2020

IGNITE LIMITED

APPENDIX 4C QUARTERLY CASH FLOW REPORT

AND

QUARTERLY ACTIVITY REPORT

31 MARCH 2020

ABN 43 002 724 334

Lodged with ASX under Listing Rules 4.7B and 4.7C.

www.igniteco.com

Appendix 4C
Quarterly Cash Flow Report for Entities Subject to Listing Rule 4.7B

Name of entity

Ignite Limited

ABN	Quarter ended ("current quarter")
43 002 724 334	31 March 2020

Consolidated statement of cash flows			Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		30,507	111,764
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(23,610)	(85,377)
	(c)	advertising and marketing	(180)	(322)
	(d)	leased assets	(579)	(1,906)
	(e)	staff costs	(2,989)	(12,980)
	(f)	administration and corporate costs	(1,289)	(3,649)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		5	19
1.5	Interest and other costs of finance paid		(127)	(391)
1.6	Income taxes paid		-	43
1.7	Government grants and tax incentives		-	-
1.8	Other - GST		(1,835)	(6,822)
1.9	**Net cash (used in) / from operating activities**		**(97)**	**379**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(31)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	(718)
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash used in investing activities**	**(2)**	**(749)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(149)	(759)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash used in financing activities**	**(149)**	**(759)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	461	1,287
4.2	Net cash (used in) / from operating activities (item 1.9 above)	(97)	379
4.3	Net cash used in investing activities (item 2.6 above)	(2)	(749)
4.4	Net cash used in financing activities (item 3.10 above)	(149)	(759)
4.5	Effect of movement in exchange rates on cash held	12	67
4.6	**Cash and cash equivalents at end of period**	**225**	**225**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	225	461
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**225**	**461**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Garry Sladden was the Independent Non-Executive Chairman of the entity until 23 January 2019. Following the resignation of the previous Chief Executive Officer, and until such time as a new Chief Executive Officer is appointed, Garry has acted and will continue to act as the Executive Chairman of the entity. During the period that Garry has acted as Executive Chairman, Jennifer Elliott, Chairman of the Board Audit, Risk and Compliance Committee, has chaired the meetings of directors.

		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Debtor finance facility)	6,646	5,820
7.4	**Total financing facilities**	**6,646**	**5,820**

7.5	**Unused financing facilities available at quarter end**	826

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

As at 31 March 2020 the entity relied on a secured debtor finance facility provided by Scottish Pacific Business Finance (the Facility) expiring on 20 February 2022 to meet its working capital requirements. The maximum Facility amount is the lower of 85% of approved trade receivables or $15,000k. As at 31 March 2020 the applicable interest rate was 7.232%.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash used in operating activities (Item 1.9)	(97)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	225
8.3	Unused finance facilities available at quarter end (Item 7.5)	826
8.4	Total available funding (Item 8.2 + Item 8.3)	1,051
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	10.84

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

   Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

   Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

   Answer: N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2020

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Quarterly Activity Report for Entities Subject to Listing Rule 4.7C

Ignite Limited (ASX: IGN) (the Company) presents its unaudited Quarterly Activity Report for the quarter ended 31 March 2020.

FINANCIAL SUMMARY

The 31 March 2020 quarter reflected the following:

- Revenues of $26,748k from continuing operations decreased 13% against the comparative quarter in 2019 for continuing operations;
- Gross profit of $3,445k from continuing operations decreased 17% against the comparative quarter in 2019 for continuing operations, due to the revenue mix with less permanent placement revenue and revenue from the On Demand IT Services and People Services divisions;
- Gross profit margin from continuing operations was 12.88%, down slightly from the 13.11% for the half year to 31 December 2019, due to the gross profit mix with lower contribution from permanent placement revenue and the On Demand IT Services and People Services divisions;
- Net cash used in operating activities for the quarter was $97k;
- Cash receipts from customers were $30,507k and payments for contingent labour were $23,610k; and
- Cash payments for staff and related costs from continuing operations decreased 26% to $2,989k against the December quarter for continuing operations.

FINANCIAL UPDATE

Revenue

During the quarter ended 31 March 2020 the Company generated revenues of $26,748k, a decrease of 17% on the comparative quarter in 2019, which included revenues from the discontinued China operations. For continuing operations, the revenues of $26,748k decreased 13% against the revenues of $30,732k in the comparative quarter of 2019.

