harris technology
GROUP LTD.

ANNUAL REPORT

YEAR ENDED 30 JUNE 2019

HARRIS TECHNOLOGY GROUP 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.

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Harris Technology Group Growth Strategy

Focus on Sales and building the brands in the market	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 2019 ("**FY19**").

Review and Results of Operations

A review of Harris Technology Group for the FY 19 is contained in three parts:

1. Continuing Operations;
2. Discontinued Operations; and
3. Forward View

Continuing Operations

The Group's continuing operations recorded revenue of $9,003,268 with net loss of $732,036.

The mainstay to the current operations is Harris Technology. The business is stable albeit competing in a tough marketplace, with ongoing pressure on margins. The Group has turned attention on improving connectivity with consumers and improving web page design and the sale process.

Discontinued Operations

On the 2nd of October 2018 the company announced completion of sale of operating company Anyware Corporation Pty Ltd to Leader Computers Pty Ltd. Certain business assets and liabilities were transferred to Leader along with transfer of employees.

Sales Revenue for Anyware for the 18/19 year was $11,027,280. Loss from discontinued operations was $1,470,613.

The sale to Leader Computers has allowed the group to remove its leased warehouse footprint Australia wide and reduce the significant cost base associated with this operation.

Forward View

During the course of the last financial year the company announced interest in a USA located "Amazon" distributor. The potential deal did not eventuate (as disclosed to market) however the company remains optimistic that other opportunities will present themselves and are we are keeping a look out to expand our business footprint.

Despite having a strong understanding of the M2C business opportunities that are available in China our joint venture operations in Hong Kong remain dormant with hesitation to develop in current business environment.

During the course of the last financial year the company made a repayment of borrowings of $3,319,024, therefore all borrowings to banking and other like institutions (excluding directors) repaid.

The outlook for FY 20 allows the directors to be confident that management can manage the Harris Technology business on its smaller footprint with positive cash flow and expectation that revenue can be grown.

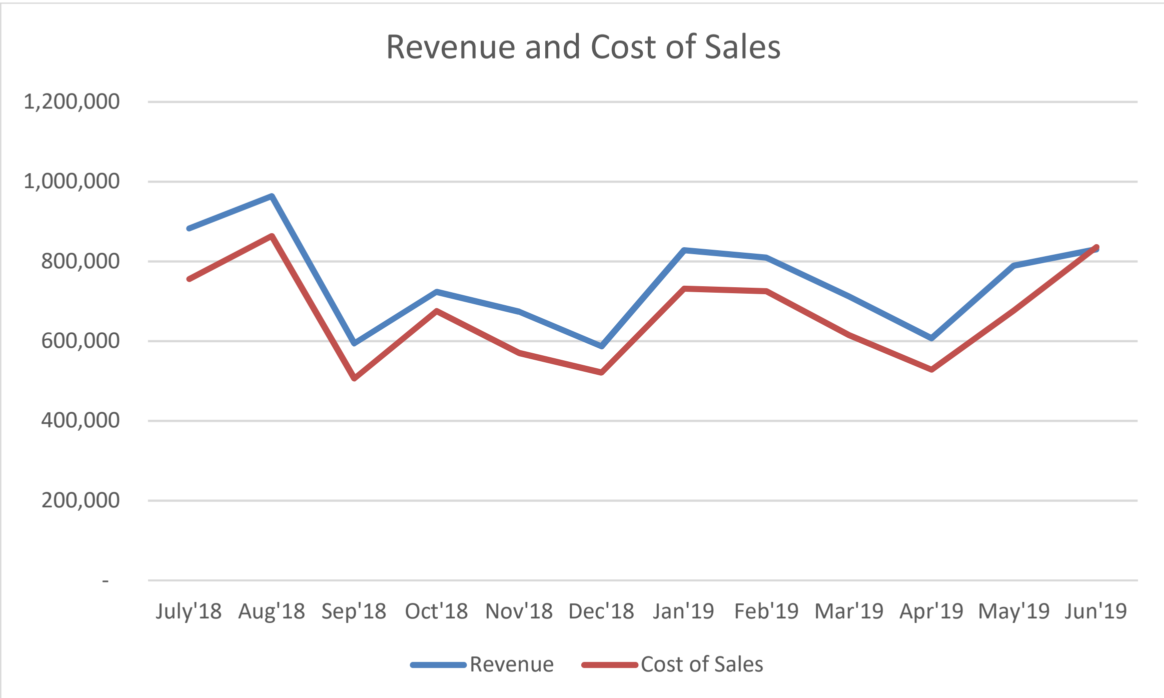
Andrew Plympton
Non-Executive Chairman
Melbourne, 30 September 2019

Garrison Huang
Managing Director
Melbourne, 30 September 2019

FY19 Summary

Full year profit and loss summary

	FY19 ($m)	FY18 ($m)	Change ($m)
Revenue from continuing operations			
Sales revenue	9.00	11.51	(2.51)
Other revenue	0.17	0.10	(0.07)
Total revenue	9.17	11.61	(2.58)
Total comprehensive (loss)/profit	(0.73)	(0.57)	(0.16)



Full year profit and loss summary - underlying

	FY19 ($m)	FY18 ($m)	Change ($m)
Non-statutory financial results include:			
Gross profit	1.00	0.99	(0.01)
Loss before income tax	(0.73)	(0.57)	(0.16)
Total comprehensive (loss) / profit	(2.20)	(2.06)	(0.14)
Operating costs	(0.15)	(0.16)	(0.01)
Direct costs	(1.33)	(1.14)	(0.19)
Other costs and expenses	(0.25)	(0.26)	0.01

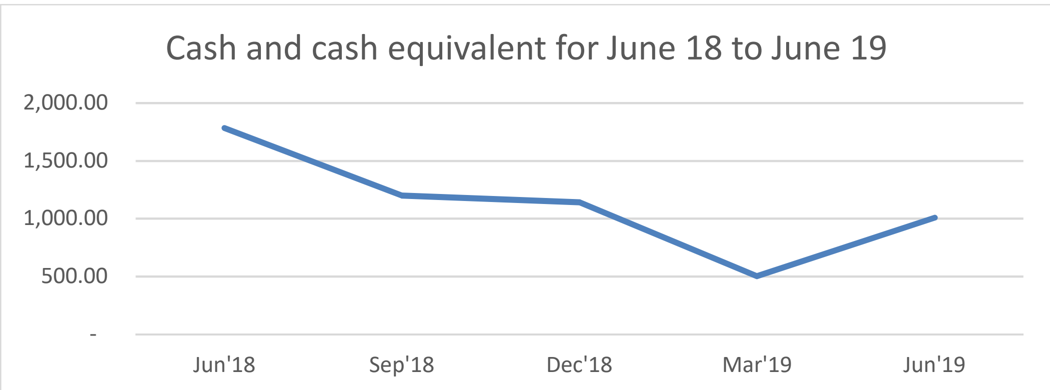
Balance Sheet

	30 Jun 19 ($m)	30 Jun 18 ($m)
Cash and cash equivalents	1.00	1.78
Inventories	0.41	6.34
Property, plant and equipment	0.11	0.73
Intangible assets	0.29	-
Net assets	(5.06)	(2.92)

Cash position

Cash and cash equivalents of $1,008,416 at 30 June 2019

Based on the cash position at end of FY19 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 FY20.



