2019
IGNITE LIMITED

HALF YEAR FINANCIAL REPORT

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IGNITE LIMITED

ABN 43 002 724 334

2019 HALF YEAR FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of Ignite Limited (the "Company") and its controlled entities (the "consolidated entity") for the half year ended 31 December 2018.

Directors

The following Directors held office for the whole of the half year and until the date of this report, unless otherwise shown:

Garry Sladden
Jennifer Elliott
Craig Saphin
Fred van der Tang (appointed 23 January 2019)

Principal activities

The principal activities of the consolidated entity during the half year continue to be the provision of contingent labour and permanent recruitment services ("Specialist Recruitment"), on demand information technology services ("On Demand IT Services") and outsourced recruitment and human resource consulting services ("People Services"). There have been no changes in the principal activities of the consolidated entity during the half year.

The consolidated entity operates in 10 cities across Australia and China and employs more than 230 people.

Financial and operational review

Key performance metrics

The half year reflected the following movements on the prior period including:

- Loss from ordinary activities after income tax increased 12.0%;
- Gross profit margin declined from 16.93% to 16.76%;
- Australia/New Zealand Specialist Recruitment profit before tax and corporate overheads increased 24.2%;
- On Demand IT Services profit before tax and corporate overheads decreased 44.7%;
- People Services profit before tax and corporate overheads increased 49.1%;
- China Specialist Recruitment profit before tax and corporate overheads decreased 80.7%;
- Employee benefits expense decreased 15.8%;
- Finance costs decreased 30.1%; and
- Net operating cashflow improved 38.0%.

Half year	31 Dec 2018 $000	31 Dec 2017 $000	Change %
Revenue	83,048	100,198	(17.1)
Gross profit	13,917	16,962	(18.0)
Gross profit margin	16.76%	16.93%	
Loss from ordinary activities after income tax	(2,147)	(1,917)	(12.0)
Loss from continuing operations	(2,141)	(1,735)	(23.4)
Operating cash flow	(669)	(1,079)	38.0

	31 Dec 2018 $000	30 Jun 2018 $000	Change %
Net assets	11,764	14,075	(16.4)

The half year in review

During the half year ended 31 December 2018 the consolidated entity generated a loss from ordinary activities after income tax of $2,147k (31 December 2017: loss of $1,917k), while the loss from continuing operations of $2,141k (31 December 2017: loss of $1,735k) represented a 23.4% increase on the prior period.

As previously reported, the loss of two large contracting customers during the previous financial year was a major contributor to the $17,150k reduction in revenue. Gross profit for the half year decreased $3,045k (18.0%) while the gross profit margin decreased from 16.93% to 16.76%.

Employee benefits expense decreased 15.8% due to slower than anticipated headcount growth and lower commissions while operating lease expense increased 12.7% predominately due to new leases and contractual increases. Depreciation decreased 15.6% due to the full amortisation of leasehold improvements across several offices. Other expenses were down 19.2% on the prior period due to decreases across a range of expenses including audit and legal fees, marketing expenses and software licences.

Australia/NZ Specialist Recruitment

The Australia/New Zealand Specialist Recruitment business contributed a profit before tax and corporate overheads of $1,761k versus $1,418k in the prior period. This 24.2% profit improvement was due primarily to a 12.0% reduction in operating expenditure.

Significant organisational focus has been directed towards the retention and growth of our key customer relationships. The ACT continued to be our strongest performing business unit with significant revenue growth and profit improvement against the prior period.

On Demand IT Services

The On Demand IT Services business delivered a profit before tax and corporate overheads of $184k in the half year on the back of a 25.0% revenue increase. To support the customer demand and growth of this key division, a senior strategic account director was employed to drive business development activities, providing an immediate impact with a growing number of opportunities in the pipeline.

People Services

The People Services business delivered a profit before tax and corporate overheads of $170k, a 49.1% improvement on the prior period. Specialist Recruitment customers continue to show a strong interest in the People Services offerings including indigenous recruitment, bulk recruitment (including graduate recruitment), capability assessments and specific recruitment processes.

