HiTech PERSONNEL

Excellence in recruitment and consulting

2006 ANNUAL REPORT

HiTech Group
Australia Limited
ABN 41 062 067 878

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ANNUAL GENERAL MEETING

The Annual General Meeting is to be held at Level 7, 9 Young Street, Sydney on Friday 27 October 2006 at 4 pm.

The notice of meeting is enclosed together with a proxy form.

CORPORATE DIRECTORY

HiTech Group Australia Limited's ("the Company's") shares are quoted on the official list of the Australian Stock Exchange Limited.
The ASX code for the Company's ordinary fully paid shares is "HIT".

Directors
Ray Hazouri – Chairman and chief executive officer
Sam Hazouri – Executive director
George Shad – Non-executive director
Elias Hazouri – Alternate director for Ray Hazouri

Company secretary
Barry F Neal

Registered office and principal office
Level 7
9 Young Street
Sydney NSW 2000
Telephone: (02) 9241 1919
Facsimile: (02) 9241 1731
Internet: www.hitechaust.com
E-mail:info@hitechaust.com

Share registry
Computershare Investor Services Pty Ltd
Level 3,
60 Carrington Square,
Sydney NSW 2000
Telephone: (02) 8234 5000

Auditors
Hall Chadwick
Level 29, St Martins Tower
31 Market Street,
Sydney NSW 2000

Bankers
St George Bank Limited
4-16 Montgomery Street
Kogarah NSW 2217

CHAIRMAN'S REPORT TO SHAREHOLDERS 2006

Dear Shareholder,

It is with pleasure that the directors present this annual report of HiTech Group Australia Limited and its controlled entities ('the consolidated entity") since the listing of the company on the Australian Stock Exchange ("ASX") on 17 April 2000.

For the financial year ended 30 June 2006, the consolidated entity's operating revenue for the financial year is $4,890,254 (FY05: $ 4,514,870). Net profit after taxation (NPAT) is $24,427 (FY05:net loss $26,796).

The above results show a significant improvement over last year's profit and revenue results and the directors are pleased with the results. Revenue has increased by 8.3% while there was a turnover from a loss of $26,796 to a profit of $24,427(profit increased by $51,233).

It is important to note that the reported NPAT would have been significantly higher by $177,470 had it not been for one off legal costs of $61,205, charges required under the new AIFRS standards which required the expensing of share options of $31,453 and the write down of an "unrealised loss" of $84,812, which is not an actual loss, on the group's investment in shares in ASX listed companies.

We expect to see improved results in the next financial year as we face a changing candidate short market. HiTech remains fully prepared 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 looked and are still looking at potential acquisitions that are EPS positive and suit our criteria. We are now more active in seeking acquisitions.

We have retained our preferred supplier status with our valued clients and are working towards further developing these relationships. We are constantly evolving and improving our systems and productivity to assist and provide a better service to our clients and candidates..

HiTech has tendered for private and government recruitment business recently and has been successful. We expect to secure further contracts in the near future and win more business as the economy improves.

HiTech has a stong balance sheet and remains a resilient and steadfast company. We are committed to improving our revenues and profitability and have shown that we can remain profitable in the last two financial years despite the challenging market.

We remain debt free and have increased productivity. Our major revenue is still generated from our core ICT recruitment business and we are active in non-ICT areas of recruitment as well.

HiTech has a proven business model that has evolved over the past twelve years. I am certain that our commitment to growth both organic and through appropriate acquisitions will enhance value for all our shareholders in the future.

The directors extend their appreciation to all our team members for their efforts during the year, our shareholders and valued clients.

Yours sincerely,

Raymond Hazouri

Chairman and Chief Executive Officer

8 September 2006

CORPORATE GOVERNANCE STATEMENT

HiTech is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" for the entire FY06 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

1. Lay solid foundations for management and oversight

1.1 Formalise and disclose the functions of the board and management

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The managing director and CEO is a member of the board and is also the chairman.

The key responsibilities of the board are:-

- the oversight of the company, including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
- appointment and removal of CEO, Company Secretary and senior management.

2. Structure the board to add value

2.1 Board composition

The constitution of the Company provides that the number of directors (not including alternate directors) should be not less than three nor more than nine. There are presently three directors. The executive directors are the Chairman and CEO Mr. R. Hazouri and COO Mr S. Hazouri. Mr. G. Shad is a non-executive and an independent director.

The skills, experience and expertise relevant to the position of each director who was in office at the date of the FY2006 Annual Report (and are still in office) and their term of office are detailed in the Director's Report.

While a majority of the board members are not independent directors, the board believes that the people on the board can and do make independent judgements in the best interests of the company at all times.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expenses on behalf of the company.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Must not be a substantial shareholder or 'associated directly with' a substantial shareholder of the company (a substantial shareholder is a shareholder holding 5% or more of the company).
- Must not have been employed as an executive by the company or a group member within the previous three years after ceasing to hold such employment.
- Must not be a principal of a 'material professional adviser' or a 'material consultant' to the company or a group member.
- Must not be a material supplier or customer of the company (or a group Member) or an officer of or otherwise associated directly or indirectly with a material supplier or customers.
- Must not have served on the board for a period which could be perceived to materially interfere with the director's ability to act in the best interests of the company.
- Must be free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company.

2.2 Chairperson of the board

The chairperson is an executive director, and therefore not an independent director. The board believes that the chairperson is able to make quality and independent judgement on all relevant issues falling within the scope of the role of a chairman.

The roles of managing director and chairperson are exercised by the same individual. The board believes that the managing director/chairperson is able to objectively separate the two roles when making decisions. The board has delegated day-to-day responsibility for the management of the Company to the managing director. The managing director must consult the board on all matters that are sensitive, extraordinary or of a strategic nature.

2.3 Nomination committee

The company does not have a nomination committee as the size of the company and the board does not warrant such a committee. All board nomination matters are considered by the whole board.

3. Promote ethical and responsible decision-making

3.1 Code of conduct

The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are expected to act in accordance with the law and with the highest standard of propriety.

3.2 Share trading policy

The company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

4. Safeguard integrity in financial reporting

4.1 Statement to the board by the managing director and chief financial officer

The board requires the managing director and the chef financial officer (CFO) to state in writing to the board that the financial reports of the Company present a true and fair view, in all material respects, of the company's financial condition and operational results of the Company and are in accordance with relevant accounting standards.

4.2 Audit and risk management committee

The board has established an Audit and Risk Management Committee which provides assistance to the board in fulfilling the corporate governance and oversight responsibilities of the board to verify and safeguard the integrity of the financial reporting of the Company.

The audit and risk management committee consists of two members and is chaired by George Shad, non-executive director. The other member is an executive director. The Directors' Report details members of the committee and meetings held during the financial year.

The board has confirmed the role and responsibilities of the audit and risk management committee in a written charter which may be viewed on the company's web site.

5. Make timely and balanced disclosure

HiTech has established procedures designed to ensure compliance with the ASX Listing Rules so that company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. Established policies also ensure accountability at a senior management level for ASX compliance.

The board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

6. Respect the right of shareholders

HiTech has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

7. Recognise and manage risk

The Board has established policies on risk oversight and management. To carry out this function the audit committee:

- reviews the financial reporting process of the Company and reports on their findings to the board;
- discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
- reviews with the external auditor any audit problems and the Company's critical policies and practices;
- reviews and assesses the independence of the external auditor.

The Board continually monitors areas of significant business risk. Once particular risks are identified it is the responsibility of the board to ensure that management takes such action as is required to manage the risk.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the board or audit committee.

The managing director and the chief financial officer state to the board in writing that the statement given to the board that the accounts are true and fair and comply with accounting standards, is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and the Company's risk management and internal compliance and control system is operating efficiently.

8. Encourage enhanced performance

While no performance evaluation of the board or management was carried out for the financial year ended 30 June 2006, this is continually monitored by the chairman and the board. The chairman also speaks to each director individually regarding their role as a director.