Management 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

FY20 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

Corporate Information

DIRECTORS

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

COMPANY SECRETARY

Mr Brett Crowley

REGISTERED OFFICE

Unit 6, 94 Abbott Road
Hallam, Victoria 3803
Tel: 1300 13 99 99

AUDITORS

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

BANKER

Westpac
360 Collins Street
Melbourne Victoria 3000

SHARE REGISTRY

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

EXCHANGE LISTING

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

STATE OF INCORPORATION

Victoria

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

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 2019 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. In addition, Mr Plympton has served as a non-executive director/ Chairman of 9 ASX listed companies over the last twenty years. Mr Plympton has extensive experience in sport and administration of the sector. He was a long term member of The Australian Olympic Committee, President of AFL club St Kilda for 8 years and continues as the longest serving director of The Australian Sports Commission (including The Australian Institute of Sport).
Other directorships held by Director in the last 3 years	In the public company sector, during the last three years Mr Plympton has also served as a director of the listed companies XPD Soccer Gear Limited (ASX: XPD) from 7 February 2015 to 3 August 2017.
Special responsibilities	Chair of the Board
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.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Garrison Huang, Executive Director

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

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

- Mr Xu was appointed to the Board on 7 March 2016 as a Non-Executive Director. Appointed Executive Director on 19 July 2016. He was re-appointed as a Non-Executive Director on "31 December 2018".

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 an 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.
Other directorships held by Director in the last 3 years	During the last three years, Mr Xu has not served as a director of any other listed companies.
Special responsibilities	None.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Xu has a relevant interest in 8,638,903 fully paid ordinary shares which are held by an entity that Mr Xu controls.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

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	During the last three years, Mr Chen has not served as a director of any other listed companies.
Special responsibilities	None.
Relevant interest in Harris Technology Group securities as at the date of this report	Mr Chen has a relevant interest in 2,502,301 fully paid ordinary shares in Harris Technology Group Ltd which are held by an entity Mr Chen controls and by Mr Chen personally.

Brett Crowley, Company Secretary

Mr Crowley was appointed as Company Secretary on December 2018.

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Directors' Meeting

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	8	8
Mr. Garrison Huang	8	8
Mr. Bob Xu	8	8
Mr. Howard Chen	8	8

Board Committees

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

Directors' Interests in Shares and Options of the Group

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

Director	Number of ordinary shares	Number of options (unlisted)
Mr. Andrew Plympton *1*	160,000	nil
Mr. Garrison Huang *2*	80,110,489	nil
Mr. Bob Xu *3*	8,638,903	nil
Mr. Howard Chen 4	2,502,301	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 H & J Investment Pty Ltd ATF H & J Superannuation Fund which Mr. Chen controls; and by Mr. Chen personally.*

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Earnings Per Share

Earnings Per Share	**Cents**
Basic and diluted earnings per share	(0.46)

Dividends Paid, Recommended and Declared

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2019 (2018: nil).

OPERATING AND FINANCIAL REVIEW

Corporate Structure

Harris Technology Group Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). Harris Technology Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2019. The Company's subsidiary entities are set out in note 26 to the consolidated financial statements.

Nature of operations and principal activities

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

Employees

The Group has 14 employees, inclusive of casual and part-time staff as at 30 June 2019 (2018: 69). The Group does not have consulting agreements with any contractors as at 30 June 2019 (2018: Nil).

Group Performance over the five-year period

	2019	**2018**	**2017**	**2016**	**2015**
Basic earnings/(loss) per share (cents)	(0.46)	(1.46)	(2.20)	(1.08)	(0.47)

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Financial position

The Group had net liabilities of $5,063,008 as at 30 June 2019 (2018: $2,919,908 net liabilities).

The Group had trade and other receivables of $347,965 as at 30 June 2019 (2018: $4,719,693).

The Group had trade and other payables of $2,068,926 as at 30 June 2019 (2018: $7,906,974).

Cash flows

The Group generated net cash outflows of $775,090 during the year ended 30 June 2019 (2018: net cash outflows $435,758). Sales of Anyware Corporation net cash inflows were $3,416,084 and repayments of Borrowings $3,319,024 in the year ended 30 June 2019.

There was a cash balance at 30 June 2019 of $1,008,416 (2018: $1,783,506).

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. In FY16 the Company established an Audit and Risk Management Committee to oversee this audit and risk management function of the Board. Following changes to the composition of the Board, the Audit and Risk Management Committee has been suspended and its functions carried out by the Board as a whole.

Significant changes in the state of affairs

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

Appointments and resignations of officeholders

Nil

Change of auditor

There is no change of auditor during the financial year.

Significant events after the balance date

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Environmental regulation

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

Shares issued during the year

652,715 shares were issued in lieu of a Director's accrued and outstanding fees of $30,000.

350,000 shares were issued upon vesting of performance rights that were issued to employees under the Company's Long-Term Incentive plan.

The Company issued 30,000,000 ordinary shares were issued to First Growth Funds Limited.

Share options (listed and unlisted)

As per ASX announcements, there were nil unlisted options under the Company's Long-Term Incentive Plan (**LTIP**) on issue.

Indemnity and insurance of officers

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

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 Company

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

At the Company's 2016 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 directors	
Mr Garrison Huang*	Director (executive)
(ii) Non-executive directors (NEDs)	
Mr Andrew Plympton***	Chairman (non-executive)
Mr Bob Xu**	Director (non-executive)
Mr Howard Chen****	Director (non-executive)
(iii) Executive	

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

***Bob Xu re-appointed as Non-Executive Director on 31st December 2018.*

****Andrew Plympton temporarily appointed Executive Director on 11 March 2016, resumed regular duties as Non-Executive Chairman on 19 July 2016.*

*****Howard Chen appointed Non-Executive Director on 19 July 2016.*

Remuneration Report (Cont.) (Audited)

2. Remuneration Governance

Remuneration Policy

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

Hedging of equity awards

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

Remuneration structure

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

3. Executive remuneration arrangements

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

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

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Remuneration Report (Cont.) (Audited)

4. Non-Executive Director remuneration arrangements

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

5. Additional Information

The earnings of the group for the five years to 30 June 2019 are summarised below:

	2019	2018	2017	2016	2015
	$'000	$'000	$'000	$'000	$'000
Total sales revenue	20,031	45,657	51,069	17,790	18,454
Less: Discontinued operations	11,028	34,144	-	-	-
Sales revenue	9,003	11,513	51,069	17,790	18,454
EBITDA	(646)	(530)	782	(5,967)	(2,044)
EBIT	(717)	(443)	(2,466)	(6,373)	(2,437)
Loss after income tax	(732)	(567)	(3,061)	(6,510)	(2,481)

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

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.012	0.038	0.08	0.10	0.35
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.46)	(1.46)	(2.20)	(1.08)	(0.47)

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Remuneration Report (Cont.) (Audited)