Revenues in January 2020 were lower than expected following the Christmas and New Year holidays. As a consequence of the bushfires on the Australian Eastern seaboard in December 2019 and January 2020, many clients, including large Federal and State government departments, implemented extended office and operational closures resulting in a larger than expected portion of the Company's contractors not working during January. The revenue rebound in February was also slower than anticipated, however, the Company finished the quarter with strong revenues in March 2020.

The Company's gross profit for the March quarter of $3,445k decreased 40% on the $5,708k for the comparative quarter in 2019, which included the discontinued China operations. For continuing operations, the gross profit of $3,445k decreased 17% against the gross profit of $4,138k in the comparative quarter of 2019 due to the revenue mix with less permanent placement revenue and revenue from the On Demand IT Services and People Services divisions.

Expenditure

Contingent labour costs of $23,305k for the quarter ended 31 March 2020 were down 12% on the comparative quarter in 2019, in line with the decrease in revenue from continuing operations. The discontinued China operations focussed on permanent recruitment and did not impact contingent labour costs in the comparative quarter.

The Company continued its focus on improving consultant performance and productivity and reducing operating costs during the March quarter resulting in the departure of underperforming consultants and the elimination of non-core roles. The financial benefit from these headcount reductions is expected to be further realised during the June quarter with minimal impact on revenue and gross profit.

The impact of the Australian headcount reductions in the first half of the 2020 financial year is reflected in the 30% reduction in staff and related costs during the quarter ended 31 March 2020 against staff and related costs from continuing operations in the comparative quarter of 2019.

The financial and cashflow benefits from the appointment of new auditors and the right-sizing and relocation of the Melbourne office in the first half of the 2020 financial year are also starting to be realised.

Cashflows

Cash and cash equivalents at 31 March 2020 were $225k, down from $461k as at 31 December 2019. The net cash outflow for the quarter ended 31 March 2020 was $236k with net cash used in operating activities $97k.

Cash receipts from customers of $30,507k for the March quarter were down 19% on the December quarter for continuing operations due to a slower trading environment in January and February 2020 as noted earlier. Similarly, cash payments for contingent labour of $23,610k were down 21% on the December quarter for continuing operations, in line with the cash receipts decline.

Cash payments for staff and related costs in the March quarter decreased 26% to $2,989k against the December quarter for continuing operations, reflecting the benefit of the headcount reductions in the December and March quarters.

OPERATIONAL UPDATE

Specialist Recruitment

In the quarter ended 31 March 2020, the Specialist Recruitment business contributed a profit before tax and corporate overheads of $235k versus a $35k loss in the comparative quarter of 2019. This positive movement reflected a 34% reduction in salary and related costs of $951k offsetting an 18% decline in gross profit.

The profit before tax and corporate overheads for the March quarter was down 63% on the December quarter, due to a 15% decline in gross profit due to a slower trading environment in January and February 2020 as noted earlier.

Following the appointment of new General Managers in the key markets of the ACT, NSW and Victoria in the first half of the 2020 financial year, and the continuing focus on improving consultant performance and productivity in our key functional verticals of IT and Digital and Business Support, headcount reductions of 34% were achieved during the quarter ended 31 March 2020. The financial benefit from these headcount reductions is expected to be further realised during the June quarter with minimal impact on revenue and gross profit.

The ACT continued to be the strongest performing business unit and contributed $445k in net profit before corporate overheads for the March quarter. The NSW business, which experienced most of the headcount reductions during the quarter, will start to see the benefits flow to its bottom line in the June quarter and in the 2021 financial year with minimal impact on revenue and gross profit. Following the relocation of its Melbourne office in the December quarter, and a number of headcount reductions, the Victorian business would have been profitable for the March quarter had it not been for a large provision for a doubtful debt at quarter end.

On Demand IT Services

The On Demand IT Services business delivered a profit before tax and corporate overheads of $156k in the quarter, a decrease of 54% against the comparative quarter in 2019. This reflected a 16% decline in revenue against the comparative quarter in 2019 due to delays in the commencement of new client projects. The pipeline remains strong with the decision on a number of key projects expected shortly.

Profit before tax and corporate overheads increased 844% against the December quarter reflecting reductions in salary and related costs as well as provisioning for amounts previously classified as doubtful debts.