China Specialist Recruitment

The China Specialist Recruitment business (trading as “Lloyd Morgan”) delivered a profit before tax and corporate overheads of $39k, down 80.7% on the prior period. Although revenue was down 41.6% in the half year (impacted mainly by the restructuring and rebuilding of our Beijing and Guangzhou operations), the ongoing investment in the business (including the expansion of our Chengdu office) resulted in a comparatively larger decline in profit in the first half.

A new highly experienced Chief Executive Officer was appointed in October 2018, with a clear focus on growing the business and rebuilding our Beijing and Guangzhou offices. Several key promotions and appointments were made in the first half including a highly skilled internationally experienced manager for the Guangzhou office. These appointments have been supported by strategic initiatives focused on growing our customer base, engaging and developing our candidates and maximising the performance of our consultants, including the development of a Career Path Development Program centred on the retention and growth of our current team.

The half year ahead

Our second half growth strategy kicked-off with increased investment in our bids and tenders function as we continue to build our contracting customer base. This investment in highly experienced and proven business professionals with relevant contract recruitment knowledge allows us to leverage the substantial transformational work completed to date into significant value. In collaboration with our experienced leadership team, the bids and tenders function will support the retention and growth of existing customers and the strategic acquisition of new customers to deliver revenue and margin upside for the entire organisation.

The operational improvements we have delivered over the last two years, combined with the financial improvement in our Specialist Recruitment business, continuing profitability of our People Services and On Demand IT Services divisions, and ongoing investment in our China operations, create a solid foundation upon which we can now sustainably grow. This foundation is supported by:

- A growing pipeline of opportunities for both our On Demand IT Services and People Services divisions, which are translating into early wins that should be reflected in the second half.
- Good performance expectations for our China business for the remainder of this financial year, building on strong January 2019 results and an increasing third quarter forecast.
- The newly developed induction and recruitment training programmes which have delivered a significant decrease in Specialist Recruitment employee turnover.

On 23 January 2019, the Chief Executive Officer, Mr Julian Sallabank, tendered his resignation. Mr Sallabank's final date of employment will be determined subject to the appointment of the new Chief Executive Officer or such other date as agreed with the Board. In the meantime, we have commenced the search for an accomplished and well-credentialed recruitment industry leader, who will use our solid foundations to scale our organisation.

To support our organisational growth strategy, we announced in January 2019 that Mr Fred van der Tang joined our Board of Directors as a non-executive Director. Mr van der Tang is a highly experienced senior recruitment industry executive having worked in a number of countries in both sales and management roles for the world's largest recruitment firm. He brings a deep understanding of growth and transformation in the recruitment industry and will play a key role in supporting us through this next phase.

With a full complement of experienced general managers supported by our bids and tenders function we are now well placed to continue improving the critical areas of business operations, namely consultant attraction, retention and productivity, customer acquisition, delivery and growth and ongoing operational efficiencies delivering margin improvement. We are confident we have the right ingredients for organisational success.

Auditor’s independence declaration

The lead auditor’s independence declaration for the half year ended 31 December 2018 is set out on page 5 of the Directors’ Report.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors’ Report and the financial statements are rounded off to the nearest thousand dollars or in certain cases to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Garry Sladden
Independent Non-Executive Chairman

Dated at Sydney this 27th day of February 2019.

Deloitte.

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The Board of Directors
Ignite Limited
Level 9, 1 York Street
Sydney NSW 2000

27 February 2019

Dear Board Members,

Ignite Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ignite Limited.