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 $	Shares $		
Mr Garrison Huang *1*	2019	13,963	-	-	-	-	13,963	-
	2018	35,166	-	3,341	-	-	38,507	-
Non-Executive Directors								
Mr Bob Xu *2*	2019	43,918	-	-	-	-	43,918	-
	2018	83,837	-	1,695	-	-	85,532	-
Mr Andrew Plympton *3*	2019	32,000	-	-	-	-	32,000	-
	2018	35,200	-	-	-	-	35,200	-
Mr Howard Chen *4*	2019	-	-	-	-	30,000	30,000	-
	2018	-	-	-	-	-	-	-
Other Key Management Personnel								
Mr Brett Crowley *5*	2019	9,000	-	-	-	-	9,000	-
	2018	-	-	-	-	-	-	-
Total KMP	**2019**	**98,881**	**-**	**-**	**-**	**30,000**	**128,881**	
	2018	**154,203**	**-**	**5,036**	**-**	**-**	**159,239**	-

1. *Garrison Huang appointed Executive Director and CEO on 19 July 2016.*
2. *Bob Xu Re-appointed Non-Executive Director on 31st December 2018.*
3. *Andrew Plympton resumed his role as Non-Executive Chairman on 19 July 2016, after acting as Executive Chairman from 11 March 2016 to 18 July 2016.*
4. *Howard Chen appointed Non-Executive Director on 19 July 2016.*
5. *Brett Crowley appointed Company Secretary in December 2018*

Remuneration Report (Cont.) (Audited)

7. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

As at the end of FY19 there were zero options granted to KMP under the LTIP. No further options have been granted.

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 2018 No.	Acquired during the year pre-consolidation No.	Post-consolidation balance No.	Acquired/(dis-posed) during the year post-consolidation No.	Other movements	Balance at 30 June 2019 No.
Executive Directors						
Mr Garrison Huang *1*	80,110,489	-	-	-	-	80,110,489
Non-Executive Directors						
Mr Andrew Plympton *3*	160,000	-	-	-	-	160,000
Mr Howard Chen *4*	1,849,586	-	-	652,715	-	2,502,301
Mr Bob Xu 2	8,638,903	-	-	-	-	8,638,903

1. The shares are held by Australian PC Accessories Pty Ltd ATF GWH A/C; Mr Huang controls this entity.

2. The shares are held by Aza International (Aud) Pty Ltd <North City Family A/C>; Mr Xu controls this entity.

3. The shares are held by Mr Andrew J Plympton & Mrs Kim P Plympton <Plympton Exec Super Fund A/C>; Mr Plympton controls this entity.

4. The shares are held by Mr Chen personally and by H & J Investment Pty Ltd <H & J Super Fund A/C>; Mr Chen controls this entity.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Remuneration Report (Cont.) (Audited)

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

	Date	Shares	Issue price	$
Executive Directors				
Mr Garrison Huang *1*	-	-	-	-
Non-Executive Directors				
Mr Andrew Plympton *3*	-	-	-	-
Mr Howard Chen *4*	21/11/18	652,715	0.045	30,000
Mr Bob Xu 2	-	-	-	-

Options

As per ASX announcements, there were nil unlisted options under the Company's Long-Term Incentive Plan (LTIP) on issue for key management personnel.

c. Loans from key management personnel and their related parties

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

($)		2019	2018
Name of director	**Entity/Shareholder**		
Garrison Huang	Australian PC Accessories Pty Ltd <GHW A/C>	3,726,552	3,968,686
Bob Xu	AZA International (Aust) Pty Ltd <North City Family A/C>	-	120,000
		3,726,552	**4,088,686**

The payments of principal and interest on all directors' loans have been deferred for a period through to the 1st July 2021. The interest rate charged is 5.5% for loans of $2,008,305 and 12% the for loan of $300,000. In addition, there are interest free loans to the value of $1,418,247.

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Remuneration Report (Cont.) (Audited)

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

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

	2019 $	2018 $
Purchases from entities controlled by KMP and their related parties		
Rental of office and warehouse buildings *1*	250,200	665,262
Inventories *2*	188,317	1,453,471
Management services *3*	-	44,355
Interest expense on directors' loans *4*	-	113,061
Directors' Salaries	89,881	-
Gain on Debt Forgiveness 4	(165,685)	(115,620)
Total related party purchases	**362,713**	**2,160,529**
Sales to entities controlled by KMP and their related parties		
Inventories *2*	284,981	553,619
Management services *3*	-	42,000
Total related party sales	**284,981**	**595,619**

1. *Rental to Garrison Huang and his controlling entity was $250,200 in FY19 (2018: $601,873); Rental to Bob Xu's controlling entity was NIL in FY19 (2018: $63,339).*
2. *Inventories purchased from Bob Xu's controlling entity were $80,290 in FY19 (2018: $567,412); Inventories purchased from Howard Chen's controlling entity were $108,026 in FY19 (2018: $886,058); Inventories purchased from Anyware New Zealand Pty Ltd were $Nil in FY19 (2018:$Nil). Inventories sold to Anyware New Zealand Pty Ltd were $218,307 in FY19 (2018: $553,619). Inventories sold to Bob Xu's Controlling entity in FY19 were $17,512 (FY18: $Nil), Inventories sold to Howard Chen's controlling entity in FY19 were $49,162 (FY18: $Nil).*
3. *Management service fee charged by Bob Xu were $Nil in FY19 (2018: $44,355). Management service fee charged to Anyware New Zealand Pty Ltd were $Nil in FY19 (2018: $42,000).*
4. *The Group accrued $165,685 interest expense in FY18 for loans from Garrison Huang. Garrison Huang provided the Group with a debt forgiveness of $165,685 in FY19 for unpaid interest on loans.*

Remuneration Report (Cont.) (Audited)

($)	2019	2018
Current payables to entities controlled by KMP		
Trade payables – Inventories	-	545,050
Current receivables from entities controlled by KMP		
Trade receivables – Inventories	4,280	294,024

For the period up to the 31 August 2018, the following arm's length transactions took place:

Anyware purchases inventories from AZA International Pty Ltd for its ordinary business activities at arm's length.

Anyware entered in lease agreements with Garrison Huang and his controlling entity for office and warehouse buildings at Dandenong South, VIC, Banyo, QLD, Findon, WA. The leases are for a period of 8 years commencing on 1 July 2012 which will end in October'2019.

Anyware purchases inventories from AZA International Pty Ltd for its ordinary business activities at arm's length.

Anyware purchases inventories from Ultra Imagination Pty Ltd whose director is Howard Chen for its ordinary business activities at arm's length.

Anyware purchases or/and sales inventories from/to Anyware New Zealand Pty Ltd whose director is Garrison Huang for its ordinary business activities at a discounted gross margin between 8-10%. The discount provided was approximately $20,000.

Anyware New Zealand pays management fees for operational services provided by Anyware in purchasing, marketing, IT and management service provided by Anyware's management team.

Post 31 August 2018, all such transactions have ceased due to the sale of the sale of Anyware Corporation Pty Ltd ('Anyware') to Leader Computers Pty Ltd ('Leader').

This concludes the remuneration report, which has been audited.

