Harris Technology successfully completed two capital raises during the year effectively **increasing share capital by $9.8M** after costs. This has, together with the reported profits for the year, **improved the total equity position to $7.7M** and has positioned the company on a far stronger equity base as a foundation for growth.

Investment in inventory levels have grown 224% at end of June 2021, in line with sales growth. The company runs tight processes relating to inventory control. Management believes that the increased level of inventory is in line with the company's sales growth and will yield further revenue increases.

The company has recognised a deferred tax asset amounting to $783K relating to prior years losses incurred.

# Chairman and CEO Letter

## Improving profit and cash generation

**Total NPAT reported for the year improved by 74% to $1.75M from 1M in 2020.**

In 2020 Harris Technology took quick advantage of the demand for PPE products driven by the pandemic assisting its profitability strongly in that year.
As the table below shows the company has again managed to **improve its operational profitability by 49%** on a normalised basis when removing one-off windfalls and costs.

| | FY21 ($m) | FY20 ($m) | Change (%) |
|---|---|---|---|
| Normalised profit before tax comparison | | | |
| Profit before tax reported | 1.13 | 1.01 | |
| Non-operating adjustments | | | |
| Debt forgiveness | - | (0.61) | |
| Loss on disposal of non-current asset | - | 0.06 | |
| Impairment of intangible asset | - | 0.30 | |
| **Normalised profit before tax** | **1.13** | **0.76** | **49%** |

## Conclusion

We believe the company is uniquely and positively positioned to take advantage of the strong and growing trend towards online shopping. Our online stores on all major marketplaces continually benefit from growth of these large platforms and the massive marketing programs launched by these platform owners.

Our relaunch of the company's own shopping site (ht.com.au) is imminent and will provide our loyal customers and new customers alike a vastly improved online shopping experience of our ever-increasing product range. The new website will also enable the company to start offering cloud computing software products.

Sincerely,

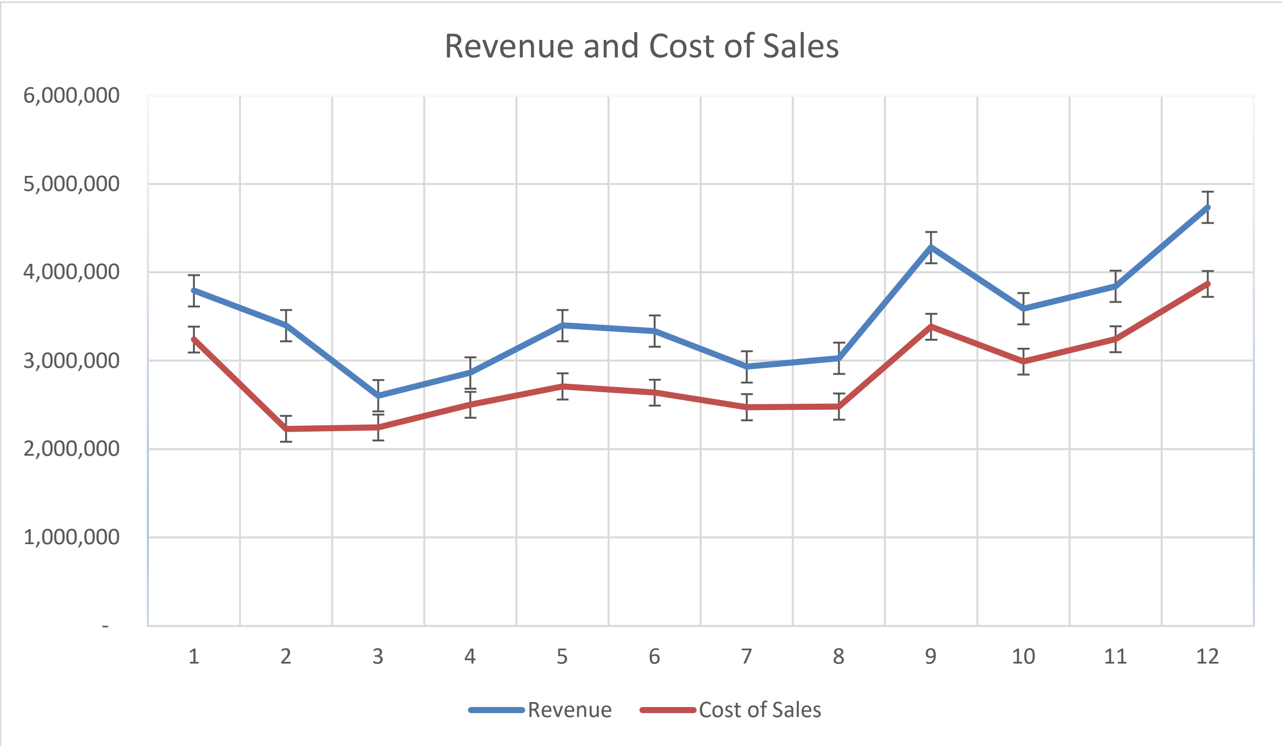
Alan Sparks
Chairman

Garrison Huang
CEO

# FY21 Summary

## Full year profit and loss summary

| Revenue from continuing operations | FY21 ($m) | FY20 ($m) | Change ($m) |
|---|---|---|---|
| Sales revenue | 41.80 | 13.64 | 28.16 |
| Other income | 0.06 | 0.68 | (0.62) |
| **Total revenue and other income** | **41.86** | **14.32** | **27.54** |
| **Net Profit after Tax** | **1.75** | **1.01** | **0.74** |



## Full year profit and loss summary - underlying

| Financial results include: | FY21 ($m) | FY20 ($m) | Change ($m) |
|---|---|---|---|
| Gross profit | 7.67 | 2.67 | 5.00 |
| Total operating expenses | 6.53 | 2.08 | 4.45 |
| Profit before income tax | - | - | - |
| **Total comprehensive profit** | **1.75** | **1.01** | **0.74** |

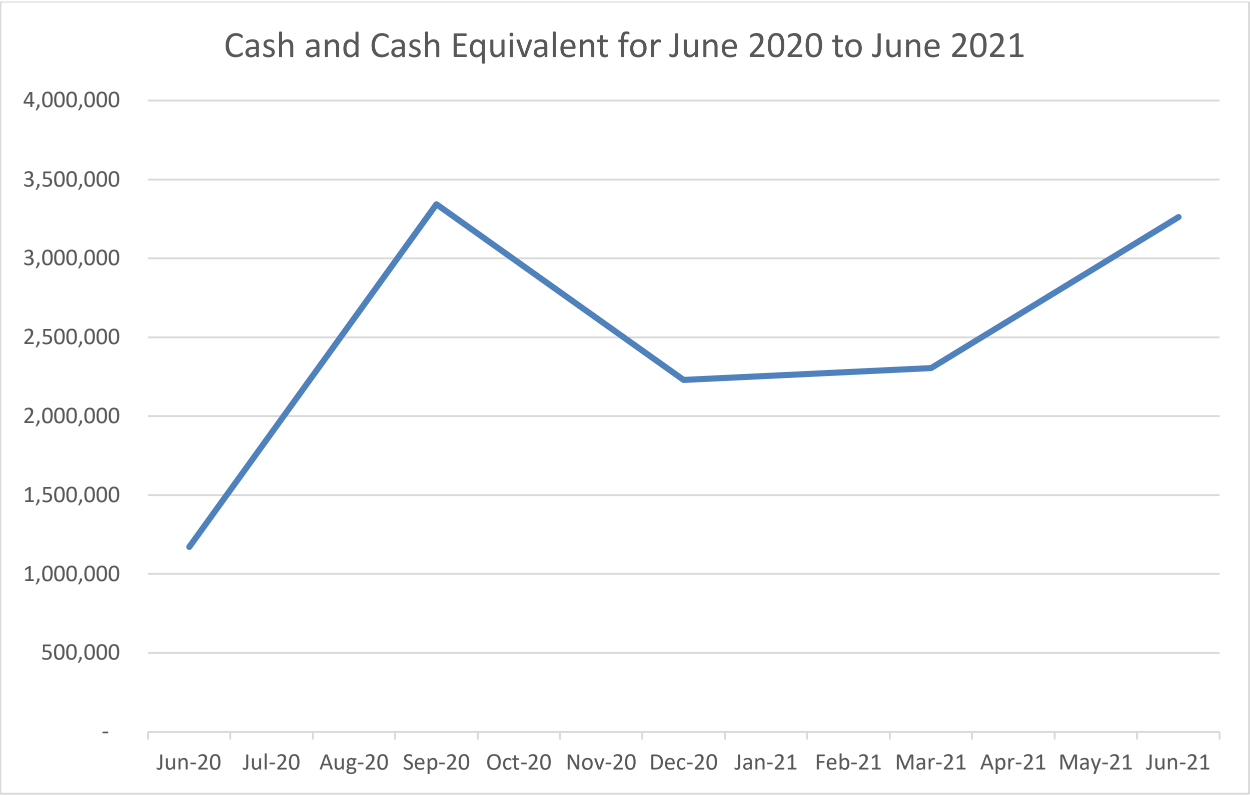
### Balance Sheet

| | 30 Jun 21 ($m) | 30 Jun 20 ($m) |
|---|---|---|
| Cash and cash equivalents | 3.26 | 1.17 |
| Inventories | 10.77 | 3.32 |
| **Net assets** | **7.66** | **(3.89)** |

## Cash position

Cash and cash equivalents of $3,262,107 at 30 June 2021

Based on the cash position at end of FY21 and as a result of a stringent budgeting process, the company believes it is in a position to meet planned operational and capital expenditure throughout FY22.



