harristechnology
GROUP LIMITED

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED **30 JUNE 2016**

HARRIS TECHNOLOGY GROUP LIMITED
(Formerly Shoply Limited)

ABN 93 085 545 973

Harris Technology Group Ltd (ASX: HT8) has the mission to be a leading ASX-listed online e-commerce destination in Australia.

Contents

Harris Technology Group Brands

Harris Technology Group Growth Strategy

Focus on Sales and building the brands in the market	Strategic online shopping Acquisitions	Emphasis on Systemisation to reduce costs	Ensure all sites are Mobile & Tablet-Enabled to increase visibility

Chairman and CEO Letter

Dear Shareholders,

Harris Technology Group Limited (the Company) and its controlled entities (the Group) present its results for the financial year ended 30 June 2016 (FY16). The results reflect the Group's continuing capital investment in building a scalable operating platform, and expenditure associated with developing associated capabilities.

During FY16, the Group generated revenue of $17,789,785, down 3.60% on the previous year (FY15: $18,453,912). The Group incurred a net loss from continuing operations of $6,543,393, and a net loss of $6,510,012.

Subsequent to the end of FY16 on 19 July 2016, the Company completed its merger with Anyware Corporation Pty Ltd, a distributor of business technology equipment and owner of the Harris Technology online retail business (**Merger**). After completion of the Merger, the Company determined to undertake a consolidation of its websites and platforms, in order to facilitate operational efficiencies and realise cost savings in respect to development and IT expenses. As part of the website and platform consolidation, the Company closed down its existing Warcom and eStore websites, and redirected traffic from those websites to its centralised business technology website **ht.com.au**.

The Company reported an impairment expense of $1,027,386 for FY16, which relates primarily to goodwill and intangible assets associated with the website closure and migration, and platform consolidation. Depreciation and amortisation was $405,721 for FY16, up from $392,974 in the prior year.

Professional fees incurred in FY16 were a total of $453,882, up from $445,720 in the prior year, as a result of one-off accounting and legal fees of approximately $130,000 incurred in respect to the Merger.

As the Merger was completed after the end of FY16, the Group's reported results do not include trading results of Anyware Corporation Pty Ltd or its subsidiary Harris Technology Pty Ltd.

Financials

- Revenues of $17.8m down 3.6% on FY15 (Guidance: $18m, FY15: $18.5m)
- Loss $6.5m (FY15: $2.6m). Loss reflective of:
  - Continuous investment in infrastructure upgrades and developments
  - Impairment of goodwill and intangible assets associated with the website closure, migration and platform consolidation
  - One-off accounting and legal fees in respect to the merger with Anyware and Harris Technology
  - Termination or replacement of senior executives and senior management, including CEO, COO and CFO
  - Onerous contract provision in respect to the warehouse relocation as part of the new management's cost down initiative
  - Downturn in sales and lower trading margin influenced by bus-tech sector

Operations

- Minimal full year revenue rate drop-off in an increasingly difficult market, despite a disappointing Christmas that affected the entire industry

- Upheaval in systems and process management that has led to greater clarity and understanding in reporting and business outlook
- Revenue run-rate baseline of $5.5m per month set, significant growth from prior run-rate
- Greater brand awareness achieved for Your Home Depot and Wow Baby through extensive television advertising and online customer feedback
- Extended range of suppliers and brands to increase market share
- Further growth in positive relationships with key suppliers in each market vertical
- Significant capital investment undertaken to improve customer interface & enhance customer online experience
- Increased focus on customer service and building stronger, lasting customer relations
- Management team overhauled – new management team comes with rich experience in specifically running and maintaining profitable businesses

The business strategy and operating model has undergone a thoroughly positive overhaul aligning to meet and exceed shareholders' progressive expectations. The objective is to achieve sustainable growth in earnings and maintain high returns. This will be achieved through creating a differentiated offering for customers, growth in emerging markets and capitalising upon value-creating acquisitions. The Board remains confident that all the building blocks are now in place for sustained growth and continued improvement in shareholder returns.

Harris Technology Group continues to provide quality brands across homewares, kitchenware, office technology and baby products at great prices. We continue to expand our categories and offerings to our customers. We look forward to continuing the growth trajectory and further proving the results of our organic and acquisitive online retail strategy.

Thank you for your ongoing support and we look forward to meeting with those of you who are able to attend our upcoming Annual General Meeting.

Andrew Plympton
Non-Executive Chairman
Melbourne, 29 September, 2016

Garrison Huang
Managing Director
Melbourne, 29 September, 2016

FY16 Summary

Full year profit and loss summary

	FY16 ($m)	FY15 ($m)	Change ($m)
Revenue from continuing operations			
Sales Revenue	17.79	18.45	(0.66)
Finance Revenue	0.13	0.04	0.09
Total Revenue	17.92	18.49	(0.57)
Total Comprehensive (loss)/profit	(6.51)	(2.48)	(4.03)

Full year profit and loss summary - underlying

	FY16 ($m)	FY15 ($m)	Change ($m)
Non-statutory financial results include:			
Gross Profit	1.22	3.16	(1.94)
Loss before income tax	(6.54)	(2.57)	(3.97)
Total Comprehensive (loss)/profit	(6.51)	(2.48)	(4.03)
Operating costs			
Direct costs	(16.57)	(15.30)	(1.27)
Other costs and expenses	(7.76)	(5.73)	(2.03)

Balance Sheet

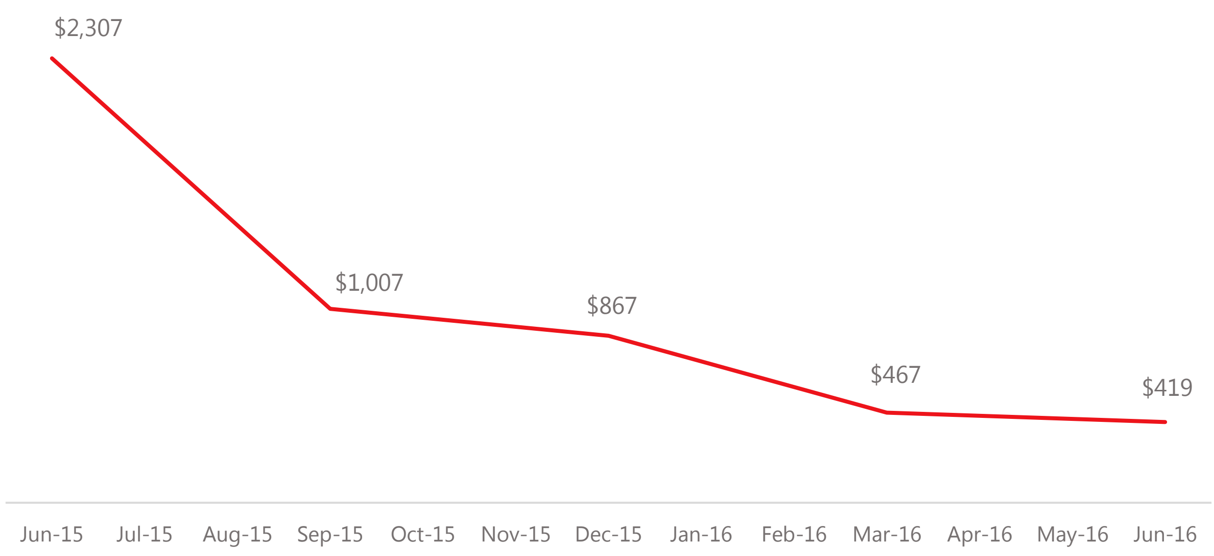
	30 June 16 ($m)	30 Jun 15 ($m)
Cash and cash equivalents	0.42	2.31
Inventories	0.67	1.76
Property, plant and equipment	0.06	0.24
Intangible assets	1.51	3.12
Net assets	(1.68)	3.84

Cash position

Cash and cash equivalent of $418,622 at 30 June 2016

Based on the cash position at end of FY16 and as a result of a stringent budgeting process, the company believes it is in a position to meet planned operational and capital expenditure throughout FY17.

Cash and cash equivalents for June 2015 to June 2016 (000's)



Strengthened Team

Garrison Huang

Executive Director & Chief Executive Officer

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

Bob Xu

Executive Director

- Founder of successful import and distribution company AZA International
- Business Director for Anyware Corporation Pty Ltd since 2012
- Appointed Executive Director on 19 July 2016

Howard Chen

Non-Executive Director

- Extensive experience in global product sourcing, development, brand marketing and sales
- Managing Director of Ultra Imagination Technology Pty Ltd, which holds ownership of mbeat
- Appointed Non-Executive Director on 19 July 2016

FY17 Strategy

Growth of revenue	◈ Capitalising and growing on monthly revenue position
Operationally profitable	◈ Continual improvement in business processes to improve our position
Acquisitions	◈ Seek appropriate acquisition opportunities ◈ With the merged entity, Wholesales and Online properties can be integrated into the operating model and deliver ongoing revenue growth

Long Term Prospects

As suitable opportunities arise, we intend to grow organically and by acquisition to enable us diversify our product offerings and enter additional e-commerce markets.

We are utilising Anyware's existing infrastructure and knowledge od importing and distribution to deliver a "direct model" to the business of Your Home Depot and Wow Baby. In particular, we will launch a business model called: "Cross Border Direct Shipping with Local Presence" (CBDSLP). With a team based in China and the ability to sell directly online to consumers in Australia, this model's key benefits are:

- No stock holding required
- Cost is most competitive
- Business is direct to end user (Direct Model - almost Factory to Consumer)
- Existing local presence, including customer support call centre, where business can be operated with confidence and inspire trust and loyalty among consumers
- Existing Chinese partner's company structure and resources can be fully utilised
- Scope to expand on range of market verticals such as furniture, travel goods and sporting goods

HT GROUP COMPANIES

Anyware®

Australia's leading importer and distributor of computers accessories to IT resellers – **www.anyware.com.au**

harristechnology

Let's talk technology

Australia's premier online business IT retailer, now in its 30th year, incorporating the merged Warcom and Estore entities – **www.ht.com.au**

YOUR HOME DEPOT

Offering premium kitchenware, cookware, appliances, homeware & outdoor products- **www.yourhomedepot.com.au**

WOW BABY

Offering Australian families a range of quality baby and mothercare products - **www.wowbaby.com.au**

MERGED GROUP BENEFITS

SYNERGISTIC EFFECTS SAVE COSTS AND ALLOW SUSTAINABLE GROWTH

EXPERIENCED STAFF

Anyware / Harris Technology's team is made up of a group of experiences professionals with a 20 year history in the import and distribution businesses in Australia. The new merged company can leverage Anyware's existing strong ties with overseas suppliers and manufacturers for product sourcing.

COST SAVING

Significant expense savings can be achieved by combining the office and warehouse operations. Business processes can be streamlined across the group. Centralised and shared services across business operations including IT systems, marketing and customer support means cost savings and better communication for the whole group.

COMPETITIVE PRICING

With a dedicated team in Shenzhen, China, the company can source the best products at competitive prices with the highest quality and best availability.

SINGLE PLATFORM

A single e-commerce system / platform (in progress) instead of several different systems ensures efficiency in operation and big savings on development and IT expenses.

SHARED DATABASE

By merging or sharing the customer database, the new company can cross-promote and upsell items to a larger consolidated customer database.

Strategies and plans

The individual strategies of each business will be addressed below; however the underlying theme across the group is to enable each area of the business to grow whilst complementing the others.

A strong sales increase is forecast across the group whilst carefully managing expenditure on procurement, marketing and human resources.