9. Remunerate fairly and responsibly

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executive has been approved by the board. Due to the size of the board the company does not have a remuneration committee. All executives receive a base salary, superannuation and performance incentives in the form of options. The board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies. Executives are entitled to participate in the employees share option arrangements within the maximum total number of options as set by shareholders at the 2005 Annual General Meeting. The criteria used in determining the issue of options to management include achievement of revenue and profit targets, new business generated, loyalty and years of service.

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

10. Recognise the legitimate interest of stakeholders

The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company which may be accessed on the HiTech web site. This code provides guidance to directors and management on practices necessary to maintain confidence in the integrity of the Company.

DIRECTORS' REPORT

The directors of HiTech Group Australia Limited present their report on the company and its controlled entities for the financial year ended 30 June 2006.

Directors

The names of directors in office at any time during or since the end of the year are:-

Mr Raymond Hazouri	**Mr George Shad**
Mr Sam Hazouri	**Mr Elias Hazouri** *(alternate for Mr Raymond Hazouri)*

Information on directors

Raymond Hazouri

Chairman and CEO

Qualifications: BA (Sydney University), DipEd.

Experience: Founded HiTech in 1993 and has over 20 years experience in the IT industry. Prior to establishing HiTech, Ray worked in a number of capacities in the information technology industry ranging from management positions, technical IT consulting roles including systems analysis/programming, project management and sales roles. Ray worked and consulted for a broad range of employers in the private, multinational, SME, and public sectors.

Interest in shares and options: 18,460,000 ordinary shares in HiTech Group Australia Limited.

George Shad

Non-executive Director

Qualifications: Solicitor

Experience: Appointed to the Board on 30 July 2003. Principal of Shad Partners Solicitors with twenty-nine years experience as a lawyer specialising in commercial and conveyancing work.

George is a panel solicitor for a number of major banks and his expertise and contacts in the corporate sector will assist HiTech in furthering its client base.

Interest in options: Options to acquire 200,000 ordinary shares

Sam Hazouri

Executive Director

Qualifications: BSc (Sydney University)

Experience: Appointed to the Board on 30 July 2003. Over twenty years professional experience in IT and recruitment. Sam completed his degree in 1986 graduating with a double major in Mathematics and Computer Science from the University of Sydney.

Sam started his career in IT working for large corporate firms including AMP and Westpac, initially working as an analyst programmer and progressing through to management. Sam is the Chief Operating Officer (COO) of HiTech and has been in this role for five and a half years.

Interest in shares and options: 45,000 ordinary shares in HiTech Group Australia Limited beneficially owned by him and options to acquire a further 2,000,000 ordinary shares.

Elias Hazouri

Alternate Director representing Ray Hazouri

Qualifications: B Sc, MBA

Experience: Appointed to the Board on 30 July 2003. Over 13 years experience in IT and banking. Elias was previously a director of HiTech from 1993-March 2000. Elias's knowledge of HiTech's business is extensive.

Throughout his career, Elias has been integral to the development of many IT systems and IT support departments. He has held roles ranging from programmer to technology support head. Elias is a key resource and knowledge base to the HiTech account managers and is jointly responsible for generating new business. Elias has advised on business strategy, both from a financial and operational perspective, since the inception of HiTech in 1993. Elias is employed in the capacity of General Manager/Chief Information Officer(GM/CIO).

Interest in shares and options: 26,202 ordinary shares in HiTech Group Australia Limited beneficially owned by him and options to acquire a further 2,000,000 ordinary shares.

Barry F. Neal

Chief Financial Officer/Company Secretary

Qualifications: B Econ with majors in Accounting and Economics

Experience: Appointed as Secretary on 27 February, 2001. Barry completed his degree at Queensland University in 1962 and started his career as a lecturer in accounting at the Queensland Institute of Technology. Barry has had extensive experience in accounting and company secretarial work with companies in a range of industries.

Interest in options: Options to acquire 350,000 ordinary shares

Dividends

No dividends have been declared in the 2006 financial year (2005: no dividend declared).

Earnings per share

Earnings per share	Cents
Basic earnings per share	0.08
Diluted earnings per share	0.08

Corporate structure

HiTech Group Australia Limited is a listed public company, limited by shares, that is incorporated and domiciled in Australia. HiTech has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

Nature of operations and principal activities

The consolidated entity's principal activity during the financial year was the supply of recruitment services for permanent and contract staff to the ICT sector.

During the financial year, there were no significant changes in the nature of these operations.

Employees

The consolidated entity employed 51 employees including contractors as at 30 June 2006 (2005:55 employees)

Group overview

Chairman and CEO, Mr Ray Hazouri, founded HiTech in 1993 as a recruitment and contracting services company, specialising in the ICT industry. HiTech converted to public company status in November 1999 and, following an initial public offer pursuant to a prospectus dated 29 February 2000, listed on the Australian Stock Exchange on 17 April 2000 (the day after the NASDAQ crashed in New York). The market has been suffering since then and HiTech has been no exception - although it has showed remarkable resilience since listing.

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 400 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.

Investment activities

The group maintains an investment portfolio comprised of traded shares in listed entities.

Operating and financial review

Operating results

The net profit attributable to members of the consolidated entity after income tax is $24,427 (2005 a net loss of $26,796). Operating revenue for the financial year is $4,890,254 (2005: $ 4,514,870).

Permanent recruitment comprises the search and selection of candidates for full time employment and is characterised by high profit margins. 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 a relatively higher volume business with lower margins. HiTech has a good mix of contracting and permanent placement revenue.

Recruitment in the ICT sector has changed 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 and networking, operation and other skill sets. As the cycle turns, there is a growing need for skilled ICT professionals. HiTech is addressing this candidate shortage and making use of its database and comprehensive contacts internationally.

HiTech has diversified into non-ICT areas of recruitment such as office support, sales, accounting, legal and healthcare. Whilst this diversification remains minor in comparison to ICT recruitment, it marks a start for all these other areas of business with a potential to grow further.

HiTech's reputation for top quality service and the delivery of suitable candidates for client requirements have resulted in HiTech establishing a small but successful niche market position. The recruitment sector has changed with more jobs and less candidates.

HiTech's market share of the total Australian recruitment market is relatively small. This represents a huge growth potential. HiTech is focused on servicing existing clients by providing a complete recruitment solution in addition to contracting. As HiTech's core competency is in recruitment, our strategy is to build on our existing client base and maximize revenue from existing clients by effectively providing personnel to not only the ICT market but also to other markets such as administration and office support, sales and marketing, finance and legal. There is also a possibility of broadening the consolidated entity's operations into geographical markets in which HiTech operates depending on potential acquisitions.

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 are looking at potential opportunities as they arise and have over the past year examined in detail a number of potential acquisitions. While no acquisitions were concluded we are still actively seeking acquisitions that are EPS positive.

HiTech has tendered for private and government recruitment business and has been successful. We expect to secure more contracts in the near future and win more business with renewed vigour and competitiveness.

Future developments, prospects and business strategies

The directors foresee that the FY2007 will be a period of growth depending on what acquisitions if any take place and the organic growth of HiTech.

The most significant areas for change will be in the candidate short market and how the players react to it. We can not at this point forecast with any certainty the results of next year.

The directors main objective will be organic growth in the consolidated entity's core business and will consider any potential acquisition opportunities according to our strict criteria.

The directors consider that the permanent recruitment and contracting industry is still highly segmented. It is expected that, over time, significant industry rationalisation will occur. This rationalisation will present HiTech with potential acquisition opportunities.

Changes in state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

Subsequent events

No matters of substance have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Environmental regulations

The consolidated entity's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Share options

As at the date of this report and also at reporting date there were 4,670,000 unissued ordinary share under options. Refer to note 6 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

No options on issue have been exercised during the financial year.

Indemnifying officers or auditor

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company as named above, the company secretary, Mr Barry F. Neal, and all executive officers of the company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnity an officer or auditor of the company or any related body corporate against a liability incurred as such by an officer or auditor.

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of HiTech Group Australia Limited.

Remuneration philosophy

The performance of HiTech depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, HiTech embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

While HiTech does not have a remuneration committee, the board of directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the senior management team.

