

harristechnology

Let's talk technology



Harris Technology Group Limited Annual Report

Year Ended 30 June 2023
ABN: 93 085 545 973

Harris Technology Group Growth Strategy



Leverage
rapid growth
from major
e-Commerce
Platforms

Become the
leading Tech
Seller on all
major
e-Commerce
marketplaces

Expand into
other
categories
and grow
market share

Chairman and CEO Letter

Dear Shareholders,

We hereby present the review of operations and Annual Report for Harris Technology Group Limited for the financial year ended 30 June 2023.

We are disappointed with the result which has been exacerbated by losses incurred in reducing inventory levels in the light of the continued slowing demand and the uncertain economic climate, which has particularly affected the IT segment.

Review and Results of Operations

Sales decline

The Company experienced a 52% decrease in year on year sales to \$24.2M. (2022: \$50.3M). All our key marketplaces experienced similar reduction trends. The Company is expanding its presence on new and emerging platforms as well as enhancing its own website with the launch of HT Home.com.au and expanding our M2C category internationally using Amazon's infrastructure. Amazon remains a key channel for Harris Technology. Our position and rating continue to be excellent, thus helping us to maintain a preferred status in claiming the "buy-box". Whilst good sales results were experienced during Prime Day and other online events, the Company focused more on maintaining sales margins than increasing top-line as well as exiting underperforming products and brands.

Challenging trading conditions

As the situation resulting from the pandemic stabilised and the economy entered a period of uncertainty contributed to by inflationary trends, we experienced a slowdown in demand and traffic across most channels as can be seen in the revenue trend chart, particularly from January onwards when margins narrowed as a result of increased competitive discounting. This trend has affected the general eCommerce sector worldwide.

Strengthening the balance sheet

The team have been focused on improving margins and managing inventory levels, which have been under pressure as a result of the prevailing trading conditions. This will remain a focus going forward with the Company having executed a management review of all brands sold and reduced ongoing exposure to underperforming products.

The trading loss for the year is disappointing given the Company's trajectory, however we believe the challenges experienced have been contained by the progress made in moving to higher margin categories, the product review and reduction in inventory levels, with a turnaround in sight.

Inventory and working capital levels have been reduced year-on-year and we are confident that the Company is able to meet its expected working capital requirements in the next financial year.

Conclusion

We believe the Company remains strongly positioned to capitalise on the widespread adoption towards online shopping with our move into higher margin categories and with improvement in the economic sentiment, the Company will again return to strong financial performance.

Sincerely,

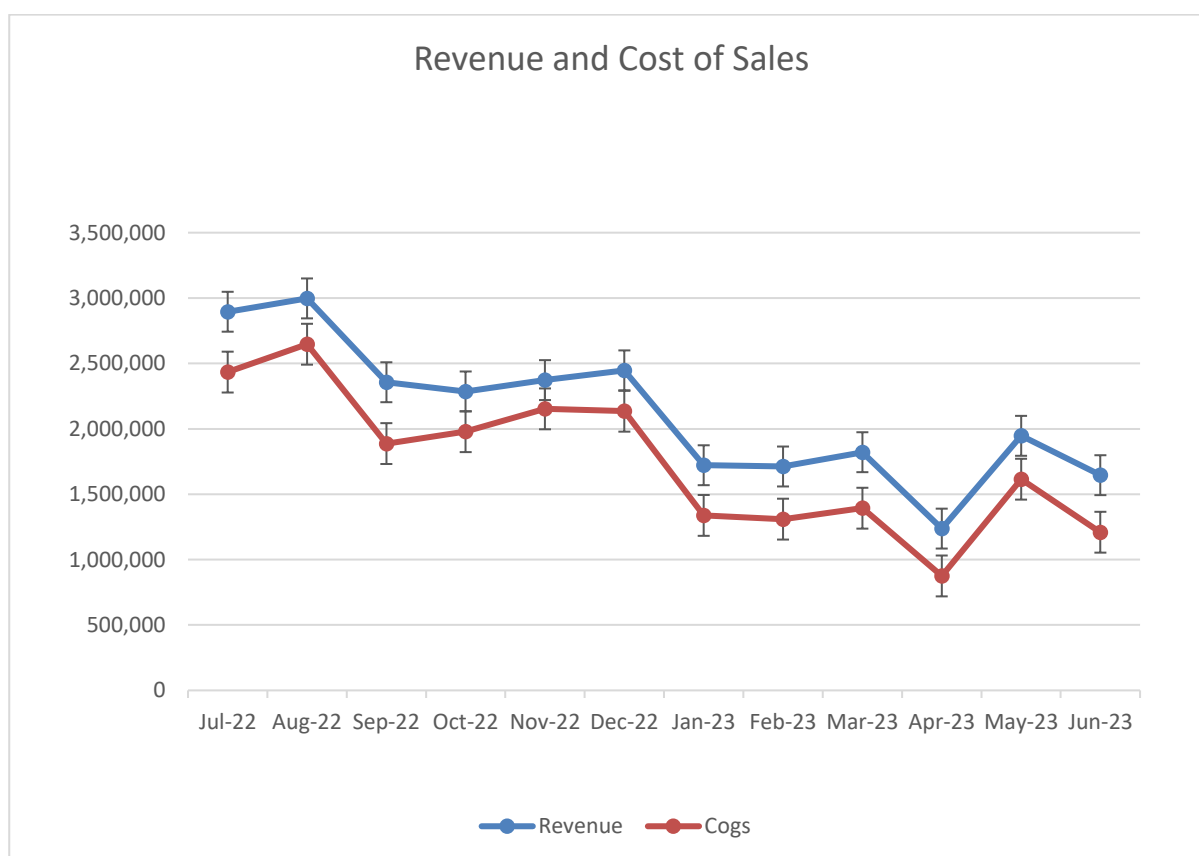
Alan Sparks (Chairman)