As lead audit partner for the review of the financial statements of Ignite 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

	Note	31 Dec 2018 $000	31 Dec 2017[1] $000
Continuing operations			
Revenue	5, 6	83,048	100,198
Contingent labour costs		(69,131)	(83,236)
Gross profit		13,917	16,962
Employee benefits expense		(10,417)	(12,366)
Depreciation and amortisation expense		(472)	(559)
Operating lease expense		(1,790)	(1,588)
Other expenses		(3,379)	(4,184)
Loss from continuing operations		(2,141)	(1,735)
Finance income		6	4
Finance cost		(130)	(186)
Loss from continuing operations before income tax		(2,265)	(1,917)
Income tax benefit		118	-
Loss for the period attributable to the Owners of the Company		(2,147)	(1,917)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(164)	-
Income tax on other comprehensive loss		-	-
Other comprehensive loss, net of income tax		(164)	-
Total comprehensive loss		(2,311)	(1,917)

	31 Dec 2018 Cents	31 Dec 2017 Cents
Basic loss per share	(2.40)	(2.14)
Diluted loss per share	(2.40)	(2.14)

1. Refer to Note 3 on the restatement of prior period comparatives. The restatement of prior period comparatives has no impact on key metrics including gross profit and loss from continuing operations before income tax.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2018

	Note	31 Dec 2018 $000	30 Jun 2018 $000
Current assets			
Cash and cash equivalents	7	2,745	2,782
Trade and other receivables		21,571	23,855
Total current assets		24,316	26,637
Non-current assets			
Plant and equipment		661	990
Intangible assets		276	339
Total non-current assets		937	1,329
Total assets		25,253	27,966
Current liabilities			
Trade and other payables		10,370	11,198
Debtor finance facility	8	1,344	628
Provisions	9	1,223	1,577
Total current liabilities		12,937	13,403
Non-current liabilities			
Provisions	9	552	488
Total non-current liabilities		552	488
Total liabilities		13,489	13,891
Net assets		11,764	14,075
Equity			
Contributed equity	12	83,541	83,541
Reserves		(1,184)	(1,020)
Accumulated losses		(70,593)	(68,446)
Total equity		11,764	14,075

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current Period				
Balance as at 1 July 2018	83,541	(1,020)	(68,446)	14,075
Loss from ordinary activities attributable to the Owners of the Company	-	-	(2,147)	(2,147)
Other comprehensive loss for the period				
Foreign currency translation differences for foreign operations	-	(164)	-	(164)
Total comprehensive loss	-	(164)	(2,147)	(2,311)
Balance as at 31 December 2018	83,541	(1,184)	(70,593)	11,764
Prior Period				
Balance as at 1 July 2017	83,541	(1,070)	(65,880)	16,591
Loss from ordinary activities attributable to the Owners of the Company	-	-	(1,917)	(1,917)
Other comprehensive loss for the period				
Foreign currency translation differences for foreign operations	-	-	-	-
Total comprehensive loss	-	-	(1,917)	(1,917)
Balance as at 31 December 2017	83,541	(1,070)	(67,797)	14,674

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	Note	31 Dec 2018 $000	31 Dec 2017 $000
Cash flows from operating activities			
Receipts from customers		91,334	104,827
Payments to suppliers and employees		(86,605)	(98,739)
Interest received		6	4
Interest and other borrowing costs paid		(130)	(186)
Goods and services tax paid		(5,274)	(6,985)
Net cash used in operating activities		(669)	(1,079)
Cash flows from investing activities			
Purchase of plant and equipment		(64)	(245)
Payments for intangible assets		(38)	(223)
Net cash used in investing activities		(102)	(468)
Net decrease in cash held		(771)	(1,547)
Cash and cash equivalents at the beginning of the period		2,154	(1,465)
Effect of exchange rates on cash holdings in foreign currencies		18	33
Cash and cash equivalents at the end of the period	7	1,401	(2,979)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Reporting Entity

The Company is a company limited by shares, incorporated and domiciled in Australia. The condensed consolidated financial statements represent the consolidated entity as at and for the half year ended 31 December 2018.

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2018 are available upon request from the Company's registered office at Level 9, 1 York Street, Sydney, NSW 2000 or at www.igniteco.com.

Note 2. Statement of Compliance

The condensed consolidated financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These condensed consolidated financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent consolidated annual financial statements.

All amounts are presented in Australian dollars, unless otherwise noted.

The Company has applied the relief available under ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the condensed consolidated financial statements have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise indicated.

These condensed consolidated financial statements were approved by the Board of Directors on 27 February 2019.