Anyware

Founded in 1996, Anyware Corporation has long been established as one of the premiere distribution businesses in Australia and New Zealand for IT equipment, accessories, electrical, lighting, home entertainment, education, corporate infrastructure and more. This position of strength has been achieved through careful and considered planning and through successful execution of sourcing, sales and marketing plans. Anyware stands today with a solid foundation forged over our 20-year history; a foundation which has allowed us to expand into new markets as the opportunity has arisen, utilising existing infrastructure, business experience and executive personnel to ensure success.

Strategies and Plans

- Growth is forecast across the Electrical Installer / Wholesale segment of the Anyware market following investment in resources to enhance our expansion into this area. Anyware's existing product offering caters to this market, along with strategic additions to allow us to achieve significant growth.
- The addition of Wow Baby and YHD into the group has begun to present new markets which may allow Anyware to explore new distribution and importing opportunities.

Harris Technology

Since its inception in 1986, Harris Technology has remained a cornerstone of the IT industry in Australia. The scope and longevity of HT's business are unmatched, providing both customers and vendors with the security and size of a big retailer with the agility of an online store.

- Comprehensive SMB-focused product range of over 10,000 items available online
- Local call center staffed by category expert
- Outstanding 30-year reputation and brand equity
- Cutting edge marketing campaigns with strong digital focus

As Harris Technology enters its 30th year the face of retail business in Australia has seen countless changes. Despite the changing landscape, HT's focus has remained wholly toward the SMB marketplace. This market has not traditionally been serviced strongly by the industry as a whole, providing an enormous opportunity. Harris Technology is dedicated to ensuring positive customer experience through outstanding customer service and by providing products and services that meet the unique requirements of this SMB segment.

Strategies and Plans

- Continue to keep product ranges up-to-date & brands current
- Pricing requires constant attention to maintain competitiveness
- Investment in our staff with training to ensure we can best service our customers
- Building a Cloud & Services product offering following investment in this burgeoning category
- Continue to expand and improve upon the existing Drop Ship model in order to minimise stock holding liability
- Pending IT developments we expect to add an eBay store in late 2016 which is expected to bring an immediate 5-10% sales boost

Your Home Depot

Founded in 2003, Your Home Depot (YHD) is one of Australia's leading online homewares and home appliance retailers, offering high-end kitchenware, homewares and electrical appliances nationwide via its online website **www.yourhomedepot.com.au**. In June 2014 YHD was acquired by Shoply Ltd (now Harris Technology Group Ltd) as the centerpiece of the company's expansion into burgeoning online shopping markets. The addition complemented the Group's existing properties in IT and baby products, cementing a compelling diversity of enterprises across numerous fast-moving verticals.

The Online Kitchen and Diningware Sales industry is driven by big name brands, brands which Your Home Depot has forged strong, secure relationships with over more than a decade. The new ownership and management structure at YHD necessitates consolidation of these supplier relationships which has been a successful undertaking throughout previous months.

Strategies and Plans

- Competitive pricing – it is YHD's intention to remain competitive on price alongside a select group of online competitors, but to strike a balance ensuring healthy margins and avoiding 'price wars.'
- Strict ROI – all marketing activities, and business expenses throughout, will be subject to strict campaign measurement to ensure return on investment is significant.
- Careful stock management – regular, disciplined forecasting and ordering by trained professionals will minimise stock-outs as well as overstocks, striking a meticulous balance. Development work for software tools to aid in such processes is underway.

Wow Baby

In March 2014 Shoply Ltd Group (now Harris Technology Ltd Group) acquired **WowBaby.com.au**, an online baby products retailer. Established in October 2010, Wow Baby possesses a strong, respected identity in the market. It holds strong relationships with key vendors and distributors, supported by innovative marketing and committed customer support which has allowed Wow Baby to grow significantly since being acquired.

Already strong in a number of categories such as prams, nappy bags and high-chairs, the focus for 2016 has been to diversify further into growing categories. Within a short span Wow Baby has secured successful dealings with Tier 1 brands Tomy, Boon, Munchkin, Mamaway and many more, contributing to categories including toys, bins, feeding and pregnancy-wear.

This rapid development has been achievable due to a number of logistical considerations:

- Leveraging Harris Technology Group's significant warehouse storage capacity
- Introducing a 'Drop Ship' option with selected suppliers to minimise required stock holdings
- Supplementing the above with regular ordering from local suppliers

Strategies and Plans

Ensuring repeat business is a key area in 2016-17. This will be achieved by introducing categories such as nappies, wipes, bin-refills and formula. These encourage ongoing purchases over a number of years for each customer/parent, a key component of Wow Baby's growth strategy.

Price analysis will be undertaken to allow Wow Baby sell prices to be more competitive in the market.

- Range rationalisation – Be selective in adding suppliers to strategically assist segment growth
- Add tactical new segments / brands in line with market movement

Corporate Information

DIRECTORS

Mr Andrew Plympton	Non-Executive Chairman
Mr Garrison Huang	Executive Director & CEO
Mr Bob Xu	Executive Director
Mr Mark Goulopoulos	Non-Executive Director
Mr Howard Chen	Non-Executive Director

COMPANY SECRETARY

Ms Alyn Tai

REGISTERED OFFICE

Level 1, 61 Spring Street
Melbourne Victoria 3000

AUDITORS

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne Victoria 3000

BANKERS

Westpac
360 Collins Street
Melbourne Victoria 3000

SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Tel: 1300 737 760

EXCHANGE LISTING

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

STATE OF INCORPORATION

Victoria

Directors' Report

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 2016 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 period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Andrew Plympton, Independent, Non-Executive Chairman

Mr Plympton was appointed to the Board on 9 February 2010 as an Independent Non-Executive Chairman. Mr Plympton assumed the role of Executive Chairman from 11 March 2016 – 19 July 2016, after which he resumed his role as Non-Executive Chairman.

Experience and expertise	Mr Plympton joined the Company in February 2010 and brings a wealth of experience in a diverse range of commercial activities. Mr Plympton has spent more than 35 years in the financial services area, as Managing Director and/or Executive Chairman of a number of international insurance brokers and risk managers. In addition he held the role of Chairman in Underwriting Agencies and Captive Insurance Managers.
Other directorships held by Director in the last 3 years	In the public company sector Mr Plympton is a director of XPD Soccer Gear Limited (ASX: XPD) (appointed 7 February 2015) and Energy Mad Limited (NZX: MAD). Mr Plympton is an Executive Member of The Australian Olympic Committee and Director of The Australian Olympic Foundation Limited. He is a Commissioner of the Australian Sports Commission and Advisory Board Member of Global Risk Advisory Company Aon During the last three years Mr Plympton has also served as a director of the listed companies NewSat Limited (ASX: NWT) from 18 February 2010 to 30 June 2014, Sunbridge Group Limited (ASX: SBB) from 23 July 2013 to 30 December 2014 and has been a director of Bluestone Global Limited (ASX: BUE) since 19 July 2013. Mr Plympton was also Chairman of KneoMedia Limited (ASX: KNM) from 26 August 2010 to 21 October 2015.
Special responsibilities	Chair of the Board, Member of Audit and Risk Management Committee, Member of Nomination and Remuneration Committee.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Plympton has a relevant interest in 160,000 fully paid ordinary shares which are held by an entity Mr Plympton controls.

Garrison Huang, Executive Director

Mr Huang was appointed to the Board on 03 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 Officeworks, one of Australia's longest established and leading e-commerce businesses focusing on technology products. Mr Huang was the CEO and Executive Director of Harris Technology.
Other directorships held by Director in the last 3 years	None.
Special responsibilities	None.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Huang has a relevant interest in 80,110,489 fully paid ordinary shares which are held by an entity that Mr Huang controls.

Bob Xu, Executive Director

Mr Xu was appointed to the Board on 07 March 2016 as a Non-Executive Director. Mr Xu was appointed as Executive Director on 19 July 2016.

Experience and expertise	Mr Xu came to Australia in 1987, and became an Australian Citizen in 1995. Mr Xu holds a Diploma in Mechanical Engineering from the Shanghai Aviation Technology Institute, and studied Engineering for four years at TongJi University. Mr Xu started import and distribution business with AZA International Pty Ltd in 1996. Mr Xu has served as Business Director of Anyware Corporation Pty Ltd (Anyware) since 2012. Mr Xu was also Executive Director of Harris Technology Pty Ltd.
Other directorships held by Director in the last 3 years	None.
Special responsibilities	None.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Xu has a relevant interest in 8,638,903 fully paid ordinary shares which are held by an entity that Mr Xu controls.

Mark Goulopoulos, Non-Executive Director

Mr Goulopoulos was appointed to the Board on 1 November 2012 as a Non-Executive Director.

Experience and expertise	Mr Goulopoulos, BCom (Acc&Fin), GDAFI, is an Associate Director of Wealth Management at Patersons Securities and has over 15 years' experience as an investment adviser. He has broad based knowledge which applies across many areas of financial markets and specialises in strategic investment advice for high net worth clients, international hedge funds and family offices. Mr Goulopoulos has particular expertise with small capitalisation stocks and this has been a catalyst in him originating, arranging and distributing transactions in Equity Capital Markets. In addition to his experience in capital markets Mr Goulopoulos has also co-founded companies in the digital arena focussed on e-commerce and mobile applications.
Other directorships held by Director in the last 3 years	During the last three years, Mr Goulopoulos has not served as a director of any other listed companies.
Special responsibilities	Member of Audit and Risk Management Committee.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Goulopoulos has a relevant interest in 1,268,645 fully paid ordinary shares in Harris Technology Group which are held by various entities which Mr Goulopoulos controls.

Howard Chen, Non-Executive Director

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

Experience and expertise	Mr Chen holds a Masters of Microelectronics degree from Griffith University, and is a member of the Institution of Engineers Australia. Mr. Chen has a strong background in and deep understanding of electrical and IT products, with years of extensive experience in global product sourcing, development, brand marketing and sales. Prior to the completion of his Masters degree, he worked as the system design engineer in Quanta Computer (Shanghai), the global number one in laptop and hardware manufacturing. Mr Chen is also a graduate of Jiliang University. Mr Chen is currently the managing director of Ultra Imagination Technology Pty Ltd. The company owns mbeat, one of the most dynamic and fast growing lifestyle tech brands in Australia. mbeat holds a heavyweight presence in the Australian and New Zealand National retailer and online sectors, being retailed through the likes of Harvey Norman, Officeworks, The Warehouse Group, Catchoftheday and Kogan, and is currently breaking into the US market.
Other directorships held by Director in the last 3 years	None.
Special responsibilities	None.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Chen has a relevant interest in 1,469,512 fully paid ordinary shares in Harris Technology Group Ltd which are held by an entity Mr Chen controls.

Domenic Carosa, Former Non-Executive Director

Mr Carosa was appointed to the Board on 18 June 2013 as a Non-Executive Director. Mr Carosa retired from the board on 19 July 2016.

Experience and expertise	Mr Carosa holds a Masters of Entrepreneurship & Innovation from Swinburne University and has over 20 years of experience in business and technology. He is co-founder and Chairman of Future Capital Development Fund Pty Ltd (a registered Pooled Development Fund). Future Capital has successfully raised in excess of $8M in patient equity capital in recent years, invested in 14 early stage investees. He is also Chairman of Dominet Digital Corporation Pty Ltd, a boutique internet investment group. Mr Carosa was previously the co-founder and Group CEO of ASX-listed Destra Corporation which was the largest independent media and entertainment company in Australia. He stepped aside in April 2008.
Other directorships held by Director in the last 3 years	Mr Carosa is the Executive Director/CEO of ASX listed global mobile entertainment company Crowd Mobile Limited (ASX: CM8), having been appointed to this role on 13 January 2015. Mr Carosa is also a Non-Executive Director of ASX listed company Collaborate Corporation Limited (ASX: CL8) having been appointed 8 August 2014.
Special responsibilities	Chair of Nomination and Remuneration Committee.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Carosa has a relevant interest in 4,274,433 fully paid ordinary shares in Harris Technology Group which are held by various entities which Mr Carosa is associated with or controls.