Garrison Huang (CEO)

FY23 Summary

Full year profit and loss summary

Revenue from continuing operations	FY23 (\$m)	FY22 (\$m)	Change (\$m)
Sales revenue	24.19	50.30	26.11
Other income	0.00	0.00	(0.00)
Total revenue and other income	24.19	50.30	26.11
Net profit/(loss) after tax	(3.30)	(1.46)	(4.77)



Full year profit and loss summary - underlying

Financial results include:	FY23 (\$m)	FY22 (\$m)	Change (\$m)
Gross profit	3.76	7.46	(3.70)
Total operating expenses	6.28	8.92	(2.64)
Profit/(loss) before income tax	(2.52)	(1.46)	(3.98)
Total comprehensive profit/(loss)	(3.30)	(1.46)	(4.76)

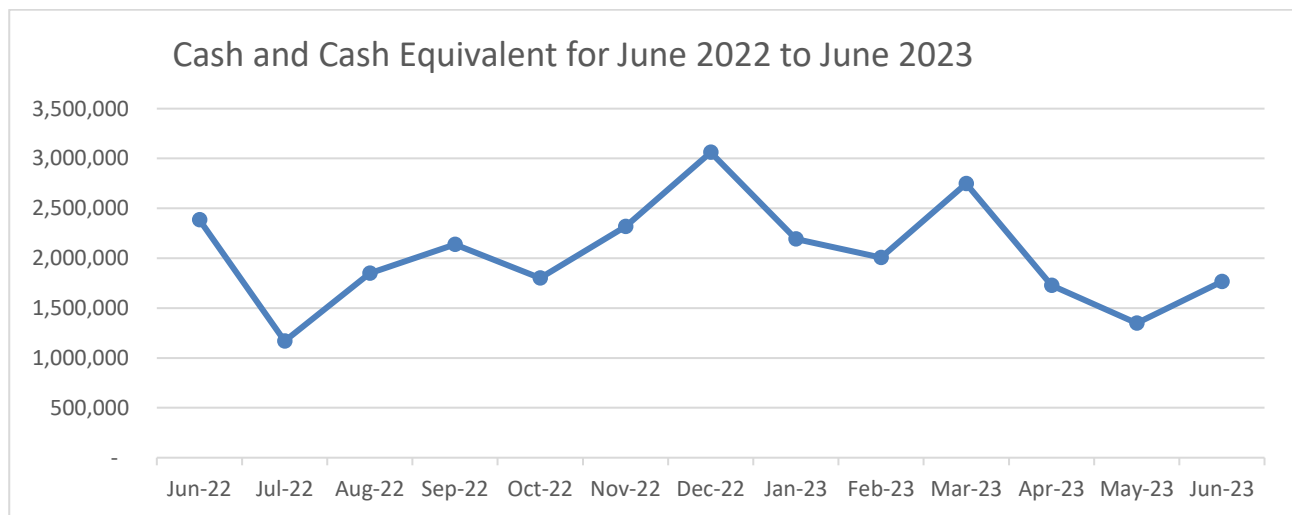
Balance Sheet

	30 Jun 23 (\$m)	30 Jun 22 (\$m)
Cash and cash equivalents	1.77	2.39
Inventories	4.75	9.79
Net assets	2.98	6.29

Cash position

Cash and cash equivalents of \$1,766,018 as at 30 June 2023.

Based on the cash position at end of FY23 and as a result of a stringent budgeting process as well as the review of underperforming products, together with the continuing facility support of the CEO, the Company believes it is in a position to meet its working capital requirements throughout FY24.



Management Team



Garrison Huang

Executive Director & Chief Executive Officer

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

Corporate Information

DIRECTORS

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

COMPANY SECRETARY

Mr Brett Crowley

REGISTERED OFFICE

124 Abbott Road
Hallam Victoria 3803
Tel: 1300 13 99 99

AUDITORS

SW Audit
Level 10, 530 Collins Street
Melbourne Victoria 3000

BANKER

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

SHARE REGISTRY

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

EXCHANGE LISTING

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

STATE OF INCORPORATION

Victoria



Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

The Directors present their report together with the financial report of the consolidated entity consisting of Harris Technology Group Limited (the **Company**) and its controlled entities (the **Group**), for the financial year ended 30 June 2023 and independent auditor's report thereon.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Names, qualifications, experience, and special responsibilities

Alan Sparks, Independent, Non-Executive Chairman

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

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Garrison Huang, Executive Director

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

Experience and expertise	Mr. Huang came to Australia from Shanghai, where he was born, and became an Australian citizen in 1996. Mr. Huang holds a Bachelor of Engineering degree from Zhejiang University, in China, a Graduate Diploma in Computer Systems Engineering from Swinburne University and a Graduate Certificate in Marketing from Melbourne University. Mr. Huang is a co-founder of Anyware Corporation Pty Ltd – a leading IT accessory distributor in Australia. Anyware is a well-established importing and distribution business with offices and warehouses in Melbourne, Sydney, Brisbane, Perth and Adelaide. In 2015 Anyware Corporation Pty Ltd acquired Harris Technology (www.ht.com.au) from Office works, one of Australia's longest established and leading e-commerce businesses focusing on technology products.
Other directorships held by Director in the last 3 years	During the last three years, Mr Huang has not served as a director of any other listed companies.
Special responsibilities	CEO
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Huang has a relevant interest in 93,059,621 fully paid ordinary shares in Harris Technology Group Limited which are held by an entity that Mr Huang controls.

