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Harris Technology Group Limited

ABN 93 085 545 973

Appendix 4D and Financial Report
For the half year ended 31 December 2018

Lodged with ASX under Listing Rule 4.2A

Harris Technology Group Limited
ABN 93 085 545 973

Current reporting period: 1 July 2018 to 31 December 2018
Previous corresponding period: 1 July 2017 to 31 December 2017

Results for Announcement to the Market

		% Change from previous corresponding period		Current reporting period $A
Revenues from ordinary activities	down	(20.40)	to	4,417,702
Profit from ordinary activities after tax attributable to members	down	17.59	to	(1,260,757)
Profit for the period attributable to members	down	17.59	To	(1,260,757)

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Revenue from continuing operations for the half year ended 31 December 2018 was $4,417,702, a decrease of 20.40% from the previous corresponding period (2017: $5,549,796).

Net loss from continuing operations was $226,063, a reduction in loss of 34.99% from the previous corresponding period (2017: loss of $347,734).

The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

Net tangible assets	Dec 2018	June 2018
Net tangible assets per ordinary security	(2.70) cents	(1.90) cents

Review opinion

This report is based on accounts which have been independently reviewed by the Company's external auditors. A copy of the directors' report and financial statements, together with the auditor's review report, is attached.

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying half-yearly report for the period ended 31 December 2018.

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the condensed financial report of the consolidated entity of Harris Technology Group Limited and the entities it controlled (**Group**) for the half-year ended 31 December 2018 (**H1 FY19**) and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*.

Directors

The names of the Directors in office 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.

Andrew Plympton	Non-Executive Chairman
Garrison Huang	Managing Director & Chief Executive Officer
Bob Xu	Non-Executive Director
Howard Chen	Non-Executive Director
Company Secretary	Alyn Tai resigned on 6 December 2018
Company Secretary	Brett Crowley appointed on 6 December. 2018

Principal activities

The Group's principal activities during the course of the half-year were in the area of online retailing and distribution. There has been no significant change in the nature of these activities during the half-year.

Review and results of operations

Revenue from continuing operations for the half year ending December 31st 2018 was $4,417,702. This revenue was attributable to Harris Technology operations and some residual stock of Anyware not sold to Leader Group as highlighted below and per Note 4 of these Accounts

Whilst profit for the period was ($1,260,757) it should be noted that nett loss from continuing operations was ($ 226,063).

In respect to discontinued operations on the 31st August 2018, the group announced it has sold the business Anyware Corporation Pty Ltd to Leader Computers Pty Ltd.

The sale was completed on the 2nd of October 2018 with employees and certain assets and liabilities transferred to Leader.

The financial performance for discontinued operations for the Half Year was ($1,034,695) this includes an impairment expense of ($499,279)

Outlook

With the Anyware business divested in October 2018 the company has been able to completely review its operations and refresh its strategy on the future

Employee numbers have reduced from 50 plus to currently 15, a significant reduction.

Previous warehouses located in Sydney, Brisbane and Perth have been successfully let creating solid savings. Further cost savings will be realised during the current half year as the principal Australian warehouse and office complex has now been let effective March 2019 allowing the refreshed group to take advantage of a low cost smaller warehouse and office space in SE Melbourne.

The company has placed clear focus on the development of Harris Tech division, and is working with the Amazon and others to develop products at decent margins.

The previous banking facilities with Westpac have been terminated and all borrowings repaid.

Some 24 months ago the company announced the joint venture in Shenzhen China focusing on B2C and M2C opportunities. Regrettably at the time (due to underperformance of the Anyware business) the company was not able to put the support and development time into the business. Recent attention has seen growth in these activities and management has a positive view that sales can grow. The company will update the market in the next quarter of the uplift and sustainability of this joint venture

In January 2019 the Company announced it had entered into HOA with Lincd HT Pty Ltd from First Growth Funds. This acquisition will allow the Company to deploy block chain solutions and assist the ecommerce business. The company reports that it is currently undertaking due diligence and will report to the market in the upcoming weeks

In addition to the Lincd acquisition other opportunities are under consideration

Events Occurring After the Reporting Period

As announced on 17 January 2019, the Company has entered into an acquisition of Lincd HT Pty Ltd from First Growth Funds Limited. The acquisition of LINCD will provide HT8 with the opportunity to deploy block chain solutions internally to improve the competitiveness of tis ecommerce business including the possibility of launching a royalty program using block chain technology. Additionally, HT8 plans to bundle LINCD with its cloud service offering to create a new revenue stream for the group.