Remuneration structure

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

Non-executive director remuneration

The board sets aggregate remuneration at a level which provides the company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders. Non-executive directors are paid a fixed annual fee and share options as approved by shareholders.

The remuneration of non-executive directors for the period ending 30 June 2006 is detailed in 'Table 1' 'on page 7. The only non-executive director is Mr. G Shad.

SENIOR EXECUTIVES AND EXECUTIVE DIRECTOR REMUNERATION

Objective

HiTech aims to reward executives with a level and mix of remuneration which is commensurate with their position and responsibilities within the company and so as to:-

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

Details of these contracts are provided under "Employment Contracts' on page 7 of the Directors' Report.

Remuneration for senior managers and executive directors other than the CEO consists of the following key elements:-

- fixed remuneration
- variable remuneration being long term incentives.

Table 2 on page 7 of the Directors' Report details the variable component (%) of the most highly remunerated senior managers and executive directors.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicle leases. The fixed remuneration component of the most highly remunerated executive directors and senior managers is detailed in Table 1 on page 7.

Variable Remuneration

The objectives of the long term incentive plan are:-

- to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets; and
- to reward directors and senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Long term incentives are delivered in the form of options. Details of options granted to directors and senior managers are set out in Table 2 on page 7.

Company performance

The following table shows the performance of the economic entity over the past six financial years:-

FY	Sales Revenue $	NPAT/(NLAT) $	Basic EPS Cents	Diluted EPS Cents	Net Equity $	NTA per share $	Dividends $	Average Share Price Cents
2001	11,335,691	1,845,713	5.95	5.95	4,105,425	13.24	1,240,000	52.22
2002	6,316,060	(58,826)	(0.19)	(0.19)	3,393,084	10.95	930,000	35.53
2003	4,084,599	(1,314,634)	(4.24)	(4.24)	1,846,109	5.96	-	18.77
2004	4,900,269	144,723	0.47	0.46	1,990,832	6.42	-	7.71
2005	4,434,084	(26,796)	(0.09)	(0.08)	1,991,066	6.39	-	7.37
2006	4,803,967	24,427	0.08	0.08	2,046,946	6.58	-	6.27

In FY06, there was a marked improvement in performance from FY05. Whether this trend continues will depend on the prevailing economic conditions at the time.

Clearly, over the past 6 years, since the NASDAQ crash on 17 April 2000 when HiTech listed on the ASX and the subsequent IT downturn, HiTech's revenue declined and so has its NPAT particularly in 2003 where we experienced our first loss ever. Since 2003, HiTech has managed to regain profitability but we are still far from reaching our potential revenues as a company and certainly far from reaching the profit figures of FY2000/1

This situation has consequently affected shareholder wealth and we have not been able to issue dividends since 2002.

We are actively looking for EPS positive acquisitions to grow the business and increase shareholder wealth.

Employment contracts

The CEO, Mr Ray Hazouri, the COO Mr Sam Hazouri and GM/CIO Mr Elias Hazouri are employed under contract. Their current contracts commenced on 1 January 2005 and expire on 31 December 2008, at which time the company may choose to commence negotiations to enter into new employment contracts with these executives. Under the terms of the present contracts:-

The executives may resign from their positions and thus terminate their contract by giving one year's written notice.

The company may terminate these employment agreements by providing twelve months written notice or by payment in lieu of the notice period based on the executives fixed component of remuneration.

While the Company Secretary, Mr Barry Neal is employed as a contractor, he has no formal contract with the company.

Table 1 Remuneration of executive and non-executive directors, and executives for the year ended 30 June 2006

		Primary Benefits Salary/Fees	Post Employment Superannuation	Equity Options	Total
Executive Directors					
R. Hazouri	2006	250,000	22,500	-	272,500
	2005	250,000	22,500	-	272,500
S. Hazouri	2006	119,266	10,734	14,018	144,018
	2005	119,266	10,734	12,014	142,014
E. Hazouri *	2006	119,266	10,734	14,018	144,018
	2005	119,266	10,734	12,014	142,014
Non-executive Directors					
G. Shad	2006	10,000	900	14	10,914
	2005	10,000	900	-	10,900
Executives					
B.F. Neal	2006	71,430	-	3,403	74,833
	2005	68,240	-	3,002	71,242

* Alternate director to Mr R Hazouri

Table 2 Options granted as part of remuneration for the year ended 30 June 2006

	Grant Date	Grant No.	Vest	Value per Option at Grant date*	Exercised Number	Value per option at exercise date	Value at date option lapsed	% of Remuneration
G. Shad	28/11/05	200,000	28/11/05	$0.08	N/A	N/A	N/A	0.1%

* Options granted as part of directors and senior managers remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlaying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and expected life of the option.

All options issued are unquoted. During the year no options were exercised.

Fair values of options

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants made for the financial years ending on 30 June 2006, 2005 and 2004.

	2006	2005	2004
Expected volatility	0.0125	0.0125	0.0125
Risk free interest rate	5.15%	5.15%	5.15%
Lack of liquidity discount	30%	30%	30%
Expected life of option	1-3 years	4.34 years	1.71-3 years

The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility and lack of liquidity discount reflects the assumption that the historical volatility and liquidity is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting weighted average fair values (WAFV) per option for those options vesting after 1 July 2006 are:-

No of Options	Grant Date	Vesting Date	WAFV
1,150,000	29/07/2003	15/03/2006	$0.02
1,120,000	16/12/2003	16/12/2005	$0.03
2,200,000	1/11/2004	1/11/2009	$0.04
200,000	28/11/2005	28/11/2005	$0.01

Under AASB 2 these fair values are now recognised as an expense in the financial statements and are expensed over the vesting periods resulting in an increase in employee benefits expense of $31,453 for FY2006 (2005: $27,030).

Employee share option plan

In accordance with the provisions of the employee share option plan, as at the date of this report, employees (including directors' and executives' options as listed above) are entitled to purchase an aggregate of 4,470,000 ordinary shares of HiTech Group Australia Limited. These options are listed in the following table:-

Grant Date	Vesting date	Exercise Price	Number Under Option
29.07.03	29.07.03	$0.04	1,150,000
16.12.03	16.12.03	$0.06	1,080,000
16.12.03	16.12.04	$0.06	20,000
16.12.03	16.12.05	$0.06	20,000
01.11.04	01.11.04	$0.06	2,200,000

These are unquoted options

During the financial year no options were exercised with 60,000 options expiring (not exercised) and 90,000 options cancelled by agreement or following the resignation of employees.

Further details of the employee share option plan are detailed in note 6 to the financial statements.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year 3 board meetings and 2 audit committee meetings were held.

	Board of Directors		Audit Committee	
	No eligible to Attend	Attended	No eligible to Attend	Attended
Mr R Hazouri (*by invitation)	3	3	2*	2*
Mr S Hazouri	3	3	2	2
Mr G Shad	3	3	2	2

Committee membership

As at the date of this report, HiTech had an Audit and Compliance Committee. The committee members are G. Shad (Chairman) and S. Hazouri.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in shares of the company as at the date of this report.

Directors	Fully paid Ordinary Shares	Share Options
R Hazouri	18,460,000	-
S Hazouri	45,000	2,000,000
G Shad	-	200,000
E Hazouri	26,202	2,000,000

Auditor Independence declaration

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be viewed on page 10 of the financial report.

Non-audit services

The following non-audit-services were provided by the entity's auditor, Hall Chadwick. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Hall Chadwick received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$1,000
Accounting advice	$1,552

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

Signed in accordance with a resolution of the directors.

Raymond Hazouri

Director

Sydney, 8 September 2006

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes, as set out on pages 12-28, are in accordance with the Corporations Act 2001 and;

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors.

