2020

IGNITE LIMITED

HALF YEAR FINANCIAL REPORT

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IGNITE LIMITED

ABN 43 002 724 334

2020 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 "Group") for the half year ended 31 December 2019.

Directors

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

Garry Sladden
Jennifer Elliott
Craig Saphin
Fred van der Tang

Principal activities

The principal activities of the Group during the half year were 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"). The Group operates in 5 cities across Australia and employs more than 100 people. There have been no changes in the principal activities of the Group during the half year other than for the sale of the China business on 18 November 2019.

Financial and operational review

Key performance metrics

The half year reflected the following movements on the comparative period for continuing operations:

Loss from ordinary activities after income tax increased 8.4%;
Gross profit margin improved from 13.04% to 13.11%;
Employee benefits expense decreased 13.3%;
Operating cashflow improved 144.1%; and
Debtor finance facility decreased 2.9%

	31 Dec 2019 $000	31 Dec 2018 $000	% Increase/ (Decrease)
Continuing operations			
Revenue	68,001	79,499	(14.5)
Gross profit	8,914	10,368	(14.0)
Gross profit margin	13.11%	13.04%	
Loss from ordinary activities, net of income tax	(2,497)	(2,304)	8.4
Employee benefits expense	7,330	8,458	(13.3)
Operating cash flow	599	(1,357)	144.1

	31 Dec 2019 $000	30 Jun 2019 $000	Change %
Debtor finance facility	5,631	5,798	(2.9)
Net assets[1]	4,199	8,872	(52.7)

1 The movement in net assets comprises the loss from continuing operations net of income tax of $2,497k, the loss from discontinued operations net of income tax of $2,495k and the net foreign currency translation gain of $319k.

The half year in review

During the half year ended 31 December 2019 the Group generated a loss from ordinary activities after income tax of $4,992k (31 December 2018: loss of $2,147k), while the loss from continuing operations of $2,497k (31 December 2018: loss of $2,304k) represented a 8.4% increase on the comparative period. The revenue from continuing operations was $68,001k (31 December 2018: $79,499k) while gross profit from continuing operations for the half year decreased $1,454k (14.0%) and the gross profit margin increased slightly from 13.04% to 13.11%.

Employee benefits expense decreased 13.3% due to reduced headcount and salaries as well as lower commission expense. Operating lease expense decreased 22.8% primarily due to the implementation of the new accounting standard AASB 16 Leases ("AASB 16"). Depreciation and amortisation expense, however, increased 23.3% following the adoption of AASB 16 in the period due to the depreciation associated with the right-of-use assets. Other expenses were down 2.7% on the comparative period due to decreases across a range of items including travel and entertainment, insurance and bad debts.

Specialist Recruitment

The Specialist Recruitment business contributed a profit before tax and corporate overheads of $1,102k versus $1,761k in the comparative period. This 37.4% decrease in profit reflected the 14.7% reduction in contingent labour revenue from previously reported customer losses and the 49.8% reduction in permanent recruitment placements due to fewer specialist recruitment consultants. Significant focus was directed towards ensuring the right leadership was in place in our key markets and consequently NSW and Victoria welcomed two new General Managers, who are both well-known and respected in the Australian recruitment industry, and in the ACT a long-serving member of the team was promoted to the leadership role. At the same time the impact of the increased focus on consultant performance and productivity resulted in headcount reductions of 16% In the half year. The ACT continued to be the strongest performing business unit with significant revenue growth and profit improvement against the comparative period. The Victorian office relocated in the second quarter to more cost-effective Melbourne CBD premises and those benefits will be realised in the second half.

On Demand IT Services

The On Demand IT Services business delivered a profit before tax and corporate overheads of $126k in the half year, a decrease of 31.5% on the comparative period. This decline reflected a 12.6% revenue decrease from client delays in awarding contracts and a reduction in the proportion of high margin projects.

People Services

The People Services business delivered a profit before tax and corporate overheads of $629k, a 270.0% improvement on the comparative period. This improvement reflected a 41.1% growth in revenue and a significant improvement in profit margin before corporate overheads from 14.3% to 37.6% based on the client and project mix in the half year.

Shared Services

Corporate overheads were down 1.5% on the comparative period. Non-recurring costs were incurred in the half year on professional services related to the search for the Chief Executive Officer, higher than anticipated audit fees, advisory and legal fees associated with a structural review of the Group and the disposal of the China business. In December 2019 following a brief tender process, the Company successfully changed its Australian auditors and tax advisors to PKF and expects to achieve expenditure efficiencies in the next financial year.

Discontinued Operations

On 18 November 2019 the Company's wholly owned Hong Kong subsidiary Lloyd Morgan Limited sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited, which in turn owned the China business including 89% of Lloyd Morgan China Limited and 100% of Beijing Candle Technology Service Co Ltd. The purchaser was the then Chief Executive Officer of Lloyd Morgan China Limited. The sale was entered into for nominal cash consideration and based on the acquisition of the business as a going concern on an "as is, where is" basis, with all faults and without any warranties or representations by the seller and without any future recourse to the seller in respect of the business sold.

