2021 HALF YEAR REPORT

igniteco.com

IGNITE LIMITED

ABN 43 002 724 334

2021 HALF YEAR 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 2020 and the independent auditor’s review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half year are:

Garry Sladden
Jennifer Elliott
Fred van der Tang
Craig Saphin (retired 24 November 2020)

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 nationally through 5 offices in Australia as well as in New Zealand and employs approximately 70 permanent staff. There have been no changes in the principal activities of the Group during the half year.

Dividends

No dividends were paid or declared during the half year. On 23 February 2021 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2020.

Financial and operational review

Key performance metrics

The half year reflected the following movements on the comparative period:

	31 Dec 2020 $000	31 Dec 2019 $000	Increase/ (Decrease) $000	Increase/ (Decrease) %
Continuing operations				
Revenue	56,743	68,001	(11,258)	(16.6)
Gross profit	6,515	8,914	(2,399)	(26.9)
Gross profit margin	11.48%	13.11%	-	-
Profit/ (loss), net of income tax	2,219	(2,497)	4,716	188.9
Loss before JobKeeper, net of income tax	(388)	(2,497)	2,109	84.5
Employee benefits expense	4,889	7,330	(2,441)	(33.3)
Corporate overheads	2,783	4,354	(1,571)	(36.1)
Ordinary activities[1]				
Profit/ (loss), net of income tax	2,219	(4,992)	7,211	144.5
Net cash from operating activities	699	677	22	3.3
Net cash from operating activities before JobKeeper	(1,908)	677	(2,585)	(381.8)

1. The results for ordinary activities in the comparative period included the results for the discontinued China operations until their disposal on 18 November 2019.

Directors' Report (continued)

Financial and operational review (continued)

Key performance metrics (continued)

	31 Dec 2020 $000	30 Jun 2020 $000	Increase/ (Decrease) $000	Increase/ (Decrease) %
Ordinary activities				
Debtor finance facility	584	1,187	(603)	(50.8)
Net assets	5,136	2,916	2,220	76.1

The half year in review

During the half year ended 31 December 2020 the Group generated a profit from ordinary activities after income tax of $2,219k (31 December 2019: loss of $4,992k), a 144.5% improvement on the comparative period (which included the results for the China operations until their disposal on 18 November 2019).

Profit from continuing operations after income tax of $2,219k (31 December 2019: loss of $2,497k), represented a 188.9% improvement on the comparative period. The current period included the Australian Federal Government JobKeeper Payment subsidy of $2,607k which was recognised in “other income”. Excluding the JobKeeper Payment subsidy the result was a normalised operating loss from continuing operations of $388k (31 December 2019: loss of $2,497k), representing an 84.5% improvement on the comparative period.

Revenue from continuing operations decreased 16.6% to $56,743k (31 December 2019: $68,001k) while gross profit from continuing operations decreased 26.9% to $6,515k (31 December 2019: $8,914k) and the gross profit margin decreased from 13.11% to 11.48%. The revenue and gross profit decline were primarily due to the loss of customers, with some reduced demand from continuing customers, as well as reduced demand for permanent recruitment as a consequence of COVID-19. The greater gross profit decline relative to the revenue decline was due to the revenue mix with a lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues.

Employee benefits expense decreased 33.3% due to reduced headcount and salaries as well as lower commission expense. Occupancy expense decreased 65.2% following the relocation of several offices in the prior financial year to more cost-efficient premises. Depreciation and amortisation expense also decreased 47.0% due to the expiry and impairment of property right-of-use assets in the prior financial year. Other expenses were down 45.3% on the comparative period due to savings across a range of items including audit fees, consulting fees, marketing, travel and entertainment, software licenses and subscriptions.

Despite the decreases in revenue and gross profit for continuing operations relative to the comparative period, the normalised operating loss of $388k, after excluding the JobKeeper Payment subsidy, represented the strongest half year result in nine years. The result reflected the significant inroads achieved during the prior financial year in rationalising the Group’s fixed infrastructure costs, including labour and property.

Specialist Recruitment

The Specialist Recruitment business contributed a profit before tax and corporate overheads of $1,950k versus $1,102k in the comparative period. This 77.0% increase reflected a significant reduction in operating expenses including a 39.1% reduction in employee benefits expense and a 74.3% reduction in occupancy expense, offset by a 14.5% reduction in contingent labour revenue and a 66.4% reduction in permanent recruitment revenue due to the impact of COVID-19.

