

harristechnology

GROUP LIMITED

HARRIS TECHNOLOGY GROUP LIMITED
and Controlled Entities

ABN: 93 085 545 973

**ASX APPENDIX 4D - FINANCIAL REPORT FOR:
HALF YEAR ENDED 31 DECEMBER 2016**

Lodged with ASX under **Listing Rule 4.2A**

This information should be read in conjunction with
30 June 2016 Annual Report

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Harris Technology Group Limited

ABN 93 085 545 973

Current reporting period: 1 July 2016 to 31 December 2016

Previous corresponding period: 1 July 2015 to 31 December 2015

Results for Announcement to the Market

		% Change from previous corresponding period		Current reporting period \$A
Revenues from ordinary activities	down	5.47	to	25,652,846
Profit from ordinary activities after tax attributable to members	down	333.82	to	(2,911,000)
Profit for the period attributable to members	down	333.82	to	(2,911,000)
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 for the half year ended 31 December 2016 was \$25,652,846, a decrease of 5.47% over the previous corresponding period (2015: \$27,136,738).

Net loss from continuing operations was \$2,911,000, a decrease of profit of 333.82% over the previous corresponding period (2015: operating net profit \$1,244,953).

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

Net tangible assets	Dec 2016	June 2016
Net tangible assets per ordinary security	(1.95) cents	(156.00) cents

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Control gained over entities

On 19 July 2016, Harris Technology Group Limited (formerly Shoply Limited) ("**HT8**" or the "**Company**") completed the acquisition of 100% of the shares in technology distributor Anyware Corporation Pty Ltd ("**Anyware**") and its wholly-owned subsidiary Harris Technology Pty Ltd ("**Harris Technology PL**") ("**Acquisition**").

The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of Anyware (the legal subsidiary entity) obtained accounting control of the Company (the legal parent entity). Accordingly, this consolidated financial report of the HT8 Group for the half year ended 31 December 2016 represents a continuation of the financial statements of Anyware and Harris Technology PL (on the basis that Anyware is the deemed accounting acquirer), together with the results of Harris Technology Group Limited (formerly Shoply Limited) from the Acquisition date of 19 July 2016. It should be noted that the results of the previous corresponding period for the six months ended 31 December 2015 ('**pcp**') set out in this financial report represents only the financial results of Anyware and Harris Technology PL when run as a private group. For clarity, the pcp does not include any results from Harris Technology Group Limited (formerly Shoply Limited).

On 11 November 2016, HT8 acquired 100% of the issued capital in Audion Innovision Pty Ltd ("**Audion**"). The acquisition has been accounted as a Business Combination under AASB 3. Audion is an Australian distributor of audio, video and multimedia accessories to conventional channel distributors, dealers and major retail chain stores nationwide. Audion was established in 2006 as a specialist distributor in the information technology (IT) and consumer electronics (CE) industries, and strives to be first-to-market with the latest technologies from a variety of quality international vendors.

There was no loss of control over entities during the reporting period.

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 2016.

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 2016

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 2016 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 <i>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.</i>
Garrison Huang	Managing Director & Chief Executive Officer <i>Mr Huang was appointed to the Board on 3 March 2016 as a Non-Executive Director. Mr Huang was appointed as Managing Director and Chief Executive Officer on 19 July 2016.</i>
Bob Xu	Executive Director <i>Mr Xu was appointed to the Board on 7 March 2016 as a Non-Executive Director. Mr Xu was appointed as Executive Director on 19 July 2016.</i>
Mark Goulopoulos	Non-Executive Director
Howard Chen	Non-Executive Director <i>Mr Chen was appointed to the Board on 19 July 2016 as a Non-Executive Director.</i>
Domenic Carosa	Non-Executive Director <i>Mr Carosa retired from the Board on 19 July 2016.</i>
Company Secretary	Alyn Tai

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

Acquisition accounting

On 19 July 2016, Harris Technology Group Limited (formerly Shoply Limited) ("**HT8**" or the "**Company**") completed the acquisition of 100% of the shares in technology distributor Anyware Corporation Pty Ltd ("**Anyware**") and its wholly-owned subsidiary Harris Technology Pty Ltd ("**Harris Technology PL**") ("**Acquisition**").