Raymond Hazouri

Director

Sydney, 8 September 2006

Hall Chadwick
Chartered Accountants & Business Advisers

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31 Market Street
Sydney 2000
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Geoffrey McDonald
Drew Townsend
David Kenney
Richard Albarran
Gino Malocco
Paul Leroy

Associates
Steven Gladman
Mitchell Ball
Blair Pleash

National Association
Hall Chadwick

Other Independent firms in:
Melbourne
Brisbane
Adelaide
Gold Coast
Perth

HITECH GROUP AUSTRALIA LIMITED
ABN 41 062 067 878
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF HITECH GROUP AUSTRALIA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 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.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Date: 8 September 2006

Liability limited by a Scheme approved under Professional Standards Legislation

Hall Chadwick
Chartered Accountants & Business Advisers

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HITECH GROUP AUSTRALIA LIMITED
ABN 41 062 067 878
AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HITECH GROUP AUSTRALIA LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hitech Group Australia Limited (the company) and Hitech Group Australia Limited (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

— examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

— assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 15 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Hitech Group Australia Limited is in accordance with:

a. the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW 2000

DREW TOWNSEND
Partner
Date: 8 September 2006

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www.hallchadwick.com.au

A Member of AGN International Ltd, a worldwide association of separate and independent accounting and consulting firms.

INCOME STATEMENT

For the Financial Year Ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
Sales Revenue	3(a)	4,803,967	4,434,084	4,803,967	4,434,084
Cost of Sales	3(b)	(3,753,745)	(3,337,530)	(3,753,745)	(3,337,530)
Gross Profit		1,050,222	1,096,554	1,050,222	1,096,554
Net gain on sale of current investments	3(b)	139,937	3,391	139,937	3,391
Other revenue from ordinary activities	3(a)	86,287	80,786	86,287	80,786
Marketing expenses		(20,296)	(21,805)	(20,296)	(21,805)
Occupancy expenses		(101,303)	(200,909)	(101,303)	(200,909)
Borrowing costs		-	(317)	-	(317)
Insurance and legal expenses		(104,428)	(74,358)	(104,428)	(74,358)
Administration expenses		(912,831)	(885,259)	(912,831)	(885,259)
Other expenses from ordinary activities		(113,161)	(24,879)	(113,161)	(24,879)
Profit/(loss) before Income Tax	3(b)	24,427	(26,796)	24,427	(26,796)
Income tax expense	4	-	-	-	-
Profit/(loss) from continuing operations		24,427	(26,796)	24,427	(26,796)
Profit attributable to minority equity interest		-	-	-	-
Profit/(loss) attributable to Members of the parent entity		24,427	(26,796)	24,427	(26,796)
Earnings per Share:					
Basic (cents per share)	19	0.08	(0.09)		
Diluted (cents per share)	19	0.08	(0.08)		

Notes to financial statements are included on pages 16-28

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
CURRENT ASSETS					
Cash assets and cash equivalents	24(a)	375,320	842,855	375,318	842,853
Trade and other receivables	8	716,287	761,722	717,035	762,469
Financial assets	9	1,343,140	696,485	1,343,140	696,485
Other current assets	10	435	2,334	435	2,334
TOTAL CURRENT ASSETS		2,435,182	2,303,396	2,435,928	2,304,141
NON-CURRENT ASSETS					
Financial assets	9	32,725	-	32,727	2
Plant and equipment	11	56,780	34,457	56,780	34,457
Deferred tax assets	12	4,705	4,705	-	-
Intangible assets	13	6,634	9,480	6,634	9,480
TOTAL NON-CURRENT ASSETS		100,844	48,642	96,141	43,939
TOTAL ASSETS		2,536,026	2,352,038	2,532,069	2,348,080
CURRENT LIABILITIES					
Trade and other payables	14	430,642	323,447	430,642	323,447
Short term provisions	15	40,913	23,020	40,914	23,020
TOTAL CURRENT LIABILITIES		471,555	346,467	471,556	346,467
NON-CURRENT LIABILITIES					
Long term provisions	15	17,525	14,505	17,525	14,505
TOTAL NON-CURRENT LIABILITIES		17,525	14,505	17,525	14,505
TOTAL LIABILITIES		489,080	360,972	489,081	360,972
NET ASSETS		2,046,946	1,991,066	2,042,988	1,987,108
EQUITY					
Issued equity	17	2,869,213	2,869,213	2,869,213	2,869,213
Reserves	18	72,480	41,027	72,480	41,027
Accumulated losses		(894,747)	(919,174)	(898,705)	(923,132)
TOTAL EQUITY		2,046,946	1,991,066	2,042,988	1,987,108

Notes to financial statements are included on pages 16-28

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2006

Economic Entity

	Share Capital Ordinary $	Retained Profits $	Asset Realisation Reserve $	Employee Equity-settled benefits Reserve $	Total $
Balance at 1/7/2004	2,869,213	(936,522)	44,144	13,997	1,990,832
Loss attributable to members of parent entity	-	(26,796)	-	-	(26,796)
Transfer from reserve to retained profits	-	44,144	(44,144)	-	-
Revaluation increment	-	-	-	27,030	27,030
Balance at 30/6/2005	2,869,213	(919,174)	-	41,027	1,991,066
Balance at 1/7/2005	2,869,213	(919,174)	-	41,027	1,991,066
Profit attributable to members of parent entity	-	24,427	-	-	24,427
Revaluation increment	-	-	-	31,453	31,453
Balance at 30/6/2006	2,869,213	(894,747)	-	72,480	2,046,948

Parent Entity

	Share Capital Ordinary $	Retained Profits $	Asset Realisation Reserve $	Employee Equity-settled benefits Reserve $	Total $
Balance at 1/7/2004	2,869,213	(940,480)	44,144	13,997	1,986,874
Loss attributable to members of parent entity	-	(26,796)	-	-	(26,796)
Transfer from reserve to retained profits	-	44,144	(44,144)	-	-
Revaluation increment	-	-	-	27,030	27,030
Balance at 30/6/2005	2,869,213	(923,132)	-	41,027	1,987,108
Balance at 1/7/2005	2,869,213	(923,132)	-	41,027	1,987,108
Profit attributable to members of parent entity	-	24,427	-	-	24,427
Revaluation increment	-	-	-	31,453	31,453
Balance at 30/6/2006	2,869,213	(898,705)	-	72,480	2,042,988

Notes to financial statements are included on pages 16-28

CASH FLOW STATEMENT

For the Financial Year Ended 30 June 2006

	Note				
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		5,338,959	4,688,481	5,338,959	4,688,481
Payments to suppliers and employees		(5,211,999)	(4,863,059)	(5,211,999)	(4,863,059)
Interest and other costs of finance paid		-	(317)	-	(317)
Dividends received		27,182	-	27,182	-
Interest received		43,431	64,749	43,431	64,749
Net cash provided by (used in) operating activities	24(b)	197,573	(110,146)	197,573	(110,146)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments		(2,033,605)	(993,929)	(2,033,605)	(993,929)
Proceeds on sale of investments		1,442,076	300,835	1,442,076	300,835
Purchase of property, plant and equipment		(40,854)	(7,124)	(40,854)	(7,124)
Net cash used in investing activities		(632,383)	(700,218)	(632,383)	(700,218)
CASH FLOWS FROM FINANCING ACTIVITIES					
Deposits paid		(32,725)	-	(32,725)	-
Net cash (used in) financing activities		(32,725)	-	(32,725)	-
Net increase (decrease) in cash held		(467,535)	(810,364)	(467,535)	(810,364)
Cash at the beginning of the financial year		842,855	1,653,219	842,853	1,653,217
Cash at the end of the financial year	24(a)	375,320	842,855	375,318	842,853

Notes to financial statements are included on pages 16-28

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers the economic entity of HiTech Group Australia Limited and controlled entities, and HiTech Group Australia Limited as an individual parent entity. HiTech Group Australia Limited is a listed public company, incorporated and domiciled in Australia.

Reporting basis and conventions

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report of Htech Group Australia Limited and controlled entities, and HiTech Group Australia Limited as an individual entity comply with all Australian equivalents to the International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Basis of preparation

First time adoption of Australian equivalents to International Financial Reporting Standards

HiTech Group Australia Limited and controlled entities, and HiTech Group Australia Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of HiTech Group Australia Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(c) Capital gains tax

No provision has been made for capital gains tax which may arise in the event of sale of assets.