Matthew Dickinson, Independent, Former Non-Executive Director

Mr Dickinson was appointed to the Board on 1 May 2015 as an Independent Non-Executive Director and retired from the Board on 1 March 2016.

Experience and expertise	Mr Dickinson holds a Bachelor of Information Technology (BIT) from the University of Technology Sydney (UTS) and has been an internet entrepreneur, startup advisor and investor for the past 15 years. He founded the iMega Group, one of the world's first programmatic online ad-tech companies in 2005. The ASX listed Photon Group acquired iMega in an 8 figure deal. He is a mentor at Startmate (Australia's leading start-up accelerator) and has advised hundreds of founders in the past 10 years in Australia and the USA. He started the Worldsites business, one of the first digital web agencies in Australia, focused on helping SME's get results on the internet. He was also an e-commerce management consultant at KPMG & Cisco Systems. Mr Dickinson also worked across the family rag-trade business gaining experience in all facets of the retail and wholesale businesses.
Other directorships held by Director in the last 3 years	During the last three years, Mr Dickinson has not served as a director of any other listed companies.

Special responsibilities	Member of Nomination and Remuneration Committee.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Dickinson has a relevant interest in 694,008 fully paid ordinary shares in Harris Technology Group which are held by an entity with which Mr Dickinson is associated.

Lorenzo Coppa, Former Non-Executive Director

Mr Coppa was appointed to the Board on 24 June 2015 as a Non-Executive Director and retired from the Board on 1 March 2016.

Experience and expertise	Mr Coppa holds a BSc in physical sciences in Communications Electronics and Econometrics from La Trobe University. He founded the City Software group of companies (City Software) in 1991 and served as the CEO of City Software for nearly 25 years. City Software grew to be the nation's leading software reseller to small to medium businesses, charities, educational institutions, students and home users. Founded with $32,000, City Software delivered $1,000,000 revenue during its first year of trading and successfully delivered the first IT reseller website in 1994.
Other directorships held by Director in the last 3 years	Mr Coppa served as an independent, non-executive director with SteriHealth Limited (ASX: STP) from September 2008 to June 2014. Serving as chairman in the latter years, Mr Coppa led a scheme to privatise the business with 97% shareholder approval.
Special responsibilities	Chair of Audit and Risk Management Committee.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Coppa has a relevant interest in 800,703 fully paid ordinary shares in Harris Technology Group of which he has the right to control the exercise of the vote.

Alyn Tai, Company Secretary

Ms Tai was appointed as Company Secretary on 24 June 2015.

Experience and expertise	Ms Tai, LL.B (Hons) Exon., is a practising lawyer. She joined the law firm Corporate Counsel Pty Ltd, which provides corporate and company secretarial services to Australian companies in 2010. Prior to joining Corporate Counsel, she trained as an advocate at the Bar in London. Ms Tai has acquired international legal experience from working in law firms and barristers' chambers in London, Singapore and Melbourne. Ms Tai graduated from the University of Exeter in the United Kingdom in 2008, and was called to the Bar of England and Wales before being admitted to the Supreme Court of Victoria as an Australian lawyer. Ms Tai is a member of the Honourable Society of Inner Temple in the United Kingdom and the Law Institute of Victoria.
Relevant interest in Harris Technology Group securities as at the date of this report	Ms Tai has a relevant interest in 80,000 fully paid ordinary shares in Harris Technology Group.

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 Andrew Plympton	12	12
Mr Garrison Huang	4	4
Mr Bob Xu	3	3
Mr Mark Goulopoulos	12	11
Mr Dominic Carosa	12	6*#
Mr Howard Chen	0	0
Mr Lorenzo Coppa	9	8
Mr Matthew Dickinson	9	8
Neville Christie*	2	2
Holger Arians#	3	3

**alternate for Domenic Carosa attended in his stead 27 October 2015 and 24 November 2015*
#alternate for Domenic Carosa attended in his stead 15 December 2015 and 21 January 2016

Note: DC in attendance and NC present at 24/11/15 meeting

Board Committees

During the financial year, the Group established an Audit and Risk Management Committee (**ARC**). The Group has a Nomination and Remuneration Committee (**NRC**) which was established in FY15. During the year, there were a number of changes to the composition of the Board due to the merger between the Company and Anyware Corporation Pty Ltd. As a result of the Board changes, operation of the Board sub-committees (being the ARC and NRC) has been temporarily suspended. Since suspension the functions of those committees have been performed by the Board as a whole. This will continue to be the case until the Board determines otherwise.

Directors' Interests in Shares and Options of the Group

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

Director	Number of ordinary shares	Number of options (unlisted)
Mr Andrew Plympton *1*	160,000	nil
Mr Garrison Huang *2*	80,110,489	nil
Mr Bob Xu *3*	8,638,903	nil
Mr Mark Goulopoulos *4*	1,268,645	nil

Mr Dominic Carosa 5	4,274,433	nil
Mr Howard Chen 6	1,469,512	nil
Mr Lorenzo Coppa 7	800,703	nil
Mr Matthew Dickinson 8	694,703	nil

1. *The shares are held by Mr Andrew J Plympton & Mrs Kim P Plympton ATF Plympton Exec Super Fund A/C; Mr Plympton controls this entity.*
2. *The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C; Mr Huang controls this entity.*
3. *The shares are held by Aza International (Aust) Pty Ltd ATF North City Family A/C; Mr Xu controls this entity.*
4. *The shares are held by Atlantis MG Pty Ltd ATF MG Family Super Fund A/C and Atlantic MG Pty Ltd ATF MG Family A/C; Mr Goulopoulos is the practical controller of Atlantis MG Pty Ltd.*
5. *The shares are held by Tiger Domains Pty Ltd ATF Tiger Domains Unit Trust, MP3 Australia Pty Ltd ATF MP3 Australia Unit Trust A/C in each of which Mr Carosa is both a 50% shareholder and unit holder and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C in which Mr Carosa is a beneficiary.*
6. *The shares are held by H & J Investment Pty Ltd ATF H & J Superannuation Fund; Mr Chen controls this entity.*
7. *The shares are held by Isabel Coppa ATF Coppa Family A/C; Mr Coppa has the right to control how this entity votes its shares.*
8. *The shares are held by Diamond Bowl Pty Ltd ATF the Diamond Bowl Super Fund A/C; Mr Dickinson is associated with this entity and has a relevant interest in shares it holds.*

Earnings Per Share

Earnings Per Share	Cents
Basic and diluted earnings per share	(1.08)

Dividends paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2016.

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 2016. 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 area of online retailing. There has been no significant change in the nature of these activities during the financial year.

Employees

The Group has 13 employees, inclusive of casual and part-time staff as at 30 June 2016 (2015: 49). The Group had consulting agreements with 3 contractors as at 30 June 2016 (2015: 4 contractors) who performed the primary activities of the Group at 30 June 2016.

Group Performance over the five-year period

	2016	2015	2014	2013	2012	2011
Basic earnings/(loss) per share (cents)	(1.08)	(0.47)	(0.54)	0.02	(1.35)	(1.12)

Financial position

The Group had net liabilities of $1,683,999 as at 30 June 2016 (2015: $3,837,025 net assets).

The Group had trade and other receivables of $117,586 as at 30 June 2016 (2015: $650,686).

The Group had trade and other payables of $1,400,834 as at 30 June 2016 (2015: $3,587,161).

Cash flows

The Group generated net operating cash outflows of $5,088,307 during the year ended 30 June 2016 (2015: net cash outflows $123,283). Net investing cash outflows were $292,818 in the year ended 30 June 2016 (2015: $892,789).

Net financing cash inflows were $3,492,500 in the year ended 30 June 2016 (2015: net financing cash out flows of $186,939).

There was a cash balance at 30 June 2016 of $418,622 (2015: $2,307,247).

Likely developments and future prospects

The Company is pleased with the development of its dual strategy of acquisitive and organic growth as an online retail company.

Harris Technology Group intends to continue to provide quality brands across homewares, kitchenware, office technology and baby products, and expand its categories and offerings to customers. Harris Technology Group further intends to continue its growth trajectory and prove the results of its organic and acquisitive online retail strategy.

The Directors are optimistic that, despite the early stage nature of the company, it is positioned to achieve its objective of continued revenue growth in the 2017 financial year.

Key business risks

The Group's operations are subject to a number of risks. The Audit and Risk Management Committee and Board regularly review the possible impact of these risks and seek to minimise this impact through a commitment to its corporate governance principles and its various risk management functions. A number of specific risk factors that may impact the future performance of the Group are described below. Shareholders should note that this list is not exhaustive, and only include risks that could affect the Group's financial prospects, taking into account the nature and business of the Group and its business strategy.

(a) Risks related to the Group's e-commerce activities

- E-commerce risks – There are a number of inherent risks associated with operating in the e-commerce sector, including but not limited to security breaches (particularly in relation to credit card security), fraud exposure, customer disputes and chargebacks. For instance, security risks arising from intrusions from viruses and hackers could disrupt the Group's business operations and may lead to loss in customer confidence and sales revenue.

(b) General risks

- Reliance on technology – The successful operation of the Group's business is dependent on various technologies including the internet and co-located dedicated servers. Any significant disruption to these systems could have a materially detrimental effect on the Group's business. Further, there is no guarantee that the technology utilised by the Group will not, in the future, be superseded by other technologies.
- Intellectual property – One of the Group's significant assets is its intellectual property rights in products and services, which it has developed. The Company relies on a combination of copyright and trademark laws, confidentiality procedures and contractual provisions to protect these assets. Unauthorised use of the Company's intellectual property could have a materially adverse effect on the Company and there can be no assurance that the Company's legal remedies would adequately compensate it for the damage to its business caused by such use.

- Competition – The Group is not unique in developing and marketing many of its products and services. There is a risk that its products and services may not, in the future, be able to compete with competitors' products and services on cost or technical grounds.

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 Company has in FY16 established an Audit and Risk Management Committee to oversee this audit and risk management function of the Board.

Significant changes in the state of affairs

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

Operational

- On 2 March 2016, Harris Technology Group announced that it had entered into a heads of Agreement for a proposed merger with Anyware / Harris Technology Group.
- On 3 March 2016, Harris Technology Group completed a $1m placement from Garrison Huang. The 139,909,396 shares were issued at $0.007147 per share to Garrison Huang.
- On 16 June 2016, Harris Technology Group advised that it would be holding an extraordinary general meeting of shareholders on 15 July 2016 (EGM).

Appointments and resignations of officeholders

- On 1 March 2016, Mr Matthew Dickinson resigned as a Director of Harris Technology Group
- On 1 March 2016, Mr Lorenzo Coppa resigned as a Director of Harris Technology Group
- On 3 March 2016, Mr Garrison Huang was appointed as a Non-Executive Director of Harris Technology Group.
- On 7 March 2016, Mr Bob Xu was appointed as a Non-Executive Director of Harris Technology Group.
- On 19 July 2016, Mr Garrison Huang was appointed as an Executive Director and CEO of Harris Technology Group.
- On 19 July 2016 Mr Howard Chen was appointed as a Non-Executive Director of Harris Technology Group.
- On 19 July 2016 Mr Domenic Carosa resigned as a Director of Harris Technology Group.

Change of auditor

There is no change of auditor during the financial year.