The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of Anyware (the legal subsidiary entity) obtained accounting control of the Company (the legal parent entity).

Therefore, this consolidated financial report of the HT8 Group for the half year ended 31 December 2016 represents a continuation of the financial statements of Anyware and Harris Technology PL (on the basis that Anyware is the deemed accounting acquirer), together with the results of Harris Technology Group Limited (formerly Shoply Limited) from the Acquisition date of 19 July 2016.

It should be noted that the results of the previous corresponding period for the six months ended 31 December 2015 ('**pcp**') set out in this financial report represents only the financial results of Anyware

and Harris Technology PL when run as a private group, and does not include any results from Harris Technology Group Limited (formerly Shoply Limited).

For clarity and ease of comparison, the Directors note that the consolidated results for the half-year ended 31 December 2015 of Shoply Limited (as the Company was then named) and its controlled entities were a loss of \$1,693,963, from revenues of \$12,738,137. For further information on Shoply Limited's half yearly results for the period ended 31 December 2015, refer to the Company's Appendix 4D and half yearly report lodged with ASX on 29 February 2016.

Review of results

As disclosed in the financial statements, during the half year ended 31 December 2016 the Group incurred a loss of \$2,911,000 from revenues of \$25,652,846, and had net cash outflows from operating activities of \$2,251,712. These results reflect a non-cash impairment expense of \$3,117,482. Excluding this non-cash impairment expense, the Group demonstrated a trend towards profitability during the half year by recording a net profit of \$206,483 and positive EBITDA of \$440,233.

The half year results also reflect the Group's continuing investment in and non-recurring costs relating to the post-Acquisition optimisation and consolidation initiatives described below. Notwithstanding this, the Group expects to realise cost reduction benefits and synergies from these initiatives in the longer term.

The Directors also note that loan holders of the consolidated entity, equating to \$4,138,304 of debt as at 31 December 2016, have provided commitments of financial support to the Company, and have irrevocably deferred monthly payments of principal and interest on loans for a period through to 30 June 2018. These payments are \$110,870 per month.

Review of post-Acquisition operations

During the half year, subsequent to completion of the Acquisition, the Group executed a number of post-Acquisition optimisation and consolidation initiatives, including by rationalising warehouse and office locations, improving and developing IT systems, undertaking full brand and product category reviews of previous underperforming businesses, and discontinuing old product ranges. In particular, the Company successfully took steps to reduce its operating expenditure through the assignment and/or sub-leasing of warehouse and office leases, which related to its pre-Acquisition operations at Castle Hill (NSW) and Alphington (VIC).

As part of its renewed focus on customer service, the Group consolidated its divisional phone systems, and has been able to measure improved customer satisfaction thus allowing targeted marketing campaigns. In addition, the Group's trading websites have been merged into a single front-end system which has resulted in improved login availability and enabled cross-website promotions. As part of the website and platform consolidation, the Company closed down its existing Warcom and eStore websites, and redirected traffic from those websites to its centralised business technology website ht.com.au.

During the half year, the Group continued to execute its expansion strategy through organic growth and exploring suitable acquisitions. As announced in November 2016, the Company acquired 100% of the issued capital of Audion Innovision Pty Ltd (**Audion**). The operations of the Audion business have been fully integrated with the Group's operations, and the half-yearly results include the trading results of the Audion business from the acquisition date of 11 November 2016.

Outlook

The Company has expended significant effort and funds during the half year in implementing the above-mentioned initiatives, and executing its strategy to standardise and enhance business disciplines across the merged entity's operations and websites. The Board is optimistic that the benefits of these post-Acquisition optimisation and consolidation initiatives will soon be realised in the form of longer term cost reductions and operational efficiencies.

