

**2021**  
**IGNITE LIMITED**  
APPENDIX 4C QUARTERLY CASH FLOW REPORT  
AND  
QUARTERLY ACTIVITY REPORT  
31 DECEMBER 2020

ABN 43 002 724 334

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

[www.igniteco.com](http://www.igniteco.com)

## Appendix 4C

### Quarterly Cash Flow Report for Entities Subject to Listing Rule 4.7B

**Name of entity**

Ignite Limited

**ABN**

43 002 724 334

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	33,290	64,229
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(27,828)	(54,826)
(c) advertising and marketing	(54)	(100)
(d) leased assets	(177)	(354)
(e) staff costs	(2,741)	(5,116)
(f) administration and corporate costs	(516)	(1,194)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(61)	(128)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	664	2,607
1.8 Other (GST)	(2,041)	(4,420)
<b>1.9 Net cash from operating activities</b>	<b>537</b>	<b>699</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from/ (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(424)	(857)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash used in financing activities</b>	<b>(424)</b>	<b>(857)</b>
<b>4.</b>	<b>Net increase/ (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at the beginning of the period	138	408
4.2	Net cash from operating activities (item 1.9 above)	537	699
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash used in financing activities (item 3.10 above)	(424)	(857)
4.5	Effect of movement in exchange rates on cash held	2	3
<b>4.6</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>253</b>	<b>253</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	253	138
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>253</b>	<b>138</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 <sup>1</sup>	144
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.

1. These amounts comprise the total fees paid to directors of the Company during the quarter including fees to the Executive Chairman Garry Sladden. Mr 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, Mr Sladden has acted and will continue to act as the Executive Chairman of the Company. During the period that Mr Sladden has acted as Executive Chairman, Jennifer Elliott, Chairman of the Board Audit, Risk and Compliance Committee, has chaired the meetings of directors. Craig Saphin retired as a Director of the Company on 24 November 2020.

<b>7.</b>	<b>Financing facilities</b> <i>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.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Debtor finance facility)	5,467	584
7.4	<b>Total financing facilities</b>	<b>5,467</b>	<b>584</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>4,883</b>
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.		

The Company relies on a secured debtor finance facility provided by Scottish Pacific Business Finance expiring on 20 February 2022 (the "Facility") to meet its working capital requirements. The maximum Facility amount is the lower of 85% of approved trade receivables or \$15,000k and is subject to certain drawdown conditions. As at 31 December 2020 the applicable interest rate was 6.67%.

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from operating activities (item 1.9)	537
8.2	Cash and cash equivalents at quarter end (item 4.6)	253
8.3	Unused finance facilities available at quarter end (item 7.5)	4,883
8.4	Total available funding (item 8.2 + item 8.3)	5,136
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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	
8.6.2	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	
8.6.3	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	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

### 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 January 2021

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.

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# 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 December 2020.

## FINANCIAL SUMMARY

The 31 December 2020 quarter reflected the following:

- Revenues of \$27,319k decreased 15% against the comparative quarter in the 2020 financial year (“FY20”) for continuing operations, before inclusion of other income from Government grants and tax incentives;
- Gross profit of \$3,161k decreased 26% against the comparative quarter in FY20 for continuing operations, before inclusion of other income from Government grants and tax incentives, with the greater decline relative to the revenue decline due to the mix with lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues;
- Gross profit margin was 11.57%, before inclusion of other income from Government grants and tax incentives, down from 13.31% for the comparative quarter in FY20, with the decline due to the lower proportion of permanent placement revenue in the December quarter;
- Cash receipts from customers were \$33,290k and payments for contingent labour were \$27,828k;
- Cash payments for staff costs were \$2,741k;
- Cash receipts from Government grants and tax incentives (specifically JobKeeper) were \$664k; and
- Net cash from operating activities for the quarter was \$537k, including \$664k of JobKeeper receipts.

## FINANCIAL UPDATE

### *Revenue*

During the quarter ended 31 December 2020 the Company generated revenues of \$27,319k, a decrease of 16%% on the comparative quarter in FY20, which included revenues from the discontinued China operations. For continuing operations, revenues of \$27,319k represented a 15% decrease against revenues of \$31,959k in the comparative quarter in FY20, before inclusion of other income from Government grants and tax incentives.

During the December quarter the Company, its staff, contractors and many of its customers continued to experience the ongoing impact of COVID-19. The majority of staff and contractors in Australia and New Zealand continued to work from home where their roles permitted for most of the December quarter.

As a consequence of COVID-19, revenues from continuing operations declined 14% in October and 11% in each of November and December against the comparative periods in FY20, due to reduced customer demand for contingent labour and permanent placement services and the delay in commencement of Federal Government projects in the People Services division. The aggregate result for the quarter was a revenue decline of 15% against the comparative quarter in FY20 for continuing operations.