Issue of shares and options

- Prior to FY15, on 30 June 2014, Harris Technology Group's SHPO class of ASX-listed options expired. In accordance with an underwriting agreement between Harris Technology Group and Patersons Securities Limited (**Patersons**), under which Patersons agreed to act as underwriter for the exercise of the SHPO options, Patersons and/or its sub-underwriters subscribed for the total shortfall of 3,071,199 underlying shares on 9 July 2014.
- During the year, the Company issued a number of shares SHPOA on exercise of option.
- During the year, the Company issued a number of shares to Garrison Huang as the consideration of $1m share placement.

Significant events after the balance date

- Effective 19 July 2016, Harris Technology Group completed the merger with Anyware / Harris Technology Group
- On 19 July 2016, Harris Technology Group issued a number of shares in relation to:
    - 2,403,456,940 shares (Consideration Shares issued for nil cash, in consideration for the Company's acquisition of 100% of the issued capital in Anyware Corporation Pty Ltd (Anyware), as announced to the market on 2 March 2016 (Anyware Acquisition)
    - 12,000,000 shares issued for nil cash consideration under the Company's long term incentive plan (LTIP) to company officeholders (LTIP Shares)
    - 15,914,435 shares issued for nil cash consideration, in satisfaction of the Company's obligation to issue any further earn-out shares to Warcom (Aust) Pty Ltd under the terms of the Warcom Assets Purchase Agreement (Earn-out Shares)
    - 146,964,775 shares issued in conversion of loans (principal and interest) at a conversion price $0.007 per Share (Conversion Shares)

Environmental regulation

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

Shares issued during the year

SHPOA options were exercised by holders prior to the expiry date. The shares in respect to the 45,784 exercised options have been issued.

139,909,396 shares were issued to Garrison Huang as the consideration of $1m share placement.

Share options (listed & unlisted)

As at 1 July 2015, there were nil unlisted options under the Company’s Long Term Incentive Plan (**LTIP**) on issue.

On 1 December 2015, 18 million Options were issued under the Company’s LTIP to the directors and the company secretary, and are designed to provide incentives to the recipients who are integral to the operations and ongoing success of the Company. These incentives are designed to encourage greater productivity from the recipients and to better enable the Company to retain its management personnel in a highly competitive industry.

In order to provide certainty as to the capital structure of the Company after completion of the proposed merger (19 July 2016), the directors and company secretary of Harris Technology Group, who collectively held 18 million options to acquire shares in Harris Technology Group, have consented to the cancellation of all 18 million options for no consideration. As a result of the cancellation, there are no options currently on issue in Harris Technology Group.

Indemnification and insurance of directors and officers

The Company agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy.

Total amount of insurance contract premium paid was $9,900 (GST inc).

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Partners, 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 RSM Australia Partners during or since the financial year.

Proceedings on behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the Group.

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2016 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 its 2013 Annual General Meeting, shareholders approved Harris Technology Group's Long Term Incentive Plan (**LTIP**).

The remuneration report is presented under the following sections:

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

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

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

Key Management Personnel during the financial year are as follows:

(i) Executive director	
Mr Andrew Plympton*	Chairman (executive)
(ii) Non-executive directors (NEDs)	
Mr Garrison Huang	Director (non-executive)
Mr Bob Xu	Director (non-executive)
Mr Mark Goulopoulos	Director (non-executive)
Mr Domenic Carosa	Director (non-executive)
Mr Matthew Dickinson**	Director (non-executive)
Mr Lorenzo Coppa***	Director (non-executive)
(iii) Executive	
Mr Simon Crean****	Chief Executive Officer (CEO)
Mr Graeme Lay*****	Chief Financial Officer (CFO)
Mr Vaughan Clark******	Chief Operating Officer (COO)

**Andrew Plympton appointed Executive Director on 11 March 2016.*
***Matthew Dickinson resigned as a Non-Executive Director on 1 March 2016.*
****Lorenzo Coppa resigned as a Non-Executive Director on 1 March 2016.*
*****Simon Crean resigned as CEO on 9 February 2016.*
******Graeme Lay resigned as CFO on 29 April 2016.*
*******Vaughan Clark appointed as CEO on 9 February 2015. Employment date 16 June 2014, Vaughan Clark resigned as CEO on 11 March 2016.*

The following changes to KMP occurred after the reporting date and before the date the financial report was authorised for issue.

- Garrison Huang was appointed as an Executive Director and CEO on 19 July 2016
- Dominic Carosa retired as a Non-Executive Director on 19 July 2016
- Howard Chen was appointed as a Non-Executive Director on 19 July 2016

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 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.

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 cash remuneration, superannuation contributions and share options where applicable. For the financial year ended 30 June 2016, key executives had remuneration packages which include components that are dependent on meeting specified performance conditions.

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. Additional Information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	$'000	$'000	$'000	$'000	$'000
Sales revenue	17,790	18,454	1,657	2,779	2,620
EBITDA	(5,967)	(2,044)	(1,458)	51	(1,344)
EBIT	(6,373)	(2,437)	(1,490)	51	(1,525)
Profit after income tax	(6,510)	(2,481)	(1,490)	45	(1,650)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year end ($)	0.10	0.35	0.525	0.275	0.25
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.08)	(0.47)	(0.54)	0.02	(1.35)

6. Details of Key Management Personnel Remuneration

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

		Short-term benefits		Post employment	Security based payments	Total $	Performance related %
Executive Directors		**Salary & fees $**	**Cash bonus $**	**Superannuation $**	**Options $**		
Mr Andrew Plympton*	2016	48,000	-	-	-	48,000	-
	2015	37,500	-	-	(5,500)	32,000	(17.19)
Non-Executive Directors							
Mr Garrison Huang	2016	-	-	-	-	-	-
Mr Bob Xu	2016	-	-	-	-	-	-
Mr Domenic Carosa	2016	30,000	-	-	-	30,000	-
	2015	29,300	-	-	(5,500)	23,800	(23.11)
Mr Mark Goulopoulos	2016	30,000	-	2,850	-	32,850	-
	2015	29,300	-	2,784	(5,500)	26,584	(20.69)
Mr Matthew Dickinson**	2016	22,500	-	-	-	22,500	-
	2015	5,000	-	-	-	5,000	-
Mr Lorenzo Coppa***	2016	10,000	-	-	-	10,000	-
	2015	-	-	-	-	-	-
Mr Damien London ****	2015	13,342	-	-	(5,500)	7,842	(70.14)
Ms Sophie Karzis*****	2015	29,300	-	-	(5,500)	23,800	(23.11)
Other Key Management Personnel							
Mr Simon Crean******	2016	160,810	-	13,782	(34,536)	140,056	(24.66)
	2015	173,333	21,000	16,467	19,875	230,675	4.28
Mr Vaughan Clark*******	2016	224,278	-	17,223		241,501	-
	2015	149,128	-	14,167	-	163,295	-
Mr Graeme Lay********	2016	133,069	-	11,592	-	144,661	-
	2015	109,467	-	10,399	-	119,866	-
Total KMP	**2016**	**658,657**	**-**	**45,447**	**(34,536)**	**669,568**	**(5.16)**
	2015	**575,670**	**21,000**	**43,817**	**(7,625)**	**632,862**	**(1.20)**

**Andrew Plympton appointed Executive Director on 11 March 2016.*

***Matthew Dickinson resigned as a Non-Executive Director on 1 March 2016.*

****Lorenzo Coppa resigned as a Non-Executive Director on 1 March 2016.*

*****Damien London resigned as Non-Executive Director on 18 December 2014.*
******Sophie Karzis resigned as Non-Executive Director on 24 June 2015.*
*******Simon Crean resigned as CEO on 9 February 2016.*
********Vaughan Clark appointed as CEO on 9 February 2015. Employment date 16 June 2014. Vaughan Clark resigned as CEO on 11 March 2016.*
*********Graeme Lay resigned as CFO on 29 April 2016.*

7. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

As at the end of FY16 there were zero options granted to KMP under the LTIP.

Listed option holdings of key management personnel

	Balance at 1 July 2015 No.	Issued during year No.	Lapsed during year No.	Exercised during year No.	Balance at 30 June 2016 No.
Executive Directors					
Mr Andrew Plympton	-	-	-	-	-
Non-Executive Directors					
Mr Garrison Huang	-	-	-	-	-
Mr Bob Xu	-	-	-	-	-
Mr Domenic Carosa	333,334	-	333,334#	-	-
Mr Mark Goulopoulos	400,000	-	400,000#	-	-
Mr Matthew Dickinson	-	-	-	-	-
Other key management personnel					
Mr Simon Crean	83,334	-	83,334#	-	-
Mr Graeme Lay	-	-	-	-	-
Mr Vaughan Clark	-	-	-	-	-
Ms Alyn Tai	-	2,000,000	2,000,000*	-	-
Total	**816,668**	**2,000,000**	**2,816,668**	**-**	**-**

Lapsed at expiry date 31 July 2015
*Cancelled pursuant to Anyware agreement

Shares issued on exercise of options

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

b. Shareholdings of key management personnel

	Balance at 1 July 2015 No.	Acquired during year No.	Cancelled during year No.	Sold during year No.	Balance at 30 June 2016 No.
Executive Directors					
Mr Andrew Plympton	-	-	-	-	-
Non-Executive Directors					
Mr Garrison Huang *1*	-	139,909,396	-	-	139,909,396
Mr Bob Xu	-	-	-	-	-
Mr Mark Goulopoulos *2*	12,697,565	1,337,525	-	-	14,035,090
Mr Domenic Carosa *3*	63,534,991	12,333,333	-	-	75,868,324
Mr Lorenzo Coppa *4*	11,976,048	8,041,504	-	-	20,017,552
Mr Matthew Dickinson *5*	17,350,199	-	-	-	17,350,199
Other key management personnel					
Mr Simon Crean	802,222	-	-	-	802,222
Mr Graeme Lay	-	-	-	-	-
Mr Vaughan Clark *6*	4,793,384	3,910,187	-	-	8,703,571
Total	**111,154,409**	**165,531,945**	**-**	**-**	**276,686,354**

1. *The share are held by Australian PC Accessories Pty Ltd ATF GWH A/C; Mr Huang controls this entity.*
2. *The shares are held by Atlantis MG Pty Ltd ATF MG Family Super Fund A/C and Atlantic MG Pty Ltd ATF MG Family A/C; Mr Goulopoulos is the practical controller of Atlantis MG Pty Ltd.*
3. *The shares are held by Tiger Domains Pty Ltd ATF Tiger Domains Unit Trust and MP3 Australia Pty Ltd ATF MP3 Australia Unit Trust A/C, in each of which Mr Carosa is both a 50% shareholder and unit holder, and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C , in which Mr Carosa is a beneficiary.*
4. *The shares are held by Isabel Coppa ATF Coppa Family A/C; Mr Coppa has the right to control how this entity votes its shares.*
5. *The shares are held by Diamond Bowl Pty Ltd ATF The Diamond Bowl Super Fund A/C; Mr Dickinson is associated with this entity and has a relevant interest in shares it holds.*
6. *The shares are held by Vautes Investments Pty Ltd as trustee of the Vaughan Clark family trust, of which Mr Clark is a beneficiary, and Clark Family SMSF Pty Ltd <Clark Family Super Fund A/C>, an entity with which Mr Clark is associated.*

c. Loans to key management personnel and their related parties

There were no loans made to key management personnel and their related parties during the financial year and none are outstanding as at the date of this report.

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

Paid to key management personnel - related entities

	2016 $	2015 $
Related party paid		
Accrued superannuation & annual leave payable to key management personnel	-	-
Fees paid to key management personnel	221,802	114,255
Total related party payables	221,802	114,255

During the financial year ended 30 June 2016 payments to key management related parties were company secretarial services to Corporate Counsel, market platform management fees to Indemand and data entry services to Elliot Macintosh.