Directors' Report (continued)

The half year in review (continued)

Specialist Recruitment (continued)

In NSW, new leadership, an ongoing focus on consultant performance and productivity and the rationalisation of labour and property infrastructure costs delivered a 150% increase in profit before tax and corporate overheads versus a loss in the comparative period. The office relocations in the Sydney CBD and Western Sydney in the prior financial year have delivered financial benefits in the half year, including a 72% reduction in occupancy expense on the comparative period.

The relocation of the Melbourne office and impairment of the Brisbane office lease in the prior financial year as well as the surrender of the Southern Sydney office lease in the September 2020 quarter resulted in a 47.0% decrease in depreciation and amortisation expense against the comparative period.

In the ACT there was a 29% increase in profit before tax and corporate overheads and it continued to be the strongest performing business unit with significant revenue growth against the comparative period.

On Demand IT Services

The On Demand IT Services business recorded a profit before tax and corporate overheads of $425k in the half year, a 237.3% increase on the comparative period. The improvement reflected a 36.5% reduction in employee benefits expense and a 21.1% reduction in other expenses, together with a 6.2% increase in gross profit. COVID-19 had a major impact on customers with a number of contracts delayed or cancelled or the volume of services required significantly reduced as a consequence of lower end-user demand.

People Services

The People Services business delivered a profit before tax and corporate overheads of $60k, a 90.5% decrease on the comparative period. This reflected a 54.6% decrease in revenue and a decline in the profit margin before tax and corporate overheads from 62.3% to 50.1% due to the customer and project mix in the half year. These unfavourable movements reflected the generally lower volume of work due to the delay in the release of the Federal Government budget as well as several ongoing project delays due to COVID-19. Following the release of the Federal Government budget, the business saw a significant increase in tender requests from its largely Federal Government department customers and completed a number of tender submissions in December 2020.

Shared Services

Net corporate overheads decreased $1,571k (36.1%) against the comparative period. This was mainly due to headcount reductions and associated salary and on cost savings as well as reductions in other operating expenses, including a 61.6% reduction in occupancy expense due to office relocations, a 54.0% reduction in finance costs due to lower utilisation of the debtor finance facility, and a 48.1% reduction in other expenses arising from reductions in various items including audit fees, consulting and legal fees, software licenses and subscriptions.

The half year ahead

The Group has commenced the second half of the financial year confidently and believes it is well positioned to benefit from the anticipated improvements in economic and trading conditions following the impact of COVID-19 in the first half, as well as the delayed issue of the Federal Government budget.

The inroads made during the prior financial year in exiting the China business and rationalising the Group's fixed infrastructure costs, including labour and property, began to deliver benefits to earnings before interest and tax in the first half despite the impact of COVID-19 on revenue and gross profit. These financial benefits will continue to be realised in the second half of the financial year.

Directors' Report (continued)

The half year ahead (continued)

The Group expects the strengthening customer demand for contingent labour experienced at the end of the December quarter to continue during the March quarter and into the June quarter as contractors return from leave, customers re-open offices and health, economic and trading conditions continue to improve in key markets.

In the Specialist Recruitment division, customer demand for contingent labour services is trending positively and the second half forecast anticipates strong revenue growth led by the ACT division. The NSW and Victorian divisions are forecasting volume increases in permanent recruitment as business confidence in those states continues to improve, though are currently not expected to exceed their pre-COVID-19 levels this financial year. The ACT division is forecast to deliver a strong result in the second half versus the first half of the financial year with strong contingent labour revenues from its Federal Government customers compensating for lower permanent recruitment revenues. As a result of the forecast volume increase, all divisions are currently interviewing and hiring new consultants to join the Group in the March quarter.

The On Demand IT Services division continues to work with existing customers on developing and delivering a number of new projects in the second half as several large end-user customers examine their longer term requirements.

The second half of each financial year has traditionally been the strongest trading half for People Services and the team are very positive about the opportunities for success over the coming months following the submission of a number of tenders in December and January for its predominantly Federal Government customers which are expected to be awarded shortly.