No other matters or circumstances have arisen since the end of the reporting period which significantly affects the operations of the consolidated group, results of these operations, or the state of affairs of the consolidated group in future financial periods.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporation Act 2001 is included on the following page and forms part of Harris Technology Group Limited's Directors' report for the period from 1 July 2018 to 31 December 2018.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

Andrew Plympton

Non-Executive Chairman
27 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Harris Technology Group Limited for the half year ended 31 December 2018, 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 review; and

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

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 27 February 2019
Melbourne, Victoria

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	Half Year to 31-Dec-18 $	Half Year to 31-Dec-17 $
Revenue			
Sales revenue		**4,417,702**	5,549,796
Direct costs		**(3,884,926)**	(5,083,230)
Gross profit		**532,776**	466,567
Other income		**12,984**	102,008
Distribution expenses		**(41,925)**	(43,052)
Marketing expenses		**(41,839)**	(54,202)
Transaction expenses		**(45,728)**	(39,449)
Employee contractor and director expenses		**(449,202)**	(306,330)
Occupancy costs		**(68,381)**	(48,916)
Technology expenses		**(27,064)**	(43,275)
Holding company expenses		**(90,199)**	(252,924)
Depreciation and amortisation expenses		**(6,654)**	(10,036)
Impairment expense		**-**	(18,036)
Other expenses		**(830)**	(45,340)
Finance costs		**-**	(54,749)
Gain on Debt Forgiveness			
Loss before income tax		**(226,063)**	(347,734)
Income tax benefit / (expense)		**-**	-
Loss from continuing operations		**(226,063)**	(347,734)
Discontinued operation			
Loss after tax from discontinued operation	4	**(1,034,695)**	(724,426)
Loss for the period		**(1,260,757)**	(1,072,160)
Other comprehensive income		**-**	-
Total comprehensive income for the period		**(1,260,757)**	(1,072,160)
Earnings per share from continuing operations		**Cents**	Cents
- Basic earnings/(loss) per share	3	**(0.15)**	(0.25)
- Diluted earnings/(loss) per share	3	**(0.15)**	(0.25)
Earnings per share from discontinued operations		**Cents**	Cents
- Basic earnings/(loss) per share	3	**(0.67)**	(0.52)
- Diluted earnings/(loss) per share	3	**(0.67)**	(0.52)
Earnings per share from loss		**Cents**	Cents
- Basic earnings/(loss) per share	3	**(0.82)**	(0.77)
- Diluted earnings/(loss) per share	3	**(0.82)**	(0.77)

The accompanying notes form part of these financial statements.

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31-Dec-18 $	30-Jun-18 $
Current assets			
Cash and cash equivalents		**1,142,193**	1,783,506
Trade and other receivables		**735,483**	4,719,693
Inventories		**772,641**	6,341,556
Prepayments and deposits		**73,377**	151,678
Total current assets		**2,723,694**	12,996,433
Non-current assets			
Property, plant and equipment		**128,374**	732,838
Total non-current assets		**128,374**	732,838
Total assets		**2,852,068**	13,729,272
Current liabilities			
Trade and other payables		**1,826,269**	7,906,974
Financial liability		**1,117,024**	4,097,840
Employee benefit liabilities		**53,986**	465,420
Total current liabilities		**2,997,278**	12,470,234
Non-current liabilities			
Financial liability		**4,033,503**	4,158,500
Employee benefit liabilities		**1,951**	20,447
Total non-current Liabilities		**4,035,454**	4,178,946
Total liabilities		**7,032,733**	16,649,180
Net assets		**(4,180,665)**	(2,919,908)
Equity			
Share capital		**7,594,915**	7,594,915
Accumulated losses		**(11,775,580)**	(10,514,823)
Total equity		**(4,180,665)**	(2,919,908)

The accompanying notes form part of these financial statements.