Tax consolidation

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

Auditor's independence declaration

A copy of an auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-audit services

RSM Australia Partners did not perform any non-assurance services during the year.

Signed in accordance with a resolution of the Directors

Andrew Plympton
Non-Executive Chairman

Melbourne, 29 September 2016

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Harris Technology Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Melbourne, VIC
29 September 2016

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Certified System Quality ISO 9001

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 has substantially complied 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's website (**www.ht8.com.au**), 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 identify each Recommendation that needs to be reported against by Harris Technology Group, and will provide shareholders with information as to where relevant governance disclosures can be found.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(FOR THE YEAR ENDED 30 JUNE 2016)

($)	**Notes**	**2016**	**2015**
Revenue			
Sales revenue	6	17,789,785	18,453,912
Direct costs		(16,565,733)	(15,297,214)
Gross profit		**1,224,052**	**3,156,698**
Other Income	6	131,774	41,945
Distribution expense	7	(92,107)	(108,326)
Performance marketing expense		(1,136,108)	(834,566)
Transaction expense		(587,251)	(366,447)
Employee contractor and director expenses	7	(2,568,861)	(2,655,466)
Occupancy costs		(481,603)	(509,307)
Onerous contract expense	7	(608,793)	-
Professional fees		(453,882)	(445,720)
Depreciation and amortisation expenses	7	(405,721)	(392,974)
Impairment expense	7	(1,027,386)	-
Other expenses	7	(511,737)	(345,038)
Performance rights issued (non-cash)		128,105	(61,489)
Finance costs	7	(147,850)	(53,941)
Exchange gain / (loss)		(6,025)	-
(Loss) / Profit before income tax		**(6,543,393)**	**(2,574,631)**
Income tax benefit / (expense)	9	-	-
(Loss) / Profit from continuing operations		**(6,543,393)**	**(2,574,631)**
Discontinued operations	8	33,381	93,199
Other Comprehensive Income		-	-
Total Comprehensive (loss) / profit for the period		**(6,510,012)**	**(2,481,432)**

Earnings per share from continuing operations (cents per share)			
- Basic earnings/(loss) per share	10	(1.08)	(0.47)
- Diluted earnings/(loss) per share	10	(1.08)	(0.47)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 JUNE 2016)

($)	Notes	2016	2015
Current Assets			
Cash and cash equivalents	11	418,622	2,307,247
Trade and other receivables	12	117,586	650,686
Inventories	13	673,833	1,756,381
Prepayments and deposits	14	178,216	189,801
Assets classified as held for disposal		-	-
Total Current Assets		1,388,257	4,904,115
Non-current Assets			
Property, plant and equipment	15	57,210	243,364
Intangible Assets	16	1,508,630	3,116,510
Total Non-current Assets		1,565,840	3,359,874
Total Assets		**2,954,097**	**8,263,989**
Current Liabilities			
Trade and other payables	17	1,400,834	3,587,161
Financial liability	18	1,281,252	564,135
Employee benefit liabilities	19	29,351	58,076
Onerous contract provision	26	178,645	-
Deferred Income		75,383	-
Liabilities classified as held for disposal		-	31,764
Total Current Liabilities		2,965,465	4,241,136
Non-current Liabilities			
Financial liability	18	1,241,552	173,369
Onerous contract provision	26	430,148	-
Employee benefit liabilities	19	931	12,459
Total Non-current Liabilities		1,672,631	185,828
Total Liabilities		**4,638,096**	**4,426,964**
Net Assets / (Net Deficiency of Assets)		**(1,683,999)**	**3,837,025**
Equity			
Contributed equity	20	34,546,214	33,469,847
Reserves	21	40,726	128,105
Accumulated losses	22	(36,270,939)	(29,760,927)
Total Equity		**(1,683,999)**	**3,837,025**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(FOR THE YEAR ENDED 30 JUNE 2016)

($)	Share Capital	Reserves	Accumulated Losses	Total Equity
At 1 July 2015	**33,469,847**	**128,105**	**(29,760,927)**	**3,837,025**
Loss for the period	-	-	(6,543,393)	(6,543,393)
Other comprehensive income	-	-	33,381	33,381
Total comprehensive income	**-**	**-**	**(6,510,012)**	**(6,510,012)**
Transactions with owners in their capacity as owners				
Placement and rights issued	1,000,000	-	-	1,000,000
Shares issued	76,367	-	-	76,367
Performance rights expense		(128,105)	-	(128,105)
Share option reserve from convertible loan		40,726		40,726
Transaction costs on shares issued		-	-	-
At 30 June 2016	**34,546,214**	**40,726**	**(36,270,939)**	**(1,683,999)**

($)	Share Capital	Reserves	Accumulated Losses	Total Equity
At 1 July 2014	**32,868,235**	**66,616**	**(27,279,495)**	**5,655,356**
Loss for the period	-	-	(2,481,432)	(2,481,432)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(2,481,432)**	**(2,481,432)**
Transactions with owners in their capacity as owners				
Placement and rights issued	603,604	-	-	603,604
Cash on exercise of share options	181	-	-	181
Performance rights expense	-	61,489	-	61,489
Transaction costs on shares issued	(2,173)	-	-	(2,173)
At 30 June 2015	**33,469,847**	**128,105**	**(29,760,927)**	**3,837,025**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED 30 JUNE 2016)

($)	Notes	2016	2015
Cash flows from operating activities			
Receipts from customers		20,238,094	19,742,103
Payments to suppliers and employees		(25,305,970)	(19,897,878)
Interest received		9,939	41,945
Finance costs		(30,370)	(9,453)
Net cash flows (used in) / provided by operating activities	11	**(5,088,307)**	**(123,283)**
Cash flows from investing activities			
Acquisition of intangible assets		(280,893)	(376,598)
Acquisition of businesses, net of cash consideration		-	(500,000)
Payments for property, plant and equipment		(11,925)	(16,191)
Net cash flows (used in) / provided by investing activities		**(292,818)**	**(892,789)**
Cash flows from financing activities			
Proceeds from placement and rights issued		1,000,000	-
Proceeds from borrowings		2,500,000	-
Repayment of borrowings		(7,500)	-
Payment for security deposits		-	(145,408)
Cash from the exercise of share options		-	181
Capital raising costs		-	(41,712)
Net cash flows (used in) / provided by financing activities		**3,492,500**	**(186,939)**
Net increase / (decrease) in cash and cash equivalents		**(1,888,625)**	**(1,203,011)**
Cash and cash equivalents at the beginning of the financial year		2,307,247	3,510,259
Cash and cash equivalents at the end of the financial year	11	**418,622**	**2,307,247**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2016)

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 2016 was authorised for issue in accordance with a resolution of the Directors on 29 September 2016.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. For the purposes of preparing the financial statements, Harris Technology Group Limited is a for profit entity.

The financial report covers Harris Technology Group and controlled entities as a consolidated entity. Harris Technology Group is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

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

(b) Statement of compliance

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

(c) Going concern basis of accounting

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of $6,510,012 (2015: $2,481,432 loss) and had net cash outflows from operating activities of $5,088,307 (2015: $123,283 outflow) for the year ended 30 June 2016. As at that date the consolidated entity had net current liabilities of $1,577,208 (2015: $662,979 net current assets) and net liabilities of $1,683,999 (2015: $3,837,025 net assets).

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

- As set out in note 28, subsequent to year end the consolidated entity acquired Anyware Corporation Pty Ltd. The transaction was a reverse acquisition with Anyware Corporation Pty Ltd becoming the controlling entity for accounting purposes:
  - The combined entity has a stronger financial position and has restructured the business to take advantage of economies of scale which lowers the combined operating cost base of the two entities moving forward.
  - The combined entity has access to a $2 million short term trade finance facility, of which $1.1million has been drawn down post 30 June 2016.
  - Loan holders of the combined entity, equating to $4,138,304 of debt, have provided commitments of financial support and irrevocably deferred monthly payments of principal and interest on loans for a period of not less than 12 months to 30 June 2017. These payments are $110,870 per month.
  - The combined entity is in the process of raising $2 million in long term debt to fund its continuing working capital demands.
- Also set out in both note 23 and note 28, the directors' convertible note liability of $1 million has been converted to shares subsequent to year end.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

(d) New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. The impact of the initial application of these new standards has not been assessed.

Reference	Title	Summary	Application date (financial years beginning)
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127 for issuance of AASB 9.	1-Jan-18

Reference	Title	Summary	Application date (financial years beginning)
AASB 14	*Regulatory Deferral Accounts*	This Standard permits first-time adopters to recognise amounts related to rate regulation in accordance with their previous GAAP requirements, when first adopting IFRS.	1-Jan-16
AASB 2014-1 D	*Amendments to Australian Accounting Standards*	Part D of AASB 2014- 1 makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14 Regulatory Deferral Accounts in June 2014.	1-Jan-16
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1-Jan-16
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose.	1-Jan-16
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1-Jan-16
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	This amending standard requires a full gain or loss to be recognised when a transaction involves a business (even if the business is not housed in a subsidiary), and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business (even if those assets are housed in a subsidiary).	1-Jan-16
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections.	1-Jan-16
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.	1-Jan-16
AASB 2015-5	*Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*	This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1-Jan-16
AASB 15	*Revenue from Contracts with Customers*	It contains a single model for contracts with customers based on a five-step analysis of transactions for revenue recognition, and two approach, a single time or over time, for revenue recognition.	1-Jan-18
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15*	Consequential amendments arising from the issuance of AASB 15.	1-Jan-18

Reference	Title	Summary	Application date (financial years beginning)
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	Consequential amendments arising from the issuance of AASB 9	1-Jan-18
AASB 9	*Financial Instruments*	*This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc.*	*1-Jan-18*
AASB 16	*Leases*	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position. The accounting by lessors, however, will not significantly change.	1-Jan-19
AASB 112 2016-1	*Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	2016-1 clarifies the accounting requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1-Jan-17
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	This Standard amends AASB 107 to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1-Jan-17
AASB 2016-3	*Amendments to Australian Accounting Standards — Clarifications to AASB 15*	2016- 3 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	1-Jan-18

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- 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

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of the payment and excluding taxes or duty. The Group assesses its revenue from the provision of services to customers and recognised upon delivery of the service to the customer.

Revenue from online shopping is the sale of products. The sale of products is recognised on gross basis. Any return or refund allowances will reduce revenue. The sale of products is recognised when products are sold and significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method. Interest income is included in finance income in the statement of profit or loss.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been abandoned, disposed of, or is classified as held for sale, and:

- represents a separate division of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major division of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement or profit or loss.

Additional disclosures are provided in Note 8. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

(h) Income tax and other taxes

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

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

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

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

Tax consolidation

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

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

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

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.

GST taxes

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

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

(i) Cash and cash equivalents

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

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

(j) Trade and other receivables

Trade and other receivables are recognised and carried at the net of original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) 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.

Business combinations are initially recorded on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and will recognise additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of 12 months from the date of the acquisition or when the acquirer receives all the information possible to determine fair value.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortised but tested annually for impairment, or more frequently if events or changes in circumstances.

(l) Intangibles assets other than goodwill

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

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

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

Software Development	2 years
Domain & Websites	10 years
Customer databases	10 years
Brands	10 years

(m) 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:

Computers	3 years
Office equipment	5 years
Warehouse fit-out	10 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.

(n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognise as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(o) 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 and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income, unless the asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease.

(p) Inventories

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

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.

(q) 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.