The half year in review (continued)

As at the date of disposal, the China business had incurred a loss before tax of $1,637k (31 December 2018: $39k profit before tax). The Company, through its related entities, had majority ownership and control of the China business for more than twelve years and experienced mixed results and numerous challenges in its performance during that period. Over the last five years, the China operations, which were self-funding and self-sufficient, had consumed a disproportionate amount of both the Board and the executive team's time relative to the scale of operations and contribution to revenue and profitability. There were also limited synergies with the Australian business which operated predominantly in the contingent labour market.

Following a review of the options available and considering the ongoing risks and challenges in the China market, the Board determined not to invest further capital in the China business. Following that decision, the Board considered that the business, its clients, candidates and staff were best served by local ownership with a locally focused and experienced leadership team. The disposal of the China business will allow the executive team to focus on the Group's core Australian business.

The half year ahead

Following the successful sale of the underperforming China business in November 2019 the Group finished the half year with its strongest December result in many years, with all Australian operational business units delivering a profit before corporate overheads and the Group achieving an overall profit for the month.

Without the distraction of China, the executive team turned its attention to the Specialist Recruitment business, in particular the NSW and Victorian divisions, and the On Demand IT Services business.

Following the appointment of new General Managers to lead the NSW, Victorian and ACT Specialist Recruitment businesses in the second quarter, the priority turned to improving performance, productivity and profitability. This saw a renewed focus on the key functional verticals, including IT and Digital, Accounting and Finance, Business Support and Engineering and Construction, and an exit from those verticals where the Group had underperformed, lacked critical mass or did not possess the competencies in clients, candidates and consultants.

The focus on consultant performance and productivity in the half year resulted in the departure of underperforming staff in NSW and Victoria. The hiring plans for the second half are now aligned with attracting high performing consultants to drive growth in clients and revenue in the key functional verticals, especially in the primary markets of NSW and Victoria, while maintaining and growing the strong position established in the ACT.

The new General Managers have been supported by a range of strategies to attract high performing consultants to rebuild their teams aligned to the functional vertical focus and as a result several new consultants have joined early in the third quarter.

NSW delivered a profit before corporate overheads in December 2019 for the first time in twelve months while Victoria delivered a 99% improvement in profit before corporate overheads for the half year versus the comparative period. This positive momentum is expected to continue into the second half. The ACT is expected to deliver an equally strong result in the second half on the back of steady half year revenues versus the comparative period with strong contingent labour revenues compensating for lower permanent recruitment revenues.

The On Demand IT Services business has a number of opportunities and projects in the pipeline and end customer decisions are expected in the second half. Success could see significant increases in revenues in Australia and New Zealand.

The People Services business performed extremely well in the half year and this is expected to continue into the second half.

Following the relocation of the Victorian office in the second quarter, the Group expects to maintain the momentum in infrastructure cost efficiencies in the second half with the relocation of the Sydney CBD and Western Sydney offices in the fourth quarter. These relocations will reduce aggregate annualised lease expenses for those two locations by more than 35%.

The half year ahead (continued)

The Group continues to seek opportunities to optimise the efficiency of the corporate and support services provided to the various operational business units. For example, in January 2020 the Group successfully extended its debtor finance facility with Scottish Pacific Business Finance to 20 February 2022.

Early in the second half the Board decided to suspend the search for a new Chief Executive Officer until the next financial year and to continue under the leadership of the Executive Chairman. This will afford the leadership team the opportunity to maintain the momentum built up in the half year around consultant performance and productivity improvement, and to drive operational efficiencies in infrastructure costs and corporate support services in the lead up to the 2021 financial year.

The Group now has an energised and experienced leadership team in place supported by an engaged and driven workforce across both operating business units and corporate support services, all of whom are committed to achieving the continued turnaround of Ignite.

Auditor's independence declaration

The lead auditor's independence declaration for the half year ended 31 December 2019 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 condensed consolidated 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
Executive Chairman

Dated at Sydney this 28th day of February 2020.

Ignite Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF

P. Pearman.

PAUL PEARMAN
PARTNER

28 FEBRUARY 2020
SYDNEY, NSW

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	31 Dec 2019 $000	31 Dec 2018 $000
Continuing operations			
Revenue	5, 6	68,001	79,499
Contingent labour costs		(59,087)	(69,131)
Gross profit		8,914	10,368
Employee benefits expense		(7,330)	(8,458)
Depreciation and amortisation expense		(460)	(373)
Operating lease expense		(930)	(1,204)
Other expenses		(2,440)	(2,508)
Loss from continuing operations		(2,246)	(2,175)
Finance income		13	1
Finance costs		(264)	(130)
Loss from continuing operations before income tax		(2,497)	(2,304)
Income tax		-	-
Loss from continuing operations, net of income tax		(2,497)	(2,304)
Discontinued operations			
(Loss)/profit from discontinued operations, net of income tax	7(a)	(2,495)	157
Loss from ordinary activities attributable to the Owners of the Company		(4,992)	(2,147)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		319	(164)
Income tax on other comprehensive income/(loss)		-	-
Other comprehensive income/(loss), net of income tax		319	(164)
Total comprehensive loss		(4,673)	(2,311)

