APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDING 30 JUNE 2004

HiTech Group Australia Limited

A.B.N. 41 062 067 878

APPENDIX 4E

Preliminary Final Report

HiTech Group Australia Limited	
A.B.N 41 062 067 878	**Financial Year ended 30 June 2004**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A
Revenues from ordinary activities	Up	**19.78%**	**to**	**4,944,191**
Profit from ordinary activities after tax attributable to members	Up		**to**	**144,723**
Net profit for the period attributable to members	Up		**to**	**144,723**

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	No final dividend proposed	
Previous corresponding period	Nil	Nil

Comment on figures reported:

HiTech's core business is the recruitment of ICT professionals and the supply of contracting services, a sector of the market that has been relatively depressed over the past 2 years. However the financial year 2004 has seen an improvement in the ICT sector which has been the main catalyst in HiTech's return to profitability.

It is expected that there will be a continual improvement in this sector in financial year 2005 as more corporations look to upgrade their IT systems.

As the need for skilled ICT professionals increases, HiTech will be well positioned to experience continued growth with the successful placement of a broad range of multi-skilled ICT professionals on a permanent and contract basis

HiTech therefore expects increased profitability as the market expands and margins improve.

1. STATEMENT OF FINANCIAL PERFORMANCE

	Note	Financial year ended 30 June 2004 $	30 June 2003 $
Sales Revenue	**4.1(a)**	4,900,269	4,084,599
Cost of Sales	**4.1(c)**	(3,589,504)	(3,101,431)
Gross Profit		1,310,765	983,168
Other revenue from ordinary activities	**4.1(a) & (b)**	3,157,881	43,977
Marketing expenses		(30,567)	(42,685)
Occupancy expenses		(161,489)	(170,509)
Borrowing costs		(116,042)	(115,956)
Cost of property, plant and equipment disposed of		(3,018,267)	-
Administration expenses		(965,775)	(1,934,722)
Other expenses from ordinary activities		(30,849)	(82,367)
Profit/(Loss) from Ordinary Activities before Income Tax Expense	**4.1**	145,657	(1,311,894)
Income tax expense relating to ordinary activities	**4.2**	(934)	(2,740)
Profit/(Loss) from Ordinary Activities after Related Income Tax Expense		144,723	(1,314,634)
Net Profit/ (Loss) attributable to outside equity interests		-	-
Net Profit/ (Loss) attributable to Members of the Company		144,723	(1,314,634)
(Decrease) in asset revaluation reserve arising on revaluation of non-current assets	**4.14**	-	(232,341)
Total Revenue, Expenses and Valuation Adjustments Attributable to Members of the Company Recognised Directly in Equity		-	(232,341)
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		**144,723**	**(1,546,975)**

2. STATEMENT OF FINANCIAL POSITION

	Note	30 June 2004 $	30 June 2003 $
Cash assets	**4.15(a)**	1,653,219	502,259
Receivables	**4.3**	578,863	584,523
Other	**4.4**	5,049	30,625
TOTAL CURRENT ASSETS		2,237,131	1,117,407
NON-CURRENT ASSETS			
Property, plant and equipment	**4.5**	57,386	3,049,501
Deferred tax assets	**4.6**	-	4,705
TOTAL NON-CURRENT ASSETS		62,091	3,054,206
TOTAL ASSETS		2,299,222	4,171,613
CURRENT LIABILITIES			
Payables	**4.7**	273,454	341,695
Current tax liabilities	**4.8**	-	44,754
Provisions	**4.9**	30,887	19,722
TOTAL CURRENT LIABILITIES		304.341	406,171
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	**4.10**	-	1,900,000
Provisions	**4.9**	4,049	19,333
TOTAL NON-CURRENT LIABILITIES		4,049	1,919,333
TOTAL LIABILITIES		308,930	2,325,504
NET ASSETS		**1,990,832**	**1,846,109**