Financial liability – Deferred consideration by shares

In accordance with the assets purchase agreement for the acquisition of the business and assets of Warcom and eStore, the consideration for the Company's acquisition of the Warcom and eStore businesses includes a share based component, under which Harris Technology Group will issue ordinary shares in the Company to the vendor's nominee in tranches over a two year earn-out period, subject to the satisfaction of prescribed revenue and profit margin targets of the Warcom and eStore businesses. At acquisition date, the deferred consideration by shares was recognised initially as a financial liability for earn-out on acquisition at fair value using a present value technique.

After initial recognition, the earn-out liability is recognised at fair value through profit or loss and is remeasured each reporting period. Movements in the liability from these changes are reported in the consolidated statement of profit or loss and other comprehensive income.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period 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.

(s) Provisions

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required at settlement is determined by considering the class of obligations as a whole. Provisions for earn out on the Warcom and eStore acquisitions, the Group recognised the provision using present value technique which is using a discounted rate that reflects the risks specific to the liability, where the time value of money is material.

(t) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; 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.

(u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled 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 expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

(v) Comparatives

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

(w) Share based payments

Equity settled transactions

The Group provides benefits to the directors and senior executives 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. 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 in employees benefits expense. 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 statement of comprehensive income for the period 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.

(x) 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, 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. 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, credit allowances and future cash flow forecast projections.

Risk exposures and responses

Interest rate risk

At reporting date, the Group had the following financial assets exposed to Australian variable interest rate risk. The Group has no floating interest rate exposure on financial liabilities as the Group has no floating rate debt.

	2016 $	2015 $
Financial assets		
Cash and cash equivalents	418,622	2,307,247
Net exposure	**418,622**	**2,307,247**

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 following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date:

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss) ($)		**Other Comprehensive Income ($)**	
	Higher/	**(Lower)**	**Higher/**	**(Lower)**
	2016	**2015**	**2016**	**2015**
Consolidated				
+1% (100 basis points)	5,866	29,059	-	-
-0.5% (50 basis points)	(2,933)	(14,529)	-	-

The movements in post-tax profit/(loss) and other comprehensive income are due to lower cash balances on hand as at 30 June 2016. The sensitivity is lower in 2016 than in 2015 as a result of lower cash holdings at 30 June 2016.

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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Foreign currency risk

The Group's transactions are carried out in AUD. Hence, there are minimum exposures to the Group's statement of financial position that can be affected by foreign currencies. The Group does not have a hedge policy in place.

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.

At 30 June 2016, 68% of the Group's financial liabilities will mature in less than one year (2015: 96%).

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 2016.

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

Year ended 30 June 2016 ($)	< 1 month	1-3 months	3-12 months	1 to 2 years	Total
Financial assets					
Cash and cash equivalents	418,622	-	-	-	418,622
Trade and other receivables	33,948	23,619	60,019	-	117,586
	452,570	**23,619**	**60,019**	**-**	**536,208**
Financial liabilities					
Trade and other payables	941,753	430,029	29,052	-	1,400,834
Loan and interest payable			281,252	1,241,552	1,522,804
Director's convertible notes*	1,000,000				1,000,000
	1,941,753	**430,029**	**310,304**	**1,241,552**	**3,923,638**
Net maturity	**(1,489,183)**	**(406,410)**	**(250,285)**	**(1,241,552)**	**(3,387,430)**

**The directors' convertible notes have been converted to 146,964,775 pre-consolidated shares on 19th July 2016*

Year ended 30 June 2015 ($)	< 1 month	1-3 months	3-12 months	1 to 2 years	Total
Financial assets					
Cash and cash equivalents	2,307,247	-	-	-	2,307,247
Trade and other receivables	377,085	273,601	-	-	650,686
	2,684,332	**273,601**	**-**	**-**	**2,957,933**
Financial liabilities					
Trade and other payables	1,671,646	1,947,279	-	-	3,618,925
Earn-out on acquisition*			564,135	173,369	737,504
	1,671,646	**1,947,279**	**564,135**	**173,369**	**4,356,429**
Net maturity	**1,012,686**	**(1,673,678)**	**(564,135)**	**(173,369)**	**(1,398,496)**

**The earn-out on acquisition above is recognised at present value with applicable discount rate.*

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 periods.

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:

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.

Impairment of goodwill and intangible assets

The fair value of assets acquired are initially estimated by the Group taking into consideration all available information at the acquisition date. Fair value on goodwill and intangible assets has been impaired due to the significant losses that arose on the previous acquisition. To determine the value in use of the tested CGUs, cash flow forecasts with an appropriate discount rate have been prepared.

Useful lives of depreciable assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets with finite lives. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where technical obsolescence or non-strategic assets that have been abandoned or sold will be written off or written down.

Financial liability - earn-out on acquisition

The Group recorded a financial liability - earn-out on acquisition for the deferred consideration by shares in a business combination for a two year earn-out period. This financial liability - earn-out on acquisition was recognised at fair value at the present value of expected costs to settle the obligation using a discount rate.

The Group has reversed the deferred consideration on the pervious earn-out on acquisition due to the losses occurred on the acquisition. $585,752 has been impaired to goodwill and $121,835 has been recognised as gain on acquisition. The financial liability is reviewed at each reporting period. Movement in the financial liability from these changes are reported in the consolidated statement of profit or loss and other comprehensive income.

Tax losses

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has $3,102,481 (2015: $1,522,679) of unused tax losses for which no deferred tax asset has been recognised. The tax losses pre 2011 may not be used to offset future taxable income because they may not meet the continuity of ownership or same business tests.

5. PARENT ENTITY INFORMATION

Information relating to Harris Technology Group Ltd – Parent ($)	**2016**	**2015**
Current assets	8,559,784	6,023,131
Total assets	8,562,042	6,044,341
Current liabilities	(1,375,634)	(127,675)
Total liabilities	(2,617,186)	(127,675)
Issued capital	34,546,214	33,469,847
Accumulated losses	(28,642,084)	(27,681,287)
Share based payments reserve	40,726	128,105
Total shareholders' equity	5,944,856	5,916,666
Loss of the parent entity	**(960,797)**	**(964,603)**
Total comprehensive (loss) of the parent entity	**(960,797)**	**(964,603)**

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiary.

The parent entity has no contingent liabilities. The parent entity has no contractual commitments for the acquisition of property, plant or equipment.

6. REVENUE

($)	**2016**	**2015**
Revenue from operating activities		

Sale of goods	17,789,785	18,453,912
Total sales revenue	**17,789,785**	**18,453,912**
Other income		
Bank interest receivable	9,939	41,945
Gain on acquisition*	121,835	-
Total other income	**131,774**	**41,945**

**Being write back of earn-out provision for Warcom as mentioned in note 4*

7. EXPENSES

	2016 $	2015 $
Distribution expenses		
Packing materials	68,558	97,106
General warehouse expenses	23,549	11,220
Total distribution expenses	**92,107**	**108,326**

Employee benefits expenses		
Wages, salaries and contractors	2,120,002	2,043,895
Director expenses	149,187	145,511
Defined contribution plan expense	185,933	174,897
Other employee benefits	59,365	163,672
Payroll Tax expense	54,374	127,491
Total employee contractor and director expenses	**2,568,861**	**2,655,466**

Onerous contract expense	608,793	-
Total Onerous contract expense	**608,793**	-

Depreciation		
Plant and equipment	131,067	43,825
Total depreciation	**131,067**	**43,825**

Amortisation		
Intangible assets	18,714	271,768
Software development	255,940	77,381
Total amortisation	**274,654**	**349,149**

	2016	2015
	$	$
Impairment expense		
Goodwill	807,912	-
Intangible assets	111,023	-
Software development	108,451	-
Total Impairment expense	**1,027,386**	**-**

Other expenses		
Advertising	113,881	169,282
Contractors development	27,820	23,118
General expenses	48,639	8,128
Insurance	30,249	21,807
Hosting & Domain Licenses	100,930	41,057
Internet & telephone	45,499	32,698
Software Licenses & Subscriptions	76,726	48,948
Loss on sales of non-current assets	67,993	-
Total Other expenses	**511,737**	**345,038**

Finance costs

Interest costs	137,222	44,502
Bank and merchant fee	10,628	9,439
Total finance costs	**147,850**	**53,941**

8. DISCONTINUED OPERATION

The results of the online advertising division for the year are presented below:

	2016 $	2015 $
Revenue	-	-
Direct costs	-	-
Gross Profit	-	-
Contractors	-	-
Receivables impairment	-	-
Administrative (expenses) write-back	33,381	93,199
Profit before tax from a discontinued operation	**33,381**	**93,199**
Tax expense	-	-
Profit for the year from a discontinued operation	**33,381**	**93,199**

There are minimal assets and liabilities related to the discontinued operation. As at 30 June 2016, the remaining assets and liabilities are summarised as below:

Assets		
Trade receivables & other receivables (net of impairment)	-	-
Cash and cash equivalents (Note 11)	-	-
Assets classified as held for disposal	**-**	**-**
Liabilities		
Trade payables and accruals	-	(31,764)
Liabilities classified as held for disposal	**-**	**(31,764)**

The group assess at each reporting date the requirement to record assets and liabilities of discontinued operations.

9. INCOME TAXES

	2016 $	2015 $
Current and deferred tax expense for the year ended 30 June 2016 were $nil (2015: $nil)	-	-
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:		
Accounting (loss)/profit before income tax	(6,510,012)	(2,481,432)
At the Group's statutory income tax rate of 30% (2015: 30%)	(1,953,004)	(744,430)
Adjustments:		
Utilisation of previously unrecognised tax losses		-
Non recognition of current year tax loss	1,953,004	774,430
Income tax benefit reported in the consolidated income statement		-
Income tax losses		
Unused tax losses for which no deferred tax asset has been recognised	3,102,481	1,522,679

Tax Loss Deferred Tax Asset recognition

Deferred tax assets will only be recognised if:

a) future assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised;

b) the conditions for deductibility imposed by tax legislation are complied with; and

c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Unused tax losses for which no deferred tax asset has been recognised comprise current year estimated tax losses only and are not yet confirmed.

Tax losses pre 2011 are not recognised because they are not expected to meet the continuity of ownership or same business tests.

Unrecognised temporary differences

At 30 June 2016 there are no temporary differences recognised in the consolidated financial position, on the basis of an assessment that recovery through future taxable income of those amounts is not probable at 30 June 2016 (2015: nil).

Tax consolidation

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

10. EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) 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/(loss) per share is calculated by dividing the net profit/(loss) 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:

	2016	**2015**
Basic and diluted (loss)/earnings per share (cents)	(1.08)	(0.47)
Net (loss)/profit for the year ($)	(6,510,012)	(2,481,432)
Weighted average number of ordinary shares used in calculating basic earnings per share	604,121,389	530,405,894
Weighted average number of ordinary shares used in calculating diluted earnings per share	604,121,389	530,405,894

11. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and on hand	418,622	2,307,247
	418,622	**2,307,247**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2016:

	2016 $	2015 $
Cash at bank and on hand	418,622	2,307,247
Cash attributable to discontinued operations	-	-
	418,622	**2,307,247**

Reconciliation

Net loss before tax	(6,510,012)	(2,481,432)
Non cash flows		
Depreciation and amortisation	405,721	392,974
Performance rights issued (non-cash)	(128,105)	61,489
Finance costs	117,480	44,489
Capital Raising costs	-	39,539
Profit / (loss) on sales of non – current assets	67,993	-
Gain on acquisition	(121,835)	-
Impairment expense	1,027,386	-
(Increase) / decrease in trade and other receivables	533,100	(577,316)
(Increase) / decrease in Prepayments & deposits	11,585	-
(Increase) / decrease in inventories	1,082,548	(223,950)
Increase/ (decrease) in trade and other payables	(2,182,961)	2,620,924
Increase / (decrease) in Onerous contract provision	608,793	-
Net cash flows provided by/(used in) op act	**(5,088,307)**	**(123,283)**

12. TRADE AND OTHER RECEIVABLES

($)	2016	2015
Trade receivables	85,512	426,510
Allowance for Impairment loss	-	-
Other receivables	32,074	224,176
	117,586	**650,686**

Trade receivables are non-interest bearing.

