

Harris Technology Group Limited

ABN 93 085 545 973

Current reporting period: 1 July 2022 to 30 June 2023

Previous corresponding period: 1 July 2021 to 30 June 2022

Appendix 4E - Results for Announcement to the Market

		% Change from previous corresponding period		Current reporting period \$A
Revenues from ordinary activities	down	-51.91%	to	24,185,555
Profit from ordinary activities after tax attributable to members	down	-125.55%	to	(3,303,673)
Profit for the period attributable to members	down	-125.55%	to	(3,303,673)

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend		
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 2023 was \$24,185,555, a decrease of 51.91% from the previous corresponding period (2022: \$50,295,594).

Net loss from continuing operations for the year ended 30 June 2023 was \$3,303,673 a decrease of 125.55% from the previous corresponding period (2022: \$1,464,735).

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 2023 Statement of Profit and Loss and Statement of Financial position. www.ht8.com.au

Net tangible assets	June 2023	June 2022
Net tangible assets per ordinary security	0.010 cents	0.021 cents

Control gained or lost over entities

Nil

Details of associates and joint venture entities

Nil

Attachments

The unaudited annual financial report of Harris Technology Group Limited for the year ended 30 June 2023 is attached.

Commentary

Sales revenue of \$24.2 million represented a decline on the previous year but this was in line with the strategic review undertaken by Harris Technology in June 2022 which committed to overhauling the margin mix of products within the product portfolio. The review resulted in Harris Technology reducing the range of products sold, with a focus on gross product margins generated and inventory turnover ratio. These changes were reflected in FY23 sales revenue but with the difference largely consisting of products that were generating low margins or losses due to inventory hold times.

Harris Technology entered the Household products category with sales generated through online marketplaces and own home.ht channel. Products within the Household category have typically been those found in all homes around Australia with a consistent demand witnessed throughout the financial year where the gross product margins are at least 40%.

Since travel restriction eased in China, Harris Technology has relaunched its Manufacturer-to-Consumer (M2C) business partnering with product manufacturers, principally in China to source products and competitively market them globally due to the direct channel approach. This business model does not operate any company's own warehousing facilities instead utilising third-party logistic companies such as Amazon when expanding internationally.

Harris Technology ended FY23 with \$4.7M of inventory on hand, down from the \$9.8M at the end of FY22. The reduction in inventory was primarily driven by technology product sales at clearance prices to limit ageing and preserve cash. This inventory reduction initiative has enabled the Company to expand to the Household category and launch of M2C without the need to raise capital. Both divisions have shown potential for long-term growth with strong gross margins from low-scale turnover.

The (\$3.3M) NPAT loss for FY23 included a \$0.8M non-cash write back of deferred tax asset due to the uncertainty of the market.

Signed

As authorised by the Board of Directors

A handwritten signature in black ink, appearing to read 'Alan Sparks', written in a cursive style.

Alan Sparks
Chairman
31 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(FOR THE YEAR ENDED 30 JUNE 2023)

	Notes	2023 \$	2022 \$
Sales revenue	7 (a)	24,185,555	50,295,594
Direct costs		(20,427,911)	(42,837,482)
Gross profit		3,757,644	7,458,112
Other income	7 (b)	6,397	1,007
Expenses			
Sales transaction expenses	8 (b)	(2,905,760)	(4,312,364)
Employee, contractor and director expenses		(2,089,968)	(2,653,334)
Distribution expenses		(484,726)	(1,106,520)
Legal, administration and registry expenses		(308,323)	(247,108)
Depreciation expenses	8 (a)	(170,170)	(145,161)
Finance costs	8 (c)	(168,861)	(134,333)
Technology expenses		(107,170)	(91,804)
Marketing expenses		(34,655)	(33,367)
Foreign exchange (loss)/gain		(4,205)	11,163
Other expenses		(10,484)	(211,026)
		(6,284,322)	(8,923,854)
Loss before income tax for the year		(2,520,281)	(1,464,735)
Income tax expense	9	(783,392)	-
Loss after income tax for the year		(3,303,673)	(1,464,735)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		(3,303,673)	(1,464,735)
Earnings per share from profit			
- Basic earnings per share	10	(1.10)	(0.49)
- Diluted earnings per share	10	(1.10)	(0.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 JUNE 2023)