The Board is confident that the foundations laid during the half year will better position the Group to continue pursuing its near-term objectives of product range rationalisation and gross margin improvement, as well as its longer-term objectives of organic and acquisitive growth.

Significant changes in the state of affairs

On 19 July 2016, Harris Technology Group Limited (formerly Shoply Limited) ("HT8" or the "Company") completed the acquisition of 100% of the shares in technology distributor Anyware Corporation Pty Ltd ("Anyware") and its subsidiary Harris Technology Pty Ltd ("Harris Technology") ("Acquisition"). In consideration for the Acquisition, HT8 issued a total of 2,403,456,940 shares (on a pre-consolidation basis) to the vendors of Anyware, in consideration for the Company's acquisition of 100% of the issued capital in Anyware.

On 11 November 2016, HT8 acquired 100% of the issued capital in Audion Innovision Pty Ltd ("Audion"), an Australian distributor of audio, video and multimedia accessories to conventional channel distributors, dealers and major retail chain stores nationwide. Audion was established in 2006 as a specialist distributor in the information technology (IT) and consumer electronics (CE) industries, and strives to be first-to-market with the latest technologies from a variety of quality international vendors.

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

Events Occurring After the Reporting Period

The consolidated entity completed a share placement on 9 January 2017 for \$800,000.

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 2016 to 31 December 2016.

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



Andrew Plympton
Non-Executive Chairman
28 February 2017

RSM Australia Partners

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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 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

Melbourne, VIC
28 February 2017

**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Notes	Half Year to 31-Dec-16 \$	Half Year to 31-Dec-15 \$
Revenue		
Sales revenue	25,652,846	27,136,378
Direct costs	(20,788,008)	(22,396,378)
Gross profit	4,864,838	4,740,000
Other income	3,166	5,937
Distribution expenses	(499,978)	(407,824)
Marketing expenses	(144,142)	4,687
Transaction expenses	(160,072)	(73,355)
Employee contractor and director expenses	(2,544,981)	(2,162,101)
Occupancy costs	(443,297)	(482,916)
Technology expenses	(337,565)	(171,597)
Holding company expenses	(200,936)	(44,880)
Depreciation and amortisation expenses	(131,603)	(45,636)
Impairment expense	(3,117,482)	-
Other expenses	(49,167)	(97,123)
Finance costs	(102,146)	(74,112)
Exchange gain / (loss)	(47,635)	53,873
Profit / (Loss) before income tax	(2,911,000)	1,244,953
Income tax benefit / (expense)	-	-
Profit / (Loss) from continuing operations	(2,911,000)	1,244,953
Discontinued operations		
Other Comprehensive Income	-	-
Total Comprehensive (loss) / profit for the period	(2,911,000)	1,244,953
Earnings per share from continuing operations (cents per share)	8	
- Basic earnings/(loss) per share	(2.40)	622.00
- Diluted earnings/(loss) per share	(2.40)	622.00

The accompanying notes form part of these financial statements.

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	Consolidated 31-Dec-16 \$	Consolidated 30-Jun-16 \$
Current Assets			
Cash and cash equivalents		2,267,099	2,083,471
Trade and other receivables		9,346,882	5,622,169
Inventories		9,191,983	5,679,130
Prepayments and deposits		127,726	104,859
Total Current Assets		20,933,690	13,489,629
Non-current Assets			
Property, plant and equipment		852,021	784,846
Intangible Assets		76,920	-
Total Non-current Assets		928,941	784,846
Total Assets		21,862,631	14,274,475
Current Liabilities			
Trade and other payables		12,180,998	8,257,440
Financial liability	4	6,088,299	1,643,629
Employee benefit liabilities		473,364	330,564
Funds received in advance of issued shares		800,000	-
Total Current Liabilities		19,542,661	10,231,633
Non-current Liabilities			
Financial liability	4	4,412,638	4,183,925
Employee benefit liabilities		186,958	170,878
Total Non-current Liabilities		4,599,596	4,354,803
Total Liabilities		24,142,257	14,586,436
Net Assets		(2,279,626)	(311,961)
Equity			
Contributed equity	5	5,906,411	4,963,077
Accumulated profit / (loss)		(8,186,038)	(5,275,038)
Total equity		(2,279,626)	(311,961)

The accompanying notes form part of these financial statements.