(d) Plant and equipment

Each class of plant and equipment is measured on their cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

At each reporting date, the groups reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value is use is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. These tests have resulted in no impairment losses being recognised under the AASB 136.

Subsequent costs are included in the asset's carrying amount or recognised as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(e) Depreciation

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a diminishing value or straight line basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 3-5 years
- Leasehold improvements 2-3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that assets are transferred to retained earnings.

(f) Operating leases

Lease payments for operating leases, where substantially all the risks remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and other employee benefits plus related on-costs expected to be settled within twelve months are measured at their nominal values.

Provision made in respect of other employee benefits (long service leave) which are not expected to be settled within twelve months are measured at the present value of the estimated cash flows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

The company operates an ownership-based remuneration scheme through the employee share option plan details of which are provided in note 6 to the financial statements. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

(h) Share-based payments

The group operates an Employee Share Option Plan to reward employees and also issues options to directors as approved by shareholders. The bonus element over the exercise price of the employee/director services rendered in exchange for the grant of options is recognised as an expense in the income statement.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

Share options granted after 7 November 2002 that were not exercised as of 30 June 2006, have been measured on this basis using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(i) Financial instruments issued by the company

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139:Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. Where the amount of GST incurred is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. For receivables and payables which are recognised inclusive of GST the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. 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 operating cash flows.

(k) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Under the new standard AASB 112 deferred tax assets including those relating to tax losses are recognised to the extent that is probable that future taxable profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will drive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(l) Principles of consolidation

A controlled entity is any entity controlled by HiTech Group Australia Limited. Control exists where HiTech Group Australia Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with HiTech Group Australia Limited to achieve the objectives of HiTech Group Australia Limited. A list of controlled entities is contained in Note 21 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(m) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(n) Revenue recognition

Revenue for the rendering of contracting and consulting services is recognised upon delivery of the service to the client while permanent placement fees are brought to account at the time of placement rather than the day of commencement of work.

Revenue from the disposal of assets is recognised when the economic entity has passed control of the asset to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

(o) Cost of sales

Cost of sales includes direct costs associated with the placement of permanent employees and the rendering of contracting services.

(p) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured

(q) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of plant and equipment and intangible assets for the financial year ended 30 June 2006.

Key judgements – doubtful debt provision

The directors have reviewed outstanding debtors as at 30 June 2006 and have formed the opinion that all debts outstanding are collectible and have therefore decided that no provision for doubtful debts should be made in the accounts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2004

	Note	Economic Entity			Parent Entity		
		Previous GAAP at 1/7//2004 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 1/7/2004 $	Previous GAAP at 1/7//2004 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 1/7/2004 $
CURRENT ASSETS							
Cash and cash equivalents		1,653,219	-	1,653,219	1,653,217	-	1,653,217
Trade and other receivables		578,863	-	578,863	579,610	-	579,610
Other current assets		5,049	-	5,049	5,049	-	5,049
TOTAL CURRENT ASSETS		2,237,131	-	2,237,131	2,237,876	-	2,237,876
NON-CURRENT ASSETS							
Other financial assets		-	-	-	2	-	2
Property, plant and equipment	2(a)	57,386	(13,550)	43,836	57,386	(13,550)	43,836
Deferred tax assets		4,705	-	4,705	-	-	-
Intangible assets	2(a)	-	13,550	13,550	-	13,550	13,550
TOTAL NON-CURRENT ASSETS		62,091	-	62,091	57,388	-	57,388
TOTAL ASSETS		2,299,222	-	2,299,222	2,295,264	-	2,295,264
CURRENT LIABILITIES							
Trade and other payables		273,454	-	273,454	273,454	-	273,454
Provisions		30,887	-	30,887	30,887	-	30,887
TOTAL CURRENT LIABILITIES		304,341	-	304,341	304,341	-	304,341
NON-CURRENT LIABILITIES							
Provisions		4,049	-	4,049	4,049	-	4,049
TOTAL NON-CURRENT LIABILITIES		4,049	-	4,049	4,049	-	4,049
TOTAL LIABILITIES		308,390	-	308,390	308,390	-	308,390
NET ASSETS		1,990,832	-	1,990,832	1,986,874	-	1,986,874
EQUITY							
Issued capital		2,869,213	-	2,869,213	2,869,213	-	2,869,213
Reserves	2(c)	44,144	13,997	58,141	44,144	13,997	58,141
(Accumulated losses)	2(d)	(922,525)	(13,997)	(936,522)	(926,483)	(13,997)	(940,480)
TOTAL EQUITY		1,990,832	-	1,990,832	1,986,874	-	1,986,874

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Equity as at 30 June 2005

		Economic Entity			Parent Entity		
	Note	Previous GAAP at 30/6/2005 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 30/6/2005 $	Previous GAAP at 30/6/2005 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 30/6/2005 $
CURRENT ASSETS							
Cash and cash equivalents		842,855	-	842,855	842,853	-	842,853
Trade and other receivables		761,722	-	761,722	762,469	-	762,469
Financials assets		696,485	-	696,485	696,485	-	696,485
Current tax assets		-	-	-	-	-	-
Other current assets		2,334	-	2,334	2,334	-	2,334
TOTAL CURRENT ASSETS		2,303,396	-	2,303,396	2,304,141	-	2,304,141
NON-CURRENT ASSETS							
Other financial assets		-	-	-	2	-	2
Property, plant and equipment	2(a)	43,937	(9,480)	34,457	43,937	(9,480)	34,457
Deferred tax assets		4,705	-	4,705	-	-	0
Intangible assets	2(a)	-	9,480	9,480	-	9,480	9,480
TOTAL NON-CURRENT ASSETS		48,642	-	48,642	43,939	-	43,939
TOTAL ASSETS		2,352,038	-	2,352,038	2,348,080	-	2,348,080
CURRENT LIABILITIES							
Trade and other payables		323,447	-	323,447	323,447	-	323,447
Provisions		23,020	-	23,020	23,020	-	23,020
TOTAL CURRENT LIABILITIES		346,467	-	346,467	346,467	-	346,467
NON-CURRENT LIABILITIES							
Provisions		14,505	-	14,505	14,505	-	14,505
TOTAL NON-CURRENT LIABILITIES		14,505	-	14,505	14,505	-	14,505
TOTAL LIABILITIES		360,972	-	360,972	360,972	-	360,972
NET ASSETS		1,991,066	-	1,991,066	1,987,108	-	1,987,108
EQUITY							
Issued capital		2,869,213	-	2,869,213	2,869,213	-	2,869,213
Reserves	2(c)	-	41,027	41,027	-	41,027	41,027
(Accumulated losses)	2(d)	(878,147)	(41,027)	(919,174)	(882,105)	(41,027)	(923,132)
TOTAL EQUITY		1,991,066	-	1,991,066	1,987,108	-	1,987,108

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Profit or Loss for 2005

		Economic Entity			Parent Entity		
	Note	Previous GAAP at 30/6/2005 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 30/6/2005 $	Previous GAAP at 30/6/2005 $	Effect of Transition to AIFRS $	Australian equivalents to IFRS at 30/6/2005 $
Revenue from ordinary activities		4,514,870	-	4,514,870	4,514,870	-	4,514,870
Cost of Sales		(3,337,530)	-	(3,337,530)	(3,337,530)	-	(3,337,530)
Net gain on sale of current assets		3,391	-	3,391	3,391	-	3,391
Marketing expenses		(21,805)	-	(21,805)	(21,805)	-	(21,805)
Occupancy expenses		(200,909)	-	(200,909)	(200,909)	-	(200,909)
Borrowing costs		(317)	-	(317)	(317)	-	(317)
Administration expenses	2(b)	(858,229)	(27,030)	(885,259)	(858,229)	(27,030)	(885,259)
Insurance and legal expenses		(74,358)	-	(74,358)	(74,358)	-	(74,358)
Other expenses		(24,879)	-	(24,879)	(24,879)	-	(24,879)
(Loss) from ordinary activities before Income Tax		234	(27,030)	(26,796)	234	(27,030)	(26,796)
Income tax expense		-	-	-	-	-	-
(Loss) from continuing Operations		234	(27,030)	(26,796)	234	(27,030)	(26,796)
(Loss) attributable to minority interests		-	-	-	-	-	-
(Loss) attributable to Members of the parent entity		234	(27,030)	(26,796)	234	(27,030)	(26,796)