Other receivables are non-interest bearing and have a repayment terms between 30 to 90 days.

For terms and conditions relating to related party receivables refer to note 30.

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on cash on delivery terms. The Group's trade and other receivables have been reviewed for impairment. No allowance for impairment loss noted and recognised by the Group during the year.

Other balances within trade and other receivables do not contain impaired assets and are not past due.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value has been assessed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

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

13. INVENTORIES

($)	2016	2015
Inventories	701,131	1,828,102
Goods in transit	36,804	-
Provision for Stock obsolescence	(64,102)	(71,721)
	673,833	**1,756,381**

14. PREPAYMENTS AND DEPOSITS

($)	2016	2015
Current assets		
Prepaid insurance	9,989	2,846
Rental deposit	22,574	29,500
Hosting servers	245	12,048
Deposits	145,408	145,407
	178,216	**189,801**

15. PROPERTY, PLANT AND EQUIPMENT

	Warehouse Fit-out $	Office equipment $	Computers $	Total $
Gross carrying amount				
At 30 June 2014	200,000	1,600	64,190	265,790
Additions	-	-	-	-
Assets acquired	5,310	8,680	10,955	24,945
At 30 June 2015	205,310	10,280	75,145	290,735
Assets acquired	1,834	6,551	9,521	17,906
At 30 June 2016	**207,144**	**16,831**	**84,666**	**308,641**
Depreciation and impairment				
At 30 June 2014	(1,095)	(16)	(2,435)	(3,546)
Depreciation charge for the year	(20,081)	(1,199)	(22,545)	(43,825)
At 30 June 2015	(21,176)	(1,215)	(24,980)	(47,371)
Depreciation and disposal charge for the year	(101,604)	(1,807)	(27,656)	(131,067)
Disposal charge for the year	(66,096)	(4,252)	(2,644)	(72,992)
At 30 June 2016	**(188,876)**	**(7,274)**	**(55,280)**	**(251,430)**
Net carrying amount				
At 30 June 2016	**18,268**	**9,557**	**29,386**	**57,210**
At 30 June 2015	184,134	9,065	50,165	243,364

16. INTANGIBLE ASSETS

	Software Development $	Domain & Websites $	Customer databases $	Brands $	Goodwill $	Total $
Gross carrying amount						
At 30 June 2014	-	196,785	260,347	117,768	1,276,682	1,851,582
Additions	328,515	57,410	-	-	-	385,925
Business assets acquired	-	-	162,375	201,427	1,001,175	1,364,977
At 30 June 2015	328,515	254,195	422,722	319,195	2,277,857	3,602,484
Additions	272,535	1,489	-	-	-	274,024
At 30 June 2016	**601,050**	**255,684**	**422,722**	**319,195**	**2,277,857**	**3,876,508**
Amortisation and impairment						
At 30 June 2014	-	9,839	13,017	5,888	-	28,744
Amortisation	77,381	121,714	95,975	54,079	-	349,149
Impairment	-	8,082	-	-	100,000	108,082
At 30 June 2015	77,381	139,635	108,992	59,967	100,000	485,975
Amortisation	255,940	4,796	7,930	5,988	-	274,654
Impairment	108,451	111,023	-	-	807,912	1,027,386
Revaluation Adjustments	-	(1,509)	(2,496)	(1,884)	-	(5,889)
Write Back of Financial Liability (eStore)	-	-	-	-	585,752	585,752
At 30 June 2016	441,772	253,945	114,426	64,071	1,493,664	2,367,878
Net carrying amount						
At 30 June 2016	**159,278**	**1,739**	**308,296**	**255,124**	**784,193**	**1,508,630**
At 30 June 2015	251,134	114,560	313,730	259,228	2,177,857	3,116,510

The group has assessed the carrying value of goodwill relating to eStore and Warcom using a discounted cash flow model. $807,912 has been impaired from goodwill in respect of the eStore and Warcom businesses; $585,752 of financial liability has been reversed in respect of deferred consideration for the eStore earn-outs.

There is no impairment on Your Home Depot ("YHD") goodwill based on the assessment using discounted cash flow method described below.

Impairment testing

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 24 months projection period approved by management and extrapolated for a further 3 years using the following rates in key assumptions, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for YHD and Wow baby:

a. 15.4% post-tax discount rate;

b. $5.8m projected revenue for 2017, 50% per annum growth in 2018, 10% for 2019 and 5% for 2020 per annum projected revenue growth rate;

c. 16.1% gross margin consistent for the next 5 years projection period;

d. Significant costs and overheads reduction of $1m in 2017, gradually 10% increased overheads in 2018 and 5% for 2019 to 2020 per annum increase in operating costs and overheads.

The discount rate of 15.4% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for YHD, the risk free rate and the volatility of the share price relative to market movements

The directors believe for FY2017, the revenue is conservatively assumed with the recent restructure and transition of YHD and Wow baby businesses. In FY2018, the directors believe the revenue will naturally return to standard trading level of $8m (YHD and Wow baby achieved greater than $9m revenue in FY2016). The projected revenue growth rate in the later 3 years is achievable based on the new management's strategies and plans and the positive market outlook for the businesses.

The YHD and Wow Baby overheads were reduced in late FY2016 as part of the restructure and include rationalised performance marketing expenses, heavily reduced headcount, combining office and warehouse operations, examining through freight expenses on out-bound deliveries, termination of inefficient third party professional service and consultancies. This reduction will continue in FY2017.

The overheads increase from FY2018 onwards will be mainly used on improving marketing strategies, improving market awareness of the brands and creating much better IT platform for the business operations.

The calculated present value of the cash flow generating from YHD and Wow baby are $186k more than the CGU value from the balance sheet as of 30 June 2016, no impairment is needed.

The directors believe with the closure and merger of the website to ht.com.au, eStore and Warcom will not generate enough cash flow to justify the goodwill assumed on acquisition.

Sensitivity

As disclosed in note 4, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

(a) Revenue would need to decrease by more than 2.1% before goodwill would need to be impaired, with all other assumptions remaining constant.

(b) The discount rate would be required to increase by 1.8% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for goodwill.

Fair value recognised on acquisition

Goodwill ($)	**2016**	**2015**
YHD	784,193	784,193
Warcom	-	392,489
eStore	-	1,001,175
Total	**784,193**	**2,177,857**

17. TRADE AND OTHER PAYABLES

Trade and other payables - Current ($)	**2016**	**2015**
Trade payables	1,105,845	2,922,309
Other payables	294,989	664,852
Related parties	-	-
	1,400,834	**3,587,161**

Terms and conditions of the above financial liabilities:

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

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

(iii) Details of the terms and conditions of related party payables are set out in notes 29.

Fair value

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

Related party payables

For details of related party payables refer to note 30.

Foreign exchange and interest rate risk

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

18. FINANCIAL LIABILITY

($)	**2016**	**2015**
At 1 July 2015		
Unsecured		
Loan and interest payable	1,522,804	-
Director's convertible note (note 23)	1,000,000	-
Financial liability - earn-out on acquisition	-	816,662
Discount rate adjustment	-	-79,158
Fair value at 30 June 2016	2,522,804	737,504
Current	1,281,252	564,135
Non-Current	1,241,552	173,369
	2,522,804	**737,504**

On 28 April 2016, the Group received $1m from Shu-Mei Chang with 10% annual interest rate. The loan is repayable monthly to the lender for an 18 month term. Total interest of $8,333 accrued in the balance sheet as of 30 June 2016.

On 18 May 2016, the Group received $500k from Welland with 10% annual interest rate. The loan is repayable monthly to the lender for a 24 month term. Total interest of $5,811 accrued in the balance sheet as of 30 June 2016.

Directors' convertible notes have been converted to 146,964,775 pre-consolidated shares on 19th July 2016; the fair value is equivalent to the book value of the convertible note.

No other financing facilities or liabilities available for the Group as of the 30 June 2016.

19. EMPLOYEE BENEFIT LIABILITIES

($)	2016	2015
Current		
Annual leave	29,351	58,076
Non-current		
Long service leave	931	12,459

20. CONTRIBUTED EQUITY

a) Issued and paid up capital

	2016 $	2015 $
Ordinary shares		
Ordinary shares fully paid	**34,546,214**	33,352,308
Listed options	-	117,539
Contributed equity	**34,546,214**	**33,469,84 7**

Movements in ordinary shares on issue	**Number of Shares**	**$**
Opening balance	559,941,747	33,469,847
Shares issued during the year:		
Issue of shares on 4 August 2015 on exercise of listed option	45,784	-
Issue of shares on 3 March 2016 as consideration for $1m share placement	139,909,396	1,000,000
Issue of shares on 19 July 2016 under settlement agreement dated 26 February 2016 in satisfaction of Warcom earn-outs	-	76,367
Closing balance	**699,896,927**	**34,546,214**

The group issued 139,909,396 ordinary shares on 3 March 2016 on $1m placement from Garrison Huang (or his controlled entity Australian PC Accessories Pty Ltd), the shares were issued to raise funds, which will be applied to Group's working capital requirements.

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.

(b) Listed options

Movements in listed options over ordinary shares	2016 Number of Options	2016 $	2015 Number of Options	2015 $
Opening balance	59,985,032	117,539	59,990,207	117,720
Listed options issued during the year:				
Cancellation of option on issue	(59,985,032)	(117,539)	-	-
Exercise of options	-	-	(5,175)	(181)
Closing balance	**-**	**-**	**59,985,032**	**117,539**

(c) 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.

21. RESERVES

($)	2016	2015
Options, performance rights granted and convertible notes option reserve		
Balance at beginning of financial year	128,105	66,616
Movement for the year	(87,379)	61,489
Balance at end of financial year	**40,726**	**128,105**

Nature and purpose of options granted reserve

This reserve is used to record the value of share based payments arising on the grant of share options and performance rights to employees, including key management personnel, as part of their remuneration under the employee share option plan.

Convertible notes option reserve

This reserve of $40,726 as of 30 June 2016 (2015: nil) is used to record the value of $1m convertible notes received from directors in March 2016 and converted to shares on 19 July 2016. (Refer to note 23)

Unlisted options or performance rights

In accordance with the provisions of the employee share option plan, the outstanding unlisted options or performance rights during the financial year and as at 30 June 2016 are set out below:

	2016	2016	2015	2015
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance at beginning of year	9,000,000	$0.05	13,500,000	$0.05
Granted	-		-	-
Expired	(9,000,000)	$0.05		
Lapsed				
Other changes during the year				
			(1,600,000)	$0.1
			(2,900,000)	$0.03
Balance at end of year	-	-	9,000,000	$0.05
Exercisable at end of year	**-**	**-**	**2,333,332**	**$0.05**

22. ACCUMULATED LOSSES

($)	2016	2015
Balance at beginning of financial year	(29,760,927)	(27,279,495)
Net profit/(loss) for the year	(6,510,012)	(2,481,432)
Balance at end of financial year	**(36,270,939)**	**(29,760,927)**

23. DIRECTORS' CONVERTIBLE NOTES

The Group received total of $1,000,000 from the following directors, this has been converted to shares on 19 July 2016 through resolution approved on EGM held on 15 July 2016.