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Share Capital	Retained earnings	Total Equity
	\$	\$	\$
At 1 July 2016	4,963,077	(5,275,038)	(311,961)
Loss for the period	-	(2,911,000)	(2,911,000)
Other comprehensive income	-	-	-
Total comprehensive income	-	(2,911,000)	(2,911,000)
Shares issued on reverse acquisition	933,471	-	933,471
Share based payment	9,863	-	9,863
At 31 December 2016	5,906,411	(8,186,037)	(2,279,626)
	Share Capital	Retained earnings	Total Equity
	\$	\$	\$
At 1 July 2015	2,963,077	(2,113,519)	849,558
Profit for the period	-	1,244,953	1,244,953
Other comprehensive income	-	-	-
Total comprehensive income	-	1,244,953	1,244,953
Shares issued	2,000,000		2,000,000
At 31 December 2015	4,963,077	(868,567)	4,094,511

The accompanying notes form part of these financial statements.

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	Half Year to 31-Dec-16 \$	Half Year to 31-Dec-15 \$
Cash flows from operating activities			
Receipts from customers		25,654,343	26,392,214
Payments to suppliers and employees		(27,909,021)	(25,014,908)
Interest received		2,966	5,937
Net cash flows (used in) / provided by operating activities		(2,251,712)	1,383,243
Cash flows from investing activities			
Cash acquired on reverse acquisition of Shoply	2	508,496	-
Acquisition of Audion	3	(1,420,706)	-
Payments for property, plant and equipment		(64,553)	-
Net cash flows used in investing activities		(976,763)	-
Cash flows from financing activities			
Proceeds from shares issued		800,000	2,000,000
Proceeds /(repayment) from borrowings		2,612,103	(780,013)
Net cash flows provided by financing activities		3,412,103	1,219,987
Net increase in cash and cash equivalents		183,628	2,603,230
Cash and cash equivalents at the beginning of the financial year		2,083,471	723,760
Cash and cash equivalents at the end of the financial year		2,267,099	3,326,990

The accompanying notes form part of these financial statements.

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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 2016 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 year ended 30 June 2016, 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.

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

(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 \$2,911,000 (HY2015: \$1,244,953 profit) and had net cash outflows from operating activities of \$2,251,712 (HY2015: \$1,383,243 inflow) for the half year ended 31 December 2016. As at that date the consolidated entity had net liabilities of \$2,279,626 (June 2016: \$311,961 net liabilities).

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

**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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

- The consolidated entity has positive net current assets of \$1,391,029 as at 31 December 2016.
- Cash of \$800,000 was received in November 2016 and December 2016 from sophisticated investors and as disclosed in Note 7 this current liability was converted to shares on 9 January 2017.
- Excluding the non-cash impairment expense of \$3,117,482, the consolidated entity had recorded a net profit of \$206,483 and EBITDA of \$440,233 for the half year to 31 December 2016.
- Loan holders of the consolidated entity, equating to \$4,138,304 of debt as at 31 December 2016, have provided commitments of financial support and irrevocably deferred monthly payments of principal and interest on loans for a period through to 30 June 2018. These payments are \$110,870 per month.
- The consolidated entity is in the process of raising equity to fund its continuing working capital demands.

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.

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

2. Reverse acquisition

On 19 July 2016, Harris Technology Group Limited (formerly Shoply Limited) ("HT8" or the "Company") completed the acquisition of 100% of the shares in technology distributor Anyware Corporation Pty Ltd ("Anyware") and its wholly-owned subsidiary Harris Technology Pty Ltd ("Harris Technology PL") ("Acquisition").