Tax consolidation

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Rounding of amounts

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

Directors' Report

(FOR THE YEAR ENDED 30 JUNE 2019)

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors

Andrew Plympton
Non-Executive Chairman

Melbourne, 30 September 2019

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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 2019, 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 AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 30 September 2019
Melbourne, Victoria

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(FOR THE YEAR ENDED 30 JUNE 2019)

($)	Notes	2019	2018
Revenue			
Sales revenue	7	9,003,268	11,513,394
Direct costs		(8,007,879)	(10,525,789)
Gross profit		**995,389**	**987,605**
Other income	7	169,346	102,027
Distribution expenses		(120,808)	(83,332)
Marketing expenses		(106,217)	(81,531)
Transaction expenses		(87,798)	(92,533)
Employee contractor and director expenses		(858,094)	(785,048)
Occupancy costs		(163,790)	(92,708)
Technology expenses		(113,505)	(69,046)
Holding company expenses		(194,384)	(192,385)
Depreciation and amortisation expenses	8	(20,588)	(36,000)
Impairment expenses	8	(64,961)	-
Other expenses	8	(149,823)	(100,172)
Finance costs	8	(14,741)	(123,877)
Exchange gain / (loss)		(2,062)	34
(Loss) / Profit before income tax		**(732,036)**	**(566,966)**
Income tax benefit / (expense)	9	-	-
(Loss) / Profit from continuing operations		**(732,036)**	**(566,966)**
Discontinued operations	5	**(1,470,613)**	**(1,495,098)**
Total comprehensive (loss) / profit for the period		**(2,202,649)**	**(2,062,064)**
Earnings per share from continuing operations (cents)			
- Basic earnings / (loss) per share	10	(1.40)	(1.46)
- Diluted earnings / (loss) per share	10	(1.40)	(1.46)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT 30 JUNE 2019)

($)	Notes	2019	2018
Current Assets			
Cash and cash equivalents	11	1,008,416	1,783,506
Trade and other receivables	12	347,965	4,719,693
Inventories	13	405,123	6,341,556
Prepayments and deposits	14	34,727	151,679
Total Current Assets		1,796,231	12,996,434
Non-current Assets			
Intangible assets	15	291,867	-
Property, plant and equipment	16	109,744	732,838
Total Non-current Assets		401,611	732,838
Total Assets		**2,197,842**	**13,729,272**
Current Liabilities			
Trade and other payables	17	2,068,926	7,906,974
Financial liability	18	1,408,472	4,097,840
Employee benefit liabilities	19	53,578	465,420
Total Current Liabilities		3,530,976	12,470,234
Non-current Liabilities			
Financial liability	18	3,726,553	4,158,499
Employee benefit liabilities	19	3,321	20,447
Total Non-current Liabilities		3,729,874	4,178,946
Total Liabilities		**7,260,850**	**16,649,180**
Net Assets / (Net Deficiency of Assets)		**(5,063,008)**	**(2,919,908)**
Equity			
Contributed equity	20	7,654,464	7,594,915
Accumulated losses	21	(12,717,472)	(10,514,823)
Total Equity		**(5,063,008)**	**(2,919,908)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(FOR THE YEAR ENDED 30 JUNE 2019)

($)	Share Capital	Accumulated Losses	Total Equity
At 1 July 2018	**7,594,915**	**(10,514,823)**	**(2,919,908)**
Loss for the period	-	(2,202,649)	(2,202,649)
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**(2,202,649)**	**(2,202,649)**
Transactions with owners in their capacity as owners			
Share based payments	59,549	-	59,549
At 30 June 2019	**7,654,464**	**(12,717,472)**	**(5,063,008)**

($)	Share Capital	Accumulated Losses	Total Equity
At 1 July 2017	**6,706,411**	**(8,335,930)**	**(1,629,519)**
Loss for the period	-	(2,062,064)	(2,062,064)
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**(2,062,064)**	**(2,062,064)**
Transactions with owners in their capacity as owners			
Prior Period Adjustments / Placement issued	-	(116,829)	(116,829)
Share issued on reverse acquisition	146,299		146,299
Placement issued	742,205	-	742,205
At 30 June 2018	**7,594,915**	**(10,514,823)**	**(2,919,908)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED 30 JUNE 2019)

($)	Notes	2019	2018
Cash flows from operating activities			
Receipts from customers		24,034,412	51,602,289
Payments to suppliers and employees		(24,923,562)	(52,430,828)
Net cash flows (used in) / provided by operating activities	11	**(889,150)**	**(828,539)**
Cash flows from investing activities			
Disposal of business, net of cash consideration	5d	3,416,084	-
Payments for property, plant and equipment		17,000	1,540
Net cash flows (used in) / provided by investing activities		**3,433,084**	**1,540**
Cash flows from financing activities			
Proceeds from borrowings		-	1,942,337
Repayment of borrowings		(3,319,024)	(1,551,096)
Net cash flows (used in) / provided by financing activities		**(3,319,024)**	**391,241**
Net increase / (decrease) in cash and cash equivalents		**(775,090)**	**(435,758)**
Cash and cash equivalents at the beginning of the financial year		1,783,506	2,219,264
Cash and cash equivalents at the end of the financial year	11	**1,008,416**	**1,783,506**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

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 2019 was authorised for issue in accordance with a resolution of the Directors on 30 September 2019.

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) Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognised to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

AASB 9 Financial Instruments (Cont.)

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principal of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of the adoption on opening retained earnings as at 1 July 2018.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont.)

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 and its impact on adoption is not expected to have a material impact and the lease commitment outlined on note 23 with a value of $181,500 will be recorded as an asset and liability in the statement of financial position.

Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a line of business or area of operation, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Going concern

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 group incurred a loss of $2,202,649 (2018: $2,062,064 loss) and had net cash outflows from operating activities of $889,150 (2018: $828,539 outflows) for the year ended 30 June 2019. As at that date the group had net current liabilities of $1,734,745 (2018: $526,200 net current assets) net liabilities of $5,063,008 (2018: $2,919,908 net liabilities).

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

- The group has prepared budgets and cash flow forecasts for the next 12 months from the date of this report which indicate the group will have a positive cash balance during this period;
- The group expects to attain profitability by completing its cost saving measures after the sale of the Anyware business and utilising growth opportunities from its other operations in the next year;
- The Directors with loans to the consolidated entity, equating to $3,726,552 of debt as at 30 June 2019, have provided commitments of financial support and irrevocably deferred monthly payments of principal and interest on loans for a period through to 1 July 2020 , or sooner if the group has the capacity to repay these loans without impacting the ongoing viability of the consolidated entity; and
- The Directors are negotiating with an external loan holder to extend the repayment terms of a $1,000,000 loan, as disclosed in Note 18 Financial Liability, and are confident that the loan extension will be successful.

Accordingly, the Directors believe that the group 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 group does not continue as a going concern.

In the event that results are not achieved as forecast, or the $1,000,000 loan extension is not successful, and should additional funding not be available from Directors, shareholders or new investors to meet working capital requirements, there would be a material uncertainty as to whether the group would 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Revenue recognition

The group recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

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

Other revenue

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) 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 of profit or loss.

g) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

g) Income tax and other taxes (Cont.)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) 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.