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 Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019 (continued)

	31 Dec 2019 Cents	31 Dec 2018 Cents
Loss per share from ordinary activities		
Basic	(5.57)	(2.40)
Diluted	(5.57)	(2.40)
Loss per share from continuing operations		
Basic	(2.79)	(2.57)
Diluted	(2.79)	(2.57)
(Loss)/earnings per share from discontinued operations		
Basic	(2.78)	0.17
Diluted	(2.78)	0.17

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 2019

	Note	31 Dec 2019 $000	30 Jun 2019 $000
Current assets			
Cash and cash equivalents	8	461	1,287
Trade and other receivables		17,535	22,415
Total current assets		17,996	23,702
Non-current assets			
Plant and equipment		243	596
Right-of-use assets	9	1,059	-
Intangible assets		111	192
Total non-current assets		1,413	788
Total assets		19,409	24,490
Current liabilities			
Trade and other payables		7,185	8,186
Debtor finance facility	10	5,631	5,798
Lease liabilities	9	524	-
Provisions	11	985	1,130
Other liabilities		91	229
Total current liabilities		14,416	15,343
Non-current liabilities			
Lease liabilities	9	607	-
Provisions	11	187	249
Other liabilities		-	26
Total non-current liabilities		794	275
Total liabilities		15,210	15,618
Net assets		4,199	8,872
Equity			
Contributed equity	12	83,541	83,541
Reserves		(92)	(411)
Accumulated losses		(79,250)	(74,258)
Total equity		4,199	8,872

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 2019

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current period				
Balance as at 1 July 2019	83,541	(411)	(74,258)	8,872
Loss from ordinary activities attributable to the Owners of the Company	-	-	(4,992)	(4,992)
Other comprehensive income				
Foreign currency translation differences for foreign operations	-	319	-	319
Total comprehensive income/(loss)	-	319	(4,992)	(4,673)
Balance as at 31 December 2019	83,541	(92)	(79,250)	4,199
Comparative 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				
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

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 2019

	Note	31 Dec 2019 $000	31 Dec 2018[1] $000
Cash flows from operating activities			
Receipts from customers		81,257	92,050
Payments to suppliers and employees		(75,562)	(86,605)
Interest received		14	6
Interest and other borrowing costs paid		(289)	(130)
Goods and services tax paid		(4,987)	(5,274)
Foreign income tax refund		43	-
Net cash from operating activities	8(b)	476	47
Cash flows used in investing activities			
Purchase of plant and equipment		(29)	(64)
Payments for intangible assets		-	(38)
Disposal of discontinued operations, net of cash	7(d)	(718)	-
Net cash used in investing activities		(747)	(102)
Cash flows used in financing activities			
Payment of lease liabilities		(610)	-
Net cash used in financing activities		(610)	-
Net decrease in cash		(881)	(55)
Cash and cash equivalents at the beginning of the period		1,287	2,782
Effect of exchange rates on cash holdings in foreign currencies		55	18
Cash and cash equivalents at the end of the period	8	461	2,745

1 In the comparative period, both cash at bank and the debtor finance facility were presented in cash and cash equivalents. These balances were presented separately in the condensed consolidated statement of financial position and net in the condensed consolidated statement of cash flows. In the current period, the condensed consolidated statement of cash flows has been re-presented to reconcile to cash balances excluding the debtor finance facility. This resulted in the debtor finance facility of $1,344k as at 31 December 2018 (see Note 10) being excluded from the cash and cash equivalents balance at the end of the comparative period and $716k in receipts from customers increasing cash flows from operating activities in the comparative period.

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 incorporated and domiciled in Australia and is limited by shares. The condensed consolidated financial statements represent the Group as at and for the half year ended 31 December 2019.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 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 Interim Financial Reporting 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 authorised for issue by the Directors on the 28th day of February 2020.

Going concern

The Directors have prepared the condensed consolidated financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

The condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2019 reflects a loss after tax from continuing operations of $2,497k (31 December 2018: $2,304k) and the condensed consolidated statement of cash flows reflects cash flows from operating activities of $476k (31 December 2018: $47k). As at 31 December 2019 the condensed consolidated statement of financial position reflects net assets of $4,199k (30 June 2019: $8,872k). The movement in net assets since 30 June 2019 comprises the loss from continuing operations net of income tax of $2,497k for Australia and New Zealand, the loss from discontinued operations net of income tax of $2,495k for China and a net foreign currency translation gain of $319k.

The Directors have reviewed the Group's profit and loss forecast for the second half of the 2020 financial year, the profit and loss forecast for the 2021 financial year and the 15-month cash flow forecast for the period 1 February 2020 to 30 April 2021.