# Management Team

## Garrison Huang

Executive Director & Chief Executive Officer

- 20 years' experience in management in the IT Importing and Distributing industry
- Co-Founder of Anyware Corporation Pty Ltd – a leading IT accessory distributor with well-established importing & distribution channels
- Appointed Executive Director and Chief Executive Officer on 19 July 2016

# Corporate Information

## DIRECTORS

| | |
|---|---|
| Mr Alan Sparks | Non-Executive Chairman |
| Mr Garrison Huang | Executive Director & CEO |
| Mr Guy Polak | Non-Executive Director |
| Mr Howard Chen | Non-Executive Director |

## COMPANY SECRETARY

Mr Brett Crowley

## REGISTERED OFFICE

Unit 6, 94 Abbott Road
Hallam, Victoria 3803
Tel: 1300 13 99 99

## AUDITORS

ShineWing Australia
Level 10, 530 Collins Street
Melbourne Victoria 3000

## EXCHANGE LISTING

Harris Technology Group Limited's ordinary shares are quoted on the Australian Securities Exchange (ASX: HT8)

## BANKER

CBA
Level 20, Tower 1 Collins Square
727 Collins Street Melbourne, VIC 3008

## STATE OF INCORPORATION

Victoria


## SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000
Tel: 1300 13 99 99

# Directors’ Report

(FOR THE YEAR ENDED 30 JUNE 2021)

The Directors present their report together with the financial report of the consolidated entity consisting of Harris Technology Group Limited (the Company) and its controlled entities (the Group), for the financial year ended 30 June 2021 and independent auditor's report thereon.

## INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of Harris Technology Group Limited, together with details of the Company Secretary, during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

### Names, qualifications, experience, and special responsibilities

#### Alan Sparks, Independent, Non-Executive Chairman

Mr Sparks was appointed to the Board on 1 December 2020 as an Independent Non-Executive Director. Mr Sparks assumed the role of Executive Chairman from 1 April 2021.

| | |
|---|---|
| **Experience and expertise** | Alan is an accomplished senior executive with over 40 years’ experience in distribution, retail and technology with a proven track record of growing businesses and improving their efficiency. Alan is a member of the South African Institute of Chartered Accountants and a Graduate of the Australian Institute of Company Directors. Alan has 20 years of leadership experience in APAC, ANZ and Africa, leading growth of businesses across these markets for global brands. Alan’s career highlights include having served as CEO – Cellnet Group Ltd (ASX:CLT), Vice President – Belkin Asia Pacific based in Hong Kong, President APAC – Carrier Corporation AsiaPac, and Senior Vice President – Philips Consumer Electronics – APAC, based in Singapore. |
| **Other directorships held by Director in the last 3 years** | Alan is a director of Renewable Power Australia Ltd and Pacificomm Group Ltd and was a Director of Buddy Technologies Ltd between Dec 2020 and May 2021 |
| **Special responsibilities** | Chair of the Board |
| **Relevant interest in Harris Technology Group securities as at the date of this report** | Mr Sparks has a relevant interest in 680,000 fully paid ordinary shares which are held by an entity Mr Sparks controls. |

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

### Garrison Huang, Executive Director

Mr Huang was appointed to the Board on 3 March 2016 as a Non-Executive Director. Mr Huang was appointed as Executive Director and CEO on 19 July 2016.

| | |
|---|---|
| **Experience and expertise** | Mr. Huang came to Australia from Shanghai, where he was born, and became an Australian citizen in 1996. Mr. Huang holds a Bachelor of Engineering degree from Zhejiang University, in China, a Graduate Diploma in Computer Systems Engineering from Swinburne University and a Graduate Certificate in Marketing from Melbourne University.<br><br>Mr. Huang is a co-founder of Anyware Corporation Pty Ltd – a leading IT accessory distributor in Australia. Anyware is a well-established importing and distribution business with offices and warehouses in Melbourne, Sydney, Brisbane, Perth and Adelaide. In 2015 Anyware Corporation Pty Ltd acquired Harris Technology (www.ht.com.au) from Office works, one of Australia's longest established and leading e-commerce businesses focusing on technology products. |
| **Other directorships held by Director in the last 3 years** | During the last three years, Mr Huang has not served as a director of any other listed companies. |
| **Special responsibilities** | CEO |
| **Relevant interest in Harris Technology Group securities as at the date of this report** | Mr Huang has a relevant interest in 86,643,708 fully paid ordinary shares which are held by an entity that Mr Huang controls. |

### Guy Polak, Non -Executive Director

Mr Polak was appointed to the Board on 1 April 2021 as a Non-Executive Director.

| | |
|---|---|
| **Experience and expertise** | Mr Polak is a skilled retail professional with over 25 years of experience within the industry, specialising in sales, wholesale, distribution, buying, sourcing, merchandising and ownership. In 2014, Guy was promoted to Head of Buying at Catch Group where he reported directly to the CEO. Guy transformed and grew the buying department introducing structure and buying principles that made Catch.com.au the premium destination for all branded products across major consumer categories. The growth and success of the buying department ensured Catch.com.au had a unique advantage over its competitors which was a strong attraction for the Wesfarmers acquisition of Catch.com.au in 2019.<br><br>Mr Polak is currently the co-founder and director at littlebirdie.com.au, an AI-backed aggregation solution platform that has attracted a $30 million investment from CBA. |

| | |
|---|---|
| **Other directorships held by Director in the last 3 years** | During the last 3 years, Mr Polak has not served as a director of any other listed companies. |
| **Special responsibilities** | None. |
| **Relevant interest in Harris Technology Group securities as at the date of this report** | Mr Polak has a relevant interest in 195,000 fully paid ordinary shares in Harris Technology Group Limited which is held by an entity Mr Polak controls and by Mr Polak personally. |

### Howard Chen, Non-Executive Director
Mr Chen was appointed to the Board on 19 July 2016 as a Non-Executive Director.

| | |
|---|---|
| **Experience and expertise** | Mr Chen holds a Masters of Microelectronics degree from Griffith University, and is a member of the Institution of Engineers Australia. Mr Chen has a strong background in and deep understanding of electrical and IT products, with years of extensive experience in global product sourcing, development, brand marketing and sales. Prior to the completion of his Master's degree, he worked as the system design engineer in Quanta Computer (Shanghai), the global number one in laptop and hardware manufacturing. Mr Chen is also a graduate of Jiliang University.<br>Mr. Chen is currently the managing director of Ultra Imagination Technology Pty Ltd. The company owns mbeat, one of the most dynamic and fast-growing lifestyle tech brands in Australia. mbeat holds a heavyweight presence in the Australian and New Zealand national retailer and online sectors, being retailed through the likes of Harvey Norman, Officeworks, The Warehouse Group, Catchoftheday and Kogan, and is currently breaking into the US market. |
| **Other directorships held by Director in the last 3 years** | During the last three years, Mr Chen has not served as a director of any other listed companies. |
| **Special responsibilities** | None. |
| **Relevant interest in Harris Technology Group securities as at the date of this report** | Mr Chen has a relevant interest in 4,543,968 fully paid ordinary shares in Harris Technology Group Ltd which are held by an entity Mr Chen controls and by Mr Chen personally. |

### Brett Crowley, Company Secretary
Mr Crowley was appointed as Company Secretary on December 2018.

| | |
|---|---|
| **Experience and expertise** | Mr Crowley is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. Mr Crowley is an experienced chairman, finance director and company secretary of ASX-listed companies, and is a former Senior Legal Member of the NSW Civil and Administrative Tribunal. He has been HT8 Secretary since December 2018. |

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Directors' Meetings

The number of meetings of the Board of Directors held during the financial year and the numbers of meetings attended by each Director (while they were a Director) were as follows:

| Director | Eligible to Attend | Number Attended |
|---|---|---|
| Mr. Alan Sparks | 6 | 6 |
| Mr. Garrison Huang | 10 | 10 |
| Mr. Guy Polak | 4 | 4 |
| Mr. Howard Chen | 10 | 10 |

## Board Committees

Functions previously being undertaken by the Nomination and Remuneration Committee and the Audit and Risk Management Committee are currently being performed by the Board as a whole. This will continue to be the case until the Board determines otherwise.