The Company’s gross profit for the December quarter of \$3,161k, before inclusion of other income from Government grants and tax incentives, decreased 35% on the \$4,894k for the comparative quarter in FY20, which included the discontinued China operations. For continuing operations, gross profit of \$3,161k, before inclusion of other income from Government grants and tax incentives, represented a 26% decrease against gross profit of \$4,255k in the comparative quarter in FY20. The greater decline in gross profit relative to the revenue decline was due to the mix with lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues.

### *Expenditure*

Contingent labour costs of \$24,158k for the December quarter were down 13% on the comparative quarter in FY20 for continuing operations, in line with the decline in revenue from continuing operations. The discontinued China operations focussed on permanent recruitment and did not impact contingent labour costs in the comparative quarter in FY20.

The impact of the 33% reduction in Australian headcount during FY20 continues to be reflected in the 34% reduction in staff and related costs during the December quarter against the comparative quarter in FY20 for continuing operations. During the December quarter total headcount reduced by a net 3%.

The December quarter saw other operating costs decrease 58% against the comparative quarter in FY20 for continuing operations reflecting the financial benefits that continue to flow from relocating offices in FY20 as well as reduced marketing, advertising, travel and entertainment costs in the December quarter due to COVID-19.

### *Cashflows*

Cash and cash equivalents at 31 December 2020 were \$253k, an 83% increase from \$138k at 30 September 2020. The net cash inflow for the December quarter was \$115k, with net cash from operating activities of \$537k, including \$664k of JobKeeper receipts.

Cash receipts from customers were \$33,290k for the December quarter, up 8% on the September quarter, while cash payments for contingent labour were \$27,828k, up 3% on the September quarter. Cash receipts decreased 16% while cash payments decreased 9% against the comparative quarter in FY20 due to the higher proportion of receipts in FY20 related to permanent placement revenue in Australia and the discontinued China operations.

Cash payments for staff costs in the December quarter were \$2,741k, a 15% increase on the September quarter cash payments for staff costs of \$2,375k, primarily due to the payment of payroll tax previously deferred in the June and September quarters due to COVID-19 related concessions from State Governments.

### *JobKeeper Payment Subsidy*

During the December quarter the Company received \$664k from the Australian Taxation Office for JobKeeper claims relating to September. The Company did not qualify for JobKeeper 2.0 and consequently has not received any further JobKeeper payment subsidies.

## **OPERATIONAL UPDATE**

### *Specialist Recruitment*

During the December quarter the Specialist Recruitment business contributed a profit before tax and corporate overheads of \$1,009k versus a \$633k profit in the comparative quarter in FY20, reflecting a 35% reduction in salary and other operating costs offsetting a 19% decline in gross profit.

The reductions in salary and other operating costs arose from the headcount reductions, closure of the Brisbane and Southern Sydney offices and the relocation of the Melbourne, Western Sydney and Sydney CBD offices. The decline in gross profit was due to a 15% decrease in contingent labour gross profit and a 67% decrease in permanent placement revenue against the comparative quarter in FY20 with continuing reduced customer demand for contingent labour and permanent recruitment during the December quarter due to COVID-19.

The profit before tax and corporate overheads for the December quarter increased 10% on the September quarter due to a 2% increase in contingent labour gross profit, assisted by a 14% decrease in salary and other operating costs, offset by a 36% decline in permanent placement revenue.

The Specialist Recruitment headcount reduced by a net 3% during the December quarter.

The NSW business achieved a net profit before tax and corporate overheads of \$101k in the December quarter, up 175% on the loss in the comparative quarter in FY20. Meanwhile, the Victorian business, consisting of a small team, achieved a modest net profit before tax and corporate overheads in the December quarter, up 330% on the loss in the comparative quarter in FY20. The ACT business continued to perform ahead of expectations contributing \$870k in net profit before tax and corporate overheads for the December quarter, up 24% on the comparative quarter in FY20, reflecting the continued growth and strong demand from its predominantly Federal Government customers. All

business units experienced strengthening customer demand for contingent labour in the final month of the December quarter as economic and trading conditions improved across key markets.

#### *On Demand IT Services*

The On Demand IT Services business achieved a net profit before tax and corporate overheads of \$203k in the December quarter, a material improvement on the modest result in the comparative quarter in FY20. This result reflected a 28% increase in gross profit and a 26% reduction in salary and other operating costs against the comparative quarter in FY20. The net profit before tax and corporate overheads for the December quarter decreased 8% on the September quarter as a result of project delays due to COVID-19.

#### *People Services*

The People Services business recorded a small net loss before tax and corporate overheads, a 101% deterioration against the comparative quarter in FY20 and a 104% deterioration against the September quarter. These unfavourable movements reflected the generally lower volume of work due to the delay in the release of the Federal Government budget and several ongoing project delays due to COVID-19. Following the release of the Federal Government budget, the People Services business saw a significant increase in tender requests from its Federal Government customers and completed a number of tender submissions in December. This confirms the many opportunities for the People Services business to drive increased revenues in the second half of FY21 and to make a solid contribution to the overall Company result.