	Notes	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	11	1,766,018	2,385,803
Trade and other receivables	12	1,443,007	2,392,703
Inventories	13	4,747,855	9,788,196
Prepayments and deposits	14	234,200	284,429
Total Current Assets		8,191,080	14,851,131
Non-current Assets			
Property, plant and equipment	15	111,268	126,963
Right-of-use assets	16	1,416,823	1,557,662
Intangible assets		9,320	-
Deferred tax assets	9	-	783,392
Total Non-current Assets		1,537,411	2,468,017
Total Assets		9,728,491	17,319,148
Current Liabilities			
Trade and other payables	17	2,724,345	5,966,987
Borrowings	18	2,250,918	3,076,122
Contract liabilities	19	-	156,026
Lease liabilities	20	124,779	117,738
Employee benefit liabilities	21	132,720	154,196
Total Current Liabilities		5,232,762	9,471,069
Non-current Liabilities			
Lease liabilities	20	1,401,562	1,496,883
Employee benefit liabilities	21	111,562	64,918
Total Non-current Liabilities		1,513,124	1,561,801
Total Liabilities		6,745,886	11,032,870
Net Assets		2,982,605	6,286,278
Equity			
Contributed equity	22	17,590,784	17,590,784
Accumulated losses	24	(14,608,179)	(11,304,506)
Reserves	23	-	-
Total Equity		2,982,605	6,286,278

CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED 30 JUNE 2023)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		25,387,053	51,499,665
Payments to suppliers and employees		(24,912,482)	(52,886,928)
Net cash flows provided by/(used in) operating activities	11	474,571	(1,387,263)
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,956)	(130,194)
Net cash flows used in investing activities		(22,956)	(130,194)
Cash flows from financing activities			
Proceeds from borrowings		-	2,450,000
Repayment of borrowings		(900,000)	(1,711,113)
Repayment of lease liabilities		(171,400)	(97,734)
Net cash flows(used in)/ provided by financing activities		(1,071,400)	641,153
Net (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		2,385,803	3,262,107
Cash and cash equivalents at the end of the financial year		1,766,018	2,385,803

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(FOR THE YEAR ENDED 30 JUNE 2023)

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2022	17,590,784	-	(11,304,506)	6,286,278
Loss for the year	-	-	(3,303,673)	(3,303,673)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	(3,303,673)	(3,303,673)
At 30 June 2023	17,590,784	-	(14,608,179)	2,982,605

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2021	17,556,284	59,364	(9,954,535)	7,661,113
Loss for the year	-	-	(1,464,735)	(1,464,735)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	(1,464,735)	(1,464,735)
Contributions to equity (net of equity raising costs)	34,500	-	-	34,500
Share based payment transactions	-	(59,364)	114,764	55,400
At 30 June 2022	17,590,784	-	(11,304,506)	6,286,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023)

11. CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Cash at bank and on hand	1,766,018	2,385,803
Total cash and cash equivalents	1,766,018	2,285,803

Reconciliation of net profit/(loss) after tax to net operating cash flows	2023	2022
	\$	\$
Net profit/(loss) after tax	(3,303,673)	(1,464,735)
Non-cash items	772,447	319,186
Interest expenses	168,861	
Depreciation and amortisation	170,170	
Changes in operating assets and liabilities		
Decrease in trade and other receivables	949,696	736,676
(Increase) in prepayments and deposits	50,229	(130,005)
Decrease in inventories	5,040,341	978,592
Increase/(decrease) in contract liabilities	(156,026)	(131,095)
(Decrease) in trade and other payables	(3,242,642)	(1,767,928)
Increase in employee benefit liabilities	25,168	72,046
Net cash flows provided by operating activities	474,571	(1,387,263)

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

12. TRADE AND OTHER RECEIVABLES

	2023 \$	2022 \$
Trade and other receivables	1,491,330	2,441,026
Allowance for expected credit losses	(48,323)	(48,323)
Total trade and other receivables	1,443,007	2,392,703

	2023 \$	2022 \$
Current		
30 days	1,275,164	2,185,032
60 days	85,134	65,223
90 days +	131,032	190,771
Total	1,491,330	2,441,026

Trade and other receivables are usually non-interest bearing, unsecured and generally payable on no more than 30-day terms.

Past due but not impaired receivables At balance date no trade and other receivables were past due but not impaired.

Impaired receivables At balance date, other than debtors that have been provided for as a doubtful from the prior year, no other receivables have been determined to be impaired.

Credit risk The Group has no significant credit risks identified at 30 June 2023. The sales of goods receivable balances outstanding are within the terms of the customer agreements and are considered to be of high credit quality.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

13. INVENTORIES

	2023	2022
	\$	\$
Finished goods	5,361,987	10,299,988
Provision for stock obsolescence	(614,132)	(511,792)
Total inventories	4,747,855	9,788,196

The cost of inventories recognised as an expenses during the year was \$614,132 (2022: \$511,792) and includes \$614,132 (2022: \$511,792) in write down to net realizable value.