Name of director	Entity/Shareholder	Principal of loan	Number of shares issued in repayment of principal (pre-consolidation)	Number of shares issued in repayment of interest (pre-consolidation)	Total number of shares issued (principal + interest) (pre-consolidation)
Mark Goulopoulos	Atlantis MG Pty Ltd <MG Family Super Fund A/C>	$100,000	14,285,714	395,303	14,681,017
Garrison Huang	Australian PC Accessories Pty Ltd <GHW A/C>	$350,000	50,000,000	1,493,151	51,493,151
Bob Xu	AZA International (Aust) Pty Ltd <North City Family A/C>	$100,000	14,285,714	424,658	14,710,372
Howard Chen	Sijin Chen	$150,000	21,428,571	614,090	22,042,661
Howard Chen	H & J Investment Pty Ltd <H & J Superannuation Fund>	$100,000	14,285,714	409,394	14,695,108
Domenic Carosa	Dominet Digital Corporation Pty Ltd <The Carosa Family A/C>	$200,000	28,571,429	771,037	29,342,466
Total		**$1,000,000**	**142,857,142**	**4,107,633**	**146,964,775**

24. BUSINESS COMBINATIONS

In March 2015, the Group bought an asset business combination, eStore. The business operates online shopping based in Australia. The Group acquired this business to enlarge the range of products in the online shopping division.

The fair values of the identifiable assets of eStore as at the date of acquisition were:

	eStore Fair value recognised on acquisition ($)
Cash and cash equivalents	-
Inventories	16,132
Property, plant & equipment (Note 15)	10,000
Identifiable intangibles (Note 16)	363,801
Total identifiable assets at fair value	**389,933**
Goodwill arising on acquisition (Note16)	1,001,175
Purchase consideration transferred	**1,391,107**

Cash paid	(500,000)
Share consideration paid	(369,343)
Financial liability - Deferred consideration by shares*	(521,764)
Net cash flow on acquisition	**1,391,107**

**recognised as financial liability.*

The assets recognised on 30 June 2015 accounts were based on a provisional assessment of their fair value at acquisition dates. The Group will have 12 months from the date of the acquisition date to finalise the fair value measurements of the assets based on more information obtained and to perform valuation on the identifiable intangibles and goodwill.

Subsequent to the merger with Anyware Corporation and Harris Technology, the Group decided to merge the eStore website into ht.com.au. The group has assessed the goodwill fair value using a discounted cash flow model. $415,423 has been impaired from goodwill in respect of eStore. $585,752 of financial liability has been reversed in respect of deferred consideration for eStore earn-outs (Refer to note 16).

25. COMMITMENTS

The Group entered into a commercial property lease in Victoria on the 16th of April 2015. This lease replaces the initial Victoria property lease that was entered into on 7 May 2013, the lease was finalised on 30 May 2015. The New South Wales lease that took effect 1 July 2014, with rent payable monthly in advance remains in place.

In July 2016, the business operations were relocated from the New South Wales Castile Hill and Victoria Alphington. Onerous contract provision of total $608,793 has been recognised in the financial statements, refer to note 26.

Operating Lease Commitments ($)	**2016**	**2015**
Operating leases contracted		
Within one year	440,456	1,122,716
After one year but not more than five years	1,308,593	3,974,660
More than five years	-	-
	1,749,049	**5,097,376**

The property lease in Victoria is for a 4 year term with an option to extend the lease for another 4 year term at the latest exercising option date of 30 January 2019. The lease required a security deposit of an amount equivalent to 4 months' rent plus GST. The Company has elected to pay the security deposit by a bank guarantee.

The property lease in New South Wales is for 6 year term with no option to extend. The termination date for the lease is 30 June 2020. This lease required a bank guarantee with an amount equivalent to 3 months of rent and tenant's proportion of outgoings and GST totalling to $95,408 issued on the 21 July 2014. At the same time, an equal amount of a term deposit is being placed with the bank for issuing the bank guarantee.

26. ONEROUS CONTRACT PROVISION

AASB 137 para 66 - 69 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The contingent liabilities were calculated on present value of remaining lease commitments discounted by WACC (15.4%) assuming 50% of the lease can be recovered through sub-leasing.

Onerous contract provision ($)	**2016**	**2015**
Within one year	178,645	-
After one year but not more than five years	430,148	-
More than five years	-	-
	608,793	-

27. CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets and no contingent liabilities as at 30 June 2016 (2015: nil).

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The consolidated entity had the following events after balance date for disclosures:

15 July 2016	EMG held for approving the merger with Anyware Corporation Pty Ltd and Harris Technology Pty Ltd
19 July 2016	Completion of Anyware/Harris Technology Merger
a)	2,403,456,940 Shares (Consideration Shares) were issued for nil cash, in consideration for the Company's acquisition of 100% of the issued capital in Anyware Corporation Pty Ltd (Anyware), as announced to the market on 2 March 2016 (Anyware Acquisition)
b)	12,000,000 Shares were issued for nil cash consideration under the Company's long term incentive plan (LTIP) to company officeholders (LTIP Shares)
c)	15,914,435 Shares were issued for nil cash consideration, in satisfaction of the Company's obligation to issue any further earn-out shares to Warcom (Aust) Pty Ltd under the terms of the Warcom Assets Purchase Agreement (Earn-out Shares)
d)	146,964,775 Shares were issued in conversion of loans (principal and interest) at a conversion price $0.007 per Share (Conversion Shares)

20 July 2016	Change of Company name and ASX issuer code The company announced changing name to "Harris Technology Group Limited" and its ASX issuer code to "HT8" – the change in ASX issuer code became effective on 5 August 2016.
25 July 2016	Share consolidation and interim ASX issuer code Harris Technology Group Limited (formerly Shoply Limited) (the Company) refers to the proposed consolidation of the Company's share capital into a smaller number in the ratio of 25 to 1, as approved by shareholders at the Company's Extraordinary General Meeting (EGM) held on Friday 15 July 2016 (Consolidation).
28 July 2016	Completion of share consolidation The Company announced that the Consolidation had been completed effective 28 July 2016. Following the Consolidation, the Company had 131,129,774 fully paid ordinary shares on issue.

Apart from the matters detailed above, no other matter or circumstance has arisen since 30 June 2016 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.

29. AUDITOR'S REMUNERATION

($)	**2016**	**2015**
Amounts received or due and receivable by Ernst & Young and RSM Australia Partners for:		
◆ An audit or review of the financial report of the entity and any other entity in the consolidated entity paid to Ernst & Young	-	66,318
◆ An audit or review of the financial report of the entity and any other entity in the consolidated entity paid to RSM Australia Partners	45,000	58,125
	45,000	**124,443**

30. RELATED PARTY DISCLOSURE

(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		Investment ($)	
		2016	2015	2016	2015
AdEffective Business Networks Pty Ltd	Australia	100	100	100	100
AER Group Pty Ltd	Australia	100	100	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

There was an intercompany loan of $8,317,169 due to the parent entity from its controlled entity - AER Group Pty Ltd (2015: $3,847,055).

(d) Other related party transactions

During the financial year ended 30 June 2016, there were a total of $1m Directors' convertible notes received by the Group, refer to note 23 (2015: nil). There was a $31,108 payment made to Geo-Store, a Lorenzo Coppa related party, for CRM and ERP related services. These are additional to the service fees stated in the remuneration report.

31. KEY MANAGEMENT PERSONNEL

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

($)	2016	2015
Short-term employee benefits	658,657	596,670
Post-employment benefits	45,447	43,817
Share based payments	(34,536)	(7,625)
	669,568	**632,862**

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.

32. SEGMENT INFORMATION

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.

Directors' Declaration

(For The Financial Year Ended 30 June 2016)

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 2016 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 2016 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(a); 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 2016.

On behalf of the Board

Andrew Plympton
Non-Executive Chairman

Melbourne, 29 September 2016

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HARRIS TECHNOLOGY GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Harris Technology Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Harris Technology Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report*.*

Opinion

In our opinion:

(a) the financial report of Harris Technology Group Limited is 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 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2c in the financial report, which indicates that the consolidated entity incurred a loss of $6,510,012 (2015: $2,481,432 loss) and had cash outflows from operating activities of $5,088,307 (2015: $123,283 outflow) during the year ended 30 June 2016. As of that date, the consolidated entity had net current liabilities of $1,577,208 (2015: $662,979 net current assets) and net liabilities of $1,683,999 (2015: $3,837,025 net assets). These conditions, along with other matters as set forth in Note 2c, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 36 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Harris Technology Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

Jason Croall

J S CROALL
Partner

Melbourne, VIC
29 September 2016

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 29 September 2016 (**Reporting Date**).

Corporate Governance Statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Harris Technology Group Limited's website (www.ht8.com.au), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

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
Garrison Huang and associated entity	Ordinary Shares	80,110,489	61.09
Bob Xu and associated entity	Ordinary Shares	8,638,903	6.59

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
Ordinary Shares	2,305

Voting rights of equity securities

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

As at the Reporting Date, there were 2,305 holders of a total of 131,129,774 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	1,522	183,399	0.140
1,001 – 5,000	389	1,003,712	0.765
5,001 – 10,000	125	948,938	0.724
10,001 – 100,000	224	7,925,560	6.044
100,001 – 9,999,999,999	45	121,068,165	92.327
Totals	2,305	131,129,774	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
131,129,774	747,752	1,807	0.57709

Voluntary escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary shares	Voluntary escrow	920,464	Until further notice
Ordinary shares	Voluntary escrow	636,578	18 August 2016

Unquoted equity securities

The Company does not have any unquoted equity securities on issue.

On-market buyback

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

On-market purchase of securities under employee incentive scheme

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

Twenty largest shareholders

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

Holder Name	Balance as at Reporting Date	%
AUSTRALIAN PC ACCESSORIES PTY LTD <GWH A/C>>	80,110,489	61.093
AZA INTERNATIONAL (AUST) PTY LTD <NORTH CITY FAMILY A/C>	8,638,903	6.588
WELLAND INDUSTRIAL CO LTD	5,488,969	4.186
CHA SHIN CHI INVESTMENT CO LTD	5,488,969	4.186
MISS PING YU	3,392,673	2.587
DOMINET DIGITAL CORPORATION PTY LTD <THE CAROSA FAMILY A/C>	1,819,299	1.387
TIGER DOMAINS PTY LTD <TIGER DOMAINS UNIT A/C>	1,780,467	1.358
MISS XIAOFEI XU	1,536,304	1.172
RETZOS EXECUTIVE PTY LTD <RETZOS EXECUTIVE S/FUND A/C>	912,878	0.696
ATLANTIS MG PTY LTD <MG FAMILY SUPER FUND A/C>	893,441	0.681
MR SIJIN CHEN	881,707	0.672
MRS ISABEL COPPA (COPPA FAMILY A/C)	800,703	0.611
DIAMOND BOWL PTY LTD <THE DIAMOND BOWL S/F A/C>	694,008	0.529
T E & J PASIAS PTY LTD	680,000	0.519
MP3 AUSTRALIA PTY LTD <THE MP3 UNIT A/C>	674,667	0.515
H & J INVESTMENT PTY LTD <H & J SUPER FUND A/C>	587,805	0.448
MR PAUL WARREN	580,424	0.443
VAUTES INVESTEMNTS PTY LTD (VAUGHAN CLARK FAMILY A/C)	491,978	0.375
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	400,000	0.305
ATLANTIS MG PTY LTD <MG FAMILY A/C>	375,204	0.286
Total number of shares of Top 20 Holders	**116,228,888**	**88.637**
Total Remaining Holders Balance	**131,129,774**	**11.363**

Item 7 issues of securities

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

Company Secretary

The Company's secretary is Ms Alyn Tai.

Registered Office

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

Level 1, 61 Spring Street
Melbourne Victoria 3000

Tel: +61 (0)3 9286 7500

Share Registry

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

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Tel: 1300 737 760

Stock Exchange Listing

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