Guy Polak, Non -Executive Director

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

Experience and expertise	Mr Polak is a skilled retail professional with over 25 years of experience within the industry, specialising in sales, wholesale, distribution, buying, sourcing, merchandising and ownership. In 2014, Guy was promoted to Head of Buying at Catch Group where he reported directly to the CEO. Guy transformed and grew the buying department introducing structure and buying principles that made Catch.com.au the premium destination for all branded products across major consumer categories. The growth and success of the buying department ensured Catch.com.au had a unique advantage over its competitors which was a strong attraction for the Wesfarmers acquisition of Catch.com.au in 2019.
---------------------------------	---

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

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

Brett Crowley, Company Secretary

Mr Crowley was appointed as Company Secretary on 6 December 2018.

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Directors' Meetings

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

Director	Eligible to Attend	Number Attended
Mr. Alan Sparks	7	7
Mr. Garrison Huang	7	7
Mr. Guy Polak	7	7

Board Committees

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

Directors' Interests in Shares and Options of the Group

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

Director	Number of ordinary shares		Number of options (unlisted)	
		Shares		Share rights and Options
Mr. Alan Sparks ¹		680,000		nil
Mr. Garrison Huang ²		93,059,621		nil
Guy Polak ³		195,000		nil

- The shares are held by Sparks Superannuation controlled by Mr. Alan Sparks*
- The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C and Double Eight Superfund; Mr. Huang controls these entities.*
- The shares are held by Mr. Gershon Polak controlled by Mr. Guy Polak*

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Earnings Per Share

	Cents
Basic and diluted earnings per share	(1.10)

Dividends Paid, Recommended and Declared

No dividends were paid, declared, or recommended since the start of the financial year ended 30 June 2023 (2022: nil).

OPERATING AND FINANCIAL REVIEW

Corporate Structure

Harris Technology Group Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). Harris Technology Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2023. The Company's subsidiary entities are set out in note 30 to the consolidated financial statements.

Nature of operations and principal activities

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

Employees

The Group has 23 employees, inclusive of casual and part-time staff as at 30 June 2023 (2022: 27). The Group does not have consulting agreements with any contractors as at 30 June 2023 (2022: Nil).

Group EPS Performance over the five-year period

	2023	2022	2021	2020	2019
Basic earnings/(loss) per share (cents)	(1.10)	(0.49)	0.71	0.54	(0.46)

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Financial position

The Group had net assets of \$2,982,605 as at 30 June 2023 (2022: \$6,286,278).

The Group had trade and other receivables of \$1,443,007 as at 30 June 2023 (2022: \$2,392,703).

The Group had trade and other payables of \$2,724,345 as at 30 June 2023 (2022: \$5,966,987).

Cash flows

The Group generated net cash operating inflows of \$485,516 during the year ended 30 June 2023 (2022: net cash operating outflows \$1,387,263). No proceeds from share issues. Repayments of borrowings amounts to \$914,493 for the year ended 30 June 2023. (2022: \$1,711,113)

There was a cash balance at 30 June 2023 of \$1,766,018 (2022: \$2,385,803).

Risk Management

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Audit and Risk Management Committee functions are carried out by the Board as a whole.

Significant changes in the state of affairs

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

Appointments and resignations of office holders

Nil

Significant events after the balance date

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Environmental regulation

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

Shares issued during the year

On 2 June 2023, 500,000 performance rights were converted into fully paid ordinary shares issued to Mr. Garrison Huang.

On 2 June 2023, 340,000 performance rights were converted into fully paid ordinary shares issued to a number of employees.

Share options (listed and unlisted)

There were no options issued to a director and employees under the Company's Long-Term Incentive Plan.

Indemnity and insurance of officers

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

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

Indemnification of auditors

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

Proceedings on behalf of the Company

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2023 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

At the Company's 2021 Annual General Meeting, shareholders approved Harris Technology Group's Long-Term Incentive Plan (LTIP).

The remuneration report is presented under the following sections:

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

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

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

Key Management Personnel during the financial year are as follows:

(i) Executive directors

Mr Garrison Huang*	Director (executive)
--------------------	----------------------

(ii) Non-executive directors (NEDs)

Mr Alan Sparks**	Chairman (non-executive)
------------------	--------------------------

Mr Guy Polak***	Director (non-executive)
-----------------	--------------------------

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

**Alan Sparks appointed as Non-Executive Director on 1st of December 2020.

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Remuneration Report (Cont.) (Audited)

2. Remuneration governance

Remuneration Policy

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

Hedging of equity awards

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

Remuneration structure

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

3. Executive remuneration arrangements

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

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

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Remuneration Report (Cont.) (Audited)