The Group is reviewing its short to medium term office facility requirements post-COVID-19, in conjunction with tele-commuting and remote working options for its permanent staff, which may result in further rationalisation of occupancy expenses while also providing permanent staff with greater flexibility and improved work-life balance.

Federal and State Government COVID-19 related public health notices and guidelines continue to be monitored and adhered to as far as they impact permanent staff and customer facing contractors.

Subsequent to the end of the reporting period the Group successfully extended its debtor finance facility with Scottish Pacific Business Finance for a further twelve months such that it will now expire on 20 February 2023.

The search for a new industry-experienced Chief Executive Officer concluded in February 2021 with the announcement that Mr Tim Moran would be joining the Group in early March 2021. Mr Moran was most recently the Asia-Pacific Regional Director for SThree, where he had held various senior roles since 2009.

As Asia-Pacific Regional Director, Mr Moran had full responsibility for the day-to-day operations and business strategies of SThree as well as its portfolio of specialist recruitment brands within the Asia Pacific region. SThree is a leading multi-brand international staffing company providing specialist contract and permanent recruitment services in the STEM (Science, Technology, Engineering and Mathematics) sector. Prior to SThree, Mr Moran worked for Michael Page Group as Manager – Finance from 2002 until 2009.

Mr Garry Sladden, currently the Executive Chairman of the Group, will return to being Non-Executive Chairman following a short handover period with Mr Moran.

After the best half year financial performance in nine years, the key focus areas for the second half are to:

- Induct a new Chief Executive Officer and develop detailed 3 and 5 year strategic growth plans;
- Continue driving efficiencies and rationalisation in labour and property infrastructure costs;
- Continue attracting high-quality recruitment consultants;
- Continue working closely with current Federal and State Government customers positioning the Group as a leading provider of contingent labour and permanent recruitment services; and
- Retain and grow the contingent labour workforce.

Directors' Report (continued)

The half year ahead (continued)

As such, despite the ongoing impact of COVID-19, and assuming no significant worsening in community health and safety from COVID-19 subsequent to the date of this report, the Directors continue to remain cautiously optimistic about the outlook for the Group and its full year financial performance. All business units and staff are confident that the first half positive momentum will continue through the second half of the financial year delivering value for shareholders.

Auditor’s independence declaration

The lead auditor’s independence declaration for the half year ended 31 December 2020 is set out on page 6 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.

Garry Sladden
Executive Chairman

Dated at Sydney this 23rd day of February 2021.

PKF

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 2020, 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

23 FEBRUARY 2021
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2020

	Note	31 Dec 2020 $000	31 Dec 2019 $000
Continuing operations			
Revenue	5, 7	56,743	68,001
Contingent labour costs		(50,228)	(59,087)
Gross profit		6,515	8,914
Other income	6	2,622	-
Employee benefits expense		(4,889)	(7,330)
Depreciation and amortisation expense		(244)	(460)
Occupancy expense		(324)	(930)
Other expenses		(1,334)	(2,440)
Profit/ (loss) from continuing operations		2,346	(2,246)
Finance income		1	13
Finance costs		(128)	(264)
Profit/ (loss) from continuing operations before income tax		2,219	(2,497)
Income tax		-	-
Profit/ (loss) from continuing operations, net of income tax		2,219	(2,497)
Discontinued operations			
Loss from discontinued operations, net of income tax	8(a)	-	(2,495)
Profit/ (loss) from ordinary activities attributable to the Owners of the Company		2,219	(4,992)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		1	319
Income tax on other comprehensive income		-	-
Other comprehensive income, net of income tax		1	319
Total comprehensive income/ (loss)		2,220	(4,673)

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 2020 (continued)

	31 Dec 2020 Cents	31 Dec 2019 Cents
Profit/ (loss) per share from ordinary activities		
Basic	2.48	(5.57)
Diluted	2.48	(5.57)
Profit/ (loss) per share from continuing operations		
Basic	2.48	(2.79)
Diluted	2.48	(2.79)
Loss per share from discontinued operations		
Basic	-	(2.78)
Diluted	-	(2.78)