Note 3. Significant Accounting Policies

The accounting policies applied by the consolidated entity in these condensed consolidated financial statements are the same as those applied by the consolidated entity in its consolidated financial statements as at and for the year ended 30 June 2018, which are consistent with Australian Accounting Standards and with International Financial Reporting Standards, except for the amendments to Australian Accounting Standards and new Interpretations adopted during the half year as described below.

New Australian Accounting Standards and amendments that are mandatorily effective for the current reporting period

In the current financial year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the current half year including:

- AASB 9 Financial Instruments and the relevant amending standards;
- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15 and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15;

Note 3. Significant Accounting Policies (continued)

- AASB 2015-10 Amendments to Australian Accounting Standards – Effective date of Amendments to AASB 10 and AASB 128;
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments; and
- Interpretations 22 Foreign Currency Transactions and Advance Consideration.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements, except for the adoption of AASB 9 and AASB 15.

Impact of adoption of AASB 9 and AASB 15

The primary Australian Accounting Standards and Interpretations that became effective during the current half year and the impact of their adoption is as follows.

AASB 9 Financial Instruments

AASB 9 changes the classification and measurement of complex financial instruments, the calculation of impairment losses in financial assets and provides new hedge accounting rules. The consolidated entity has no complex financial instruments and does not apply hedge accounting and as a result is not impacted by these changes.

As at 31 December 2018 the consolidated entity's financial assets comprised trade and other receivables, including accrued revenue. The standard prescribes the adoption of an expected credit loss model for the calculation of impairment losses in financial assets and this impacts the way the consolidated entity calculates the provision for bad debts, now termed the credit loss allowance.

The accrued revenue relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of customer contracts. A provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

In the prior financial year, the impairment of trade receivables was assessed based on the incurred loss model. Individual trade receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but had not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovery. If AASB 9 had been applied retrospectively, the difference between the credit loss allowance under AASB 9 and the provision for doubtful debts under AASB 139 would have been nil.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and accrued revenue have been grouped based on shared credit risk characteristics and the days past due as at 31 December 2018.

As permitted by AASB 9, comparatives have not been restated and no differences were required to be recognised to the opening balance of accumulated losses at 1 July 2018 as a result of the adoption of AASB 9.

Note 3. Significant Accounting Policies (continued)

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces AASB 118 Revenue and related interpretations.

The core principle of AASB 15 is that revenue should be recognised to depict the transfer of promised goods or services underlying a particular performance obligation to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the standard introduces a five-step approach to revenue recognition:

Step 1 – Identify the contract with a customer;
Step 2 – Identify the performance obligations in the contract;
Step 3 – Determine the transaction price;
Step 4 – Allocate the transaction price to the performance obligations in the contract; and
Step 5 – Recognise revenue when (or as) a performance obligation is satisfied.

Under AASB 15, revenue is recognised when (or as) a performance obligation is satisfied where 'control' of the goods or services underlying the particular performance obligation are transferred to the customer. The consolidated entity has reviewed its significant customer contracts and assessed the impact on revenue recognition by the adoption of AASB 15. The consolidated entity adopted AASB 15 using the full retrospective approach and prior period comparatives have been restated.

The following table summarises the impact of adopting AASB 15 on the consolidated entity's condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2018. There has been no impact to other items in the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of financial position.

		Retrospectively restated	
	31 Dec 2018	31 Dec 2017	31 Dec 2017
	$000	$000	$000
Revenue	83,048	100,198	74,123
Contingent labour costs	(69,131)	(83,236)	(57,161)
Gross profit	13,917	16,962	16,962

The consolidated entity undertook a review of significant contracts across its service lines and geographic regions and reassessed the principal versus agent classification specifically relating to the payroll services component of contingent labour services. It was concluded that the revenue recognised as payroll services for the half year of $9,205k (31 December 2017: $26,075k) should be presented as principal (revenue recorded on a gross basis) rather than agent (revenue recorded on a net basis).