People Services

The People Services business recorded a net loss before tax and corporate overheads of $91k, a 745% decrease against the comparative quarter in 2019. The result was also down 128% against the net profit before tax and corporate overheads of $328k in the December quarter. These unfavourable movements reflected delays in the commencement and delivery of several large projects during the March quarter. It is anticipated these projects will be completed in the June quarter.

Shared Services

Net corporate overheads decreased 29% against the comparative quarter in 2019 with the majority of reductions coming from a 31% reduction in salary and related costs. Net corporate overheads decreased 33% against the December quarter reflecting a range of non-recurring costs including executive search fees, audit fees as well as advisory and legal fees associated with a structural review of the Company and the disposal of the China business.

DEBTOR FINANCE FACILITY

As at 31 March 2020 the Company relied on a secured debtor finance facility provided by Scottish Pacific Business Finance (the Facility) expiring on 20 February 2022 to meet its working capital requirements. The maximum Facility amount was the lower of 85% of approved trade receivables or $15,000k from 20 January 2020 to 31 March 2020 and was to be revised to the lower of 80% of approved trade receivables or $15,000k from 31 March 2020 until the expiry of the Facility. On 19 March 2020 Scottish Pacific Business Finance agreed that the maximum Facility amount would remain at the lower of 85% of approved trade receivables or $15,000k until the expiry of the Facility.

The total available Facility as at 31 March 2020 was $6,646k with the amount drawn down $5,820k and the applicable interest rate 7.232%.

OUTLOOK FOR THE FOURTH QUARTER

The end of the March quarter and the beginning of the June quarter brought with them the devastating impact of COVID-19 on both the global and Australian communities and economies. The health, safety and well-being of staff, contractors and candidates working with clients was a key focus of the Company during March and April 2020.

In the last week of March the Company moved to allow all its staff to work from home where possible and also liaised with its clients to facilitate its contractors also working from home where the clients and roles permitted, both in Australia and New Zealand. This transition proved to be very successful and largely seamless for staff, contractors, clients and the Company, with minimal to no interruption to services. This was in no small part to the efforts of staff, contractors and clients to quickly adapt to the change in working conditions and locations.

Like so many other businesses the Company has embraced video conferencing technology to maintain contact with its staff in distributed locations throughout Australia and also to speak with, service and support its clients, contractors and candidates in Australia and New Zealand.

The Company currently generates more than 95% of its revenues through the provision of contingent labour to its clients with minimal revenues from permanent recruitment. Fortunately, a large proportion of the Company's contingent labour services are provided to Federal and State government departments as well as commercial clients in sectors that have not been directly impacted by COVID-19 related staff layoffs and/or operational closures. This has minimised the negative impact on revenue and gross profit during the first month of the June quarter as a result of COVID-19.

The flexibility and ability to work from home has enabled consultants to continue to service and support their clients, contractors and candidates and win new business through the provision of both contingent labour and permanent recruitment services. Working from home has seen an increased focus and improvement in consultant productivity with higher levels of communication with clients, contractors and candidates. For contractors the flexibility and ability to work from home has greatly assisted in ensuring a large proportion were retained by clients.

The Company continues to focus on account management and business development activities in key functional verticals whilst also selectively targeting business development in sectors undertaking hiring during COVID-19. The Company has seen a marked slow-down in demand for permanent recruitment services including the deferral of many roles that were in the pipeline. It is anticipated that these permanent roles will be filled post COVID-19.

During COVID-19, in order to effectively manage staff resources, operating costs and accrued balance sheet liabilities, the Company has taken the opportunity to request staff take annual leave, long service leave and/or work shorter weeks where possible. This is expected to have a positive impact on the balance sheet during this period.

The Company expects the current guidelines around social distancing and self-isolation due to COVID-19 to remain in place for some time. As such the key areas of focus for the June quarter will be to:

- Continue to reduce headcount through the elimination of non-core roles;
- Seek further operational efficiencies and expenditure reductions where possible;
- Negotiate temporary reductions in payment terms with certain large clients;
- Negotiate temporary reductions in property costs with landlords;
- Negotiate temporary reductions in fees and charges from large suppliers, including renegotiation of contracts;
- Focus on the retention and growth of the contingent labour workforce; and
- Selectively focus on business development activities in sectors undertaking hiring during COVID-19.

The Company’s leadership team acted quickly to implement short term strategies around revenue, expenditure and cashflows to ensure the business can trade through this challenging environment. The Company expects to be well positioned to take advantage of the demand for contingent labour in its key functional verticals during the post COVID-19 economic recovery.