AASB 101 Presentation of Financial Statements requires Directors to determine the Group's ability to continue as a going concern for the purposes of preparing the condensed consolidated financial statements. As such these profit and loss forecasts have been prepared to assist the Directors determine the Group's ability to continue as a going concern and are therefore, based on base case assumptions around revenue, contingent labour costs, gross profit and operating expenses that reflect the average trend in the half year together with known operating expense reductions.

Note 2. Statement of Compliance (continued)

Going concern (continued)

The profit and loss forecasts prepared for the going concern assessment are base case forecasts, not growth forecasts or a growth budget, and so do not reflect any material revenue increases or customer wins that may flow through from the activities undertaken in the half year. These activities include the appointment of experienced General Managers with a depth of Australian recruitment industry experience to lead the Specialist Recruitment divisions in the ACT, NSW and Victoria. Consultant performance and productivity is also expected to improve in the second half from the activities undertaken or commenced in the half year to 31 December 2019 including revisions to sales commission plans, performance improvement programs, consultant headcount reductions and new consultant hires.

On the base case assumptions noted above, the profit and loss forecast for the second half of the 2020 financial year indicates the Group will continue to sustain losses from continuing operations, albeit less than in the half year to 31 December 2019. Furthermore, on the same base case assumptions noted above, the profit and loss forecast for the 2021 financial year also indicates the Group will incur losses from continuing operations although less than in the comparative period. Despite the forecast losses for the second half of the 2020 financial year and the 2021 financial year, the Directors expect the Group to maintain positive net assets as at 30 April 2021. Moreover, it is not the Director's intention to operate the Group according to the base case forecasts, and in practice they have adopted a growth forecast for 2020 and intend to adopt a growth budget for 2021.

On the base case assumptions noted above, the 15-month cashflow forecast indicates a net decrease in cash from operating activities during that period. However, the Group expects to have sufficient trade debtors at any point in time during that period against which to draw down funds under the debtor finance facility. The Group, therefore, expects to operate within the overall debtor finance facility limit of $15,000k disclosed at Note 10.

The Directors note that the key base case assumptions in the profit and loss and cashflow forecasts are revenue and days sales outstanding ("DSO") which drive profitability and cashflow. The Directors further note that contingent labour costs move in line with revenue, so any increase or decrease in revenue results in contingent labour costs moving in the same direction and at the same rate, unless there is a significant improvement or deterioration in the underlying margin which is infrequent. The downside sensitivity of each key base case assumption has been examined individually.

The Directors note that a sustained 3% reduction in forecast revenue, during the 15-month period to 30 April 2021 across all revenue streams, would result in a 2% increase in the aggregate working capital required over the forecast period. The Directors are confident the additional working capital required is capable of being funded by the debtor finance facility as and when required during that period. As at the date of this report, no customers for contingent labour services have indicated their intention to cease using the Group's services. The Directors note that in the event of a material customer loss or decrease in revenue, immediate corrective action would be implemented to reduce operating expenses.

The Directors also note that a sustained 3-day deterioration in forecast DSO, during the 15-month period to 30 April 2021 across all revenue streams, would result in a 28% increase in the aggregate working capital required over the forecast period. The Directors are confident the additional working capital required is capable of being funded by the debtor finance facility as and when required during that period. The Directors have examined the historical DSO trend for the trailing twelve months to January 2020 and noted that the average DSO was 22 days during that period. Furthermore, the majority of the Group's customers tend to be regular and consistent payers given the need to ensure continuity of their contingent labour services.

Note 2. Statement of Compliance (continued)

Going concern (continued)

The Directors have determined the Group will be able to pay its debts as and when they fall due after considering the following relevant factors:

- A continuing focus on improving profitability and cash flows through revenue growth and actively reducing operating expenses through specific initiatives, including:
  - Increasing business development activity across all operating segments, focused in particular on the acquisition of new customers in Specialist Recruitment, led by the newly appointed General Managers in NSW and Victoria, to redress the revenue decreases over the last several years;
  - Improving the win/loss ratio in the bids and tenders' function following the outsourcing in the half year to a specialist external agency;
  - Through the leadership of the General Managers in the ACT, NSW and Victoria, driving active account management of, and relationship building with, existing customers to grow the Group's share of their contractor spend and acquire share from competitors;
  - Business leaders continuing to apply a rigorous performance improvement process to ensure consultants are trained, coached and mentored to achieve activity levels and revenue targets within specific timeframes. Consequently, consultant headcount decreased 33% in the half year in both NSW and Victoria. A number of these vacancies will be filled in the second half; and
  - Continuing to downsize and rationalise existing office facilities where permitted by contractual terms and as required by operational needs including moving to short-term office facilities that provide flexibility and scalability. In the half year to 31 December 2019, the Victorian office was relocated, reducing the annualised lease expense by 45%. Subsequent to the reporting period, new office facilities were identified for the Sydney CBD and Western Sydney offices which will reduce the aggregate annualised lease expenses for those two locations by more than 35%.
- The profit and loss forecasts prepared using base case assumptions do not reflect any recurring revenue growth or operating expense reductions other than those already achieved in the half year to 31 December 2019;
- The sensitivity analysis undertaken on the profit and loss and cashflow forecasts indicates that even with a sustained 3% reduction in forecast revenue or a sustained 3-day deterioration in forecast DSO, the increased working capital required is capable of being funded by the debtor finance facility as and when required during that period;
- The Group sustained a loss after tax from continuing operations of $2,497k for the half year ended 31 December 2019 and, according to the base case profit and loss forecasts, is expected to sustain further losses in the second half of the 2020 financial year and also in the 2021 financial year;
- The Group had net assets of $4,199k as at 31 December 2019 and is currently expected to maintain positive net assets as at 30 April 2021 according to the base case profit and loss forecasts;
- The Directors are continuously reviewing the Group's strategic and capital market options which may include mergers and acquisition activities, asset divestment opportunities and/or raising capital from shareholders; and
- The existence of the debtor finance facility with Scottish Pacific Business Finance which was extended on 20 January 2020 with an expiration date of 20 February 2022. The facility is subject to certain terms and conditions which include clauses whereby the lender may vary the terms of the agreement with one month's notice and the maximum facility amount is the lower of 80% of approved trade receivables or $15,000k from 31 March 2020 until the expiry of the facility. For the period 20 January 2020 to 31 March 2020 the maximum facility amount will be revised to the lower of 85% of approved trade receivables or $15,000k. The Directors note that in the three years since establishment of the debtor finance facility, the lender has not varied any terms by relying on one month's notice and all variations have instead followed prior discussion and consultation with the Group.

Note 2. Statement of Compliance (continued)

Going concern (continued)

In the Directors opinion, the ability of the Group to continue as a going concern is primarily dependent upon:

- Maintaining profitability and cashflows, at the base case forecast levels as a minimum, and then achieving revenue growth and further operating expense reductions during the forecast period;
- Maintaining the ongoing support of the debtor finance facility lender Scottish Pacific Business Finance; and
- Obtaining new debt or equity capital, if required, from other sources, including shareholders, should the Group's revenue growth and operating expense reductions not be achieved and working capital shortfalls arise during the forecast period.

The Directors are confident in the Group's ability to achieve the aforementioned and have therefore, concluded that it is appropriate to adopt, and have adopted, the going concern basis in preparing the condensed consolidated financial statements. The Directors are of the view that the Group will be able to pay its debts as and when they become due and payable from cash flows from operations and the debtor finance facility.

However, in the event that the Group is unable to achieve successful outcomes in relation to the aforementioned, such circumstances would indicate that a material uncertainty exists that may cast significant doubt as to whether the Group will continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the condensed consolidated financial statements.

The condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 3. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019, 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 and revised Australian Accounting Standards and Interpretations affecting disclosures and/or amounts reported in the condensed consolidated financial statements

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for the current financial year and half year including:

- AASB 16 Leases;
- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation;
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-Term Interests in Associates and Joint Ventures;
- 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;

Note 3. Significant Accounting Policies (continued)

New and revised Australian Accounting Standards and Interpretations affecting disclosures and/or amounts reported in the condensed consolidated financial statements (continued)

- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement;
- AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements; and
- Interpretation 23 Uncertainty over Income Tax Treatments; AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments.

The application of these amendments does not have any material impact on the disclosures and/or the amounts recognised in the condensed consolidated financial statements, except for the adoption of AASB 16.

Impact of adoption of AASB 16 Leases

AASB 16 removed the distinction between accounting for finance leases and operating leases for the Group with operating leases recognised on-balance sheet from 1 July 2019 as is the current practice for finance leases.

The Group has applied AASB 16 using the modified retrospective approach, under which the information presented for the comparative period ending 31 December 2018 was not restated, and no cumulative effect of application was recognised in accumulated losses at 1 July 2019 as the relevant practical expedients were applied. The details of the change in accounting policy are disclosed below.

Definition of a lease

The Group leases office premises and office equipment for fixed periods of 6 months to 8 years. According to AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

As at 30 June 2019, leases for office premises and office equipment were classified as operating leases according to AASB 117 Leases. On transition to AASB 16, the Group applied the practical expedient to grandfather the assessment of which contracts were leases. It applied AASB 16 only to contracts that were previously classified as operating leases. Contracts that were not classified as operating leases under the previous AASB 117 Leases were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered, or changed, on or after 1 July 2019. From 1 July 2019, the Group recognised right-of-use assets and lease liabilities according to AASB 16.

The Group as lessee

The Group assesses whether a contract is, or contains, a lease at inception of the contract, and recognises a right-of-use asset and a corresponding lease liability with respect to each lease contract in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group applies the practical expedient which allows companies to recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed. The Group also applies the practical expedient excluding initial direct costs in the measurement of the right-of-use asset at the date of initial application.