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Share capital	**Accumulated losses**	**Total equity**
	$	**$**	**$**
At 1 July 2018	**7,594,915**	**(10,514,823)**	**(2,919,907)**
Loss for the period	**-**	**(1,260,757)**	**(1,260,757)**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**(1,260,757)**	**(1,260,757)**
Share based payment	**-**	**-**	**-**
At 31 December 2018	**7,594,915**	**(11,775,580)**	**(4,180,665)**

	Share capital	Accumulated losses	Total equity
	$	$	$
At 1 July 2017	6,706,411	(8,335,930)	(1,629,519)
Loss for the period	-	(1,072,160)	(1,072,160)
Other comprehensive income	-		-
Total comprehensive income for the period	-	(1,072,160)	(1,072,160)
Share based payment	146,299.00	-	146,299.00
At 31 December 2017	6,852,710	(9,408,090)	(2,555,380)

The accompanying notes form part of these financial statements.

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	**Half Year to 31-Dec-18 $**	Half Year to 31-Dec-17 $
Cash flows from operating activities			
Receipts from customers		**20,951,244**	25,619,083
Payments to suppliers and employees		**(21,915,812)**	(26,692,092)
Interest received		**-**	430
Net cash flows (used in) / provided by operating activities		**(964,567)**	(1,072,579)
Cash flows from investing activities			
Proceeds from sale of business		**3,416,084**	-
Payments for property, plant and equipment		**-**	(3,000)
Net cash flows (used in) / provided by investing activities		**3,416,084**	(3,000)
Cash flows from financing activities			
Proceeds from borrowings		**-**	277,626
Repayment of borrowings		**(3,092,829)**	-
Net cash flows (used in) / provided by financing activities		**(3,092,829)**	277,626
Net increase/(decrease) in cash and cash equivalents		**(641,313)**	(797,953)
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		**1,142,194**	1,421,311

The accompanying notes form part of these financial statements.

Note 1. Basis of preparation of the half-year financial report

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with financial report of the company for the year ended 30 June 2018, and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) New or amended Accounting Standards and Interpretations adopted

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

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards 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 consolidated entity 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 recognition 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). 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 a 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.

Note 1. Basis of preparation of the half-year financial report (continued)

(b) New or amended Accounting Standards and Interpretations adopted

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle 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.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards has been assessed and no restatement of comparative disclosures is required.

(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 consolidated entity incurred a loss of $1,260,757 (HY2017: $1,072,160 loss) and had net cash outflows from operating activities of $964,567 (HY2017: $1,072,579 cash outflow) for the half-year ended 31 December 2018. As at that date the consolidated entity had net current liabilities of $273,585 (June 2018: $526,200 net current assets) and net liabilities of $4,180,665 (June 2018: $2,919,908 net liabilities).

The Directors' have loaned to the consolidated entity an amount of $4,033,503 as at 31 December 2018 and have provided commitments of financial support and irrevocably deferred monthly payments of principal and interest on these loans for a period through to 1 July 2020. The Directors will seek an extension to the repayment terms of $1,000,000 in current loan liabilities and believe this extension is likely to be agreed with the external loan holder.

The consolidated entity has prepared budgets and cash flow forecasts for the next 12 months from the date of this report which indicate the consolidated entity will have a positive cash balance during this period. These forecast have factored in the disposal of the discontinued operations as alluded to in Note 4 Discontinued operations, and the subsequent restructuring of the operations including cost management.

As disclosed in Note 5 Events after the reporting period, the Directors are considering investment opportunities in software and services businesses related to block chain technology.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

In the event that forecasts revenue is not achieved, notwithstanding any cost restructuring that could be undertaken, and other investment opportunities are not achieved, and should additional funding not be available from investors, Directors or shareholders to meet funding requirements, there would be a material uncertainty as to whether the consolidated entity will 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.