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 2020

	Note	31 Dec 2020 $000	30 Jun 2020 $000
Current assets			
Cash and cash equivalents	9	253	408
Trade and other receivables		10,950	12,589
Total current assets		11,203	12,997
Non-current assets			
Plant and equipment		92	131
Right-of-use assets		515	691
Intangible assets		-	30
Total non-current assets		607	852
Total assets		11,810	13,849
Current liabilities			
Trade and other payables		4,494	7,696
Debtor finance facility	10	584	1,187
Lease liabilities		531	586
Provisions		655	897
Total current liabilities		6,264	10,366
Non-current liabilities			
Lease liabilities		197	393
Provisions		213	174
Total non-current liabilities		410	567
Total liabilities		6,674	10,933
Net assets		5,136	2,916
Equity			
Contributed equity	11	83,541	83,541
Reserves		(94)	(95)
Accumulated losses		(78,311)	(80,530)
Total equity		5,136	2,916

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 2020

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current period				
Balance as at 1 July 2020	83,541	(95)	(80,530)	2,916
Profit for the period attributable to the Owners of the Company	-	-	2,219	2,219
Other comprehensive income				
Foreign currency translation differences for foreign operations	-	1	-	1
Total comprehensive income for the period attributable to the Owners of the Company	-	1	2,219	2,220
Balance as at 31 December 2020	83,541	(94)	(78,311)	5,136
Comparative period				
Balance as at 1 July 2019	83,541	(411)	(74,258)	8,872
Loss for the period 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) for the period attributable to the Owners of the Company	-	319	(4,992)	(4,673)
Balance as at 31 December 2019	83,541	(92)	(79,250)	4,199

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 2020

	Note	31 Dec 2020 $000	31 Dec 2019 $000
Cash flows from operating activities			
Receipts from customers		64,229	81,424
Payments to suppliers and employees		(61,590)	(75,528)
Interest received		1	14
Interest and other borrowing costs paid		(128)	(289)
Government grants and subsidies		2,607	-
Goods and services tax paid		(4,420)	(4,987)
Foreign income tax refund		-	43
Net cash from operating activities	14	699	677
Cash flows used in investing activities			
Purchase of plant and equipment		-	(29)
Payment for acquisition of financial assets[1]		-	(34)
Disposal of discontinued operations, net of cash	8(d)	-	(718)
Net cash used in investing activities		-	(781)
Cash flows used in financing activities			
Net repayment of debtor finance facility[2]		(603)	(167)
Payment of lease liabilities		(254)	(610)
Net cash used in financing activities		(857)	(777)
Net decrease in cash		(158)	(881)
Cash and cash equivalents at the beginning of the period		408	1,287
Effect of exchange rates on cash holdings in foreign currencies		3	55
Cash and cash equivalents at the end of the period	9	253	461

1. In the 2020 financial year, management determined to reclassify the net movement in term deposits from an operating cash flow to an investing cash flow. as it more accurately reflected operating and investing cash flows. Therefore, the balances for the comparative period have been restated on the same basis.
2. In the 2020 financial year, management determined to reclassify the net movement in the debtor finance facility from an operating cash flow to a financing cash flow as it more accurately reflected operating and financing cashflows. Therefore, the balances for the comparative period have been restated on the same basis.

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 2020.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 are available upon request from the Company's registered office at Level 2, 55 Wentworth Avenue, Kingston, ACT 2604 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. The condensed consolidated financial statements do not include notes of the type normally included in annual financial statements and should be read in conjunction with the most recent consolidated annual financial statements.

The condensed consolidated financial statements have been prepared under the historical cost convention. 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.

The condensed consolidated financial statements were authorised for issue by the Directors on the 23rd day of February 2021.

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 2020 reflects a profit net of income tax from continuing operations of $2,219k (31 December 2019: loss of $2,497k) and the condensed consolidated statement of cash flows reflects cash inflows from operating activities of $699k (31 December 2019: $677k). As at 31 December 2020 the condensed consolidated statement of financial position reflects net assets of $5,136k (30 June 2020: $2,916k). The movement in net assets since 30 June 2020 comprises the profit net of income tax from continuing operations of $2,219k and a net foreign currency translation gain of $1k in relation to foreign operations.

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.