14. PREPAYMENTS AND DEPOSITS

	2023	2022
	\$	\$
Prepayments	231,337	249,758
Deposits	2,863	34,671
Total prepayments and deposits	234,200	284,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023)

15. PROPERTY, PLANT AND EQUIPMENT

	Office and warehouse equipment \$	Furniture & Fixtures \$	Total \$
Gross carrying amount			
At 1 July 2022	140,559	3,909	144,468
Additions – assets acquired	-	13,636	13,636
At 30 June 2023	140,559	17,545	158,104
Accumulated Depreciation			
At 1 July 2022	16,506	999	17,505
Depreciation for the year	26,091	3,240	29,331
At 30 June 2023	42,597	4,239	46,836
Net carrying amount			
At 30 June 2022	124,053	2,910	126,963
At 30 June 2023	97,962	13,306	111,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023)

16. RIGHT-OF-USE ASSETS

	2023	2022
	\$	\$
Buildings right-of-use assets cost	1,683,521	1,683,521
Less: Accumulated depreciation	(266,698)	(125,859)
Carrying value	1,416,823	1,557,662

The Group leases land and buildings for its office and warehouse under an agreement of Two further terms of three years each. Expiry date of the term being 04/05/2026 and renewal 6 months prior to the expiry date of 04/05/2026

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 at 30 June 2022	1,557,662
Depreciation expense	(140,839)
At 30 June 2023	1,416,823

17. TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Trade payables	2,602,953	5,214,125
Other payables	121,392	752,862
Total trade and other payables	2,724,345	5,966,987

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.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

18. BORROWINGS

	2023 \$	2022 \$
Unsecured		
Related party loans (Note 25)	2,250,918	3,071,705
Third party loans	-	4,417
Total current borrowings	2,250,918	3,076,122
	\$	\$
Opening balance	3,076,122	2,338,235
Loan Drawdown and other transactions	(14,493)	2,364,082
Interest	89,289	84,918
Repayment of borrowings	(900,000)	(1,711,113)
Closing balance	2,250,918	3,076,122

19. CONTRACT LIABILITIES

	2023 \$	2022 \$
Contract liabilities	-	156,026
Total contract liabilities	-	156,026

There were no contract liabilities during the current year.

20. LEASE LIABILITIES

	2023 \$	2022 \$
Lease liabilities – current	124,779	117,738
Lease liabilities – non-current	1,401,562	1,496,883
Total lease liabilities	1,526,341	1,614,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023)

21. EMPLOYEE BENEFIT LIABILITIES

	2023 \$	2022 \$
Current		
Annual leave	121,139	105,188
Long service leave	11,581	49,008
Total current	132,720	154,196
Non-current		
Annual Leave	23,592	-
Long service leave	87,969	64,918
Total non-current	111,562	64,918

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

	2023 \$	2022 \$
Movement in liabilities - Long Service Leave		
Opening balance	61,072	31,148
Expense recognition	38,478	82,778
Closing balance	99,550	113,926
Movement in liabilities - Annual Leave		
Opening balance	158,042	111,599
Expense recognition	(13,310)	(6,411)
Closing balance	144,732	105,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(for the Financial Year ended 30 June 2023)

22. CONTRIBUTED EQUITY

Issued and paid-up capital	2023	2022
	\$	\$
Ordinary shares fully paid (net of equity raising costs)	17,590,784	17,590,784
Contributed equity	17,590,784	17,590,784

Movements in ordinary shares on issue	Number of Shares	\$
Opening balance	298,295,481	297,795,481
Shares issued during the year	840,000	500,000
Closing balance	299,135,481	298,295,481

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 2023)

23. RESERVES

	2023 \$	2022 \$
Balance at beginning of financial year	-	59,364
Share based payments transfer	-	(59,364)
Balance at end of financial year	-	-

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.

24. ACCUMULATED LOSSES

	2023 \$	2022 \$
Balance at beginning of financial year	(11,304,506)	(9,954,535)
Net profit for the year	(3,303,673)	(1,464,735)
Share based payments transfer	-	59,364
Share based payment adjustment	-	55,400
Balance at end of financial year	(14,608,179)	(11,304,506)

25. RELATED PARTY LOANS

The loan balances are set out as below:

	2023 \$	2022 \$
Name of director		
Garrison Huang	2,250,918	3,071,705
Total related party loans	2,250,918	3,071,705

The loan facility is secured by a registered mortgage and general security charge over the assets of the Group. The facility is interest only, with a fixed interest rate of 3.5% and increased to 6% effective from 1 July 2023, matures on 30 September 2024.

The loan facility previously had a maturity of 31 December 2023 and was extended 30 September 2024 on 30 June 2023. Mr Huang also committed \$3m funding making the total facility limit from \$4.5m to \$3.0m

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

25. RELATED PARTY LOANS (CONTINUED)

At 30 June 2023, the Group had access to:

	2023	2022
	\$	\$
Credit facility		
Cash advance facility	3,000,000	4,500,000
Drawn balance	(2,250,918)	(3,071,705)
Undrawn balance	749,082	1,428,295