The Acquisition has been accounted for using the principles for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of Anyware (the legal subsidiary entity) obtained accounting control of the Company (the legal parent entity).

Therefore, this consolidated financial report of the HT8 Group for the half year ended 31 December 2016 represents a continuation of the financial statements of Anyware and Harris Technology PL (on the basis that Anyware is the deemed accounting acquirer), together with the results of Harris Technology Group Limited (formerly Shoply Limited) from the Acquisition date of 19 July 2016.

The impact of the reverse asset acquisition on each of the primary statements is as follows:

Consolidated statement of comprehensive income:

- The statement for the period ended 31 December 2016 comprises 6 months of operating results of Anyware and 5 months of operating results of HT8 from the acquisition date of 19 July 2016.
- The statement for the period to 31 December 2015 comprises 6 months of Anyware.

Consolidated statement of financial position:

- The consolidated statement of financial position at 31 December 2016 represents HT8 and Anyware as at that date.
- The consolidated statement of financial position at 30 June 2016 represents Anyware's assets and liabilities as at that date.

Consolidated statement of changes in equity:

- The consolidated statement of changes in equity for the period ended 31 December 2016 comprises Anyware's balance at 1 July 2016, its loss for the 6 months and 5 months of results of HT8 from the acquisition date of 19 July 2016 along with transactions with equity holders for 6 months.
- The consolidated statement of changes in equity for the period ended 31 December 2015 comprises 6 months of Anyware.

Consolidated statement of cash flows:

- The consolidated cash flow statement for the period ended 31 December 2016 comprises the cash balances of Anyware, as at 30 June 2016, the cash transactions for the 6 months to 31 December 2016 and 5 months of cash transactions of HT8 from the acquisition date of 19 July 2016 and the cash balance of Anyware and HT8 at 31 December 2016.
- The consolidated cash flow statement for the period ended 31 December 2015 comprises 6 months of Anyware's cash transactions.

References throughout the financial statements to "reverse acquisition" are in reference to the above accounting treatment.

**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

The deemed consideration transferred by Anyware under the principles of AASB3 is \$933,471.

The fair values of the identifiable net assets acquired in Shoply Limited on reverse acquisition are as follows:

Cash and cash equivalents	\$ 508,496
Trade and other receivables	\$ 66,534
Inventories	\$ 686,585
Prepayments and deposits	\$ 194,319
Property, plant and equipment	\$ 54,372
Intangible assets – software	\$ 143,265
Trade and other payables	\$ (1,083,078)
Onerous contract provision	\$ (564,750)
Financial liability	\$ (2,061,281)
Employee benefit liabilities	\$ (33,613)
Identifiable intangible asset – Brands	\$ 1,481,000
Identifiable intangible asset – Customer relationship	\$ 812,000
Goodwill	\$ 729,622

Net Assets Acquired	\$ 933,471

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

3. Business combination

On 11 November 2016, HT8 acquired 100% of Audion Innovision Pty Ltd (“Audion”). The acquisition has been accounted as a Business Combination under AASB 3.

The cash consideration transferred by HT8 was \$1,420,706.

The fair values of the identifiable net assets acquired in Audion on acquisition:

Trade and other receivables	\$ 1,327,464
Prepayments and deposits	\$ 93,266
Property, plant and equipment	\$ 13,309
Trade and other payables	\$ (5,922)
Employee benefit liabilities	\$ (92,271)
Identifiable intangible asset – Customer relationship	\$ 84,860

Net Assets Acquired	\$ 1,420,706

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

4. Financial liability

	Consolidated Dec-16 \$	Consolidated Jun-16 \$
<i>Current</i>		
Trade finance – secured	3,471,209	439,211
Borrowings – unsecured	2,566,412	1,154,559
Hire purchase – secured	50,678	49,859
Total Current	6,088,299	1,643,629
<i>Non - Current</i>		
Borrowings – unsecured	4,279,721	4,028,214
Hire purchase – secured	132,917	155,711
Total	4,412,638	4,183,925

Facility

Anyware Corporation Pty Ltd has a Westpac trade finance facility for \$4 million with drawdowns on the facility repayable within 180 days.