Note 2. Operating 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 consolidated group, and determining investment requirements. The operating segments are based on the manner in which services are provided to the market.

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

Note 3. Earnings per share

	Half Year to 31-Dec-18 $	**Half Year to 31-Dec-17 $**
Weighted average number of ordinary shares used in calculating basic earnings per share	**154,059,368**	**138,565,918**
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	**-**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**154,059,368**	138,565,918
	Cents	Cents
Earnings per share from continuing operations		
- Basic earnings/(loss) per share	**(0.15)**	(0.25)
- Diluted earnings/(loss) per share	**(0.15)**	(0.25)
Earnings per share from discontinued operations		
- Basic earnings/(loss) per share	**(0.67)**	(0.52)
- Diluted earnings/(loss) per share	**(0.67)**	(0.52)
Earnings per share from loss		
- Basic earnings/(loss) per share	**(0.82)**	(0.77)
- Diluted earnings/(loss) per share	**(0.82)**	(0.77)

Note 4. Discontinued operations

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 transfered to Leader. The consideration received from the sale was the net carrying value or the business assets and liablities and $200,000. The residual assets of Anyware not sold to Leader, which consist primarily of inventory, have been impaired to their estimated net realisable value and will be sold under the brandname APCA in the normal course of business.

	Half Year to	Half Year to
(a) Financial performance	**31-Dec-18**	31-Dec-17
The financial performance presented is for the six months ended 31 December 2018.	**$**	$
Sales revenue	**11,027,280**	17,298,433
Direct cost	**(10,306,610)**	(14,899,368)
Impairment expense	**(499,279)**	-
Depreciation and amortisation expenses	**(35,015)**	(49,139)
Employee expenses	**(487,602)**	(2,111,961)
Finance costs	**(38,862)**	(133,599)
Other expenses	**(894,607)**	(828,791)
Gain on sale of the business	**200,000**	-
Loss from discontinued operation	**(1,034,695)**	(724,426)
Net cash outflow from operating activities	**(488,390)**	(2,473,851)
Net cash inflow from investing activities	**3,216,084**	-
Net cash (outflow) / inflow from financing activities	**(2,985,481)**	421,644
Net increase in cash generated by the subsidiary	**(257,787)**	(2,052,208)

(b) Carrying amounts of assets and liabilities disposed	**31-Dec-18**
	$
Trade and other receivables	**382,606**
Inventories	**3,482,067**
Trade and other payables	**(431,273)**
Employee benefit liabilities	**(217,316)**
Net assets	**3,216,084**

	Half Year to
(c) Details of the disposal	**31-Dec-18**
	$
Total sale consideration	**3,416,084**
Carrying amount of net assets disposed	**(3,216,084)**
Gain on sale of the business	**200,000**

Note 5. Events after the reporting period

As announced on 17 January 2019, the Company has entered into a binding heads of agreement to acquire all of the shares in LINCD HQ Pty Ltd form First Growth Funds Limited. LINCD is a software and services company that has developed a platform connecting legacy software to block chain protocols, making it easy and cost effective for business to deploy block chain solutions.

No other matters or circumstance has arisen since 31 December 2018 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.

Note 6. Contingent liabilities and contingent assets

The company has no contingent liabilities or contingent assets which require disclosure.

HARRIS TECHNOLOGY GROUP LIMITED & CONTROLLED ENTITIES

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Andrew Plympton

Non-Executive Chairman

27 February 2019

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

We have reviewed the accompanying half-year financial report of Harris Technology Group Limited which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Harris Technology Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

RSM

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Harris Technology Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates the consolidated entity incurred a net loss of $1,260,757 and the consolidated entity incurred net cash outflows from operating activities of $964,567 for the half-year ended 31 December 2018. As at that date the consolidated entity had net current liabilities of $273,585 and net liabilities of $4,180,665. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 27 February 2019
Melbourne, Victoria