4. Non-Executive Director remuneration arrangements

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

5. Details of Key Management Personnel Remuneration

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

		Short-term benefits		Post-employment	Security based payments		Total \$	Performance related %
Executive Directors		Salary & fees \$	Cash bonuses \$	Superannuation \$	Options \$	Shares \$		
Mr Garrison Huang 1	2023	-	-	-	-	-	-	-
	2022	131,538	-	13,154	-	-	144,692	-
Non-Executive Directors								
Mr Alan Sparks 2	2023	50,000	-	-	-	-	50,000	-
	2022	50,000	-	-	-	-	50,000	-
Mr. Guy Polak 3	2023	19,998	-	-	-	-	19,998	-
	2022	33,330	-	-	-	-	33,330	-
Mr Howard Chen 4	2023	-	-	-	-	-	-	-
	2022	6,666	-	-	-	-	6,666	-
Total KMP	2023	69,998	-	-	-	-	69,998	
	2022	221,534	-	13,154	-	-	234,688	-

1. Garrison Huang appointed Executive Director and CEO on 19 July 2016.
2. Alan Sparks appointed Non-Executive Director and CEO on 1 December 2020.
3. Guy Polak appointed Non-Executive Director on 1 April 2021.
4. Howard Chen resigned 8 November 2021.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2022)

Remuneration Report (Cont.) (Audited)

6. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

As at the end of FY23 there no rights granted to KMP under the LTIP.

There were 500,000 shares issued to KMP during the year upon the conversion of performance rights.

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

b. Shareholdings of key management personnel

	Balance at 1 July 2022 No.	Acquired / (dis- posed) during the year No.	Other movements	Balance at 30 June 2023 No.
Executive Directors				
Mr Garrison Huang ¹	90,643,708	2,415,913	-	93,059,621
Non-Executive Directors				
Mr Alan Sparks ²	680,000		-	680,000
Mr Guy Polak ³	195,000	-	-	195,000
Other Key Management Personal				
Mr. Brett Crowley	-	-	-	-

1. The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C and Double Eight Super fund; Mr Huang controls these entities.
2. The shares are held by Sparks Superannuation controlled by Mr. Alan Sparks
3. The shares are held by custodian holding control by Mr. Guy Polak

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Remuneration Report (Cont.) (Audited)

Share-based compensation

Issue of shares

On 2 June 2023, 500,000 performance rights were converted into fully paid ordinary shares issued to Mr. Garrison Huang.

On 2 June 2023, 340,000 performance rights were converted into fully paid ordinary shares issued to a number of employees.

Other than the above, there were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Options

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

c. Loans from key management personnel and their related parties

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

(\$)	2023	2022
Name of director		
Garrison Huang	2,250,918	3,071,705

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Remuneration Report (Cont.) (Audited)

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

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

	2023	2022
	\$	\$
Purchases from entities controlled by KMP and their related parties		
Rental of office and warehouse buildings ¹	171,400	97,734
Inventories	-	(5,371)
Interest expense on director's loans ²	89,289	91,111
Directors' salaries	105,998	257,534
Total related party purchases	366,687	441,005

1. Rental to Garrison Huang and his controlling entity was \$171,400 in FY22 (2022: \$97,734).

2. The Group accrued \$89,289 interest expense in FY23 for loans from Garrison Huang and his controlling entities. (2022: \$91,111).

This concludes the Remuneration Report, which has been audited.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2023)

Tax consolidation

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the consolidated financial statements.

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

The Directors are of the opinion that the services as disclosed in note 29 to the consolidated financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Rounding of amounts

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors.



Alan Sparks-Chairman
26th September 2023

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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.



SW Audit
Chartered Accountants Nick Michael
Partner



Nick Michael
Partner
Melbourne , 28 September 2023

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 17, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



SW Audit ABN 39 533 589 331. Liability limited by a scheme approved under Professional Standards Legislation. SW Audit is an independent member of ShineWing International Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(FOR THE YEAR ENDED 30 JUNE 2023)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 JUNE 2023)

	Notes	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	11	1,766,018	2,385,803
Trade and other receivables	12	1,443,007	2,392,703
Inventories	13	4,747,855	9,788,196
Prepayments and deposits	14	234,200	284,429
Total Current Assets		8,191,080	14,851,131
Non-current Assets			
Property, plant and equipment	15	111,268	126,963
Right-of-use assets	16	1,416,823	1,557,662
Intangible assets		9,320	-
Deferred tax assets	9	-	783,392
Total Non-current Assets		1,537,411	2,468,017
Total Assets		9,728,491	17,319,148
Current Liabilities			
Trade and other payables	17	2,724,345	5,966,987
Borrowings	18	444,000	3,076,122
Contract liabilities	19	-	156,026
Lease liabilities	20	124,779	117,738
Employee benefit liabilities	21	132,720	154,196
Total Current Liabilities		3,425,844	9,471,069
Non-current Liabilities			
Borrowings	18	1,806,918	
Lease liabilities	20	1,401,562	1,496,883
Employee benefit liabilities	21	111,562	64,918
Total Non-current Liabilities		3,320,042	1,561,801
Total Liabilities		6,745,886	11,032,870
Net Assets		2,982,605	6,286,278
Equity			
Contributed equity	22	17,590,784	17,590,784
Accumulated losses	24	(14,608,179)	(11,304,506)
Reserves	23	-	-
Total Equity		2,982,605	6,286,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(FOR THE YEAR ENDED 30 JUNE 2023)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED 30 JUNE 2023)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		25,381,722	51,499,665
Payments to suppliers and employees		(24,901,537)	(52,886,928)
Interest received		5,331	-
Net cash flows provided by/(used in) operating activities	11	485,516	(1,387,263)
Cash flows from investing activities			
Payments for intangibles, property, plant and equipment		(22,956)	(130,194)
Net cash flows used in investing activities		(22,956)	(130,194)
Cash flows from financing activities			
Proceeds from borrowings		-	2,450,000
Repayment of borrowings		(914,493)	(1,711,113)
Repayment of lease liabilities		(167,852)	(97,734)
Net cash flows (used in)/ provided by financing activities		(1,082,345)	641,153
Net (decrease) in cash and cash equivalents		(619,785)	(876,304)
Cash and cash equivalents at the beginning of the financial year		2,385,803	3,262,107
Cash and cash equivalents at the end of the financial year		1,766,018	2,385,803