This review and assessment also identified that this component of revenue should have been identified as principal under the previous accounting standard AASB 118. The prior year comparatives have been re-presented accordingly to present such revenue on a gross basis. This re-presentation has no impact on key metrics including gross profit and loss from continuing operations before income tax and has already been adequately disclosed within the segment note (Note 6) both in the current and prior half years.

Note 3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised for the major business activities and service lines as follows:

(i) Specialist Recruitment

Specialist recruitment consists of two main revenue streams.

(a) Contingent Labour

Contingent labour revenue comprises the sourcing, contracting and placement of temporary contractors. The sourcing, identification and acceptance of temporary contractors for required roles at the customer are not considered to be distinct performance obligations from the temporary contractor being employed for an agreed period of time and are therefore, accounted for as a single performance obligation.

Consideration received can be variable in nature, based on the duration of the contract arrangement and the labour rate which may vary based on contractor tenure. The variable consideration is included in the transaction price at the consolidated entity's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised over a period of time as the services of the temporary contractor are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

(b) Permanent Recruitment

Permanent recruitment revenue is recognised once the sourcing and placement are completed and the full time, part-time or fixed-term candidate commences employment with the customer. The sourcing, identification and acceptance of candidates for specified roles at the customer are not considered to be distinct performance obligations from the candidate being employed by the customer and are therefore, accounted for as a single performance obligation.

Consideration received can be variable in nature, based on the customer's acceptance of the candidate. The variable consideration is included in the transaction price at the consolidated entity's best estimate, based on the most likely outcome determined from the likelihood of customer acceptance, and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised at a point in time upon customer acceptance. Services provided but not yet billed are recognised as accrued revenue.

(ii) On Demand IT Services

On Demand IT Services revenue comprises the delivery of specified information technology skills. The sourcing, identification and provision of temporary contractors to deliver specified information technology skills at the customer are not considered to be distinct performance obligations and are therefore, accounted for as a single performance obligation.

Consideration received can be variable in nature, based on the duration of the contract arrangement and the service rate which may vary based on volume. The variable consideration is included in the transaction price at the consolidated entity's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised over a period of time as the services are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

Note 3. Significant Accounting Policies (continued)

(iii) People Services

People Services revenue comprises the development and delivery of outsourced recruitment and human resource consulting services. The development and delivery of the services for the customer are not considered to be distinct performance obligations and are therefore, accounted for as a single performance obligation.

Consideration received can be variable in nature, based on the duration of the contract arrangement and the service rate which may vary based on volume. The variable consideration is included in the transaction price at the consolidated entity's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised over a period of time as the services are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the condensed consolidated financial statements the standards listed below were on issue but not yet effective and were relevant to the consolidated entity.

Standard mandatory beyond December 2018	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 "Leases"	1 January 2019	30 June 2020
AASB 2015-10 "Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128"	1 January 2019	30 June 2020
AASB 2018-1 "Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle" – Amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 133 Borrowing Costs	1 January 2019	30 June 2020
Interpretation 23 "Uncertainty over Income Tax Treatments" AASB 2017-4 "Amendments to Australia Accounting Standards – Uncertainty over Income Tax Treatments"	1 January 2019	30 June 2020

The Directors have considered the impact of all new and revised Australian Accounting Standards and Interpretations on the disclosures and/or the amounts recognised in the condensed consolidated financial statements and do not intend to adopt any of these pronouncements before their effective date.

The Directors concluded that the application of these amendments is not expected to have any material impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements, except for the adoption of AASB 16.

Note 3. Significant Accounting Policies (continued)

Impact of the application of Australian Accounting Standards not yet adopted

AASB 16 Leases

AASB 16 removes the distinction between accounting for finance leases and operating leases for the consolidated entity with operating leases to be recognised on-balance sheet from 1 July 2019 as is the current practice for finance leases. As at 31 December 2018, the consolidated entity has non-cancellable operating lease commitments of $6,328k (30 June 2018: $7,637k).