The Directors have prepared a base case 15-month profit and loss forecast and a 15-month cash flow forecast for the period January 2021 to March 2022 to assist in determining the Group's ability to continue as a going concern. These forecasts are reliant on base case "run rate" assumptions around revenue, contingent labour costs, margin and operating expenses that reflect the trend in the first half of the financial year. The profit and loss forecasts prepared for the going concern assessment are base case forecasts, not growth forecasts, and so do not reflect any anticipated improvements in economic and trading conditions following the impact of COVID-19 in the first half of the financial year, any material revenue increases or customer acquisitions.

Note 2. Statement of Compliance (continued)

Going concern (continued)

On the base case assumptions noted above, the 15-month profit and loss forecast anticipates the Group achieving break-even earnings before interest and tax. Consequently, the Directors expect the Group to maintain positive net assets as at 31 March 2022.

The 15-month cash flow forecast indicates a net decrease in cash from operating activities, however, the Group expects to have sufficient trade receivables 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 cash flow forecasts are revenue and days sales outstanding ("DSO"), which drive profitability and cash flow. 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 customer margin, which is infrequent. The downside sensitivity of each key base case assumption has been examined individually.

The Directors note that a sustained 5% reduction in forecast revenue, during the 15-month period to 31 March 2022 across all revenue streams, would result in a 43.7% increase in the aggregate net cash used in operating activities 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 also note that a sustained 5-day deterioration in forecast DSO, during the 15-month period to 31 March 2022 across all revenue streams, would result in a 170.3% increase in the aggregate net cash used in operating activities 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 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;
- The 15-month profit and loss forecast prepared using base case assumptions does not reflect any revenue growth or operating expense reductions other than those already achieved in the half year to 31 December 2020;
- The sensitivity analysis undertaken on the profit and loss and cash flow forecasts indicates that even with a sustained 5% reduction in forecast revenue or a sustained 5-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 had net assets of $5,136k at 31 December 2020 and, according to the base case profit and loss forecast, is currently expected to maintain positive net assets at 31 March 2022;
- 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 for a further 12 months such that it will now expire on 20 February 2023.

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

- Maintaining revenue and gross profit at the current levels without any material deterioration due to the ongoing economic and trading impact of COVID-19;
- Achieving revenue growth through new customer acquisitions;
- Maintaining cash flows from operating activities at current levels, including the collection and ageing of trade receivables without any material deterioration;

Note 2. Statement of Compliance (continued)

Going concern (continued)

- Achieving further reductions in operating expenses and shared services costs where possible;
- Maintaining the ongoing support of the debtor finance facility lender Scottish Pacific Business Finance;
- Obtaining new debt or equity capital, if required, from other sources including shareholders, should working capital shortfalls arise during the forecast period; and
- Ensuring the majority of the Group's offices, staff and contractors are not impacted by COVID-19 infections, which could materially impact the Group's revenues and/ or operating expenses due to office closures, staff sick leave and/ or contractor lay-offs.

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 from net cash from operating activities and funds from 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 annual financial statements as at and for the year ended 30 June 2020, which are consistent with Australian Accounting Standards and with International Financial Reporting Standards, except for the adoption of AASB 120 Accounting for Government Grants and Disclosure of Government Assistance and 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 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 half year. 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.

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business;
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material;
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework;
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform;
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia; and
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

Note 3. Significant Accounting Policies (continued)

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.

Standards mandatory beyond 31 December 2020	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2022	30 June 2023

Comparatives

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

Government grants

In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, government grants are recognised at their fair value where there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, the Federal Government JobKeeper Payment subsidies received are recognised as “other income” in profit or loss when the eligibility criteria are met and “top-up” wages paid according to the requirements of the scheme. The “top-up” wage payments made in accordance with the scheme are recognised as “employee benefits expense” in profit or loss. Further details are provided in Note 6.

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 the 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 annual financial statements as at and for the year ended 30 June 2020.

Note 4. Critical Accounting Estimates and Judgements (continued)

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, 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 as disclosed in Note 7. Revenue information for continuing operations for the half year ended 31 December 2020 is as follows:

	31 Dec 2020	31 Dec 2019
	$000	$000
Timing of revenue recognition - over time		
Contingent labour Australia and New Zealand	51,642	60,380
On demand information technology services Australia and New Zealand	4,051	5,085
Outsourced recruitment and human resource consulting services Australia	760	1,674
	56,453	67,139
Timing of revenue recognition - at a point in time		
Permanent recruitment Australia	290	862
Total revenue	56,743	68,001

Note 6. Other Income

The Group recognised other income for the half year ended 31 December 2020 as follows:

	31 Dec 2020	31 Dec 2019
	$000	$000
JobKeeper Payment subsidy[1]	2,607	-
Sundry income	15	-
	2,622	-

1. The Company became eligible for the Australian Federal Government JobKeeper Payment subsidy in June 2020 and met the AASB 120 recognition criteria in July 2020. During the half year the Australian Taxation Office paid the Company a total of $2,607k for the JobKeeper Payment subsidy.