2. STATEMENT OF FINANCIAL POSITION (continued)

	Note	Financial year ended 30 June 2004 $	30 June 2003 $
EQUITY			
Contributed equity	**4.13**	2,869,213	2,869,213
Reserves	**4.14**	44,144	44,144
Accumulated losses	**6**	(922,525)	(1,067,248)
TOTAL EQUITY		**1,990,832**	**1,846,109**

3. STATEMENT OF CASH FLOWS

	Note	30 June 2004 $	30 June 2003 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,432,520	4,602,154
Payments to suppliers and employees		(5,216,025)	(4,645,916)
Interest and other costs of finance paid		(97,726)	(107,728)
Interest received		23,430	38,909
Income tax paid		(45,688)	(38,183)
Net cash provided by (used in) operating activities	**4.15(c)**	**96,511**	**(150,765)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,980,341	-
Purchase of property, plant and equipment		(25,892)	(9,113)
Net cash used in investing activities		**2,954,449**	**(9,113)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(465,000)
Repayment of borrowings		(1,900,000)	-
Net cash (used in) financing activities		**(1,900,000)**	**(465,000)**
Net increase (decrease) in cash held		1,150,960	(624,878)
Cash at the beginning of the financial year		502,259	1,127,137
Cash at the end of the financial year	**4.15 (a)**	**1,653,219**	**502,259**

4. NOTES TO THE FINANCIAL STATEMENTS

4.1 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(Loss) from ordinary activities before income tax includes the following items of revenue and expense:

	Note	30 June 2004 $	30 June 2003 $
(a) Operating Revenue			
- Contracting and permanent placement revenue	(i)	4,900,269	4,084,599
- Interest received – other entities		26,147	35,983
- Rental revenue		7,200	7,200
- Other revenue		10,575	-
		4,944,191	4,127,782

(i) Contracting revenue includes permanent placement fees and contract services provided.

		30 June 2004 $	30 June 2003 $
(b) Non-Operating Revenue			
- Proceeds from disposal of property, plant and equipment		3,100,000	-
- Proceeds from insurance claim on destruction of plant and equipment		13,959	-
		3,113,959	-
		8,058,150	-

4.1 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (continued)

	Note	Financial year ended 30 June 2004 $	30 June 2003 $
(c) Expenses			
Cost of sales		3,589,504	3,101,431
Interest:			
Other entities		116,041	115,956
Net bad and doubtful debts arising from:-			
· Trade debtors		2,212	14,000
Rental expense on operating leases			
Minimum lease payments		7,500	-
Depreciation and amortisation of non-current assets property, plant and equipment		116,891	913,725
Net transfers to/(from) provisions			
Employee benefits		(4,119)	14,649
(d) Disposal of assets			
Losses on disposal at no value in the ordinary course of business		2,507	11,646
(e) Net Gain on sale of non-current assets			
·Property, plant and equipment		81,733	-

4.2 INCOME TAX

The prima facie income tax (benefit)/expense on pre-tax (loss) reconciles to the income tax expense in the financial statements as follows:-

Profit/(Loss) from Ordinary Activities	145,657	(1,311,894)
Income tax (benefit)/expense calculated at 30% of operating profit/ (loss)	43,687	393.568
Permanent differences		
Non-allowable depreciation of building	21,813	25,983
Other non-allowable items	8,225	7,741
Non deductible building depreciation recouped	(24,520)	-
Under provision for income tax in prior year	934	2,740
Less future income tax benefits not brought to account	(49,205)	(427,292)
Income tax expense attributable to operating profit/ (loss)	934	2,740

4.3 RECEIVABLES

Trade receivables	581,986	580,465
Allowance for doubtful debts	(6,000)	(3,788)
	575,986	576,677
Unbilled revenue	2,877	7,846
	578,863	584,523