(i) Trade and other receivables

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

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

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

(j) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(k) 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

Impairment of other intangible assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) 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:

Motor vehicles	5 - 6 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.

(m) 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 recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) 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.

(p) 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.

(q) 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.

(r) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) 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 group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(t) 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 expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

(u) Comparatives

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

(v) 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 employee 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(w) Share based payments (Cont.)

Equity settled transactions

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

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

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

Risk exposures and responses

Interest rate risk

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

	2019 $	2018 $
Financial assets		
Cash and cash equivalents (interest bearing)	778,808	600,215
Financial liabilities		
Interest bearing liabilities – floating rate (current)	-	(2,985,481)
Interest bearing liabilities – fixed rate (current)	(1,408,472)	(1,112,389)
Interest bearing liabilities – fixed rate (non-current)	(3,726,553)	(4,158,500)
Net exposure	**(4,356,217)**	**(7,656,155)**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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 2019, 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)	
	2019	2018	2019	2018
Consolidated				
+1% (100 basis points)	(43,562)	(76,562)	(43,562)	(76,562)
- 1% (100 basis points)	43,562	76,562	43,562	76,562

The movements in post-tax profit / (loss) and other comprehensive income are due to a larger net exposure as at 30 June 2019. The sensitivity is lower in 2019 than in 2018 as a result of this decreased net exposure.

Credit risk

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Foreign currency risk

The Group's transactions are carried out mainly in AUD and USD. The Group enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated rates. The objective in entering into the foreign exchange contracts is to protect the economic entity against unfavourable exchange rate movements for the purchases undertaken in foreign currencies.

The Group's risk management policy is to hedge between 25% and 50% of anticipated cash flows (purchase of inventory) in US Dollars for the subsequent 12 months.

The Group's exposure to foreign currency risk at the end of reporting period, expressed in Australian dollars, was as follows:

	2019 $	2018 $
Forward/Option exchange contracts		
Buy US dollars	-	1,861,470
	-	**1,861,470**

The carry amount of the Group's foreign currency denominated financial assets and financial liabilities at reporting date, expressed in Australian dollars, were as follows:

	2019 $	2018 $
Financial assets		
Cash - US dollars	3,314	54
Financial liabilities		
Loans - US dollars	-	(62,500)
Net exposure	**3,314**	**(62,446)**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Foreign currency risk

At 30 June 2019, had the Australian dollar moved, with all other variables held constant, pre-tax profit / (loss) would have been affected as follows:

	Pre Tax Profit/(Loss) ($) Higher / (Lower)	
	2019	**2018**
Consolidated		
+5% (500 basis points)	165	3,122
- 5% (500 basis points)	(165)	(3,122)

The percentage change is the expected overall volatility of the significant currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2019 was $2,062 (2018: foreign exchange gain $34).

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 2019, 48.63% of the Group's financial liabilities will mature in less than one year (2018: 74.90%).

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 2019.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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

Year ended 30 June 2019 ($)	< 1 year	1-2 years	2-5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	1,008,416	-	-	-	1,008,416
Trade and other receivables	347,965	-	-	-	347,965
	1,356,381	**-**	**-**	**-**	**1,356,381**
Financial liabilities					
Trade and other payables	2,068,926	-	-	-	2,068,926
Loan and interest payable	1,408,472	-	-	-	1,408,472
Directors' loans*	-	3,726,553	-	-	3,726,553
	(3,477,398)	**(3,726,553)**	**-**	**-**	**(7,203,951)**
Net maturity	**(2,121,017)**	**(3,726,553)**	**-**	**-**	**(5,847,570)**

**The repayments of directors' loans have been irrevocably deferred for a period through to 1st July 2021*

Year ended 30 June 2018 ($)	< 1 year	1-2 years	2-5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	1,783,506	-	-	-	1,783,506
Trade and other receivables	4,719,693	-	-	-	4,719,693
	6,503,199	**-**	**-**	**-**	**6,503,199**
Financial liabilities					
Trade and other payables	7,906,974	-	-	-	7,906,974
Loan and interest payable	4,097,840	69,813	-	-	4,167,653
Directors' loans	-	4,088,686	-	-	4,088,686
	(12,004,814)	**(4,158,499)**	**-**	**-**	**(16,163,313)**
Net maturity	**(5,501,615)**	**(4,158,499)**	**-**	**-**	**(9,660,114)**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Allowances for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, group based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

5. DISCONTINUED OPERATION

On 31 August 2018, the company announced that it signed a Business Asset Purchase Agreement to sell Anyware Corporation Pty Ltd ('Anyware') to Leader Computers Pty Ltd ('Leader'). The sale was completed on 2 October 2018 with employees and certain business assets and liabilities transferred to Leader. The consideration received from the sale was the carrying value of the business assets and liabilities and $200,000. The residual assets of Anyware not sold to Leader, which consist primarily of inventory, have been impaired and will be sold under the brand name APCA in the normal course of business.

(a) Financial Performance ($)	**2019**	**2018**
Sales revenue	11,027,280	34,143,510
Direct costs	(10,513,610)	(28,898,237)
Impairment expenses	(499,954)	-
Depreciation and amortisation expenses	(39,711)	(96,560)
Employee expenses	(487,602)	(3,975,250)
Finance costs	-	(252,783)
Other expenses	(1,157,016)	(2,415,777)
Gain on sale of the business	200,000	-
Loss from discontinued operation	**(1,470,613)**	**(1,495,098)**

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

5. DISCONTINUED OPERATION (CONT.)

(b) Cashflow information – ($)	2019	2018
Net cash from operating activities	(404,913)	(1,010,511)
Net cash from investing activities	3,663,702	1,100
Net cash from financing activities	(4,323,066)	1.278,457
Net decrease in cash and cash equivalents from discontinued operations	**(1,064,277)**	**(269,046)**

(c) Carrying amounts of assets and liabilities disposed ($)	2019	2018
Trade and other receivables	382,693	-
Inventories	3,482,067	-
Trade and other payables	(431,273)	-
Employee benefit liabilities	(217,316)	-
Net assets	**3,216,171**	-

(d) Details of the sale of business ($)	2019	2018
Total disposal consideration	3,416,084	-
Carrying amount of net assets sold	(3,216,084)	-
Gain on sale before income tax	**200,000**	-

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

6. PARENT ENTITY INFORMATION

Information relating to Harris Technology Group Ltd – Parent ($)	**2019**	**2018**
Current assets	1,305	7,272
Non-Current Asset	-	1,670,705
Total assets	1,305	1,677,977
Current liabilities	(1,315,488)	(3,360,489)
Non-Current Liabilities	(300,000)	(300,000))
Total liabilities	(1,615,488)	(3,660,489)
Net liabilities	(1,614,183)	(1,982,512)
Issued capital	8,899,293	8,839,744
Accumulated losses	(10,513,476)	(10,822,256)
Share based payments reserve	-	-
Total shareholders' equity	(1,614,183)	(1,982,512)
Profit / (loss) after tax of the parent entity	308,780	(10,325,611)
Total comprehensive Profit / (loss) of the parent entity	308,780	(10,325,611)