The Group as lessor

Leases are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Note 3. Significant Accounting Policies (continued)

Impact of adoption of AASB 16 Leases (continued)

The Group has entered into a lease agreement as a lessor with respect to the sub-lease of one of its office premises. As an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. A sub-lease is classified as a finance or operating lease by reference to the accounting treatment of the head lease. The Group classified its sub-lease of office premises as an operating lease, as the head lease was classified as a short-term lease which would expire in April 2020 and was exempt from the application of AASB 16. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Extension and termination options

Certain leases for office premises include extension and termination options which are used to maximise operational flexibility in managing the assets used in the Group's operations. All the extension and termination options held are exercisable only by the Group and not by the relevant lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended and not terminated. At the date of initial application, the Group decided not to include the extension options or the periods after termination of the current leases.

Right-of-use asset

The right-of-use asset is presented as a separate line in the condensed consolidated statement of financial position.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are amortised over the shorter of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is amortised over the useful life of the underlying asset. The depreciation begins at the commencement date of the lease.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Plant and equipment" accounting policy (as outlined in the consolidated annual financial statements of the Group as at and for the year ended 30 June 2019).

Lease liability

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group uses its incremental borrowing rate.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the right-of-use asset and the lease liability. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

Note 3. Significant Accounting Policies (continued)

Impact of adoption of AASB 16 Leases (continued)

Contracts may contain both lease and non-lease components. The Group has elected to adopt the practical expedient that permits a lessee not to separate lease and non-lease components of a lease and instead account for them as a single lease arrangement.

Contracts are negotiated on an individual basis and contain a range of terms and conditions. The office premises contracts do not impose any covenants other than the provision of security deposits in the form of bank guarantees held by the lessor and restitution and rectification obligations on the lessee at termination.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payment change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the half year.

Practical expedients applied

At the initial adoption of AASB 16, the Group also applied the following practical expedients permitted by the standard:

- A single discount rate was used for a portfolio of leases with similar characteristics;
- Any lease with a residual term of 12 months or less as at 1 July 2019 (i.e. short-term lease) was accounted for as an operating lease;
- Any lease with an underlying asset of low value was accounted for as an operating lease;
- Initial direct costs were excluded in the measurement of the right-of-use asset at the date of initial application; and
- Hindsight was used in determining the lease term where the contract contained options to extend or terminate the lease.

Note 3. Significant Accounting Policies (continued)

Impact of adoption of AASB 16 Leases (continued)

Impact on transition

On transition to AASB 16 at 1 July 2019, the Group recognised new right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 Jul 2019
	$000
Right-of-use assets	3,170
Lease liabilities	3,195

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7.6% which applied at the date of initial application.

	1 Jul 2019
	$000
Operating lease commitments as at 30 June 2019	5,027
Discounted using the incremental borrowing rate as at 1 July 2019	4,744
Less:	
Exemption for short-term leases with 12 months or less as at 1 July 2019	(1,414)
Lease extension and termination options reasonably certain to be exercised	(135)
Lease liabilities as at 1 July 2019	3,195

Impact of the application of new and revised AASB Standards and Interpretations in issue but not yet effective

The Directors have considered the impact of all new and revised AASB Standards and Interpretations and concluded that the application of these amendments is not expected to have any material impact 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. At the date of authorisation of the condensed consolidated financial statements the standards listed below were in issue but not yet effective and were relevant to the Group.

Standard mandatory beyond 31 December 2019	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 “Amendments to Australian Accounting Standards - definition of a business in AASB 3 Business Combinations”	1 January 2020	30 June 2021
AASB 2018-7 “Amendments to Australian Accounting Standards - definition of material in AASB 101 and AASB 108”	1 January 2020	30 June 2021
AASB 2019-1 “Amendments to Australian Accounting Standards - Revised conceptual framework for financial reporting”	1 January 2020	30 June 2021

Comparatives

Other than the representations noted in the condensed consolidated statement of cash flows, certain comparative amounts have been reclassified where necessary to provide consistency with current period disclosures and are not deemed to be material.

Note 4. Critical Accounting Estimates and Judgements

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

In preparing these condensed consolidated financial statements, the significant judgements made by Directors in applying the Group'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 2019, with the exception of the adoption of AASB 16 as described at Note 3.

In particular, upon the adoption of AASB 16, the Directors applied significant judgement in applying AASB 16 only to contracts that were previously classified as operating leases, determining the lease term where the contract contained an option to extend or terminate the lease and determining the incremental borrowing rate for measuring lease liabilities.

In addition, as described at Note 2, the Directors have prepared the condensed consolidated financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business. In making this assessment the Directors applied significant judgement in reviewing the profit and loss and cashflow forecasts, undertaking sensitivity analysis of those forecasts and understanding the capacity of the debtor finance facility to support the Group's working capital requirements.