A preliminary assessment of these operating lease commitments indicates that these arrangements will meet the definition of a lease under AASB 16 and hence the consolidated entity will recognise a right-of-use asset and corresponding liability in respect of all these leases, unless they qualify for low value or short-term leases upon the application of AASB 16. In the profit or loss operating lease expense will be replaced by depreciation and interest expense. The new requirement to recognise a right-of-use asset and a related lease liability may have a significant impact on the amounts recognised in the consolidated entity's financial statements and management continues to assess its potential impact.

While AASB 16 may have a future material impact on the amounts reported and disclosures made in the consolidated entity's financial statements it is not practicable to provide a reasonable estimate of the effect of these new standards until the consolidated entity finalises the detailed review.

Comparatives

Comparative amounts have been reclassified where necessary to provide consistency with current period disclosures.

Note 4. Critical Accounting Estimates and Judgements

The preparation of these condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018, with the exception of the adoption of AASB 15 described below.

Revenue recognition

The main area of judgement in revenue recognition relates to the recognition of contingent labour arrangements where the consolidated entity acts on a principal (gross) basis rather than an agent (net) basis.

The factors considered by management, on a contract by contact basis, when concluding the consolidated entity is acting as principal rather than agent are as follows:

- The customer has a direct relationship with the consolidated entity;
- The consolidated entity has the primary responsibility for providing the services to the customer and engages and contracts directly with the temporary contractor; and
- The consolidated entity has latitude in establishing the rates directly or indirectly with all parties.

Note 5. Disaggregation of Revenue

The consolidated entity derives its revenue from the transfer of services over time and at a point in time in the following service lines and geographic regions. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see Note 6). The change in accounting policy is discussed in Note 3.

	31 Dec 2018 $000	31 Dec 2017[1] $000
Timing of revenue recognition - over time		
Contingent labour Australia and New Zealand	70,776	86,300
On demand information technology services Australia and New Zealand	5,819	4,656
Outsourced recruitment and human resource consulting services Australia	1,186	1,424
	77,781	92,380
Timing of revenue recognition - at a point in time		
Permanent recruitment Australia	1,718	1,739
Permanent recruitment China	3,549	6,079
	5,267	7,818
Total revenue	83,048	100,198

1. Refer to Note 3 on the restatement of prior period comparatives. The restatement of prior period comparatives has no impact on key metrics including gross profit and loss from continuing operations before income tax.

Note 6. Segment Reporting

The consolidated entity is organised around four operating segments across three geographic regions, which are all labour related. In Australia and New Zealand, these segments are Specialist Recruitment, On Demand IT Services and People Services while in China it is Specialist Recruitment.

Segment information for the half year ended 31 December 2018 is as follows:

	Australia and New Zealand						China			
	Specialist Recruitment		On Demand IT Services		People Services		Specialist Recruitment		Consolidated[1]	
	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000
Operating segments										
Consolidated revenue	72,494	88,039	5,819	4,656	1,186	1,424	3,549	6,079	83,048	100,198
Reportable segments										
Profit before tax	1,761	1,418	184	333	170	114	39	202	2,154	2,067
Less: Corporate overheads									(4,419)	(3,984)
Consolidated loss before tax									(2,265)	(1,917)

	Australia		New Zealand		China		Consolidated	
	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000	31 Dec 2018 $000	31 Dec 2017 $000
Consolidated revenue	78,613	93,221	886	898	3,549	6,079	83,048	100,198
Interest revenue	1	1	-	-	5	3	6	4
Total revenue	78,614	93,222	886	898	3,554	6,082	83,054	100,202
Non-current assets	793	1,545	-	-	144	315	937	1,860

1. Refer to Note 3 on the restatement of prior period comparatives. The restatement of prior period comparatives has no impact on key metrics including gross profit and loss from continuing operations before income tax.

Note 6. Segment Reporting (continued)

The following summary describes the operations in each of the consolidated entity's reportable segments.

Australia and New Zealand

(i) Specialist Recruitment

The provision of contingent labour and permanent recruitment services. Contingent labour comprises the sourcing, contracting and placement of temporary contractors. Permanent recruitment comprises the sourcing and placement of full time, part-time and fixed-term employees with customers.