## Directors' Interests in Shares and Options of the Group

As at the date of this report, the relevant interests of the Directors (and former Directors during the year) in the shares and options of the Group were:

| Director | Number of ordinary shares | Number of options (unlisted) |
|---|---|---|
| Mr. Alan Sparks [1] | 680,000 | nil |
| Mr. Garrison Huang [2] | 86,643,708 | nil |
| Guy Polak [3] | 195,000 | nil |
| Mr. Howard Chen [4] | 4,543,968 | nil |

1. *The shares are held by Sparks Superannuation controlled by Mr. Alan Sparks*
2. *The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C and Double Eight Superfund; Mr. Huang controls these entities.*
3. *The shares are held by Mr. Gershon Polak controlled by Mr. Guy Polak*
4. *The shares are held by H & J Investment Pty Ltd ATF H & J Superannuation Fund which Mr. Chen controls; and by Mr. Chen personally.*

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Earnings Per Share

| | Cents |
|---|---|
| Basic and diluted earnings per share | 0.71 |

## Dividends Paid, Recommended and Declared

No dividends were paid, declared, or recommended since the start of the financial year ended 30 June 2021 (2020: nil).

## OPERATING AND FINANCIAL REVIEW

### Corporate Structure

Harris Technology Group Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). Harris Technology Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2021. The Company's subsidiary entities are set out in note 31 to the consolidated financial statements.

### Nature of operations and principal activities

The Group's principal activities during the course of the financial year were in the areas of technology distribution and online retailing. There was a significant change to the Group's principal activities during the year, which are detailed below in 'significant changes in the state of affairs.

### Employees

The Group has 25 employees, inclusive of casual and part-time staff as at 30 June 2021 (2020: 18). The Group does not have consulting agreements with any contractors as at 30 June 2021 (2020: Nil).

### Group EPS Performance over the five-year period

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Basic earnings/(loss) per share (cents) | 0.71 | 0.54 | (0.46) | (1.46) | (2.20) |

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Financial position

The Group had net assets of $7,661,113 as at 30 June 2021 (2020: $3,893,395 liabilities).

The Group had trade and other receivables of $3,129,379 as at 30 June 2021 (2020: $736,549).

The Group had trade and other payables of $7,734,915 as at 30 June 2021 (2020: $3,125,241).

## Cash flows

The Group generated net cash operating outflows of $4,027,757 during the year ended 30 June 2021 (2020: net cash operating outflows $762,061). Proceeds from share issues net of equity raising costs of $9,597,640 repayments of Borrowings $3,432,986 in the year ended 30 June 2021.

There was a cash balance at 30 June 2021 of $3,262,107 (2020: $1,171,184).

## Risk Management

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. In FY16 the Company established an Audit and Risk Management Committee to oversee this audit and risk management function of the Board. Following changes to the composition of the Board, the Audit and Risk Management Committee has been suspended and its functions carried out by the Board as a whole.

## Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

## Appointments and resignations of officeholders

Andrew Plympton resigned from Non-Executive Chairman position and Bob Xu resigned from Non-Executive Director position.

## Change of auditor

The previous auditor RSM Australia Partners was removed at the Company's Annual General Meeting on 5 February 2021 and ShineWing Australia have been appointed as auditor.

## Significant events after the balance date

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Environmental regulation

The Group's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

## Shares issued during the year

900,000 shares were issued upon vesting of performance rights that were issued to employees under the Company's Long-Term Incentive plan.

## Share options (listed and unlisted)

As per ASX announcements, there were nil unlisted options under the Company's Long-Term Incentive Plan (**LTIP**) on issue.

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, ShineWing Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify ShineWing Australia during or since the financial year.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2021 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

At the Company's 2016 Annual General Meeting, shareholders approved Harris Technology Group's Long-Term Incentive Plan (**LTIP**).

The remuneration report is presented under the following sections:

1. Key Management Personnel (**KMP**) disclosed in this report
2. Remuneration Governance
3. Executive remuneration arrangements
4. Non-executive director remuneration arrangements
5. Additional information
6. Details of Key Management Personnel Remuneration
7. Additional disclosures relating to options and shares

### 1. Key Management Personnel (KMP) disclosed in this report

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Group.

Key Management Personnel during the financial year are as follows:

| | |
|---|---|
| **(i) Executive directors** | |
| Mr Garrison Huang* | Director (executive) |
| **(ii) Non-executive directors (NEDs)** | |
| Mr Alan Sparks*** | Chairman (non-executive) |
| Mr Guy Polak** | Director (non-executive) |
| Mr Howard Chen**** | Director (non-executive) |

**Garrison Huang appointed Executive Director and CEO on 19 July 2016.*

****Alan Sparks temporarily appointed Executive Director on 01st of December 2020, resumed regular duties as Non-Executive Chairman on 01 April 2021.*

*****Howard Chen appointed Non-Executive Director on 19 July 2016.*

***Guy Polak appointed as Non-Executive Director on 01st of April 2021*

## Remuneration Report (Cont.) (Audited)

### 2. Remuneration Governance

**Remuneration Policy**

The performance of the Group depends upon the quality of its Directors and executives. To be successful, the Group must attract, motivate, and retain highly skilled Directors and executives. To this end, the Group seeks to provide competitive rewards to attract high calibre executives. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors, the Chief Executive Officer, and other Key Management Personnel on a periodic basis. In doing so, the Nomination and Remuneration Committee has reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. A recommendation of the Nomination and Remuneration Committee is presented to the Board of Directors for adoption and approval. Following changes to the structure of the Board, the Nomination and Remuneration Committee has been suspended and its functions are currently being performed by the entire Board.

**Hedging of equity awards**

The Group has a policy in place to prohibit Directors and executives from entering into equity hedging arrangements to protect the value of unvested options.

**Remuneration structure**

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct.

### 3. Executive remuneration arrangements

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for the Group and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Currently remuneration is paid in the form of salaries & fees, superannuation contributions and shares where applicable.

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Remuneration Report (Cont.) (Audited)

### 4. Non-Executive Director remuneration arrangements

The Group's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed $500,000.

### 5. Details of Key Management Personnel Remuneration

Details of remuneration received by key management personnel of the Group for the current financial year are set out in the following table:

| | | Short-term benefits | | Post-employment | Security based payments | | Total $ | Performance related % |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | **Salary & fees $** | **Cash bonus $** | **Superannuation $** | **Options $** | **Shares $** | | |
| Mr Garrison Huang *1* | 2021 | 83,077 | - | 7,892 | - | - | 90,969 | - |
| | 2020 | - | - | - | - | 20,000 | 20,000 | - |
| **Non-Executive Directors** | | | | | | | | |
| Mr. Guy Polak | 2021 | 14,999 | - | - | - | - | 14,999 | - |
| | 2020 | - | - | - | - | - | - | - |
| Mr Alan Sparks | 2021 | 27,677 | - | - | - | - | 27,677 | - |
| | 2020 | - | - | - | - | - | - | - |
| Mr Howard Chen *4* | 2021 | 35,000 | - | - | - | - | 35,000 | - |
| | 2020 | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | | |
| Mr Brett Crowley *5* | 2021 | 36,000 | - | - | - | - | 36,000 | - |
| | 2020 | 39,000 | - | - | - | - | 39,000 | - |
| **Total KMP** | **2021** | **196,753** | **-** | **7,892** | **-** | **-** | **204,645** | |
| | **2020** | **39,000** | **-** | **-** | **-** | **-** | **39,000** | **-** |

1. *Garrison Huang appointed Executive Director and CEO on 19 July 2016.*
2. *Alan Sparks resumed his role as Non-Executive Chairman on 01st April 2021, after acting as Executive Director from 1st December 2020 to 31st March 2021.*
3. *Howard Chen appointed Non-Executive Director on 19 July 2016.*
4. *Guy Polak appointed Non-Executive Director on 01st of April 2021*
5. *Brett Crowley appointed Company Secretary in December 2018*

## Remuneration Report (Cont.) (Audited)

### 6. Additional disclosures relating to options and shares

#### a. Performance rights holdings of key management personnel

As at the end of FY21 there were zero options granted to KMP under the LTIP. No further options have been granted.

Shares issued on exercise of options.

There were no shares issued to KMP during the year upon the exercise of options.