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

1. CORPORATE INFORMATION

The consolidated financial report of Harris Technology Group Limited (the Company or Harris Technology Group) and controlled entities (the Group) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 26th September 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements of the Group have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB), and the Company's Constitution. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

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

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The functional currency of the Group is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency and is rounded to the nearest dollar.

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policies

(a) Going concern

As disclosed in the consolidated financial statements, the Group made a loss of \$3,303,671 (2022: loss of \$1,464,735) and had net cash inflow from operating activities of \$ 485,516 (2022: net cash out flows of \$1,387,263) for the year ended 30 June 2023. These conditions indicate a significant or material uncertainty about the consolidated Group's ability to continue as a going concern.

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

- The CEO, Mr Garrion Huang has committed a total facility of \$4 million, of which 2.25 million has been utilised as at year end. The facility is valid for 12 months from the signing of the financial statements;
- The Group has prepared budgets and cash flow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this year;
- The Group is managing its cash flow and negotiating with creditors as needed;
- Active management of the current level of discretionary expenditure; and
- Raising additional working capital through the issue of debt or equity securities and/or other funding.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be incurred should the consolidated entity not continue as a going concern.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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

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

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

(c) Revenue recognition

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

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

Sale of goods

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

Interest

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

Other revenue

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

(d) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

Group companies

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

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

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

(e) Income tax and other taxes

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

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

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

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

Tax consolidation

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income tax and other taxes (continued)

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the latest purchase price method, and are valued at the lower of cost or net realisable value. Inventories are recorded at weighted average cost basis.

This valuation requires the Group to make judgements, based on currently available information, about the likely method of disposition and expected recoverable values of each disposition category.

Volume rebates in relation to purchases are recognised in cost of sales when credited by the supplier.

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

All inventories carried are finished goods, ready for sale.

(i) Business combinations

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

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

(j) Intangible assets other than goodwill

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

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

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

Software Development	5 years
----------------------	---------

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)(i)

(j) Intangibles assets other than goodwill (continued)

Impairment of other intangible assets

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

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

(k) Property, plant and equipment

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

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

Depreciation

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

Office and warehouse equipment	5 years
Furniture and Fixtures	5 years

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(m) Right-of-use-assets

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

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments

Classification

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

Financial liabilities

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

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

(o) Trade and other payables

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

(p) Lease liabilities

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

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

(q) Provisions

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

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

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

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

(t) Contract liabilities

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

(u) Share based payments

Equity settled transactions

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share based payments (Cont.)

Equity settled transactions (Cont.)

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

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

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

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

(w) Earnings per share

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

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Risk exposures and responses

Interest rate risk

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

	2023	2022
	\$	\$
Financial assets		
Cash and cash equivalents (non-interest bearing)	1,766,018	2,385,803
Financial liabilities		
Interest bearing liabilities – fixed rate (current)	(2,250,918)	(3,076,122)
Net exposure	(484,901)	(690,319)

To minimise the exposure to credit risk for financial liabilities, the Group entered into a fixed rate contract for the finance facility. Accordingly, the financial liabilities are assessed as having a low credit risk.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Interest rate risk (continued.)

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

The Group has no material interest rate risk exposure.

Credit risk

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

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group's exposure to currency risk is minimal at this stage of its operations.

Liquidity risk

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

As at 30 June 2023, 78% of the Group's financial liabilities will mature in less than one year (2022: 100%).

The table below reflects all contractually fixed payables and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The respective undiscounted cash flows for the respective upcoming fiscal periods are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2023.

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

Year ended 30 June 2023	< 1 year	1-2 years	2-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	1,766,018	-	-	-	1,766,018
Trade and other receivables	1,443,007	-	-	-	1,443,007
Total	3,209,025	-	-	-	3,209,025
Financial liabilities					
Trade and other payables	(2,724,345)	-	-	-	(2,724,345)
Lease liabilities	(124,779)	(354,938)	(559,474)	(487,150)	(1,526,341)
Related party loans	(2,250,918)	-	-	-	(2,250,918)
Total	(5,100,042)	(354,938)	(559,474)	(487,150)	(6,501,604)
Net maturity	(1,891,017)	(354,938)	(559,474)	(487,150)	(3,292,579)

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Year ended 30 June 2022	< 1 year	1-2 years	2-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2,385,803	-	-	-	2,385,803
Trade and other receivables	2,392,703	-	-	-	2,392,703
Total	4,778,506	-	-	-	4,778,506
Financial liabilities					
Trade and other payables	(5,966,987)	-	-	-	(5,966,987)
Third party loans	(4,417)	-	-	-	(4,417)
Lease liabilities	(117,738)	(300,491)	(541,287)	(655,105)	(1,614,621)
Related party loans	(3,071,705)	-	-	-	(3,071,705)
Total	(9,160,847)	(300,491)	(541,287)	(655,105)	(10,657,730)
Net maturity	(4,382,341)	(300,491)	(541,287)	(655,105)	(5,879,224)