Furthermore, the condensed consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, including the right-of-use assets recognised as at 1 July 2019, nor to the amounts and classification of liabilities, as the Directors are of the opinion that the condensed consolidated financial statements should be prepared on the going concern basis.

Note 5. Disaggregation of Revenue

The Group derives its revenue from the transfer of services over time and at a point in time through the following service lines and geographic regions. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 Segment Reporting (see Note 6). Revenue information for continuing operations for the half year ended 31 December 2019 is as follows:

	31 Dec 2019 $000	31 Dec 2018 $000
Timing of revenue recognition - over time		
Contingent labour Australia and New Zealand	60,380	70,776
On demand information technology services Australia and New Zealand	5,085	5,819
Outsourced recruitment and human resource consulting services Australia	1,674	1,186
	67,139	77,781
Timing of revenue recognition - at a point in time		
Permanent recruitment Australia	862	1,718
Total revenue	68,001	79,499

Note 6. Segment Reporting

The Group is organised around three operating segments across two geographic regions, which are all labour related. These segments are Specialist Recruitment, On Demand IT Services and People Services in Australia and New Zealand. Segment information for continuing operations for the half year ended 31 December 2019 is as follows:

	Specialist Recruitment		On Demand IT Services		People Services		Consolidated	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	61,242	72,494	5,085	5,819	1,674	1,186	68,001	79,499
Profit before tax	1,102	1,761	126	184	629	170	1,857	2,115
Less: Corporate overheads							(4,354)	(4,419)
Consolidated loss before tax							(2,497)	(2,304)

	Australia		New Zealand		Consolidated	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	$000	$000	$000	$000	$000	$000
Revenue	67,173	78,613	828	886	68,001	79,499
Finance income	13	1	-	-	13	1
Total revenue	67,186	78,614	828	886	68,014	79,500
Non-current assets	1,413	793	-	-	1,413	793

Note 7. Disposal of Subsidiaries

On 18 November 2019 the Company's wholly owned Hong Kong subsidiary Lloyd Morgan Limited sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited, which in turn owned the China business including 89% of Lloyd Morgan China Limited and 100% of Beijing Candle Technology Service Co Ltd. The purchaser was the then Chief Executive Officer of Lloyd Morgan China Limited.

(a) Results of discontinued operations

	18 Nov 2019	31 Dec 2018
	$000	$000
Revenue	2,032	3,549
Employee benefits expense	(2,561)	(2,427)
Depreciation and amortisation expense	(445)	(99)
Operating lease expense	(140)	(653)
Other expenses	(499)	(336)
(Loss)/profit from discontinued operations	(1,613)	34
Finance income	1	5
Finance costs	(25)	-
(Loss)/profit from discontinued operations before income tax	(1,637)	39
Income tax benefit	-	118
(Loss)/profit from discontinued operations, net of income tax benefit	(1,637)	157
Loss on disposal of discontinued operations	(858)	-
Income tax on disposal of discontinued operations	-	-
(Loss)/profit, net of income tax benefit	(2,495)	157

Note 7. Disposal of Subsidiaries (continued)

(b) Disposal of discontinued operations

	18 Nov 2019 $000	31 Dec 2018 $000
Consideration received	-	-
Net assets disposed	(605)	-
Loss on disposal before income tax	(605)	-
Reclassification of foreign currency translation reserves	(253)	-
Loss on disposal of discontinued operations	(858)	-

(c) Cash flows (used in)/from discontinued operations

	18 Nov 2019 $000	31 Dec 2018 $000
Net cash (used in)/from operating activities	(123)	1,404
Net cash used in investing activities	(721)	(4)
Net cash used in financing activities	(390)	-
Net (decrease)/increase in cash for the period	(1,234)	1,400

(d) Effect of disposal of discontinued operations on the financial position of the Group

	18 Nov 2019 $000
Carrying amount of assets and liabilities disposed	
Cash and cash equivalents	718
Trade and other receivables	712
Plant and equipment	208
Right-of-use assets	1,788
Trade and other payables	(744)
Lease liabilities	(1,803)
Provisions	(274)
Net assets disposed	605
Consideration received	-
Cash and cash equivalents disposed	718
Net cash outflow	718

Note 8. Cash and Cash Equivalents

(a) Cash at bank and on hand

	31 Dec 2019 $000	30 Jun 2019 $000	31 Dec 2018 $000
Cash at bank and on hand	461	1,287	2,745

Note 8. Cash and Cash Equivalents (continued)

(b) Reconciliation of loss after tax to net cash from operating activities

	31 Dec 2019 $000	31 Dec 2018 $000
Loss from ordinary activities	(4,992)	(2,147)
Adjustments for non-cash items		
Depreciation and amortisation	905	472
Loss on disposal of plant and equipment	-	4
Loss on disposal of discontinued operations	858	-
Net exchange differences	9	1
Decrease in assets		
Trade and other receivables	4,202	2,119
Increase/(decrease) in liabilities		
Trade and other payables	(229)	(828)
Debtor finance facility	(167)	716
Provisions	28	(290)
Other liabilities	(138)	-
Net cash from operating activities	476	47