#### b. Shareholdings of key management personnel

| | Balance at 1 June 2020 No. | Acquired / (dis-posed) during the year No. | Other movements | Balance at 30 June 2021 No. |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr Garrison Huang [1] | 83,644,992 | 2,998,716 | - | 86,643,708 |
| **Non-Executive Directors** | | | | |
| Mr Alan Sparks [2] | - | 680,000 | - | 680,000 |
| Mr Howard Chen [3] | 4,168,968 | 375,000 | - | 4,543,968 |
| Mr Guy Polak [4] | | 195,000 | - | 195,000 |
| **Other Key Management Personal** | | | | |
| Mr. Brett Crowley | 1,160,000 | (125,000) | - | 1,035,000 |

1. *The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C and Double Eight Super fund; Mr Huang controls these entities.*
2. *The shares are held by Sparks Superannuation controlled by Mr. Alan Sparks*
3. *The shares are held by Mr Chen personally and by H & J Investment Pty Ltd <H & J Super Fund A/C>; Mr Chen controls this entity.*
4. *The shares are held by Mr. Polak Gershon control by Mr. Guy Polak*

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Remuneration Report (Cont.) (Audited)

**Share-based compensation**

**Issue of shares**

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

**Options**

As per ASX announcements, there were no unlisted options under the Company's Long-Term Incentive Plan (LTIP) on issue for key management personnel.

**c. Loans from key management personnel and their related parties**

Details of loans from directors of Harris Technology Group Limited and other key management personnel of the Group , including their close family members and entities related to them, are set out below:

| ($) | 2021 | 2020 |
|---|---|---|
| **Name of director** | | |
| Garrison Huang | 1,806,425 | 4,764,212 |

## Remuneration Report (Cont.) (Audited)

### d. Other transactions and balances with key management personnel and their related parties

All transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Purchases from entities controlled by KMP and their related parties | | |
| Rental of office and warehouse buildings [1] | 60,000 | 60,200 |
| Inventories [2] | 51,138 | 22,017 |
| Interest expense on directors' loans | 39,913 | 157,560 |
| Directors' Salaries | 196,753 | 28,000 |
| Gain on Debt Forgiveness [3] | - | (608,005) |
| **Total related party purchases** | 347,804 | (340,228) |
| Sales to entities controlled by KMP and their related parties | | |
| Disposal of motor vehicle | - | 55,000 |
| Inventories | - | 9,583 |
| **Total related party sales** | - | 64,583 |

| ($) | 2021 | 2020 |
|---|---|---|
| **Current payables to entities controlled by KMP** | | |
| Trade payables – Inventories | 15,709 | 10,687 |
| **Current receivables from entities controlled by KMP** | | |
| Trade receivables – Inventories | - | 9,583 |

1. *Rental to Garrison Huang and his controlling entity was $60,000 in FY21 (2020: $60,200);*
2. *Inventories purchased Howard Chen's controlling entity were $51,138 in FY21 (2020: $22,017);*
3. *The Group accrued $608,005 interest expense in FY19 for loans from Garrison Huang. Garrison Huang provided the Group with a debt forgiveness of $608,005 in FY20 for unpaid interest on loans.*

This concludes the remuneration report, which has been audited.

# Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2021)

## Tax consolidation

Harris Technology Group and its 100% owned subsidiaries are part of an income tax consolidated group.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Signed in accordance with a resolution of the Directors

Alan Sparks
Non-Executive Chairman

Melbourne, 26 August 2021

Accountants & Advisors

Take the lead

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF HARRIS TECHNOLOGY GROUP LIMITED

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have 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.

ShineWing Australia

**ShineWing Australia**
Chartered Accountants

Nick Michael
Partner

Melbourne, 26 August 2021

# Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Harris Technology Group Limited's website (www.ht8.com.au/investor-relations/corporate-governance) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Harris Technology Group Limited and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Harris Technology Group Limited's website (www.ht8.com.au/investor-relations/corporate-governance).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(FOR THE YEAR ENDED 30 JUNE 2021)

| ($) | Notes | 2021 | 2020 |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | 7 | **41,800,861** | 13,638,567 |
| Direct costs | | (34,128,418) | (10,968,591) |
| **Gross profit** | | **7,672,443** | **2,669,976** |
| Other income | 7 | 59,751 | 676,097 |
| Distribution expenses | | (561,658) | (184,124) |
| Marketing expenses | | (62,571) | (173,997) |
| Sales transaction expenses | | (3,326,514) | (48,202) |
| Employee, contractor and director expenses | | (2,075,242) | (925,104) |
| Technology expenses | | (70,350) | (61,903) |
| Legal, administration and registry expenses | | (405,988) | (291,525) |
| Depreciation and amortisation expenses | 8 | (72,514) | (58,056) |
| Impairment expense | 8 | - | (298,813) |
| Other expenses | 8 | 46,698 | (36,715) |
| Finance costs | 8 | (67,588) | (262,771) |
| Foreign exchange gain / (loss) | | (10,923) | 4,659 |
| **Profit /(loss) before income tax** | | **1,125,544** | **1,009,522** |
| Income tax benefit / (expense) | 9 | 627,872 | - |
| **Profit / (loss) after income tax** | | **1,753,416** | **1,009,522** |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive Profit / (loss) for the year** | | **1,753,416** | **1,009,522** |
| | | | |
| **Earnings per share from profit** | | | |
| - Basic earnings per share | 10 | 0.71 | 0.54 |
| - Diluted earnings per share | 10 | 0.71 | 0.54 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 JUNE 2021)

| ($) | Notes | 2021 | 2020 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 11 | 3,262,107 | 1,171,184 |
| Trade and other receivables | 12 | 3,129,379 | 736,549 |
| Inventories | 13 | 10,766,788 | 3,322,985 |
| Prepayments and deposits | 14 | 154,424 | 36,800 |
| **Total Current Assets** | | **17,312,698** | **5,267,518** |
| **Non-current Assets** | | | |
| Property, plant and equipment | 16 | 14,274 | - |
| Right of use assets | 17 | 166,824 | 198,524 |
| Intangible assets | 15 | - | - |
| Deferred tax assets | 9 | 783,392 | - |
| **Total Non-current Assets** | | **964,490** | **198,524** |
| **Total Assets** | | **18,277,188** | **5,466,042** |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | 7,734,915 | 3,125,241 |
| Borrowings | 19 | 2,266,380 | 867,727 |
| Contract liabilities | 20 | 287,121 | 318,369 |
| Lease Liabilities | 21 | 83,801 | 50,594 |
| Employee benefit liabilities | 22 | 104,028 | 66,022 |
| **Total Current Liabilities** | | **10,476,245** | **4,427,953** |
| **Non-current Liabilities** | | | |
| Borrowings | 19 | - | 4,764,212 |
| Lease liabilities | 21 | 96,790 | 155,279 |
| Employee benefit liabilities | 22 | 43,040 | 11,993 |
| **Total Non-current Liabilities** | | **139,830** | **4,931,484** |
| **Total Liabilities** | | **10,616,075** | **9,359,438** |
| **Net Assets / (Net Liabilities)** | | **7,661,113** | **(3,893,395)** |
| **Equity** | | | |
| Contributed equity | 23 | 17,556,284 | 7,803,124 |
| Accumulated losses | 25 | (9,954,535) | (11,707,951) |
| Reserves | 24 | 59,364 | 11,432 |
| **Total Equity** | | **7,661,113** | **(3,893,395)** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(FOR THE YEAR ENDED 30 JUNE 2021)

| ($) | Share Capital | Reserves | Accumulated Losses | Total Equity |
|---|---|---|---|---|
| **At 1 July 2020** | **7,803,124** | **11,432** | **(11,707,951)** | **(3,893,395)** |
| Profit for the year | - | - | 1,753,416 | 1,753,416 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | - | - | **1,753,416** | **1,753,416** |
| Transactions with owners in their capacity as owners | | | | |
| Contributions of equity (net of equity raising costs) | 9,753,160 | - | - | 9,753,160 |
| Share based payment | - | 47,932 | - | 47,932 |
| **At 30 June 2021** | **17,556,284** | **59,364** | **(9,954,535)** | **7,661,113** |
| | | | | |
| **At 1 July 2019** | **7,654,464** | **-** | **(12,717,472)** | **(5,063,008)** |
| Profit for the year | - | | 1,009,522 | 1,009,522 |
| Other comprehensive income | - | | - | - |
| **Total comprehensive income** | - | - | **1,009,522** | **1,009,522** |
| Transactions with owners in their capacity as owners | | | | |
| Contributions of equity (net of equity raising costs) | 148,660 | - | - | 148,660 |
| Share based payment | - | 11,432 | - | 11,432 |
| **At 30 June 2020** | **7,803,124** | **11,432** | **(11,707,951)** | **(3,893,395)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED 30 JUNE 2021)

| ($) | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 41,898,865 | 15,100,485 |
| Payments to suppliers and employees | (45,926,622) | (15,849,021) |
| Interest paid | - | (13,525) |
| **Net cash flows (used in) / provided by operating activities** | **(4,027,757)** | **(762,061)** |
| | | |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | (14,274) | - |
| **Net cash flows (used in) / provided by investing activities** | **(14,274)** | **-** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from shares issued | 10,245,640 | - |
| Equity raising costs paid | (648,000) | - |
| Proceeds from borrowings | - | 2,043,490 |
| Repayment of borrowings | (3,432,986) | (1,071,866) |
| Repayment of lease liabilities | (31,700) | (46,795) |
| **Net cash flows (used in) / provided by financing activities** | **6,132,954** | **924,829** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | **2,090,923** | **162,768** |
| Cash and cash equivalents at the beginning of the financial year | 1,171,184 | 1,008,416 |
| **Cash and cash equivalents at the end of the financial year** | **3,262,107** | **1,171,184** |

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 1. CORPORATE INFORMATION

The consolidated financial report of Harris Technology Group Limited (the Company or Harris Technology Group) and controlled entities (the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 26 August 2021.