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2022)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements

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

Revenue recognition

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

Deferred tax assets

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

Estimates and assumptions

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

Provision for obsolescence of inventories

Inventory provisions are recognised for slow-moving and unsalable inventory and are reviewed on a regular basis. In determining inventory provisions, the Group reviews the aging and the category of the inventory in order to make appropriate provisions to reflect the slow-moving risk of the inventory. Categories are determined based on stock turnover rates. Progressively higher provisions are applied as inventory turnover rates decrease. This methodology is significantly affected by the forecasted needs for inventory

Expected credit losses

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

Volume rebates

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

5. PARENT ENTITY INFORMATION

Information relating to Harris Technology Group Limited – Parent	2023	2022
	\$	\$
Current Assets	3,465	35,006
Non-Current Assets	8,947,512	11,929,566
Total Assets	8,905,976	11,964,572
Current Liabilities	(614,624)	(956,474)
Non-Current Liabilities	(1,826,582)	(1,569,044)
Total Liabilities	(2,441,207)	(2,525,518)
Net Assets	6,509,770	9,439,054
Contributed equity	18,835,613	18,835,613
Accumulated losses	(12,325,843)	(9,396,559)
Total equity	6,509,770	9,439,054
Total comprehensive profit/(loss) of the parent entity	(2,929,284)	(2,822,376)

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

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

Significant accounting policies

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

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

6. CONTINGENCIES OF THE PARENT ENTITY

The parent entity has no contingent liabilities as at 30 June 2023 (2022: Nil).

The parent entity has no capital commitments for property, plant and equipment as at 30 June 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

7. REVENUE

7 (a) Sales revenue	2023	2022
	\$	\$
Sale of goods (Point time)	24,185,555	50,295,594
Total sales revenue(Point time)	24,185,555	50,295,594

7 (b) Other income	2023	2022
	\$	\$
Interest received	5,331	-
Sundry income	1,066	1,007
Total other income	6,397	1,007

8. EXPENSES

8 (a) Depreciation and amortisation expenses	2023	2022
	\$	\$
Property, plant and equipment	29,331	17,506
Right-of-use assets	140,839	127,655
Total depreciation and amortisation expenses	170,170	145,161

8 (b) Transaction expenses	2023	2022
	\$	\$
Selling expenses including wages	2,904,174	4,309,308
Bank fees	1,586	3,056
Total transaction expenses	2,905,760	4,312,364

8 (c) Finance costs	2023	2022
	\$	\$
Interest expenses – related party loans	89,289	91,121
Interest expense – ROU liability	79,572	43,212
Total finance costs	168,861	134,333

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

9. INCOME TAX

	2023 \$	2022 \$
Current tax	-	-
Deferred tax	(783,392)	-
Income tax expense	(783,392)	-
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit/(loss) before income tax expense	(2,520,281)	(1,464,735)
At the Group's statutory income tax rate of 25% (2022: 25%)	(630,070)	(366,183)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:	(46,187)	(55,386)
Deferred tax assets not recognised – current year	676,257	421,569
Deferred tax assets prior year - reversed	(783,392)	-
Income tax expense	(783,392)	-

Deferred Tax Asset recognition

The Directors have determined it is not probable there is sufficient future taxable profits against which to offset unutilised tax losses and temporary differences as at 30 June 2023 and consequently have:

- De-recognised the deferred tax asset recognised on past losses and timing differences brought forward on 1 July 2022;
- Not recognised deferred tax asset on current year losses incurred during 2022-2023 \$2,705,027.

The assessment of the probability of sufficient future taxable profits will be re-assessed at each reporting date.

The total sum of losses not recognised as a deferred tax asset at 30 June 2023 is \$6,214,902 (2022: \$1,686,275)

Reconciliation of unutilised losses

	2023 \$	2022 \$
Brought forward	3,509,875	1,823,600
Current year loss	2,705,027	1,686,275
Utilised in year	-	-
Carried forward	6,214,902	3,509,875

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

10. EARNINGS PER SHARE

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

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

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

	2023	2022
Basic and diluted earnings per share (cents)		
Basic and diluted earnings per share	(1.10)	(0.49)
Basic and diluted earnings per share from total comprehensive income	(1.10)	(0.49)
Total comprehensive profit for the year (\$)	(3,303,673)	(1,464,735)
Weighted average number of ordinary shares used in calculating basic earnings per share	299,135,481	297,988,221
Weighted average number of ordinary shares used in calculating diluted earnings per share	299,135,481	297,988,221

As at 30 June 2023 and 30 June 2022 the issue of potential ordinary shares was assessed to be non-dilutive and consequently diluted earnings per share is equal to basic earnings per share.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

11. CASH AND CASH EQUIVALENTS

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

Reconciliation of net profit/(loss) after tax to net operating cash flows	2023	2022
	\$	\$
Net (loss) after tax	(3,303,673)	(1,464,735)
Non-cash items		
Decrease in deferred taxes	783,392	-
Interest expenses	168,861	43,212
Depreciation and amortisation	170,170	145,161
Other	-	130,813
TOTAL Non-cash items	1,122,423	319,186
Changes in operating assets and liabilities		
Decrease in trade and other receivables	949,696	736,676
Decrease/(Increase) in prepayments and deposits	50,229	(130,005)
Decrease in inventories	5,040,341	978,592
(Decrease) in contract liabilities	(156,026)	(131,095)
(Decrease) in trade and other payables	(3,242,642)	(1,767,928)
Increase in employee benefit liabilities	25,168	72,046
TOTAL changes in operating assets and liabilities	2,666,766	(241,714)
Net cash flows provided by/(used in) operating activities	485,516	(1,387,263)

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

13. INVENTORIES

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

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

14. PREPAYMENTS AND DEPOSITS

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

15. PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

16. RIGHT-OF-USE ASSETS

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

The Group leases land and buildings for its office and warehouse under an agreement of two further terms of three years each. Expiry date of the term being 4 May 2026 and renewal 6 months prior to the expiry date of 4 May 2026.