4.4 OTHER

Prepayments	5,049	30,625

4.5 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings at fair value	Plant & Equipment at cost	Software at cost	TOTAL
	$	$	$	$
Gross Carrying Amount				
Balance at 30 June 2003 (i)	3,000,001	195,121	1,077,683	4,272,805
Additions		25,892	-	25,892
Disposals (ii)	(3,000,001)	-	-	(3,000.001)
Write-off of assets	-	(20,236)	-	(20,236)
Balance at 30 June 2004	-	200,777	1,077,683	1,278,460
Accumulated Depreciation/ Amortisation				
Balance at 30 June 2003	(9,815)	(155,438)	(1,058,051)	(1,223,304)
Depreciation expense	(91,576)	(19,232)	(6,083)	(116,891)
Write-off assets sold	101,391	-	-	101,391
Write-off assets	-	17,729	-	17,729
Balance at 30 June 2004	-	(156,942)	(1,064,133)	(1,221,074)
Net Book Value				
As at 30 June 2003	2,990,186	39,683	19,632	3,049,501
As at 30 June 2004	-	43,836	15,550	57,386

(i) The land and building was recorded at cost at 1 July 2001 and was revalued to market value on 4 April 2002 in accordance with an independent valuation with $276,485 credited to an Asset Revaluation Reserve.
(ii) The land and building was again revalued to its market value on 31 May 2003 in accordance with an independent valuation. The directors considered this adequately reflected fair value at 30 June 2003.
(iii) The HiTech strata unit office was conditionally sold to an entity associated with Raymond Hazouri, a Director of the company, on 26 July 2003 for $3 million. The sale was subject to shareholder approval which was obtained at the 2003 Annual General Meeting held in November 2003. Settlement on the sale has now taken place with a resultant accounting profit on the sale of $81,733.

	Financial year ended 30 June 2004	30 June 2003
	$	$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Building	91,576	111,913
Plant and equipment	19,232	78,390
Software	6,082	835,335
	116,890	1,025,638

4.6 DEFERRED TAX ASSETS

Future income tax benefit:		
Timing differences	4,705	4,705

4.7 PAYABLES

Trade Creditors	163,529	178,710
Other creditors and accruals	109,925	162,985
	273,454	341,695

4.8 CURRENT TAX LIABILITIES

Income tax payable	-	44,754

4.9 PROVISIONS

	Note	Financial year ended 30 June 2004 $	30 June 2003 $
Current			
Employee benefits		30,887	19,721
Non-current			
Employee benefits		4,049	19,333

4.10 INTEREST BEARING LIABILITIES

Secured

Commercial bills (i)	-	1,900,000

(i) Secured by a mortgage over the company's freehold land and building the current market value of which exceeds the value of the mortgage. The building has now been sold, the mortgage released and the commercial bill extinguished.

4.11 OPERATING LEASE COMMITMENTS

Non-cancellable operating leases contracted but not capitalised in the financial statements		
- Payable not later than one year	45,000	-

4.12 EMPLOYEE BENEFITS

The aggregate employee benefit liability recognised and included in the financial statements is as follows:-		
Provision for employee benefits		
Current (note 14)	30,887	19,721
Non-current (note 14)	4,049	19,333
	34,936	39,054
Number of employees at end of financial year	11	11

4.13 CONTRIBUTED EQUITY

31,000,000 fully paid ordinary shares	(2003: 31,000,000)	2,869,213	2,869,213

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options

The issue of share options under the employee share option plan is at the Board's discretion. There were 2,495,000 options issued to staff including executive directors during the financial year. There were 3,350,000 options issued under the plan and outstanding at year end which were issued in this and the previous year. No options were exercised during the financial year.

4.14 RESERVES

	Note	Financial year ended 30 June 2004 $	30 June 2003 $
Asset Revaluation Reserve (a)		-	44,144
Asset Realisation Reserve (b)		44,144	-
		44,144	44,144
Asset Revaluation Reserve			
Balance at beginning of financial year		44,144	276,485
Revaluation/(devaluation) of land and buildings		-	(232,341)
Transfer to realisation reserve on land and buildings sold in the year		(44,144)	-
Balance at end of financial year		-	44,144
Asset Realisation Reserve			
Balance at beginning of financial year		-	-
Transfer from Asset Revaluation Reserve on land and buildings sold in the year		44,144	-
Balance at end of financial year		44,144	-

(a) The asset revaluation reserve has arisen on the revaluations of non-current assets as per Note 4.5. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to an asset realisation reserve.