Harris Technology Group is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ("AASB") that are mandatory for the current reporting period.

There were no standards adopted in the current period that had a material impact on the group

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group , are set out below.

AASB 2020-61: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (applicable to annual reporting periods beginning on or after 1 January 2022)

This Standard defers the mandatory effective date of amendments to AASB 101 that were originally made in AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

This Standard amends AASB 101 Presentation to Financial Statements to clarify the following:

The classification as a non-current liability should be based on the existence of a 'right' (as opposed to a 'discretion' as it was provided before this amendment) to defer the settlement of the liability for

at least twelve months after the reporting period;

The term 'settlement' includes issue of equity instruments in exchange of extinguishment of a financial liability and such a settlement does not impact the classification of the liability as current or non-current; and

Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The application of these amendments when effective is retrospective by restatement of prior periods. Earlier application is permitted.

The Group has current and non-current liabilities that are classified based on the requirements of AASB101. Adoption of this amendment is not expected to change the Group's classification of its liabilities as current or non-current, however, it gives greater clarity to directors in making the assessment regarding what the appropriate classification is.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the group 's financial statements.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. As disclosed in the financial statements, the group made a profit of \$1,753,416 (2020: \$1,009,522) but had net cash outflows from operating activities of \$4,027,757 (2020: \$762,061) for the year ended 30 June 2021. The Group also has material borrowings expiring within 12 months of the date of signing the financial statements.

The Directors believe that there are reasonable grounds to believe that the group will be able to continue as a going concern, after consideration of the following factors:

- The group has prepared budgets and cash flow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this year;
- The Group raised funds of \$9.6m through a private placement of \$8.2m and a capital raise from a share purchase plan of \$1.4m to support its business plan;
- A significant portion of the Group's borrowings (\$1.8m) are due to related parties and have been extended post year end on 23 August 2021 to 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (e) Revenue recognition

The Group recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods. Dependent on the terms of the specific contract the transfer of control occurs either upon despatch or upon delivery.

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (f) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

### (g) Income tax and other taxes

Current income tax expense is the tax payable on the current year's taxable income. This is based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax consolidation*

Harris Technology Group Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation.

The head entity, Harris Technology Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Harris Technology Group Limited also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (g) Income tax and other taxes (Cont.)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

*Goods and Services Tax ('GST') and other similar taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
- Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

### (h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Cash and cash equivalents also include amounts collected in respect of online sales during the year by agents on behalf of the Company where clear title of ownership exists.

### (i) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (j) Business combinations

The Group accounts for its business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

### (k) Intangibles assets other than goodwill

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is at its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected profit or loss in the year which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The estimated useful life of each class of intangible asset is as follows:

| | |
|---|---|
| Software Development | 2 years |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (k) Intangibles assets other than goodwill (Cont.)

*Impairment of other intangible assets*

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### (l) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and / or any accumulated impairment losses, if any.

The carrying amount of plant and equipment is reviewed for impairment annually by the Directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

*Depreciation*

The depreciable amounts of fixed assets are depreciated on a straight-line basis over their estimated useful lives of the assets as follows:

| | |
|---|---|
| Motor vehicles | 5 - 6 years |

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (m) Impairment of property, plant, equipment, goodwill and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell or value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income, unless the asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease.

### (n) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### (o) Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the latest purchase price method, and are valued at the lower of cost or net realisable value. This valuation requires the Group to make judgements, based on currently available information, about the likely method of disposition and expected recoverable values of each disposition category.

Volume rebates in relation to purchases are recognised in cost of sales when the corresponding inventories are sold.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

All inventories carried are finished goods, ready for sale.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (p) Financial instruments

*Classification*

The Group classifies its financial instruments in the following categories: loans and receivables and financial liabilities. The classification of investments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

*Financial liabilities*

The Group's financial liabilities include trade payables, other payables and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

The Group's financial liabilities are recognised at fair value and carried at amortised cost, comprising original debt less principal payments and amortisation.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

### (r) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (s) Provisions

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required at settlement is determined by considering the class of obligations as a whole.

### (t) Foreign Currencies

*Functional and presentation currency*

The financial statements of each Group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

*Transactions and balances*

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

*Group companies*

The financial statements of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the year; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity in the reserve account.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### (v) Contract liabilities

Contract liabilities represent the Group 's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred control the goods or services to the customer.

### (w) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### (x) Share based payments

***Equity settled transactions***

The Group provides benefits to the directors, senior executives and some third parties in the form of share options/performance rights under Harris Technology Group's Long Term Incentive Plan. These are equity settled transactions under Australian Accounting Standards.

The cost of these equity-settled transactions with directors and senior executives is measured by reference to the fair value of the equity instruments at the date when the grant is made using an appropriate valuation model and for third parties with reference to the fair value of the goods/services provided. The cost is recognised together with a corresponding increase in other capital reserve in equity over the period in which the performance and / or service conditions are fulfilled.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (x) Share based payments (Cont.)

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

***Equity settled transactions***

In valuing equity-settled transactions, no account is taken of any non-market vesting conditions.

The charge to the statement of comprehensive income for the year is the cumulative amount as calculated less the amounts already charged in previous periods. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and / or service conditions are satisfied.

### (y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, receivables and other receivables, payables and other payables.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for interest rate risk, hedging limits, credit allowances and future cash flow forecast projections.

### Risk exposures and responses

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with the floating interest rate. At reporting date, the Group had the following financial instruments exposed to Australian variable interest rate risk.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents (interest bearing) | 3,262,107 | 1,171,184 |
| **Financial liabilities** | | |
| Interest bearing liabilities – fixed rate (current) | (2,266,380) | (867,727) |
| Interest bearing liabilities – fixed rate (non-current) | - | (4,764,212) |
| **Net exposure** | **995,727** | **(4,460,755)** |

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The Group has no material interest rate risk exposure.

*Credit risk*

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

It is the Group's policy that all customers who wish to trade on credit terms are assessed as to creditworthiness, including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for individual customers.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

***Foreign currency risk***

The groups exposure to currency risk is minimal at this stage of its operations.

*Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of private equity facility and equity raisings.

As at 30 June 2021, 100% of the Group's financial liabilities will mature in less than one year (2020: 45%).

The table below reflects all contractually fixed payables and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The respective undiscounted cash flows for the respective upcoming fiscal periods are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

The remaining contractual maturities of the Group's financial assets and liabilities are:

| Year ended 30 June 2021 ($) | < 1 year | 1-2 years | 2-5 years | > 5 years | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 3,262,107 | - | - | - | 3,262,107 |
| Trade and other receivables | 3,129,379 | - | - | - | 3,129,379 |
| **Total** | **6,391,486** | **-** | **-** | **-** | **6,391,486** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 7,734,915 | - | - | - | 7,734,915 |
| Third party loans | 459,955 | - | - | - | 459,955 |
| Lease liabilities | 83,801 | 96,790 | - | - | 180,591 |
| Related party loans | 1,806,425 | - | - | - | 1,806,425 |
| **Total** | **(10,085,096)** | **(96,790)** | **-** | **-** | **(10,181,886)** |
| **Net maturity** | **(3,693,610)** | **(96,790)** | **-** | **-** | **(3,790,400)** |

# Notes to the Consolidated Financial Statements
(for the Financial Year ended 30 June 2021)

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

The remaining contractual maturities of the Group's financial assets and liabilities are:

| Year ended 30 June 2020 ($) | < 1 year | 1-2 years | 2-5 years | > 5 years | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,171,184 | - | - | - | 1,171,184 |
| Trade and other receivables | 736,549 | - | - | - | 736,549 |
| | **1,907,733** | **-** | **-** | **-** | **1,907,733** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 3,125,641 | - | - | - | 3,124,641 |
| Third party loans | 867,727 | - | - | - | 867,727 |
| Lease liabilities | 50,594 | 113,575 | 41,703 | | 205,873 |
| Related party loans | - | 4,764,212 | - | - | 4,764,212 |
| | **(4,043,962)** | **(4,877,787)** | **41,703** | **-** | **(8,963,452)** |
| **Net maturity** | **(2,136,229)** | **(4,764,212)** | **-** | **-** | **(7,055,791)** |

*Maturity analysis of financial assets and liabilities based on management's expectation*

Management's expectation reflects a balanced view of cash inflows and outflows. The Group's assets mainly consist of cash and trade receivables with the liabilities consisting of trade payables from the ongoing operations of the business. To monitor existing financial assets and liabilities as well as to enable an effective controlling of funding for the business, the Group has established risk that reflects expectations of management in terms of expected settlement of financial assets and liabilities.