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

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

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

7. REVENUE

($)	2019	2018
Revenue from operating activities		
Sale of goods	9,003,268	11,513,394
Total sales revenue	**9,003,268**	**11,513,394**

($)	2019	2018
Other income		
Sundry Income	13,416	106
Gain on debt forgiveness	135,653	100,821
Loss on the disposal of non-current asset	(15,223)	1,100
Gain on sale of business	35,500	-
Total other income	**169,346**	**102,027**

8. EXPENSES

($)	2019	2018
Other expenses		
Allowance for expected credit losses	108,576	42,553
Sundry expenses	41,247	57,619
Total other expenses	**149,823**	**101,172**
Depreciation		
Plant, office and computer equipment	20,588	13,942
Total depreciation	**20,588**	**13,942**
Amortisation		
Software development	-	22,058
Total amortisation	**-**	**22,028**
Impairment expense		
Intangible assets	64,.961	-
Total impairment expense	**64,961**	**-**
Finance costs		
Interest expense – overseas	14,741	123,877
Total finance costs	**14,741**	**123,887**

9. INCOME TAX

	2019 $	2018 $
Current tax	-	-
Deferred tax	-	-
Income tax (expense) / benefit	**-**	**-**
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:		
Loss before income tax expense from continuing operations	(732,036)	(566,966)
Loss before income tax expense from discontinued operations	(1,470,614)	(1,495,098)
	(2,202,650)	**(2,062,064)**
At the Group's statutory income tax rate of 30% (2018: 30%)	(660,795)	(618,619)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Impairment expense	19,488	-
Deferred tax assets not recognised	641,307	618,619
Income tax (expense) / benefit	**-**	**-**
Unused tax losses for which no deferred tax asset has been recognised	**4,383,668**	**3,742,361**

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 group 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.

9. INCOME TAX (Cont.)

Unrecognised temporary differences

At 30 June 2019 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 2019 (2018: nil).

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:

	2019	2018
Basic and diluted (loss)/earnings per share (cents)		
Continuing operations	(0.46)	(0.40)
Discontinued operation	(0.94)	(1.06)
Basic and diluted (loss)/earnings per share from total comprehensive income	**(1.40)**	**(1.46)**
Total comprehensive (loss)/profit for the year ($)	(2,202,649)	(2,062,064)
Weighted average number of ordinary shares used in calculating basic earnings per share	157,652,586	140,811,756
Weighted average number of ordinary shares used in calculating diluted earnings per share	157,652,586	140,811,756

11. CASH AND CASH EQUIVALENTS

($)	Consolidated 2019	2018
Cash at bank and on hand	1,008,416	1,783,506
	1,008,416	**1,783,506**

Cash at bank earns interest at floating rates based on daily bank deposit rates as disclosed in note 3.

Reconciliation of net (loss) / profit after tax to net operating cash flows	**2019 $**	**2018 $**
Net loss after tax from continuing operation	(732,036)	(566,966)
Operations	(1,470,613)	(1,495,098)
Net (loss) / profit after tax	(2,202,649)	(2,062,064)
Non-cash items		
Depreciation and amortisation	20,588	110,532
Amortisation	-	22,028
Loss on the disposal of non-current assets	362,041	-
Share based payment	59,549	146,299
Impairment expense	64,961	-
Gain on debt forgiveness	(135,653)	-
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	3,989,122	1,143,067
(Increase) / decrease in prepayments and deposits	116,951	(51,098)
(Increase) / decrease in inventories	2,454,366	896,684
Increase / (decrease) in trade and other payables	(5,406,775)	(975,718)
Increase / (decrease) in employee benefit liabilities	(211,651)	(58,269)
Net cash flows provided by/(used in) operating activities	**(889,150)**	**(828,539)**

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

12. TRADE AND OTHER RECEIVABLES

$	Consolidated 2019	2018
Trade and other receivables	654,852	4,719,693
Allowance for expected credit losses	(306,887)	-
	347,965	**4,719,693**

Allowance for expected credit losses

The group has recognised a loss of $306,887 (2018: $0) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Consolidated	Expected credit loss rate 2019 %	2018 %	Carrying amount 2019 $	2018 $	Allowance for expected credit losses 2019 $	2018 $
Not overdue	1%	-	217,300	-	2,173	-
0 to 3 months overdue	10%	-	63,443	-	6,344	-
Over 3 months overdue	80%	-	374,108	-	298,370	-
			654,851	-	306,887	-

Movements in the allowance for expected credit losses as follows:

$	Consolidated 2019	2018
Opening balance	-	-
Additional provision recognised	306,887	-
Receivables written off during the year as uncollectable	-	-
Closing Balance	**306,887**	-

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

13. INVENTORIES

($)	Consolidated 2019	2018
Inventories	1,146,273	6,341,556
Provision for stock obsolescence	(741,150)	-
	405,123	**6,341,556**

14. PREPAYMENTS AND DEPOSITS

($)	Consolidated 2019	2018
Prepayments	12,154	133,688
Deposits	22,573	17,991
	34,727	**151,679**

15. INTANGIBLE ASSETS

($)	Software	Total
Gross carrying amount		
At 1 July 2018	-	-
Addition from acquisition	356,828	356,828
Impairment	(64,961)	(64,961)
Business assets acquired	-	-
At 30 June 2019	**291,867**	**291,867**

In 2019, Harris Technology Limited acquired 100% of LINCD HQ Pty Ltd (LINCD) assets from First Growth Funds Limited. LINCD is a software and services company that has developed a platform connecting legacy software to blockchain protocols.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

16. PROPERTY, PLANT AND EQUIPMENT

	Office and warehouse equipment $	Improvement $	Computer $	Motor vehicles $	Total $
Gross carrying amount					
At 1 July 2018	380,042	532,700	512,556	267,966	**1,693,264**
Additions	-	-	-	-	**-**
Disposal	(380,042)	(532,700)	(512,556)	(113,279)	**(1,538,577)**
Business assets acquired	-	-	-	-	**-**
At 30 June 2019	**-**	**-**	**-**	**154,687**	**154,687**
Depreciation and impairment					
At 1 July 2018	(223,412)	(113,466)	(494,763)	(128,785)	**(960,426)**
Depreciation charge for the year	-	-	(9,050)	(11,538)	**(20,588)**
Discontinued operation disposal	223,412	113,466	503,813	95,380	**936,071**
At 30 June 2019	**-**	**-**	**-**	**(44,943)**	**(44,943)**
Net carrying amount					
At 30 June 2019	**-**	**-**	**-**	**109,744**	**109,744**
At 30 June 2018	156,630	419,234	17,793	139,181	**732,838**

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

17. TRADE AND OTHER PAYABLES

	Consolidated	
Trade and other payables - current ($)	**2019**	**2018**
Trade payables	2,002,377	7,279,230
Other payables	66,549	627,744
	2,068,926	**7,906,974**

Terms and conditions of the above financial liabilities:

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

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

Fair value

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

Foreign exchange and interest rate risk

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

18. FINANCIAL LIABILITY

	Consolidated	
Financial liability ($)	**2019**	**2018**
At 1 July 2018		
Secured		
Trade finance facility	-	2,985,451
Equipment finance	39,593	49,889
Unsecured		
Loan and interest payable	1,368,879	1,062,500
Total Current	**1,408,472**	**4,097,840**
Secured		
Equipment finance	-	69,813
Unsecured		
Directors' Loans (Note 22)	3,726,553	4,088,686
Total Non-current	**3,726,553**	**4,158,499**
Total	**5,135,025**	**8,256,340**

The payments of principal and interest on all directors' loans have been deferred for a period through to 1st July 2021.