(b) The asset realisation reserve has arisen on the sale of land and buildings sold during the year.

4.15 NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.
Cash at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	30 June 2004 $	30 June 2003 $
Cash	312,226	119,368
Deposits at call	1,340,993	382,891
	1,653,219	502,259

(b) Financing Facilities

	30 June 2004 $	30 June 2003 $
Secured commercial bill facility for 3 years (expires June 2004):		
Amount used	-	1,900,000
Amount unused	-	-
	-	1,900,000

(c) Reconciliation of Loss from Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities

	30 June 2004 $	30 June 2003 $
Profit/(Loss) from ordinary activities after related income tax	144,723	(1,314,634)
Depreciation and amortisation of non-current assets	116,891	1,025,638
Loss on disposal of property, plant and equipment	2,507	11,446
Net gain on disposal of property, plant and equipment	(81,733)	-
Increase/(decrease) in income tax payable	(44,754)	(63636)
Increase/(decrease) in tax balances	-	28,192
(Increase)/decrease in assets		
Current receivables	5,660	114,529
Other current assets	25,576	51,193
Increase/(decrease) in liabilities		
Provisions	(4,119)	14,649
Trade payables	(68,240)	(18,142)
Net cash from operating activities	96,511	(150,765)

4.15 NOTES TO STATEMENT OF CASH FLOWS (continued)

(c) Investing Activities

During the year the economic entity wrote down the value of land and buildings by $232,341. This write down is not reflected in the statement of cash flows.

4.16 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation but have not yet quantified the effect of the differences discussed below.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use.

Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Derivative Financial Instruments

The economic entity does not currently recognize derivative financial instruments in the financial statements. Pending AASB 139: Financial Instruments: Recognition and measurement will require a change to the method of accounting for derivative financial instruments as debt depending on the terms and conditions of the instruments.

5. DIVIDENDS

	Financial year ended			
	30 June 2004		30 June 2003	
	Cents per Share	Total $	Cents per Share	Total $
Fully Paid Ordinary Shares				
Interim dividend – franked to 30% (I)	-	-	-	-
Final dividend – franked to 30% (I)	-	-	-	-
	-	-	-	-

(I) dividends relate to ordinary securities of 31 million as there are no issued preference securities
(ii) there are no dividend or distribution reinvestment plans in operation

	Financial year ended	
	30 June 2004 $	30 June 2003 $
Adjusted franking account balance (i)	272,357	226,669

(i) Following the introduction of the simplified tax system on 1 July 2003 the franking account balance has been adjusted to reflect the tax paid basis

6. (ACCUMULATED LOSSES)/RETAINED EARNINGS

	Note	Financial year ended 30 June 2004 $	ended 30 June 2003 $
Balance at beginning of financial year		(1,067,248)	247,386
Net profit/(loss) attributable to members of parent entity		144,723	(1,314,634)
Dividends provided for or paid (note 5)			-
Balance at end of financial year		(922,525)	(1,067,248)

7. NTA BACKING

Net tangible asset backing per ordinary security (per share)	$0.06	$0.06

8. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

The group has not gained or lost control over any entity over the financial year.

9. DETAILS OF ASSOCIATE OR JOINT VENTURES ENTITIES

The group has no associate or joint venture entities.

10. COMMENTARY ON RESULTS FOR THE PERIOD

General

The group's core business is in recruitment of permanent and contracting ICT professionals, a sector of the market that has been relatively depressed over the past two financial years (2002 and 2003). However the financial year 2004 has seen an improvement in the ICT sector which has been the main catalyst in HiTech's increasing revenue and return to profitability.

In 2002 and 2003 financial years the group had to endure a squeeze on fees and termination of existing contracts as companies downsized or outsourced their IT departments. Whilst the market has improved greatly in financial year 2004 with both increased placement and contracting income, margins are still reduced as compared with pre 2002 years.