(ii) On Demand IT Services

The utilisation of an extensive network of pre-qualified information technology resources to deliver on demand solutions for customers in Australia and New Zealand. Customer solutions may include outsourcing the end-to-end management of short, medium or long-term projects or the provision of flexibility to scale workforces up or down as required to complete projects, without the overheads involved with permanent employment.

(iii) People Services

The provision of outsourced recruitment and human resource consulting services. Outsourced recruitment services are underpinned by innovative and valid assessment methodologies and utilise online screening and assessment tools to deliver quality outcomes on high volume outsourced recruitment events, including graduate recruitment and bulk recruitment campaigns. Human resource consulting services support organisational change processes through organisational design, capability assessment, workforce planning and job sizing services.

China

Specialist Recruitment

The sourcing and placement of full time, part-time and fixed-term employees with customers.

Note 7. Cash and Cash Equivalents

	31 Dec 2018 $000	30 Jun 2018 $000	31 Dec 2017 $000
Cash at bank and on hand	2,745	2,782	2,664
Debtor finance facility[1]	(1,344)	(628)	(5,643)
Net cash/(debt)	1,401	2,154	(2,979)

1. Refer to Note 8 on the debtor finance facility. The debtor finance facility is equivalent to a revolving credit facility and as such is classified as cash for the purposes of the statement of cash flows.

Note 8. Debtor Finance Facility

The Company relies on a secured debtor finance facility of $15,000k which is subject to certain drawdown conditions (the "Facility") to meet its short-term working capital requirements. On 20 February 2019 the Company renewed this Facility for a further 24 months from that date. As at the reporting date the approved drawdown was $4,347k (30 June 2018: $9,688k) and the weighted average interest rate during the half year was 6.49% (30 June 2018: 7.54%).

	31 Dec 2018 $000	30 Jun 2018 $000
Debtor finance facility	4,347	9,688
Amount utilised under debtor finance facility	(1,344)	(628)
Unused debtor finance facility	3,003	9,060

Note 9. Provisions

	31 Dec 2018 $000	30 Jun 2018 $000
Current		
Employee benefits	928	1,088
Lease incentives	265	323
Make good on leased premises	-	136
Recruitment services under guarantee	30	30
Total current provisions	1,223	1,577
Non-current		
Employee benefits	161	138
Lease incentives	180	248
Make good on leased premises	211	102
Total non-current provisions	552	488

Note 10. Contingent Liabilities

The consolidated entity has no material contingent liabilities to disclose at the reporting date.

Note 11. Dividends

On 27 February 2019 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2018. No interim dividend was paid in the previous corresponding half year.

Note 12. Contributed Equity

	31 Dec 2018 $000	30 Jun 2018 $000
Paid up share capital at the beginning of the period	83,541	83,541
Paid up share capital at the end of the period	83,541	83,541
	No.	No.
Issued shares at the beginning of the period	89,582,175	89,582,175
Issued shares at the end of the period	89,582,175	89,582,175

Note 13. Events Subsequent to the Reporting Date

On 20 February 2019 the Company renewed its secured debtor finance facility for a further 24 months from that date (see Note 8).

Other than as noted above no matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

a) the condensed consolidated financial statements and notes that are contained in pages 6 to 18 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 31 December 2018 and of its performance for the half year ended on that date; and

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

b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Garry Sladden
Independent Non-Executive Chairman

Dated at Sydney this 27th day of February 2019.

Deloitte.

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Independent Auditor's Review Report to the Members of Ignite Limited

We have reviewed the accompanying half-year financial report of Ignite Limited ("Company") and its controlled entities ("Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity 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 end of the half-year or from time to time during the half-year as set out on pages 8 to 21.

Directors' Responsibility for the Half-year Financial Report

The directors of the Group 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 gives a true and fair view and 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 Ignite 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.

Auditor's Independence Declaration

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 Ignite Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

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 Ignite 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 the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Pooja Patel

Pooja Patel
Partner
Chartered Accountants
Sydney, 27 February 2019

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