	30/6/2005	30/6/2004
(a) Intangible assets comprise:		
Transfers of computer software from plant and equipment	9,480	13,550
(b) Under AASB 2, share based payments associated with share options issued to directors and employees are expensed in the income statement	27,030	13,997
(c) Reserves comprise:		
Share based payments	27,030	13,997
(d) Retained earnings comprise:-		
Share based payments	27,030	13,997

NOTE 3: PROFIT FROM OPERATIONS

	Note	Economic Entity 2006 $	2005 $	Parent Entity 2006 $	2005 $
(a) Operating activities					
- Contracting and permanent placement revenue	(i)	4,803,967	4,434,084	4,803,967	4,434,084
- Interest received – other entities		40,055	65,568	40,055	65,568
- Dividends – other entities		39,032	-	39,032	-
- Rental revenue		7,200	7,200	7,200	7,200
- Other revenue		-	8,018	-	8,018
		4,890,254	4,514,870	4,890,254	4,514,870

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

(b) Profit/(loss) before income tax
Profit/(loss) before income tax has been arrived at after crediting the following gains from continuing operations:

	Economic Entity 2006 $	2005 $	Parent Entity 2006 $	2005 $
Gain on disposal of investments	139,937	3,391	139,937	3,391

NOTE 3: PROFIT FROM OPERATIONS (continued)

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Profit/(loss) before income tax has been arrived at after charging the following expenses from continuing operations:					
Cost of sales		3,753,745	3,337,530	3,753,745	3,337,530
Borrowing costs:					
Interest:					
- Other entities		-	317	-	317
Net bad and doubtful debts arising from:-					
- Trade debtors		-	6,000	-	6,000
Rental expense on operating leases					
- Minimum lease payments		75,000	180,000	75,000	180,000
Depreciation and amortisation of non-current assets					
- Plant and equipment		18,530	16,503	18,530	16,503
- Intangible assets		2,847	4,070	2,847	4,070
Employee benefit expense		20,914	2,589	20,914	2,589
Unrealized loss on current investments		84,812	-	84,812	-
Equity settled share-based payments					
- Employee benefits		31,453	27,030	31,453	27,030

NOTE 4: INCOME TAX

(a) The component of income tax expense

Comprise:				
Current tax	-	-	-	-
Deferred tax	13,259	13,073	13,259	4,964
Recoupment of prior year tax losses	(13,259)	(13,073)	(13,259)	(4,964)
	-	-	-	-

(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2005:30%)	7,328	70	7,328	70
Add:				
Tax effect of:				
Non deductible depreciation and amortisation and other non allowable items	3,867	4,894	3,867	4,894
Share options expensed	9,436	8,109	9,436	8,109
Less:				
Tax effect of:				
Non-assessable income and imputation credit	(7,372)	-	(7,372)	-
Recoupment of DTA previously not recognised	(13,259)	(13,073)	(13,259)	(13,073)
Income tax expense/(benefit)	-	-	-	-

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) **Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:-**

Parent Entity Directors

Mr Raymond Hazouri	Chairman and CEO
Mr Sam Hazouri	Director and Chief Operating Officer (COO)
Mr George Shad	Director - Non-Executive
Mr Elias Hazouri	Alternate Director (for Mr Raymond Hazouri) and General Manager/Chief Information Officer (GM/CIO)

Specified Executives

Mr Barry F Neal	Chief Financial Officer/Parent Entity Secretary

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (contnued)

(b) Parent entity directors remuneration:-

		Primary Benefits		Equity	Total
		Salary/Fees	Super annuation	Options	
R. Hazouri	2006	250,000	22,500	-	272,500
	2005	250,000	22,500	-	272,500
S. Hazouri	2006	119,266	10,734	14,018	144,018
	2005	119,266	10,734	12,014	142,014
G. Shad	2006	10,000	900	14	10,914
	2005	10,000	900	-	10,900
E. Hazouri	2006	119,266	10,734	14,018	144,018
	2005	119,266	10,734	12,014	142,014
Total	2006	498,532	44,868	28,050	571,450
Total	2005	498,532	44,868	24,028	567,428

(c) Specified executives remuneration

		Primary Benefits		Equity		Total
		Salary/Fees	Superannuation	Other Bonuses	Options	
B.F. Neal	2006	71,430	-	-	3,403	74,833
	2005	68,240	-	-	3,002	71,242

(d) Remuneration options issued in financial year

	Vested No	Grant No	Grant Date	Value per Option At Grant Date	Exercise Price	First Exercise Date
Directors						
G. Shad	200,000	200,000	28/11/05	$0.055	$0.06	28/11/05
	200,000	200,000				

(e) Options holdings

Number of Options Held by Directors and Specified Executives

	Balance 1.7.05	Granted as Remun-eration	Options Exercised	Options cancelled	Balance 30.6.06	Total Vested and Exercisable 30.6.06	Total un-exercisable 30.6.06
Parent Entity Directors							
S. Hazouri	2,000,000	-	-	-	2,000,000	2,000,000	-
G Shad		200,000	-	-	200,000	200,000	-
E. Hazouri	2,000,000	-	-	-	2,000,000	2,000,000	-
Specified executives							
B. F. Neal	350,000	-	-	-	350,000	350,000	-
	4,350,000	200,000	-	-	4,550,000	4,550,000	-

(f) Shareholdings

	Balance 1.7.05	Received as Remuneration	Options Exercised	Balance 30.6.06
No of shares held by Parent entity directors				
R. Hazouri	18,460,000	-	-	18,460,000
S. Hazouri	45,000	-	-	45,000
E. Hazouri	26,202	-	-	26,202
	18,531,202	-	-	18,531,202

No specified executives or non-executive directors hold shares in the Parent Entity

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(g) Compensation practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future.

Upon retirement, specified executive directors are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing twelve months written notice or making payment in lieu of notice based on the individual's annual salary component together with a redundancy payment of between 5% and 19% of the individual's fixed salary component. In the instance of serious misconduct the company can terminate employment at any time.

The group seeks to emphasize payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of revenue and profit targets. Bonuses issued as equity based share options as per Note 5(e) are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders. The bonus issued in the reporting year was granted to a non-executive director on 28 November 2005. There has been no alteration to the terms of the bonuses paid since grant date.

NOTE 6: EMPLOYMENT BENEFITS

Employee share arrangement

The Company has established an employee share option plan in respect of which shares may be issued to participating employees and executive directors.

The directors consider that the option plan provides employees and executive directors invited to take part in the plan, with an opportunity and an incentive to participate in the company's future growth and success.

The allocation of options to an employee or directors under the option plan is based on his or her potential future contributions to the growth and profitability of the company. Options generally lapse on the employees resignation or termination.

When issued the shares carry full dividend and voting rights. No options have been exercised in current and past years, leaving 4,670,000 still available for issue.