EPS

Earnings per share for the current financial year were 0.47 cents per share as compared with negative 4.24 cents per share in the previous corresponding period as a direct result of an improved ICT market as indicated above. While at 30 June 2004 there were 3,670,000 outstanding options, which were issued, in his and previous years, only 642,036 are dilutive and have been included in the total of the weighted average number of ordinary shares of 31 million and potential ordinary shares used in the calculation of diluted earnings per share. Diluted earnings per share in the current financial year were 0.47 and in the previous corresponding period no options were dilutive with the dilutive earning per share being the same as basic earnings per share of negative 4.24 cents.

Dividends

It has been the dividend policy of the board since listing to make an annual fully franked dividend payout of approximately 65% of net profit after tax. This, however, has been dependent on a number of factors including profits and the financial and taxation position of the group. Whilst the profitability of the group in the 2004 financial years and the availability of undistributed profits has precluded the payment of dividends to shareholders in this year, it is the intention of the board to once again implement the declared dividend policy when profits are available for distribution.

Segment Information

The consolidated entity operates primarily in one geographical and in one business segment, namely the ICT recruitment industry.

Significant features of operating performance

HiTech currently supplies permanent and contract staff from its large personalised database of over 45,000 specialised ICT professionals which has been developed through a strategy of concentrating on the use of the internet to expand its recruitment business.

The HiTech client base of over 265 active corporate clients is well established, with strong representation by high technology companies, banking/financial services companies plus State and Federal Government departments and agencies. HiTech has also entered into preferred supplier agreements for the supply of staff in both the public and private sectors.

Permanent recruitment, which comprises the search and selection of candidates for full time employment, is characterised by high profit margins. With the improved ICT results, permanent recruitment has experienced a significant upturn in the year ended 30 June 2004 as compared with the previous financial years with an increase in revenue from this activity of 77%.

ICT contracting, comprising the provision of ICT professionals for temporary and other non-permanent staffing needs of clients for specific projects, has continued to supply HiTech with cash flow. ICT contracting is viewed as a relatively higher volume business with lower margins. Contracting income and margins decreased substantially during the 2002 and 2003 financial years as employers discontinued existing contractors (due to head count reductions or outsource arrangements) or moved to the employment of permanent staff rather than contractors. The increase in revenue from this activity for the year ended 30 June 2004 was 13% compared with the previous corresponding period.

The above results reflect the changing economic conditions with an expected market recovery for the ICT sector. The previous years have been very challenging and have resulted in a margin squeeze on fees for both permanent and contracting placements. We expect to see improved margins in the next financial year. HiTech is fully geared to take advantage of any continued improvement in the ICT sector. We are working towards winning new business and ensuring that operating costs are kept to a minimum. We continue to explore participation in the rationalisation of the recruitment and ICT industries. We have retained our preferred supplier status with our valued clients and are working towards further developing these relationships.

HiTech has tendered for private and government recruitment business recently and has been successful. We have recently won another term for four years as a preferred supplier for the NSW Department of Commerce new 047/881 ICT contract. We expect to secure further contracts in the near future and win more business as the economy improves.

Recruitment in the ICT sector has slowed due to changing global market conditions. HiTech's recruitment business is broadly based in this sector and operates across the full range of IT services, including system development, infrastructure support & networking, operation and other skill sets. As the cycle turns and the need for skilled ICT professionals increases, HiTech will be well positioned to experience continued growth with the successful placement of a broad range of multi-skilled ICT professionals.

HiTech's reputation for quality of service and the delivery of suitable candidates that match client requirements have resulted in HiTech establishing a very successful and niche market position. Recently, we have seen a decline in the job market due to cost cutting by some companies. The recruitment sector will be reinvigorated as the economy picks up and activity resumes in the market place. HiTech will be prepared to take advantage of an expected recovery in the economy.

Factors which are likely to affect results in the future

With continued improvement in the ICT sector as firms and government commit further investment in this area, suppliers servicing this sector will continue to achieve good profitability.

Additionally, as the increase in demand for ICT services continues and the supply of qualified candidates becomes scarce, this will result in higher margins.

11. AUDIT OF ACCOUNTS

This report is based on accounts that are in the process of being audited and are not likely to be subject to dispute or qualification.

Barry F. Neal,
Company Secretary
27 August 2004