Note 9. Leases

(a) Amounts recognised in the condensed consolidated statement of financial position

Right-of-use assets

	31 Dec 2019 $000	30 Jun 2019 $000
Net written down value		
At cost	1,296	-
Accumulated depreciation	(237)	-
	1,059	-

Note 9. Leases (continued)

(a) Amounts recognised in the condensed consolidated statement of financial position (continued)

Movements in carrying amounts

	Buildings $000	Equipment $000	Total $000
At cost			
Balance as at 1 July 2019	3,096	74	3,170
Additions during the period	296	-	296
Disposal during the period	(2,170)	-	(2,170)
As at 31 December 2019	1,222	74	1,296
Accumulated depreciation			
Balance as at 1 July 2019	-	-	-
Depreciation during the period	626	10	636
Disposal during the period	(399)	-	(399)
As at 31 December 2019	227	10	237

Lease liabilities

	31 Dec 2019 $000	30 Jun 2019 $000
Maturity analysis - contractual undiscounted cash flows		
Less than six months	306	-
Six months to one year	285	-
One to five years	644	-
Total undiscounted lease liabilities	1,235	-
Lease liabilities included in the condensed consolidated statement of financial position		
Current	524	-
Non-current	607	-
Total lease liabilities	1,131	-

(b) Amounts recognised in the condensed consolidated statement of profit or loss and other comprehensive income

	31 Dec 2019 $000	31 Dec 2018 $000
Depreciation expense on right-of-use assets	636	-
Interest expense on lease liabilities	65	-
Expense relating to short-term leases	1,069	-
Expense relating to lease of low value asset	1	-
Operating lease payments	-	1,857
Total amount recognised in profit or loss	1,771	1,857

Note 9. Leases (continued)

(c) Amounts recognised in the condensed consolidated statement of cash flows

	31 Dec 2019	31 Dec 2018
	$000	$000
Total cash outflow for leases	1,977	1,857

(d) Qualitative information on leases

See Note 3.

Note 10. Debtor Finance Facility

As at 31 December 2019 the Company relied on a secured debtor finance facility with Scottish Pacific Business Finance which was due to expire on 20 February 2021 (the "Facility") to meet its working capital requirements. The maximum Facility amount was the lower of 75% of approved trade receivables or $15,000k and was subject to certain drawdown conditions. On 20 January 2020 the Company extended this Facility (see Note 15). As at the reporting date the approved drawdown was $8,043k (30 June 2019: $8,937k) and the applicable interest rate was 6.48% (30 June 2019: 7.03%).

	31 Dec 2019	30 Jun 2019	31 Dec 2018
	$000	$000	$000
Available debtor finance facility	8,043	8,937	4,347
Undrawn debtor finance facility	(2,412)	(3,139)	(3,003)
Amount drawn down	5,631	5,798	1,344

Note 11. Provisions

	31 Dec 2019	30 Jun 2019
	$000	$000
Current		
Employee benefits	955	971
Recruitment services under guarantee	30	30
Make good on leased premises	-	129
Total current provisions	985	1,130
Non-current		
Employee benefits	116	167
Make good on leased premises	71	82
Total non-current provisions	187	249

Note 12. Contributed Equity

	31 Dec 2019	30 Jun 2019
	$000	$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. Contingent Liabilities

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

Note 14. Dividends

On 28 February 2020 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2019. No interim dividend was paid in the comparative period.

Note 15. Events Subsequent to the Reporting Date

On 20 January 2020 the Company extended its secured debtor finance facility with Scottish Pacific Business Finance and it will now expire on 20 February 2022. The maximum Facility amount is the lower of 85% of approved trade receivables or $15,000k from 20 January 2020 to 31 March 2020. On 31 March 2020 the maximum Facility amount will be revised to the lower of 80% of approved trade receivables or $15,000k until the expiry of the Facility (see Note 10).

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 Group, the results of those operations, or the state of affairs of the Group 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 25 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2019 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 Group 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
Executive Chairman

Dated at Sydney this 28th day of February 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF IGNITE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ignite Limited (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, and 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, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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 2019, and of its financial performance for the half-year ended on that date; and

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

Emphasis of Matter – Material Uncertainty Regarding Going Concern

We draw attention to Note 2 in the half-year financial report, which describes management's assessment of the consolidated entity's ability to continue as a going concern. The consolidated entity incurred a net loss after tax from continuing operations of $2,497,000 for the half year ended 31 December 2019 and had net assets of $4,199,000 at that date. These conditions, along with the matters described in Note 2 indicate material uncertainty 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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 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 2019 and its performance for the half year ended on that date, and complying with Australian 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.

PKF

Paul Pearman
Partner

28 February 2020
Sydney, NSW

2020

IGNITE LIMITED

HALF YEAR FINANCIAL REPORT

ignite