Reconciliations

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

	Buildings right-of-use \$
Opening carrying value at 30 June 2022	1,557,662
Depreciation expense	(140,839)
At 30 June 2023	1,416,823

17. TRADE AND OTHER PAYABLES

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

Terms and conditions of the above trade and other payables:

- (i) Trade payables are non-interest bearing and are normally settled on 30 days EOM terms.
- (ii) Other creditors are non-interest bearing and are normally payable within 30 and 90 days.

Fair value

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

Foreign exchange and interest rate risk

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

18. BORROWINGS

	2023 \$	2022 \$
Unsecured		
Related party loans (Note 25)	2,250,918	3,071,705
Third party loans	-	4,417
Total current borrowings	2,250,918	3,076,122
	\$	\$
Opening balance	3,076,122	2,338,235
Increase in borrowings	-	2,364,082
Interest	89,289	84,918
Repayment of borrowings	(914,493)	(1,711,113)
Closing balance	2,250,918	3,076,122

19. CONTRACT LIABILITIES

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

There were no contract liabilities during the current year.

20. LEASE LIABILITIES

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

21. EMPLOYEE BENEFIT LIABILITIES

	2023 \$	2022 \$
Current		
Annual leave	121,139	105,188
Long service leave	11,581	49,008
Total current	132,720	154,196
Non-current		
Annual Leave	87,969	52,854
Long service leave	23,593	12,064
Total non-current	111,562	64,918

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

Movement in liabilities -Long Service Leave		
	2023 \$	2022 \$
Opening balance	61,072	31,148
Expense recognition	30,670	29,925
Leave taken adjustment	(56,568)	-
Closing balance	35,174	61,072
Movement in liabilities - Annual Leave		
	2023 \$	2022 \$
Opening balance	158,042	111,599
Expense recognition	76,962	105,440
Leave taken	(25,896)	(58,997)
Closing balance	209,108	158,042

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

22. CONTRIBUTED EQUITY

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

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

Terms and conditions of ordinary shares

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

Capital management

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

23. RESERVES

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

Share-based payments reserve

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

24. ACCUMULATED LOSSES

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

25. RELATED PARTY LOANS

The loan balances are set out as below:

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

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

The loan facility previously had a maturity of 31 December 2023 and was extended 30 September 2024 on 30 June 2023. Mr Huang has committed a total facility of \$4M.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

25. RELATED PARTY LOANS (CONTINUED)

At 30 June 2023, the Group had access to:

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

26. COMMITMENTS

The Group has no material commitments as at 30 June 2023 (2022: none) that are not recognised as liabilities.

27. CONTINGENT ASSETS AND LIABILITIES

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

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

29. AUDITOR'S REMUNERATION

	2023 \$	2022 \$
Audit and review of the financial report of Group for the year	80,000	55,500
Other services	-	-
Total auditors' remuneration	80,000	55,500

30. RELATED PARTY TRANSACTIONS

(a) Subsidiary

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

Name of entity	Country of Incorporation	% of Equity interest	
		2023	2022
APCA Trading Pty Ltd	Australia	100	100
Harris Technology Pty Ltd	Australia	100	100
Lincd HQ Pty Ltd	Australia	100	100

(b) Ultimate parent

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

(c) Inter-group transactions

Loans

The inter-group entities have provided or received intercompany loans within the group for working capital. The intercompany loans are repayable to the inter-group entities at call and no interest is payable. At 30 June 2023, those loans have been eliminated in the consolidated balance sheet.

(d) Other related party transactions

During the financial year ended 30 June 2023, there were a total of \$2,250,918 Directors' loans reported by the period. Refer to Note 25 (2022: \$3,071,705). All transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

Refer to section 6d of Remuneration Report for more details relating to other related party transactions.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

31. KEY MANAGEMENT PERSONNEL

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

	2023 \$	2022 \$
Short-term employee benefits	105,998	257,534
Post-employment benefits	-	13,154
Total	105,998	270,688

Short-term employee benefits

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

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2023)

32. SEGMENT REPORTING

Identification of reportable segments

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

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

DIRECTOR'S DECLARATION

(for the Financial Year ended 30 June 2023)

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

1. In the opinion of the directors:

(a) the financial statements and notes of Harris Technology Group Limited and its controlled entities for the financial year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board



Alan Sparks

Non-Executive Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HARRIS TECHNOLOGY GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Harris Technology Group Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred a net loss after tax of \$3,303,673 for the year ended 30 June 2023 and had net cash inflows from operating activities of \$485,516 for the year ended 30 June 2023. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Inventories

Area of focus

Refer to Note 4 *Significant Accounting Estimates and Judgements* and Note 13 *Inventories*

The Group's inventory of \$4,747,855 is material to the financial statements and has decreased by \$5,040,341, from the prior year balance of \$9,788,196.