The closing share price of an ordinary share of HiTech Group Australia Limited on the Australian Stock Exchange at 30 June 2006 was 4.0 cents (2005: 6.9 cents)

	2006 No	2005 No
Balance at beginning of financial year (i)	4,620,000	3,350,000
Granted during the financial year (ii)	200,000	2,200,000
Exercised during the financial year	-	-
Lapsed/cancelled during the financial year (iii)	(150,000)	(930,000)
Balance at end of financial year (iv)	4,670,000	4,620,000

(i) Balance at beginning of financial year

Option series	No.	Grant Date	Exercise Date	Expiry date	Exercise Price $
(1) Issued 15/03/03	30,000	15/03/03	15/03/03	15/03/06	0.31
	30,000	15/03/03	15/03/04	15/03/06	0.31
	30,000	15/03/03	15/03/05	15/03/06	0.31
(2) Issued 29/07/03	1,150,000	29/07/03	29/07/03	15/03/06	0.04
(3) Issued 16/12/03	1,180,000	16/12/03	16/12/03	16/12/06	0.06
(4) Issued 1/11/04	2,200,000	1/11/04	1/11/04	1/11/09	0.06
	4,620,000				

(ii) Issued during the financial year

The following equity-based instruments were issued lapsed during the reporting period:

	2006 No	2005 No
Issued 28/11/2005	200,000	-

(iii) Lapsed during the financial year

The following equity-based instruments issued to employees have been cancelled or have lapsed during the reporting period:

	2006 No	2005 No
Issued 15/03/03	90,000	900,000
Issued 16/12/03	60,000	30,000
	150,000	930,000

(iv) Balance at end of the financial year

Option series	No.	Grant Date	Exercise Date	Expiry date	Exercise Price $
(1) Issued 29/07/03	1,150,000	29/07/03	29/07/03	15/03/06	0.04
(2) Issued 16/12/03	1,120,000	16/12/03	16/12/03	16/12/06	0.06
(3) Issued 1/11/04	2,200,000	1/11/04	1/11/04	1/11/09	0.06
(3) Issued 28/11/05	200,000	28/11/05	28/11/05	28/11/08	0.08
	4,670,000				

NOTE 7: REMUNERATION OF AUDITORS

	Economic Entity 2006 $	2005 $	Parent Entity 2006 $	2005 $
Auditor fo the parent company				
Auditing or reviewing the financial report	30,771	21,217	30,771	21,217
Other services:				
- preparation of tax return and ad hoc advice	2,551	1,800	2,551	1,800
	33,322	23,017	33,322	23,017

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade receivables	698,274	767,376	698,274	767,376
Allowance for doubtful debts	-	(9,500)	-	(9,500)
	698,274	757,876	698,274	757,876
Unbilled revenue	10,453	3,538	10,453	3,537
Amounts recoverable from controlled entities	-	-	748	748
Other debtors	7,560	308	7,560	308
	716,287	761,722	717,035	762,469

NOTE 9: FINANCIAL ASSETS

Available-for-sale financial assets	9 (a)	1,343,140	696,485	1,343,142	696,487
Held-to-maturity financial sssets	9 (b)	32,725	-	32,725	-
		1,375,865	696,485	1,375,867	696,487
Less non-current portion		(32,725)	-	(32,727)	(2)
Current portion		1,343,140	696,485	1,343,140	696,485
a. Available-for-sale Financal assets comprise:					
Listed investments, at fair value					
- shares I listed corporations		1,343,140	696,485	1,343,140	696,485
Unlisted investments,at cost					
- shares in controlled entities		-	-	2	2
Total available for sale financial assets		1,343,140	696,485	1,343,142	696,487

Available-for sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

b. Held-to-maturity Investments comprise:

- Security Deposits for leased premises	32,725	-	32,725	-

NOTE 10: OTHER CURRENT ASSETS

Prepayments	435	2,334	435	2,334

NOTE 11: PLANT AND EQUIPMENT

	Economic Entity and Parent Entity Plant at cost $ & Equipment at cost $	Leasehold Improvements at cost $	TOTAL $
Gross carrying amount			
Balance at 30 June 2005	207,901	-	207,901
Additions	8,401	32,453	40,854
Balance at 30 June 2006	216,302	32,453	248,755
Accumulated depreciation/amortisation			
Balance at 30 June 2005	(173,444)	-	(173,444)
Depreciation/amortisation expense	(13,122)	(5,409)	(18,531)
Balance at 30 June 2006	(186,566)	(5,409)	(191,975)
Net book value			
As at 30 June 2005	34,457	-	34,457
As at 30 June 2006	29,736	27,044	56,780

	Economic Entity 2006 $	2005 $	Parent Entity 2006 $	2005 $
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying mount of other assets during the year:				
Plant & equipment	13,122	16,503	13,122	16,503
Leasehold Improvements	5,409	-	5,409	-
	18,531	16,503	18,531	16,503

NOTE 12: DEFERRED TAX ASSETS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
a. Assets				
Deferred tax assets comprise:				
Future income tax benefit attributable to tax losses	4,705	4,705	-	-
b. Reconciliations				
Deferred tax assets				
Opening balance	4,705	4,705	-	-
Changes	-	-	-	-
Closing balance	4,705	4,705	-	-

NOTE 13: INTANGIBLE ASSETS

Computer software at cost	1,077,683	1,077,683	1,077,683	1,077,683
Accumulated amortisation	(1,071,049)	(1,068,203)	(1,071,049)	(1,068,203)
	6,634	9,480	6,634	9,480

NOTE 14: TRADE AND OTHER PAYABLES

Trade creditors	106,998	195,290	106,998	195,290
Advance from Director	1,880	(308)	1,880	(308)
Other creditors and accruals	321,764	128,465	321,764	128,465
	430,642	323,447	430,642	323,447

NOTE 15: PROVISIONS

Current				
Employee benefits	40,914	23,020	40,914	23,020
Non-current				
Employee benefits				
Reconciliation of movment in the liability				
recognized in the balance sheet as follows:-	17,525	14,505	17,525	14,505
	58,439	37,525	58,439	37,525
Balance at 1/7/2005	37,525	34,936	37,525	34,936
Additional provisions	20,914	2,589	20,914	2,589
Balance at 30/6/2006	58,439	37,525	58,439	37,525

NOTE 16: OPERATING LEASE COMMITMENTS

The operating lease relates to HiTech's head office facility with a lease term of two years and ten months.

Non-cancellable operating leases contracted but not capitalised in the financial statements

- Payable not later than one year	64,927	180,000	64,927	180,000
- Longer than 1 year and not longer than 5 years	122,287	585,000	122,287	585,000
	187,214	765,000	187,214	765,000

The office lease is a non-cancellable lease with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4% per annum. No option exists to renew the lease expiring on 31/12/2008 but the lessor may give the lessee a termination notice at any time after 1 January 2007 if the lessor has decided to redevelop the property.

NOTE 17: ISSUED EQUITY

31,000,000 fully paid ordinary shares (2005: 31,000,000)	2,869,213	2,869,213	2,869,213	2,869,213

Fully paid ordinary shares carry one vote per share and carry the right to dividends.
The company has an authorized share capital amounting to 37,200,000 ordinary shares of no par value.

Share Options

Share options are issued to staff under the employee share option plan. There were no options issued to staff including executive directors during the financial year. However 200,000 options were issued in the current financial year to a non-executive director as approved at the 2005 AGM. At year end there were 4,670,000 outstanding options issued under the plan which were issued in previous years plus the 200,00 options issued to a non-executive director in the current financial year. No options were exercised during the financial year. Details of outstanding options are disclosed in note 6.

NOTE 18: RESERVES

Option Reserve

The option reserve records items recognized as expenses on valuation of employee share options.

NOTE 19: EARNINGS PER SHARE

	Economic Entity 2006 Cents per Share	Economic Entity 2005 Cents per Share
Basic earnings per share	0.08	(0.09)
Diluted earnings per share	0.08	(0.08)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:-

	2006 $	2005 $
Earnings (i)	24,427	(26,796)
	No.	No
Weighted average number of ordinary shares (ii)	31,000,000	31,000,000

(i) Earnings used in the calculation of basic earnings per share are net profit after tax as per the statement of financial performance.

(ii) The options outstanding are considered to be potential ordinary shares and, therefore, have not been included in the determination of basic earnings per share. Where dilutive, these potential ordinary shares are included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share (refer below).