Covenants

The Westpac facility has the following covenants which are measured on a half yearly basis at June and December on the results of Anyware Corporation Pty Ltd.

- Interest Cover Ratio not less than 2.5 times; where Interest Cover Ratio is EBIT/Gross Interest Expense.
- Capital Ratio not less than 25%; where Capital Ratio is $[(\text{Tangible Assets less Total Liabilities}) / \text{Total Tangible Assets}] \times 100$.

Security

The Westpac trade finance facility is secured against all assets and undertakings of Anyware Corporation Pty Ltd and personal assets of Managing Director Garrison Huang.

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

**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

5. Contributed equity

	Dec-16	Jun-16
	\$	\$
Ordinary shares	5,906,411	4,963,077
	Number	Number
Ordinary shares	131,204,270	200,000

Due to the reverse acquisition described in Note 3, the contributed equity represents that of accounting acquirer while the shares on issue reflect the legal parent.

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30 June 2016	200,000	-	\$4,963,077
Reverse acquisition	19 July 2016	(200,000)	-	-
Deemed value of shares deemed to be issued to existing Shoply Limited (legal parent) shareholders on acquisition date	19 July 2016	699,896,927	-	\$933,471
Share issue to vendor (Anyware Corporation Pty Ltd)	19 July 2016	2,578,336,150	-	-
Consolidation of shares 25:1	28 July 2016	(3,147,103,303)	-	-
Directors' fee - share based payment	14 November 2016	74,496		\$9,863
Balance	31 December 2016	131,204,270		\$5,906,411

**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

6. 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.

7. Events after the reporting period

The consolidated entity completed a share placement on 9 January 2017 for \$800,000.

No other matters or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

8. Earnings per share

	Dec-16	Dec-15
	\$	\$
Profit / (Loss) from continuing operations	(2,911,000)	1,244,953
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	121,060,022	200,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	121,060,022	200,000
	Cents	Cents
Basic earnings per share	(2.40)	622.00
Diluted earnings per share	(2.40)	622.00

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**HARRIS TECHNOLOGY GROUP LIMITED
& CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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 2016 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
28 February 2017

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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 2016, the consolidated statement of 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 2016 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.

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Basis for Qualified Conclusion

The half-year financial report of Harris Technology Group Limited has been prepared as a continuation of the business and operations of Anyware Corporation Pty Ltd, as Anyware Corporation Pty Ltd was the deemed accounting acquirer in the reverse acquisition dated 19 July 2016. As this is the first year that Anyware Corporation Pty Ltd is required to prepare a half-year financial report and have it reviewed, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the preceding corresponding half-year have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the half-year ended 31 December 2015.

We were appointed as auditors of Anyware Corporation Pty Ltd on 19 October 2016 and thus did not observe the counting of the physical inventories at 30 June 2016. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 2016. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the half-year ended 31 December 2016 reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

Qualified Conclusion

Except for the effect, if any, on the financial performance and cash flows for the half-year ended 31 December 2016, and the comparatives for the preceding corresponding half-year, that may result from the qualification in the preceding paragraphs, 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 2016 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*.

Emphasis of Matter

We draw attention to Note 1 in the half-year financial report, which indicates the consolidated entity incurred a net loss of \$2,911,000 (HY2015: \$1,244,953 profit) and incurred net cash outflows from operating activities of \$2,251,712 (HY2015: \$1,383,243 cash inflow) during the half-year ended 31 December 2016. As at that date the consolidated entity had net liabilities of \$2,279,626 (June 2016: \$311,961 net liabilities). 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 AUSTRALIA PARTNERS



J S CROALL
Partner

Melbourne, VIC
28 February 2017