Note 7. 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 2020 is as follows:

	Specialist Recruitment		On Demand IT Services		People Services		Corporate[1]		Consolidated	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	51,932	61,242	4,051	5,085	760	1,674	-	-	56,743	68,001
Profit before tax	1,950	1,102	425	126	60	629	2,567	-	5,002	1,857
Less: Corporate overheads									(2,783)	(4,354)
Consolidated profit/ (loss) before tax									2,219	(2,497)

1. Profit before tax reflects the JobKeeper Payment subsidy receipts less payment of "top-up" wages to eligible staff and contractors.

	Australia		New Zealand		Consolidated	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	$000	$000	$000	$000	$000	$000
Revenue	56,138	67,173	605	828	56,743	68,001
Finance income	1	13	-	-	1	13
Total revenue	56,139	67,186	605	828	56,744	68,014
Non-current assets	607	1,413	-	-	607	1,413

Note 8. Disposal of Subsidiaries

There were no discontinued operations in the half year ended 31 December 2020. During the comparative period, the Company's wholly owned Hong Kong subsidiary Lloyd Morgan Limited sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited on 18 November 2019.

(a) Results of discontinued operations

	31 Dec 2020	31 Dec 2019
	$000	$000
Revenue	-	2,032
Employee benefits expense	-	(2,561)
Depreciation and amortisation expense	-	(445)
Occupancy expense	-	(140)
Other expenses	-	(499)
Loss from discontinued operations	-	(1,613)
Finance income	-	1
Finance costs	-	(25)
Loss from discontinued operations before income tax	-	(1,637)
Income tax expense	-	-
Loss from discontinued operations, net of income tax expense	-	(1,637)
Loss on disposal of discontinued operations	-	(858)
Income tax on disposal of discontinued operations	-	-
Loss net of income tax expense	-	(2,495)

Note 8. Disposal of Subsidiaries (continued)

(b) Disposal of discontinued operations

	31 Dec 2020 $000	31 Dec 2019 $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 discontinued operations

	31 Dec 2020 $000	31 Dec 2019 $000
Net cash used in operating activities	-	(123)
Net cash used in investing activities	-	(721)
Net cash used in financing activities	-	(390)
Net decrease in cash for the period	-	(1,234)

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

	31 Dec 2020 $000	31 Dec 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 9. Cash and Cash Equivalents

Cash at bank and on hand

	31 Dec 2020 $000	30 Jun 2020 $000	31 Dec 2019 $000
Cash at bank and on hand	253	408	461

Note 10. Debtor Finance Facility

The Group relies on a secured debtor finance facility with Scottish Pacific Business Finance expiring on 20 February 2023 (the "Facility") to meet its working capital requirements. Under this Facility, the Group draws down funds for working capital and customers make payments directly to the lender to reduce the Facility draw down. This results in cash inflows and outflows that are treated as financing cash flows. The Facility is secured by a fixed and floating charge over the Company's assets.

The maximum Facility amount is the lower of 85% of approved trade receivables or $15,000k and is subject to certain drawdown and reporting conditions. At the reporting date the total available Facility was $5,467k (30 June 2020: $5,785k) and the applicable interest rate was 6.67% (30 June 2020: 6.74%).

	31 Dec 2020 $000	30 Jun 2020 $000	31 Dec 2019 $000
Available debtor finance facility	5,467	5,785	8,043
Undrawn debtor finance facility	(4,883)	(4,598)	(2,412)
Amount drawn down	584	1,187	5,631

Note 11. Contributed Equity

	31 Dec 2020 $000	30 Jun 2020 $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 12. Dividends

On 23 February 2021, the Directors resolved not to declare an interim dividend for the half year ended 31 December 2020. No interim dividend was paid in the comparative period.