18. FINANCIAL LIABILITY (CONT.)

Trade finance facility ($)	Consolidated 2019	Consolidated 2018
Trade finance facility	-	4,000,000
Used at the reporting date	-	2,985,481
Unused at the reporting date	-	1,014,519

The Westpac facility has been settled during the year. There are no more finance facilities available for the Group.

Security

The hire purchase facility is secured against the asset being financed.

No other financing facilities or liabilities available for the Group as of the 30 June 2019.

19. EMPLOYEE BENEFIT LIABILITIES

($)	Consolidated 2019	Consolidated 2018
Current		
Annual leave	42,629	258,226
Long service leave	10,949	207,194
	53,578	**465,420**
Non-current		
Long service leave	3,321	20,447
	3,321	**20,447**

20. CONTRIBUTED EQUITY

Issued and paid up capital ($)	2019	2018
Ordinary shares		
Ordinary shares fully paid	7,654,464	7,595,915
Listed options	-	-
Contributed equity	**7,654,464**	**7,595,915**

Movements in ordinary shares on issue	Number of Shares	$
Opening balance	153,999,096	7,594,915
Shares issued during the year:		
Issue of shares in satisfaction of directors' fees	652,715	30,000
Issue of shares on exercise of performance rights	350,000	29,549
The company issued ordinary shares to First Growth Funds Ltd	30,000,000	-
Closing balance	**185,001,811**	**7,654,464**

Terms and conditions of ordinary shares

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

Capital management

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

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

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

21. ACCUMULATED LOSSES

($)	Consolidated 2019	2018
Balance at beginning of financial year	(10,514,823)	(8,335,930)
Prior period adjustments / placement issued	-	(116,829)
Dividend paid	-	-
Net profit/(loss) for the year	(2,202,649)	(2,062,064)
Balance at end of financial year	**(12,717,472)**	**(10,514,823)**

22. DIRECTORS' LOANS

During the FY16 and FY17, the group has executed number of borrowing from directors to fund the three merge and acquisitions and provide a source of working capital. The loan balances as of 30 June 2019 are set out as below.

($)		2019	2018
Name of director	**Entity/Shareholder**		
Garrison Huang	Australian PC Accessories Pty Ltd <GHW A/C>	3,726,553	3,968,686
Bob Xu	AZA International (Aust) Pty Ltd <North City Family A/C>	-	120,000
		3,726,553	**4,088,686**

23. COMMITMENTS

Operating lease commitments ($)	**2019**	**2018**
Operating leases contracted		
Within one year	71,500	556,770
After one year but not more than five years	110,000	685,883
More than five years	-	-
	181,500	**1,242,653**

24. CONTINGENT ASSETS AND LIABILITIES

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

25. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen since 30 June 2019 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.

26. AUDITOR'S REMUNERATION

($)	2019	2018
Amounts received or due and receivable by RSM Australia Partners		
An audit or review of the financial report of the entity and any other entity in the group paid to RSM Australia Partners	55,000	55,000
Other services	2,500	-
	57,500	**55,000**

27. 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 2019	% of Equity interest 2018
APCA Trading Pty Ltd	Australia	100	100
Harris Technology Pty Ltd	Australia	100	100
AER Group Pty Ltd*	Australia	100	100
Lincd HQ Pty Ltd	Australia	100	-

**AER Group Pty Ltd brand Wow Baby was sold to Witton Construction Pty Ltd*

On 24 May 2019, the group entered into a Share purchase agreement to acquire 100% of the issued equity of Lincd HQ Pty Ltd (Lincd) from First Growth Funds Limited (FGF) in consideration for issue of 30,000,000 ordinary shares and earnout options in Harris Technology Group Limited.

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

27. RELATED PARTY DISCLOSURE (CONT.)

(b) Ultimate parent

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

(c) Inter-group transactions

Loans

The inter-group entities have provided or received intercompany loans within the group for working capitals. The intercompany loans are repayable to the inter-group entities at call and no interest is payable. At 30 June 2019, those loans have been eliminated in the balance sheet.

(d) Other related party transactions

During the financial year ended 30 June 2019, there were a total of $3,726,553 Directors' loans reported by the Group, refer to note 22 (2018: $4,088,686).

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

Refer to **7d.** Of Remuneration Report for more details relating to other related party transactions.

28. KEY MANAGEMENT PERSONNEL

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

($)	2019	2018
Short-term employee benefits	98,881	154,203
Post-employment benefits	-	5,036
Share based payments	30,000	-
	128,881	**159,239**

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.

28. KEY MANAGEMENT PERSONNEL(CONT.)

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.

29. 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.

30. SHARE-BASED PAYMENTS

Performance Rights

On 5 July 2017, 1,070,000 shares were issued to key management personnel at an issue price of 0.09 per share and a total transactional value of $95,800. Under the LTI plan, selected employees may be granted performance rights which will entitle them to receive ordinary shares in the Company, subject to the Company meeting performance objectives.

Set out below are summaries of options granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
5/7/2017	5/7/2020	$0.09	1,070,000	-	(350,000)	(620,000)	100,000
			1,070,000	-	(350,000)	(620,000)	100,000

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
5/7/2017	5/7/2020	$0.09	-	1.070,000	-	-	1,070,000
			-	1.070,000	-	-	1,070,000

Notes to the Consolidated Financial Statements

(for the Financial Year ended 30 June 2019)

30. SHARE-BASED PAYMENTS (Cont.)

Options

In August 2019, Harris Technology Limited (HT8) entered into an agreement with First Growth Funds (FGF) to a acquire 100% of Lincd HP Pty Ltd(Lincd), a software and services company that has developed a platform connecting legacy software to blockchain protocols. The acquisition terms included:

- 30,000,000 of HT8 shares to be issued to FGF.
- 20,055,334 of HT8 options with exercise price of $0.025 to FGF, when Lincd generates no less then $1.35m in revenue within 24 months of the issue date.
- 20,000,000 of HT8 options with exercise price of $0.025 to FGF, when Lincd generates no less than $1.35m in revenue within 24 months of the issue date.

Set out below are summaries of options granted:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/5/2019	24/6/2021	$0.02.5	20,055,334	-	-	-	20,055,334
24/5/2019	24/6/2021	$0.03.5	20,000,000	-	-	-	20,000,000
			40,055,334	-	-	-	40,055,334

2018

No options were issued during the 2018 financial year.