All financial assets and most liabilities are payable within 12 months of reporting date. Accordingly, the book value of each liability is equivalent to its fair value.

The liabilities due after 12 months are loans with fixed interest rate. The carrying values of these loans are equivalent to their fair value.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont.)

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Revenue recognition*

The Directors have utilised judgement in determining the point of transfer of control to customers under each revenue contact. Judgment is required as there are multiple criteria to be assessed when determining the point of transfer of control of goods to customers.

*Deferred tax assets*

The Directors have utilised judgement in determining whether sufficient future taxable profits are probable against which to offset unutilised tax losses and temporary differences.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Provision for obsolescence of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

*Expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue,. Assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is disclosed in note 12.

*Volume rebates*

Volume rebates in relation to purchases are recognised in cost of sales when the corresponding inventory is sold. Estimation is required with respect to which inventory items volume rebates are allocated to in determining the cost of sales.

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 5. PARENT ENTITY INFORMATION

| **Information relating to Harris Technology Group Ltd – Parent ($)** | **2021** | **2020** |
|---|---|---|
| Current assets | 1,422,437 | 4,669 |
| Non-Current Asset | 5,776,166 | 198,524 |
| Total Assets | 7,198,603 | 203,193 |
| Current liabilities | (521,212) | (391,492) |
| Non-Current Liabilities | (435,508) | (1,191,794) |
| Total liabilities | (956,720) | (1,583,286) |
| **Net Assets** | **6,241,883** | **(1,380,093)** |
| Issued capital | 18,801,113 | 8,899,293 |
| Accumulated losses | (12,618,594) | (10,279,386) |
| Share based payments reserve | 59,364 | - |
| **Total shareholders' equity** | **6,241,883** | **(1,380,093)** |
| **Total comprehensive Profit / (loss) of the parent entity** | **(2,339,208)** | **234,090** |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

***Significant accounting policies***

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## 6. CONTINGENCIES OF THE PARENT ENTITY

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 7. REVENUE

| ($) | 2021 | 2020 |
|---|---|---|
| Sale of goods | 41,800,861 | 13,638,567 |
| **Total revenue** | **41,800,861** | **13,638,567** |

| ($) | 2021 | 2020 |
|---|---|---|
| **Other income** | | |
| Interest received | 275 | 2,154 |
| Sundry Income | 9,476 | 36,009 |
| Gain on debt forgiveness | - | 608,005 |
| Loss on the disposal of non-current asset | - | (55,831) |
| Gain on sale of business | - | 50,000 |
| Government grants | 50,000 | 35,760 |
| **Total other income** | **59,751** | **676,097** |

## 8. EXPENSES

| ($) | 2021 | 2020 |
|---|---|---|
| **Depreciation** | | |
| Property, plant and equipment | - | 3,913 |
| Right of use assets | 72,514 | 54,143 |
| **Total depreciation** | **72,514** | **58,056** |
| **Impairment expense** | | |
| Intangible assets | - | 291,866 |
| **Total impairment expense** | **-** | **291,866** |

## 9. INCOME TAX

| | 2021 $ | 2020 $ |
|---|---|---|
| Current tax | - | - |
| Deferred tax | 627,872 | - |
| **Income tax (expense) / benefit** | **627,872** | **-** |
| A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows: | | |
| Profit before income tax expense | 1,125,544 | 1,009,522 |
| At the Group's statutory income tax rate of 26% (2020: 27.5%) | 292,641 | 277,618 |
| Tax effect amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Impairment expense | - | 82,174 |
| Prior year over/under | (155,622) | - |
| Losses utilised | (137,019) | (359,792) |
| Deferred tax assets brought into account (unutilised losses) | 627,872 | - |
| **Income tax (expense) / benefit** | **627,872** | **-** |

*Deferred Tax Asset recognition*

The Directors have determined that the availability of sufficient future taxable profits against which to offset unutilised tax losses and temporary differences is probable as at 30 June 2021 and consequently have recognised an asset in this regard. The assessment of the probability of sufficient future taxable profits will be re-assessed at each reporting date.

The total deferred tax asset ($783,392) recognised on the balance sheet comprises the $627,872 recognised in profit or loss and the $155,520 recognised directly in equity (see below).

The deferred tax asset recognised is in respect of unutilised losses ($474,136) and temporary differences ($309,256).

*Deferred Tax recognised in equity*

$155,520 of deferred tax in relation to equity raising costs has been recognised directly in equity.

## 9. INCOME TAX (Cont.)

*Reconciliation of unutilised losses*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Brought forward | 4,023,825 | 4,383,668 |
| Adjustment due to reassessment of available losses | (1,673,229) | - |
| Utilised in year | (526,996) | (359,792) |
| **Carried forward** | **1,823,600** | **4,023,825** |

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2021 | 2020 |
|---|---|---|
| **Basic and diluted earnings per share (cents)** | | |
| Basic and diluted earnings per share | 0.71 | 0.54 |
| **Basic and diluted earnings per share from total comprehensive income** | **0.71** | **0.54** |
| Total comprehensive profit for the year ($) | 1,753,416 | 1,009,522 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 245,395,481 | 191,134,778 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 245,395,481 | 191,134,778 |

As at 30 June 2021 and 30 June 2020 the issue of potential ordinary shares was assessed to be non-dilutive and consequently diluted earnings per share is equal to basic earnings per share.

## Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

### 11. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| ($) | **2021** | **2020** |
| Cash at bank and on hand | 3,262,107 | 1,171,184 |
| | **3,262,107** | **1,171,184** |

| **Reconciliation of net (loss) / profit after tax to net operating cash flows** | **2021** **$** | **2020** **$** |
|---|---|---|
| Net Profit / (loss) after tax | 1,753,416 | 1,009,522 |
| **Non-cash items** | | |
| Depreciation | 72,514 | 58,056 |
| Lease interest | 51,012 | 112,496 |
| Loss on the disposal of non-current assets | - | (55,831) |
| Share based payment | 47,932 | - |
| Impairment expense | - | 291,866 |
| **Changes in operating assets and liabilities** | | |
| (Increase) / decrease in trade and other receivables | (2,392,830) | (388,584) |
| (Increase) / decrease in prepayments and deposits | (117,624) | (2,072) |
| (Increase) / decrease in inventories | (7,443,803) | (2,917,862) |
| (Increase) / decrease in deferred tax assets | 627,872 | - |
| (Increase) / decrease in contract liabilities | (31,248) | - |
| Increase / (decrease) in trade and other payables | 4,591,693 | 2,633,354 |
| Increase / (decrease) in employee benefit liabilities | 69,053 | 21,116 |
| **Net cash flows provided by/(used in) operating activities** | **(4,027,757)** | **(762,061)** |

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 12. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| $ | **2021** | **2020** |
| Trade and other receivables | 3,177,702 | 993,846 |
| Allowance for expected credit losses | (48,323) | (257,297) |
| | **3,129,379** | **736,549** |

## 13. INVENTORIES

| | Consolidated | |
|---|---|---|
| **($)** | **2021** | **2020** |
| Inventories | 10,904,732 | 3,912,214 |
| Provision for stock obsolescence | (137,944) | (589,229) |
| | **10,766,788** | **3,322,985** |

## 14. PREPAYMENTS AND DEPOSITS

| | Consolidated | |
|---|---|---|
| ($) | **2021** | **2020** |
| Prepayments | 97,577 | 36,800 |
| Deposits | 56,847 | - |
| | **154,424** | **36,800** |

### 15. INTANGIBLE ASSETS

| ($) | Software | Total |
|---|---|---|
| **Gross carrying amount** | | |
| Cost | 291,867 | 291,867 |
| Impairment | (291,867) | (291,867) |
| **Net carrying value** | **-** | **-** |

In 2019, Harris Technology Limited acquired 100% of LINCD HQ Pty Ltd (LINCD) assets from First Growth Funds Limited. LINCD is a software and services company that has developed a platform connecting legacy software to blockchain protocols. The asset was impaired in full in the prior year ended 30 June 2020

### 16. PROPERTY, PLANT AND EQUIPMENT

| | Office and warehouse equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|
| **Gross carrying amount** | | | |
| At 1 July 2020 | - | - | - |
| Additions | 14,274 | - | 14,274 |
| **At 30 June 2021** | **14,274** | **-** | **14,274** |

| | | | |
|---|---|---|---|
| **Depreciation and impairment** | | | |
| At 1 July 2020 | - | - | - |
| Depreciation for the year | - | - | - |
| **At 30 June 2020** | **-** | **-** | **-** |
| | | | |
| **Net carrying amount** | | | |
| **At 30 June 2021** | **14,274** | **-** | **14,274** |
| At 30 June 2020 | - | - | - |

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 17. RIGHT-OF-USE ASSETS

| ($) | Consolidated 2021 | 2020 |
|---|---|---|
| Buildings right of use assets cost | 293,481 | 252,667 |
| Less: Accumulated depreciation | (126,657) | (54,143) |
| **Carrying value** | **166,824** | **198,524** |

The Group leases land and buildings for its office and warehouse under an agreement of 3 years.

