

2020
IGNITE LIMITED
APPENDIX 4E
PRELIMINARY FINAL REPORT
30 JUNE 2020
ABN 43 002 724 334

Lodged with the ASX under Listing Rule 4.3A

www.igniteco.com

REPORT PERIOD

Financial year end:

30 June 2020

Previous corresponding period:

30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Description	30 June 2020 \$000	30 June 2019 \$000	Change \$000	Change %
Revenue from ordinary activities	127,990	152,900	(24,910)	(16.3)
Loss from ordinary activities after tax attributable to members	(6,272)	(5,812)	(460)	(7.9)
Net loss for the period attributable to members	(6,272)	(5,812)	(460)	(7.9)

BUSINESS REVIEW

In the 2020 financial year, revenue from ordinary activities for Ignite Limited and its controlled entities (the Group) declined 16.3% from \$152,900 to \$127,990. This result included Lloyd Morgan China Limited until its disposal on 18 November 2019, when the Group exited the China market. Subsequently, continuing operations for the Group comprised the business operating in Australia and New Zealand.

The spread of COVID-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation. The COVID-19 pandemic is having a significant impact on both local and global communities and economies. The Group has assessed the impact of the COVID-19 pandemic on its financial reporting and determined the financial performance for the year ended 30 June 2020 and overall financial position as at 30 June 2020 have not been materially impacted.

In the current year, revenue from continuing operations declined 13.7% from \$145,924k to \$125,958k while gross profit from continuing operations decreased 18.6% from \$18,753k to \$15,267k and the gross profit margin from continuing operations decreased slightly from 12.9% in 2019 to 12.1%. The revenue decline for continuing operations was largely due to the loss of customers, with some reduced demand from continuing customers, together with the impact of the COVID-19 pandemic on the June 2020 quarter permanent placements. For the full year, permanent recruitment revenue as a proportion of gross profit declined to 9.5% (2019: 16.6%). Despite this, there were improvements in several key financial metrics, including trade receivables ageing, debtor finance facility draw down and net cash from operating activities.

The Australian and New Zealand Specialist Recruitment business accounted for 90.9% of revenue from continuing operations (2019: 90.7%), the On Demand IT Services business accounted for 7.3% (2019: 7.5%) and the People Services business made up the balance.

Consolidated profit before corporate overheads and tax for continuing operations decreased 3.0% to \$3,420k (2019: \$3,527k), reflecting the decline in the On Demand IT Services and People Services divisions, partially offset by the improvement in the Specialist Recruitment division.

The loss from continuing operations before financing and tax decreased 29.0% to \$3,540k (2019: \$4,984k loss) due to the \$4,796k reduction in net operating overheads partially offset by the \$3,486k reduction in gross profit.

The \$3,884k reduction in employee benefits expense from continuing operations arose primarily from reduced headcount, lower commission payments and reduced short term performance-based incentive payments. The reduction in occupancy expense this year was associated with the adoption of the new accounting standard AASB 16 Leases and the relocation of 3 offices to more cost-effective premises during the year.

Net cash from operating activities was \$4,581k (2019: \$5,466k net cash used in operating activities), a 183.8% improvement for the year as a result of reductions in operating expenses and strong trade receivable collections. In addition, in the June 2020 quarter due to the COVID-19 pandemic, several large customers shortened their payment terms improving cash inflows and several State Governments offered payroll tax payment deferrals delaying cash outflows.

The loss from continuing operations after tax decreased 21.8% to \$3,777k (2019: \$4,827k loss).

At 30 June 2020 the Group had net assets of \$2,916k (2019: \$8,872k), with the movement reflecting the loss from continuing operations after tax of \$3,777k, the loss from discontinued operations after tax of \$2,495k and a foreign currency translation gain of \$316k. The Group's total assets of \$13,849k (2019: \$24,490k) primarily consisted of net trade receivables of \$7,578k (2019: \$13,593k) and accrued income of \$4,372k (2019: \$6,955k). Net trade receivables decreased 44.3% on the back of improved collections and reduced billings. The Group's total liabilities of \$10,933k (2019: \$15,618k) primarily comprised trade and other payables of \$7,696k (2019: \$8,186k).

The cash balance at 30 June 2020 decreased 68.3% to \$408k (2019: \$1,287k) primarily due to the derecognition of the China cash balance upon disposal of the China business. The improvement in net cash from operating activities resulted in a net repayment of the debtor finance facility during the year. As a result, the debtor finance facility utilised at the end of the year decreased 79.5% to \$1,187k (2019: \$5,798k). The debtor finance facility drawdown fluctuates during the course of a month depending on contractor payments and customer billing cycles as well as the timing of staff payroll, supplier payments and Federal and State Government statutory tax payments. Consequently, gearing at 30 June 2020 decreased to 21.1% (2019: 33.7%) with net debt of \$779k (2019: \$4,511k).

DIVIDENDS OR DIVIDEND DISTRIBUTION PLAN

On 31 August 2020, the Directors resolved not to declare an interim or final dividend for the year ended 30 June 2020. No dividends were paid by the Company in the previous corresponding period.

PARENT ENTITY

The ultimate parent entity and ultimate controlling entity within the Group is Ignite Limited. The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities.

Entity Name	Country of Incorporation	Class of Shares	Equity Holding %	
			2020	2019
Ignite New Zealand Holdings Limited	New Zealand	Ordinary	100	100
Ignite IT Services Limited	New Zealand	Ordinary	100	100
Lloyd Morgan Limited ¹	Hong Kong	Ordinary	100	100

1. Lloyd Morgan Limited is dormant and being deregistered.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST

Entity Name	Date Control Lost			
Lloyd Morgan Hong Kong Limited	18 November 2019			
Lloyd Morgan China Limited	18 November 2019			
Beijing Candle Technology Service Co Ltd	18 November 2019			
	18 November 2019 \$000	30 June 2019 \$000	Change \$000	Change %
Loss from ordinary activities, net of income tax of above disposed entities	(2,495)	(985)	(1,510)	(153.3)

ASSOCIATES AND JOINT VENTURES

Ignite Limited does not have any holdings in joint ventures and associates.

OTHER DISCLOSURE REQUIREMENTS

This preliminary final report has been prepared using financial statements that have been audited. Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the audited financial statements, included as part of the Ignite Limited 2020 Annual Report lodged separately to this document. This document should be read in conjunction with the 2020 Annual Report and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2011 and ASX Listing Rules.

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