Directors’ Declaration

(For the Financial Year Ended 30 June 2019)

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 2019 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 2019 and of its performance for the year ended on that date; and

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

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board

Andrew Plympton
Non-Executive Chairman

Melbourne 30 September 2019

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Harris Technology Group Limited

Opinion

We have audited the financial report of Harris Technology Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial report, which indicates that the Group incurred a net loss of $2,202,649 and had net cash outflows from operating activities of $889,150 during the year ended 30 June 2019 and, as of that date, the Group had net current liabilities of $1,734,745 and net liabilities of $5,063,008. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Discontinued Operations Refer to Note 5 in the financial statements	
During the year, the consolidated entity sold Anyware, a separate major line of business of the group. The business sale is presented and disclosed under the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. We identified discontinued operations as a key audit matter, as the Anyware business represented a significant portion of the consolidated entity's activities, and as a result the presentation of the financial results of the consolidated entity are significantly impacted due to the discontinued operations disclosures.	Our audit procedures in relation to the discontinued operation included: • obtaining the business sale agreement to understand the transaction and the related accounting implications; • testing the accounting for the transaction, including the consideration received and assets and liabilities sold; • assessing the allocation of revenue and expense items included in the discontinued operations disclosure to ensure they relate solely to the Anyware business; and • ensuring compliance of the financial presentation and disclosures with the requirements of AASB 5.
Stock Obsolescence Refer to Note 13 in the financial statements	
The consolidated entity's inventory balance, as disclosed in Note 13, consists primarily of finished goods of various technology products and solutions. Inventory is valued at the lower of cost or net realisable value. The assessment of the net realisable value of inventory requires a significant degree of management judgment. It includes assumptions concerning the provision for obsolescence, as well as future market conditions based on changing customer needs and market trends. On the basis of the factors set out above, the valuation of inventory was considered to be a key audit matter.	Our audit procedures in relation to the valuation of inventory included: • evaluating management assumptions and estimates applied to the provision for obsolescence through analysis of historical sales levels by inventory product from the date the product was purchased in conjunction with assessing the quantity of products; • assessing the company's application of its policy for determining the provision for obsolescence; • performing analytical procedures in respect of inventory holdings and inventory turnover; and • testing the sales prices of inventory to ensure inventory is not being sold at less than cost.

Acquisition Accounting Refer to Note 15 in the financial statements	
During the year, the consolidated entity completed the acquisition of LINCD HQ Pty Ltd (LINCD). Management have determined this acquisition does not meet the requirements of AASB 3 *Business Combinations* as LINCD is not a business and is therefore an asset acquisition. The consideration for this asset acquisition has been accounted for under AASB 2 Share-based payments. We considered this transaction to be a key audit matter because of the judgements involved in determining whether the transaction is a business combination, the estimates involved in the calculation of the fair value of the consideration paid and the assets and liabilities acquired. .	Our audit procedures included: • obtaining the share purchase agreement and other associated documents to understand the nature of the transaction; • assessing whether LINCD is defined as a business under AASB 3 and confirming management's assessment that the transaction is an asset acquisition; • assessing the fair value of the assets and liabilities acquired; • assessing the consideration paid under AASB 2 and • reviewing the reasonableness of the share option valuation and management's estimates on the probability of the contingent consideration being paid to the vendor.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Harris Technology Group Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 30 September 2019
Melbourne, Victoria

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 27 September 2019 (**Reporting Date**).

Corporate Governance Statement

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

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

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

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

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

Substantial holders

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

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total, issued securities capital in relevant class
Australian PC Accessories Pty Ltd	Ordinary Shares	80,110,489	43.3%
First Growth Funds Ltd	Ordinary Shares	30,000,000	16.22%
Blooming Star Consultants Limited	Ordinary Shares	14,844,086	8.02%

Number of holders

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

Class of Equity Securities	Number of holders
Fully Paid Ordinary Shares	2,064
eStore vendor shares held in voluntary escrow until further notice	1
Performance rights vesting on 5 July 2020	13
Performance Rights vesting on 12 September 2020	1

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 2109 holders of a total of 184,201,108 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	1,488	166,397	0.09
1,001 – 5,000	293	731,935	0.39
5,001 – 10,000	90	686,414	0.37
10,001 – 100,000	140	5,185,276	2.80
100,001 – 9,999,999,999	53	177,419,005	96.34
Totals	**2,064**	**185,001,811**	**100.00**

Distribution of performance rights holders

Holdings Ranges	Holders of performance rights vesting 5 July 2020	Holders of performance rights vesting 5 July 2020	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	2	-	100
100,001 – 9,999,999,999	-	-	-
Totals	**2**	**-**	**100**

Distribution of escrowed shares

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 9,999,999,999	1	321,661	100
Totals	**1**	**321,661**	**100**

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
185,001,811	2,829,227	1,942	1.53

Voluntary escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary Shares	Voluntary escrow	321,661	Until further notice

Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders are as follows:-

Class of restricted securities	Number of unquoted Equity Securities	Number of Holders
Performance Rights	100,000	2

There are no person who hold 20% or more of equity securities in each unquoted class other than under an employee incentive scheme.

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	43.30%
FIRST GROWTH FUNDS LIMITED	30,000,000	16.22%
BLOOMING STAR CONSULTANTS LIMITED	14,844,086	8.02%
AZA INTERNATIONAL (AUST) PTY LTD <NORTH CITY FAMILY A/C>	8,638,903	4.67%
WELLAND INDUSTRIAL CO LTD	8,216,242	4.41%
CHA SHIN CHI INVESTMENT CO LTD	5,488,969	2.97%
PING SHEN	4,545,455	2.46%
MISS PING YU	4,136,097	2.24%
Mr GUO QIANG XIA	2040602	1.10%
TIGER DOMAINS PTY LTD <TIGER DOMAINS UNIT A/C>	1,780,467	0.97%
MISS XIAOFEI XU	1,536,304	0.83%
DOMINET DIGITAL CORPORATION PTY LTD <THE CAROSA FAMILY A/C>	1,406,836	0.76%
HJ INVESTMENT PTY LTD	1,273,777	0.69%
MR SIJIN CHEN	1,228,524	0.66%
MR CORREIA DAVID	940,090	0.51%
MS ZHEN MA	828,000	0.45%
ASB NOMINEES LIMITED <291495 – ML A/C>	800,000	0.43%
MONEXBOOM SECURITIES HKLTD	750,739	0.41%
DIAMOND BOWL PTY LTD <THE DIAMOND BOWL S/F A/C>	694,008	0.38%
Total number of shares of Top 20 Holders	**170,060,291**	**91.92%**
Total Remaining Holders Balance	**14,941,520**	**8.08%**

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 Mr. Brett Crowley

Registered Office

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

Unit 6, 94 Abbott Road,
Hallam, Victoria 3803

Tel: 1300 13 99 99

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).

ANYWARE
Notebook
DELTA
VIRTUAL
REALITY
Licensing
eset
BRAYECK
M2C
INFORMATION
DISTRIBUTION
Networking
LINKBASIC
Lifestyle
AUGMENTED
WOWBABY
DROBO
Printer
Huntkey
Speakers
BOOGIEBOARD
MOBILE
LEDware
ECOMMERCE
HARRISTECHNOLOGY
HTS
Display
Storage
AEROCOOL
AZIO
EDIMAX
DXRACER
PROMISE
Tablet
ADESSO