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| ($) | **Buildings right-of-use** |
|---|---|
| Opening carrying value 30 June 2020 | 198,524 |
| Additions: new warehouse | 40,814 |
| Depreciation expense | (72,514) |
| **At 30 June 2021** | **166,824** |

### 18. TRADE AND OTHER PAYABLES

| ($) | Consolidated 2021 | Consolidated 2020 |
|---|---|---|
| **Trade payables** | **7,734,915** | **3,125,241** |

Terms and conditions of the above trade and other payables:

(i) Trade payables are non-interest bearing and are normally settled on 30 days EOM terms.

(ii) Other creditors are non-interest bearing and are normally payable within 30 and 90 days

*Fair value*

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

*Foreign exchange and interest rate risk*

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

### 19. BORROWINGS

| ($) | Consolidated 2021 | Consolidated 2020 |
|---|---|---|
| **Unsecured** | | |
| Related party Loans (Note 26) | 1,806,425 | - |
| Third party loans | 459,955 | 867,727 |
| **Total current** | **2,266,380** | **867,727** |
| **Unsecured** | | |
| Related party Loans (Note 26) | - | 4,764,212 |
| **Total non-current** | **-** | **4,764,212** |
| **Total Borrowings** | **2,266,380** | **5,631,939** |

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 20. CONTRACT LIABILITIES

| ($) | Consolidated 2021 | 2020 |
|---|---|---|
| **Deferred revenue and other contract liabilities** | **287,121** | **318,639** |

## 21. LEASE LIABILITIES

| ($) | Consolidated 2021 | 2020 |
|---|---|---|
| Lease liabilities – current | 83,801 | 50,594 |
| Lease liabilities – non-current | 96,790 | 155,279 |
| **Total Lease Liabilities** | **180,591** | **205,873** |

## 22. EMPLOYEE BENEFIT LIABILITIES

| ($) | Consolidated 2021 | 2020 |
|---|---|---|
| **Current** | | |
| Annual leave | 85,068 | 54,187 |
| Long service leave | 18,960 | 11,835 |
| **Total current** | **104,028** | **66,022** |
| **Non-current** | | |
| Long service leave | 43,040 | 11,993 |
| **Total non-current** | **43,040** | **11,993** |

## 23. CONTRIBUTED EQUITY

| Issued and paid up capital ($) | 2021 | 2020 |
|---|---|---|
| Ordinary shares | | |
| Ordinary shares fully paid (net of equity raising costs) | 17,556,284 | 7,803,124 |
| **Contributed equity** | **17,556,284** | **7,803,124** |

| Movements in ordinary shares on issue | Number of Shares | $ |
|---|---|---|
| Opening balance | 192,995,481 | 7,803,124 |
| Shares issued during the year: | 103,900,000 | 10,228,600 |
| Issue of shares to employees under Long Term Incentive plan | 900,000 | 17,040 |
| Equity raising costs (net of deferred tax) | - | (492,480) |
| **Closing balance** | **297,795,481** | **17,556,284** |

*Terms and conditions of ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

*Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

# Notes to the Consolidated Financial Statements
(for the Financial Year ended 30 June 2021)

## 24. RESERVES

| ($) | Consolidated 2021 | Consolidated 2020 |
|---|---|---|
| Share-based payments reserve | 59,364 | 11,432 |
| | **59,364** | **11,432** |

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## 25. ACCUMULATED LOSSES

| ($) | Consolidated 2021 | Consolidated 2020 |
|---|---|---|
| Balance at beginning of financial year | (11,707,951) | (12,717,472) |
| Net profit for the year | 1,753,416 | 1,009,522 |
| **Balance at end of financial year** | **(9,954,535)** | **(11,707,951)** |

# Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2021)

## 26. RELATED PARTY LOANS

The loan balances are set out as below:

| ($) | 2021 | 2020 |
|---|---|---|
| **Name of director** | | |
| Garrison Huang | 1,806,425 | 4,764,212 |
| | **1,806,425** | **4,764,212** |

The loans due to related parties and have been extended post year end on 23 August 2021 to 31 December 2022. The total facility limit is $3.5m.

## 27. COMMITMENTS

The Group has no material commitments (30 June 20: none) as at 30 June 2021 that are not recognised as liabilities.

## 28. CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent assets and no contingent liabilities which require disclosure.

## 29. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matters or circumstances has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group 's operations, the results of those operations, or the Group 's state of affairs in future financial years.

## 30. AUDITOR'S REMUNERATION

| ($) | 2021 | 2020 |
|---|---|---|
| Audit and review of the financial report of Group for the year | 55,500 | 43,400 |
| Other services | - | 600 |
| | **55,500** | **44,000** |

## 31. RELATED PARTY TRANSACTIONS

### (a) Subsidiary

The consolidated financial statements include the financial statements of Harris Technology Group Limited and the subsidiaries listed in the following table:

| Name of entity | Country of Incorporation | % of Equity interest 2021 | % of Equity interest 2020 |
|---|---|---|---|
| APCA Trading Pty Ltd | Australia | 100 | 100 |
| Harris Technology Pty Ltd | Australia | 100 | 100 |
| Lincd HQ Pty Ltd | Australia | 100 | 100 |

### (b) Ultimate parent

The consolidated financial statements include the financial statements of Harris Technology Group Limited and its controlled entities. Harris Technology Group Limited is the ultimate parent company.

### (c) Inter-group transactions

*Loans*

The inter-group entities have provided or received intercompany loans within the group for working capitals. The intercompany loans are repayable to the inter-group entities at call and no interest is payable. At 30 June 2020, those loans have been eliminated in the balance sheet.

## 31. RELATED PARTY DISCLOSURE (Cont'd)

**(d) Other related party transactions**

During the financial year ended 30 June 2021, there were a total of $1,806,425 Directors' loans reported by the Group, refer to note 26 (2020: $4,764,212).

All Transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

Refer to **7d.** Of Remuneration Report for more details relating to other related party transactions.

## 32. KEY MANAGEMENT PERSONNEL

The total remuneration paid to KMP of the Company and the Group during the year are as follows:

| ($) | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | 196,753 | 49,000 |
| Post-employment benefits | 7,892 | - |
| Share based payments | - | 85,800 |
| | **204,645** | **134,800** |

*Short-term employee benefits*
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

*Post-employment benefits*
These amounts are superannuation contributions made during the year.

*Share-based payments*
These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

## 33. SEGMENT REPORTING

*Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Markers (CODM)) in assessing the performance of the Group and determining investment requirements. The operating segments are based on the manner in which services are provided to the market.

The Group consists of one business segment which operates in one geographical area, being Australia.

## 34. SHARE-BASED PAYMENTS

Performance Rights

Historically, options were issued to key management personnel as per the details below. Under the LTI plan, selected employees may be granted performance rights which will entitle them to receive ordinary shares in the Company, subject to the Company meeting performance objectives.

| Grant date | Expiry date | Exercise Price | Balance at 30-06-20 | Granted | Exercised | Expired | Balance at 30-06-21 |
|---|---|---|---|---|---|---|---|
| 25-06-20 | 25-06-21 | $0.017 | 100,000 | - | - | (100,000) | - |
| 25-06-20 | 25-06-21 | $0.034 | 100,000 | - | - | (100,000) | - |
| 25-06-20 | 25-06-21 | $0.040 | 900,000 | - | (900,000) | - | - |
| 09-02-21 | 09-02-22 | $0.160 | - | 2,500,000 | - | - | 2,500,000 |
| 09-02-21 | 17-08-21 | $0.160 | - | 7,500,000 | - | - | 7,500,000 |
| 09-02-21 | 09-02-22 | $0.200 | - | 5,000,000 | - | - | 5,000,000 |
| | | | 1,100,000 | 15,000,000 | (900,000) | (200,000) | 15,000,000 |

On 9 February 2021, Harris Technology Limited (HT8) issued 15,000,000 Unlisted options to a third party service provider in three tranches. The exercise price of the options are as follows:

- Tranche 1 2,500,000 options to be exercised at 16c each – Expiry 09-02-2022.
- Tranche 2 7,500,000 options to be exercised at 16c each – Expiry 17-08-2021.
- Tranche 3 5,000,000 options to be exercised at 20c each – Expiry 09-02-2022.