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

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

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

How our audit addressed the key audit matter

Our audit procedures included:

- Obtaining an understanding and assessing key controls over the valuation of inventory
- Comparing cost and subsequent sales prices to ensure inventory was valued at the lower of cost and net realisable value
- Evaluating the ageing of inventory and any inventory that is expected to be slow moving
- Assessing the appropriateness of the inventory provisioning policy adopted by management
- Ensuring costs assigned to inventory were reasonable
- Obtaining an understanding of the methods, assumptions and data used by management in determining the need for writing down inventory to net realisable value
- Assessing whether the methods, assumptions and data were appropriate, and
- Assessing the adequacy of the disclosures in the financial statements in respect of inventory.

2. Revenue recognition

Area of focus

Refer to Note 4 *Significant Accounting Estimates and Judgements* and Note 7 *Revenue*

The Group sales revenue of \$24,185,155 is material to the financial statements and has decreased by \$26,109,439 from the prior year amount of \$50,295,594.

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

Because of the complexities involved in applying AASB 15 *Revenue from Contracts with Customers*, and the estimation involved in quantifying variable consideration, we have determined that this is a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Harris Technology Group Limited for the year ended 30 June 2023 complies with section 300A of the Corporations Act 2001.

Responsibilities

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



SW Audit

Chartered Accountants Nick Michael Partner



Nick Michael
Partner
Melbourne, 28 September 2023

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 17, Aurora Place
88 Philip Street
Sydney NSW 2000
T + 61 2 8059 6800



SW Audit ABN 39 533 589 331. Liability limited by a scheme approved under Professional Standards Legislation. SW Audit is an independent member of ShineWing International Limited.

Additional Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 17 August 2023 (**Reporting Date**).

Corporate Governance Statement

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

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

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

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

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

Substantial holders

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

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total, issued securities capital in relevant class
Australian PC Accessories Pty Ltd	Ordinary Shares	81,777,156	42.37%
Blooming Star Consultants Limited	Ordinary Shares	14,844,086	7.69%
AZA International Pty Ltd	Ordinary Shares	10,305,570	5.34%

Number of holders

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

Class of Equity Securities	Number of holders
Fully Paid Ordinary Shares	1,675

Voting rights of equity securities

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

As at the Reporting Date, there were 1,675 holders of a total of 299,135,481 ordinary shares of the Company.

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

Distribution of holders of equity securities

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

Distribution of ordinary shareholders			
Holdings Ranges	Holders	Total Units	%
1 – 1,000	122	20,110	0.010
1,001 – 5,000	278	1,076,431	0.360
5,001 – 10,000	317	2,567,716	0.860
10,001 – 100,000	730	28,271,027	9.450
100,001 – 9,999,999,999	228	267,200,197	89.320
Totals	1,675	299,135,481	100.00

Less than marketable parcels of ordinary shares (UMP Shares)

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

Total Securities	UMP Shares	UMP Holders	% of issued shares held by UMP holders
299,135,481	12,048,084	1,121	4.02763
Class of restricted securities	Number of unquoted Equity Securities		Number of Holders
Performance Rights	Nil		-

On-market buyback

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

On-market purchase of securities under employee incentive scheme

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

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder as at 17 August 2023 is as follows:

Name	Balance as at 17-08-2023	%
AUSTRALIAN PC ACCESSORIES PTY LTD <GWH A/C>	88,440,872	29.565%
MR KENNETH JOSEPH HALL <HALL PARK A/C>	14,000,000	4.680%
MR WEIYU ZHANG	12,244,086	4.093%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	11,691,250	3.908%
FU-TIEN LEE	8,216,242	2.747%
CITICORP NOMINEES PTY LIMITED	7,349,791	2.457%
CHA SHIN CHI INVESTMENT CO LTD	5,488,969	1.835%
MR GARRISON HUANG & MS XIAOYING TANG <DOUBLE EIGHT SUPER FUND	4,618,749	1.544%
PING SHEN	4,545,455	1.520%
MR JUNJI KAMOSHIDA	4,520,666	1.511%
MISS PING YU	4,136,097	1.383%
BEAUMY PTY LTD <ROBERT FROST FAMILY A/C>	3,559,535	1.190%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,959,901	0.989%
BEAUMY PTY LTD <ROBERT FROST FAMILY S/F A/C>	2,600,000	0.869%
ARIAN PONY PTY LTD	2,500,000	0.836%
FRONTON AUSTRALIA PTY LTD	2,500,000	0.836%
H & J INVESTMENT PTY LTD <H & J SF A/C>	2,485,444	0.831%
MS WEILI MA	2,415,602	0.808%
CORREIA SUPER INVEST PTY LTD <CORREIA INVT SF A/C>	2,000,000	0.669%
MR JIANCHAO WANG	1,900,000	0.635%
Total Securities of Top 20 Holdings	188,172,659	62.905%
Total of Securities	299,135,481	

MOBILE M2C
DISTRIBUTION
INFORMATION
ANYWARE
Licensing
Network
LEDWARE
LINKBASIC
ECOMMERCE
HUNTKEY
Notebook
eset
DELTA
VIRTUAL REALITY
BRATECK
Lifestyle
Lembeat
Speakers
BOOGIEBOARD
HANNISTECHNOLOGY
HT
Storage
AUGMENTED
WOWBABY
DROBO
Printer
SWAN
AZIO
EDIMAX
Tablet
AEROCOOL
DXRACER
ADESSO
PROMISE
rap