Note 13. Subsidiaries

The condensed consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities. The Company does not have any holdings in associates or joint ventures.

				Equity Holding %	
Subsidiary	Principal Activity	Country of Incorporation	Class of Shares	31 Dec 2020	31 Dec 2019
Ignite New Zealand Holdings Limited	Holding	New Zealand	Ordinary	100	100
Ignite IT Services Limited	Operating	New Zealand	Ordinary	100	100

During the half year ended 31 December 2020 the Company's wholly owned non-operating Hong Kong subsidiary Lloyd Morgan Limited was deregistered.

Note 14. Cash Flow Information

Reconciliation of profit/ (loss) from ordinary activities after income tax to cash flows from operating activities

	31 Dec 2020 $000	31 Dec 2019[2] $000
Profit/ (loss) from ordinary activities after income tax	2,219	(4,992)
Adjustments for:		
Depreciation and amortisation expense	244	905
Loss on disposal of discontinued operations	-	858
Net exchange differences	4	9
Changes in assets and liabilities:		
Decrease in trade and other receivables[1]	1,635	4,236
Decrease in trade and other payables	(3,199)	(229)
(Decrease)/ increase in provisions	(204)	28
Decrease in other liabilities	-	(138)
Net cash from operating activities	699	677

1. In the 2020 financial year, management determined to reclassify the net movement in term deposits from an operating cash flow to an investing cash flow as it more accurately reflected operating and investing cashflows. Therefore, the balances for the comparative period have been restated on the same basis.
2. In the 2020 financial year, management determined to reclassify the net movement in the debtor finance facility from an operating cash flow to a financing cash flow as it more accurately reflected operating and financing cashflows. Therefore, the balances for the comparative period have been restated on the same basis.

Note 15. Contingent Liabilities

Given the nature of its contingent labour business, the Group has a large number of casual employees at any point in time. The Federal Court decision in WorkPac Pty Ltd v Rossato [2020] FCAFC 84 provided a further interpretation around how a court of law may characterise and define a casual employee. Specifically, the decision pointed to circumstances where there was a firm advance commitment from the employer and, as a result, the casual employee had an expectation of continuing and indefinite employment and accruing benefits associated with permanent employment.

The Group has undertaken a review of its business, contracts and casual employees and determined that the implications of this decision cannot be measured with sufficient reliability at this juncture. The Group's casual employees are engaged with no long-term commitment and, therefore, should have no expectation of continuing and indefinite employment. However, given the nature of the decision and the large number of casuals employed by the Group, it is possible that an obligation may arise in the future should casual employees and a court of law take a different interpretation of the facts specific to the Group.

The Group has no other material contingent liabilities to disclose at the reporting date (31 December 2019: Nil).

Note 16. Events Subsequent to the Reporting Date

The COVID-19 pandemic continues to impact the Australian and New Zealand economies and trading conditions for the Group, however, as at the date of this report there has been no significant change in the Group's financial performance subsequent to the reporting date.

Subsequent to the end of the reporting period the Group successfully extended its debtor finance facility with Scottish Pacific Business Finance for a further twelve months such that it will now expire on 20 February 2023.

The Directors also appointed a new Chief Executive Officer subsequent to the end of the reporting period. Mr Tim Moran, who was most recently the Asia-Pacific Regional Director for SThree, will commence with the Group in early March 2021.

Note 16. Events Subsequent to the Reporting Date (continued)

No other matters or circumstances have arisen since the end of the half year that 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 7 to 21 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 2020 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 Directors made pursuant to s.303(5) of the Corporations Act 2001.

Garry Sladden
Executive Chairman

Dated at Sydney this 23rd day of February 2021.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF IGNITE LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Ignite Limited (the consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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.

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 2020, 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.

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 matters described in Note 2 indicate a 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.

Emphasis of Matter Relating to Contingent Liabilities

We draw attention to Note 15 to the financial report, where the Group has disclosed a contingent liability at 31 December 2020 as a result of a recent court decision which provided further interpretation regarding the definition of a casual employee. 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.

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

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 2020 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

PKF

P. Pearman

PAUL PEARMAN
PARTNER

23 FEBRUARY 2021
SYDNEY, NSW

2021
HALF YEAR REPORT

ignite