Diluted earnings per share

(a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2006 $	2005 $
Net profit	24,427	(26,796)
Options	-	-
	24,427	(26,796)

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006 No	2005 No
Weighted average number of ordinary shares used in the calculation of basic EPS	31,000,000	31,000,000
Shares deemed to be issued for no consideration in respect of Options	559,314	1,007,784
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	31,559,314	32,007,784

(c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share

Options	3,110,686	3,572,216

NOTE 20: FRANKING ACCOUNT

	Economic Entity 2005 $	Economic Entity 2005 $	Parent Entity 2006 $0	Parent Entity 2005 $
Adjusted franking account balance	272,357	272,357	263,956	263,956

NOTE 21: CONTROLLED ENTITIES

Name of entity	Country of Incorporation	Ownership Interest 2006	Ownership Interest 2005
Parent entity			
HiTech Group Australia Limited	Australia		
Controlled entities			
HiTech Contracting Pty Ltd	Australia	100%	100%
eConsulting Australia Pty Ltd	Australia	100%	100%

NOTE 22: SEGMENT INFORMATION

The Economic Entity operates primarily in one geographical and in one business segment, namely the ICT recruitment industry in Australia.

NOTE 23: RELATED PARTY DISCLOSURES

(a) *Equity interests in related parties*

Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 21 to the financial statements.

(b) *Key management personnel*

Details of directors' remuneration are disclosed in note 5 to the financial statements.

(c) *Directors' equity holdings*

Ordinary shares	Fully Paid 2006	2005
Issued during the financial year to directors and their director-related entities of HiTech Group Australia Limited	-	-
Held as at the reporting date by directors and their director-related entities of HiTech Group Australia Limited	18,531,202	18,531,202
Other equity instruments		
Options issued to directors in previous year	4,000,000	2,000,000
Issued during the financial year to directors and their director-related entities by HiTech Group Australia Limited	200,000	2,000,000
Held as at the reporting date by directors and their director-related entities by HiTech Group Australia Limited	4,200,000	4,000,000

(d) *Other transactions with directors*

An advance by director Ray Hazouri of $1,880 to meet a company expense has not been reimbursed at balance date as disclosed in note 14.

HiTech paid legal fees to Shad Partners of which entity G. Shad is a partner. These legal fees were for Shad Partners acting for HiTech in relation to a lease over office premises in Young Street, Sydney at a cost of $1,359.

(e) *Transactions within the wholly-owned group*

The wholly-owned group includes the ultimate parent entity in the wholly-owned group and its wholly owned entities. The ultimate parent entity in the wholly-owned group is HiTech Group Australia Limited.

Amounts receivable from entities in the wholly-owned group are disclosed in note 8 to the financial statements.

NOTE 24: NOTES TO THE STATEMENT OF CASH FLOWS

	Economic Entity 2006	2005	Parent Entity 2006	2005
	$	$	$	$
(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:				
Cash	283,082	85,685	283,080	85,683
Deposits at call	92,238	757,170	92,238	757,170
	375,320	842,855	375,318	842,853
(b) *Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities*				
Profit/(loss) from ordinary activities after related income tax	24,427	(26,796)	24,427	(26,796)
Depreciation and amortisation of non-current assets	21,377	20,573	21,377	20,573
Net gain on sale of financial assets	(139,937)	(3,392)	(139,937)	(3,392)
Equity settled share based payments	31,453	27,030	31,453	27,030
Unrealized loss on financial assets	84,812	-	84,812	-
Decrease / (Increase) in assets				
Current receivables	45,434	(182,858)	45,434	(182,858)
Other current assets	1,899	2,715	1,899	2,715
Increase/(decrease) in liabilities				
Provisions	20,914	2,589	20,914	2,589
Trade payables	107,194	49,993	107,194	49,993
Net cash from operating activities	197,573	(110,146)	197,573	(110,146)

NOTE 25: FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Significant terms and conditions

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

	Average Interest Rate %	Variable Interest Rate $	Fixed Interest Rate Maturing: Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Non-interest Bearing $	Total $
Financial Assets							
Cash	2.0%	-	283,082	-	-	-	283,082
Deposits at call	2.5%	-	92,238	-	-	-	92,238
Receivables	-	-	-	-	-	716,287	716,287
		-	375,320	-	-	716,287	1,091,607
Financial liabilities							
Trade and other payables	-	-	-	-	-	430,642	430,642
Employee benefits	-	-	-	-	-	58,439	58,439
		-	-	-	-	489,081	489,081

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

	Average Interest Rate %	Variable Interest Rate $	Fixed Interest Rate Maturing: Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Non-interest Bearing $	Total $
Financial Assets							
Cash	2.5	-	85,685	-	-	-	85,685
Term deposits	5.23	-	757,170	-	-	-	757,170
Receivables	-	-	-	-	-	761,721	761,721
		-	842,855	-	-	761,721	1,604,576
Financial Liabilities							
Trade and other payables	-	-	-	-	-	323,447	323,447
Employee benefits	-	-	-	-	-	37,525	37,525
		-	-	-	-	360,972	360,972

(c) Credit Risk

The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the entity's maximum exposure to credit risk without taking into account of the value of any collateral or other security obtained.

(d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

NOTE 26: SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 27: COMPANY DETAILS

The registered office and the principal place of business of the company is:
Level 7, 9 Young Street,
Sydney NSW 2000

STOCK EXCHANGE INFORMATION

Statement of quoted securities as at 31 August 2006

- There are 446 shareholders holding a total of 31,000,000 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 84.29% of the total issued shares on issue.
- Voting rights for ordinary shares are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every fully paid share held and for each partly paid share held shall have a fraction of a vote pro-rata to the amount paid up on each partly paid share relative to its issue price.
- There are 6 option holders holding a total of 4,670,000 unexpired and unquoted options on issue by the company. There are no voting rights attached to these options.

Distribution of quoted securities as at 31 August 2006

Ordinary fully paid shares

Range of holding		Number of holders
1 -	1,000	17
1,001 -	5,000	242
5,001 -	10,000	70
10,001 -	100,000	93
100,001 -	and over	24
Total holders		446

There are 334 shareholders holding less than a marketable parcel.

Substantial shareholdings as at 31 August 2006 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
Rayhazouri Nominees Pty Limited and Raymond Hazouri	18,460,000 ordinary shares	59.55%
Salem Hazouri	1,980,000 ordinary shares	6.39%

Directors' share and option holdings

As at August directors of the Company held a relevant interest in the following shares and options issued by the Company.

Director	Shares	Options
R Hazouri	18,460,000	-
S Hazouri	45,000	2,000,000
E Hazouri	26,202	2,000,000
G Shad	-	200,000

On-market buy-backs

There is no on-market buy back currently in place in relation to the securities of the company.

Material differences to Appendix 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 1 September 2006.

Restricted securities

There are no restricted securities on issue by the Company.

TOP TWENTY SHAREHOLDERS

Rank	Shareholder name	Number of ordinary fully paid shares held	% of total ordinary shares on issue
1	Rayhazouri Nominees Pty Limited	15,450,000	49.84%
2	Raymond Hazouri	3,010,000	9.71%
3	Salem Hazouri	1,980,000	6.39%
4	Wallbay Pty Ltd	1,322,560	4.27%
5	Run Pty Ltd	655,666	2.12%
6	Mr John Charles Plummer	500,000	1.61%
7	Mr Robert Leigh McDonagh	470,000	1.52%
8	Outreach Mobility Pty Ltd	464,167	1.50%
9	Quevy Holdings Pty Ltd	339,000	1.09%
10	Mr Timothy Phillip Coleman and Miss Maria Marciniak	295,000	0.95%
11	Xamot Group Pty Ltd	226,484	0.73%
12	Jarota Investments Pty Ltd	200,000	0.65%
13	Mr James Donald Macaree	183,800	0.59%
14	Mrs Therese Guy & Mr David Guy	180,000	0.58%
15	Mr John Richard Snell	166,000	0.54%
16	Malolo Pty Ltd	150,000	0.48%
17	Mrs Elizabeth Susan Hall	150,000	0.48%
18	Unified Construction Pty Ltd	142,000	0.46%
19	Mastino Pty Ltd	127,900	0.41%
20	Mr Carlos Gil and Mrs Aurora Gil	118,428	0.38%
	Total held by top twenty shareholders	26,131,005	84.29%

HiTech PERSONNEL

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