# Directors' Declaration

(For the Financial Year Ended 30 June 2021)

In accordance with a resolution of the directors of Harris Technology Group Limited and its controlled entities, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Harris Technology Group Limited and its controlled entities for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and the Corporations Regulations 2001;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board

**Alan Sparks**
Non-Executive Chairman

Melbourne 26 August 2021

Accountants & Advisors

Take the lead

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF HARRIS TECHNOLOGY GROUP LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Harris Technology Group Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Harris Technology Group Limited is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended, and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. KAM Topic

### Valuation of Inventory

**Refer also to Note 2 (Accounting Policy), Note 13 (Financial Disclosures)**

The Group inventory of $10,766,788 is significant to the financial statements and has increased by $7,443,803 from the prior year.

Inventory is required to be carried at the lower of its cost and net realisable value and cost is determined on a first in first out basis.

The valuation of inventory involves judgement by management depending on the age and type of inventory.

Because of the nature of the inventory, being technological goods, the high level of judgement involved in determining its net realisable value, and the significant carrying amounts involved, we have determined that this is a key judgement area that our audit has focussed upon.

Our Audit procedures included:

- Obtaining an understanding and assessing key controls over the valuation of inventory
- Comparing cost and sales prices to ensure inventory was valued at the lower of cost and net realisable value
- Evaluating the aging of inventory and ensuring costs assigned to inventory were reasonable
- Obtaining an understanding of the methods, assumptions and data used by management in determining the need for an inventory provision
- Assessing whether the methods, assumptions and data were appropriate

We assessed the adequacy of the Group disclosures in respect of Inventory.

## 2. KAM Topic

### Revenue Recognition

**Refer also to Note 2 (Accounting Policy), Note 7 (Financial Disclosures)**

Revenue recognition involves judgement by management on determining when control passes to the customer as well as identifying and quantifying any potential variable consideration.

Because of the complexities involved in applying AASB 15 *Revenue from Contracts with Customers*, and the estimation involved in quantifying variable consideration values that have not yet been applied, we have determined that this is a key judgement area that our audit has focussed upon.

Our Audit procedures included:

- Obtaining an understanding of the various revenue streams
- Evaluating whether the Group's accounting policy is inline with AASB 15 Revenue from Contracts with Customers
- Obtaining an understanding and assessing key controls over revenue recognition
- Obtaining an understanding of the methods, assumptions and data used by management in revenue recognition
- Assessing whether the methods, assumptions and data were appropriate
- Evaluating the point of transfer of control to customers
- Evaluating calculation of variable consideration components

We assessed the adequacy of the Group disclosures in respect of revenue recognition.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Harris Technology Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

ShineWing Australia

**ShineWing Australia**
Chartered Accountants

Nick Michael
Partner
Melbourne, 26 August 2021

# Additional Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 23 August 2021 (**Reporting Date**).

## Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Harris Technology Group Limited's website (www.ht8.com.au/investor-relations/corporate-governance) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Harris Technology Group Limited and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Harris Technology Group Limited's website (www.ht8.com.au/investor-relations/corporate-governance).

## Substantial holders

As at the Reporting Date, the names of the substantial holders of Harris Technology and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Harris Technology, are as follows:

| Holder of Equity Securities | Class of Equity Securities | Number of Equity Securities held | % of total, issued securities capital in relevant class |
|---|---|---|---|
| Australian PC Accessories Pty Ltd & Garrison Huang | Ordinary Shares | 86,643,708 | 28.75% |

## Number of holders

As at the Reporting Date, the number of holders in each class of equity securities:

| Class of Equity Securities | Number of holders |
|---|---|
| Fully Paid Ordinary Shares | 2,075 |
| Options at various prices | 17 |

## Voting rights of equity securities

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 2,075 holders of a total of 297,795,481 ordinary shares of the Company.

At a general meeting of Harris Technology, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

## Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

### Distribution of ordinary shareholders

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1 – 1,000 | 118 | 21,260 | 0.01 |
| 1,001 – 5,000 | 360 | 1,378,774 | 0.46 |
| 5,001 – 10,000 | 409 | 3,261,217 | 1.10 |
| 10,001 – 100,000 | 948 | 35,718,353 | 11.99 |
| 100,001 – 9,999,999,999 | 240 | 257,415,877 | 86.44 |
| **Totals** | **2,075** | **297,795,481** | **100.00** |

### Distribution of performance rights holders

| Holdings Ranges | Holders of performance rights vesting 5 July 2021 | % |
|---|---|---|
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | 0 | 0 |
| 100,001 – 9,999,999,999 | - | - |
| **Totals** | **0** | **0** |

## Less than marketable parcels of ordinary shares (UMP Shares)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

| Total Securities | UMP Shares | UMP Holders | % of issued shares held by UMP holders |
|---|---|---|---|
| 297,795,481 | 795,057 | 353 | 0.266 |

## Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders are as follows:-

| Class of restricted securities | Number of unquoted Equity Securities | Number of Holders |
|---|---|---|
| Options | 7,500,000 | 1 |

There are no person who hold 20% or more of equity securities in each unquoted class other than under an employee incentive scheme.

## On-market buyback

The Company is not currently conducting an on-market buy-back.

## On-market purchase of securities under employee incentive scheme

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

## Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

| Holder Name | Balance as at Reporting Date | % |
|---|---|---|
| Australian PC Accessories | 82,940,872 | 27.85% |
| BNP Paribas Noms Pty Ltd <DRP> | 14,702,092 | 4.94% |
| Mr Weiyu Zhang | 11,844,086 | 3.98% |
| Fu-Tien Lee | 8,216,242 | 2.76% |
| Mr Kenneth Joseph Hall | 8,000,000 | 2.69% |
| Cha Shin Chi Investment Co Ltd | 5,488,969 | 1.84% |
| Ping Shen | 4,545,455 | 1.53% |
| Citicorp Nominees Pty Limited | 4,473,559 | 1.50% |
| HSBC Custody Nominees | 4,212,000 | 1.41% |

| | | |
|---|---|---|
| Miss Ping Yu | 4,136,097 | 1.39% |
| Beaumy Pty Ltd | 3,559,535 | 1.20% |
| H & J Investment Pty Ltd | 3,315,444 | 1.11% |
| Ackc Super Pty Ltd | 3,135,000 | 1.05% |
| Hunter Capital Advisors P/L | 3,000,000 | 1.01% |
| Mr Garrison Huang & Ms Xiaoying Tang | 2,702,836 | 0.91% |
| BNP Paribas Noms Pty Ltd <IB AU NOMS RETAILCLIENT DRP> | 2,652,074 | 0.89% |
| Arian Pony Pty Ltd | 2,500,000 | 0.84% |
| Ms Weili Ma | 2,415,602 | 0.81% |
| Mr Junji Kamoshida | 2,320,000 | 0.78% |
| Mr David Correia | 2,000,000 | 0.67% |
| **Total number of shares of Top 20 Holders** | **176,159,896** | **59.16%** |
| **Total Remaining Holders Balance** | **121,635,618** | **38.40%** |

## Item 7 issues of securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

## Company Secretary

The Company Secretary is Mr Brett Crowley.

## Registered Office

The address and telephone number of the Company's registered office are:

Unit 6, 94 Abbott Road,
Hallam, Victoria 3803
Tel: 1300 13 99 99

## Share Registry

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Level 12, 225 George Street
Sydney New South Wales 2000
Tel: 1300 737 760

## Stock Exchange Listing

Harris Technology's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: HT8).


DELTA
ANYWARE
Notebook
VIRTUAL
REALITY
Licensing
eset
BRAYECK
INFORMATION
M2C
DISTRIBUTION
Networking
LINKBASIC
Lifestyle
Huntkey
Speakers
AUGMENTED
WOWBABY
DROBO
Printer
ECOMMERCE
BOOGIEBOARD
MOBILE
LEDware
HARRISTECHNOLOGY
HTS
Display
Storage
AEROCOOL
AZIO
EDIMAX
DXRACER
PROMISE
Tablet
rapoo
ADESSO