#### *Shared Services*

Net corporate overheads decreased 47% against the comparative quarter in FY20 due to a 27% reduction in salary and related costs and a 59% reduction in other operating costs, primarily facilities expenses and consulting fees. The December quarter net corporate overheads decreased 6% on the September quarter due to a 12% reduction in salary and related costs, offset by a 2% increase in other operating costs.

### **DEBTOR FINANCE FACILITY**

The Company relies on a secured debtor finance facility provided by Scottish Pacific Business Finance expiring on 20 February 2022 (the "Facility") to meet its working capital requirements. The maximum Facility amount is the lower of 85% of approved trade receivables or \$15,000k and is subject to certain drawdown conditions.

The total available Facility as at 31 December 2020 was \$5,467k, with the amount drawn down \$584k (11%) and the applicable interest rate 6.67%.

### **OUTLOOK FOR THE THIRD QUARTER 2021**

Despite the ongoing impact of COVID-19 the Company expects the strengthening customer demand for contingent labour experienced at the end of the December quarter to continue in the March quarter as contractors return from leave, customers re-open offices and economic and trading conditions continue to improve in key markets.

The financial benefits from the significant FY20 rationalisation of the Company's fixed infrastructure costs in labour and property continued to be realised in the December quarter. These financial benefits will continue to be realised in the March quarter and the Company will continue to focus on further operational expenditure mitigation and rationalisation.

In the Specialist Recruitment division, customer demand for contingent labour services in the March quarter is expected to be below that in the December quarter as January is traditionally a slow trading month post the Christmas and New Year holiday period with contractors taking leave and customers closing offices. In January this year a number of Federal Government customers implemented longer office closures than in previous years. While permanent placement revenues are still not at their pre-COVID-19 levels, there has been a noticeable increase in permanent recruitment occurring amongst existing and new customers. The Victorian market is expected to rebound in the March quarter having successfully navigated through its second wave of COVID-19 and the Company is seeing a volume resurgence. The ACT Specialist Recruitment business is expected to maintain and grow volumes as its predominantly Federal Government customers re-open offices and return to work in late January/early February.



The On Demand IT Services division also anticipates a number of new projects in the March quarter from existing customers.

The People Services division, which has a customer profile skewed to Federal Government statement of work projects, has experienced a significant increase in tender requests following the release of the Federal Government budget and has now completed more tender submissions in December and January than in the previous 4 months. The second half of each financial year has traditionally been the strongest trading period for People Services and the team are very positive about the opportunities for success over the coming months.

The Company returned the majority of staff to their ACT and WA offices in December with a staggered return in Victoria. Staff in NSW were asked to work from home until the end of January at which time current Federal and State Government public health notices and guidelines will be reviewed.

The Company's search for a new industry-experienced Chief Executive Officer commenced in the September quarter and a number of very high quality candidates were interviewed in December and January. Final interviews are currently underway and the Company expects to make an appointment shortly.

After a strong finish to the December quarter, the key areas of focus for the March quarter are to:

- Appoint a new Chief Executive Officer and develop detailed 3 and 5 year strategic growth plans;
- Continue driving operational efficiencies and expenditure rationalisation where possible;
- Continue to attract high-quality recruitment consultants with a particular focus on IT & Digital, as well as highly experienced sales staff with sectoral expertise from outside the recruitment industry, to join the new starters already scheduled for February, where they will undertake the Company's learning and development program;
- Continue to work closely with current Federal and State Government customers positioning the Company as a leading provider of contingent labour and recruitment services and to greatly increase its current share of wallet;
- Retain and grow the contingent labour workforce; and
- Continue the focus of all business units on high quality business development activities in key sectors hiring during COVID-19.

The Company has now traded through three consecutive full quarters impacted by COVID-19 and despite experiencing revenue declines of 10% in the June quarter, 16% in the September quarter and 15% in the December quarter against the comparative period for continuing operations, the core contingent labour business has been impacted to a proportionately lesser extent than the permanent placement and People Services businesses. The Company is now seeing strengthening customer demand for contingent labour as economic and trading conditions continue to improve in key markets.

The activities undertaken in FY20 and the September quarter to reduce fixed infrastructure costs in labour and property have resulted in a 34% reduction in staff and related costs and a 58% reduction in other operating costs during the December quarter against the comparative period in FY20 for continuing operations. The Company was also able to access the Federal Government JobKeeper payment subsidy in the September and December quarters and has received a total of \$2,607k in FY21.

As such, despite the ongoing impact of COVID-19, the Directors continue to remain confident about the prospects for FY21 and all staff and business units are optimistic that the positive momentum will continue into the second half of FY21.