

2021
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
30 JUNE 2021

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

43 002 724 334

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		33,360	125,067
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(26,894)	(105,157)
(c) advertising and marketing		(110)	(267)
(d) leased assets		(159)	(682)
(e) staff costs		(2,360)	(9,704)
(f) administration and corporate costs		(465)	(2,744)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	1
1.5 Interest and other costs of finance paid		(46)	(217)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	2,607
1.8 Other (GST)		(2,171)	(8,234)
1.9 Net cash from operating activities		1,155	670
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(4)	(4)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
2.6	Net cash used in investing activities	(4)	(4)
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	(1,063)	(404)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(89)	(586)
3.10	Net cash used in financing activities	(1,152)	(990)
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	87	408
4.2	Net cash from operating activities (item 1.9 above)	1,155	670
4.3	Net cash used in investing activities (item 2.6 above)	(4)	(4)
4.4	Net used in from financing activities (item 3.10 above)	(1,152)	(990)
4.5	Effect of movement in exchange rates on cash held	1	3
4.6	Cash and cash equivalents at the end of the period	87	87

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	87	87
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)	87	87

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 ¹	230
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		
^{1.} These amounts comprise the total fees paid to directors of the Company during the quarter including fees to the Non-Executive Chairman Garry Sladden. Mr Sladden acted as the Executive Chairman of the Company from 23 January 2019 until the appointment of Tim Moran as Chief Executive Officer on 8 March 2021. During the period Mr Sladden acted as Executive Chairman, Jennifer Elliott, Chairman of the Board Audit, Risk and Compliance Committee, chaired the meetings of directors.		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (debtor finance facility)	5,859	783
7.4	Total financing facilities	5,859	783
7.5	Unused financing facilities available at quarter end		5,076
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 ScotPac Business Finance expiring on 20 February 2023 (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 30 June 2021, the applicable interest rate was 6.66%.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from operating activities (item 1.9)	1,155
8.2	Cash and cash equivalents at quarter end (item 4.6)	87
8.3	Unused finance facilities available at quarter end (item 7.5)	5,076
8.4	Total available funding (item 8.2 + item 8.3)	5,163
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	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: 30 July 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.

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 30 June 2021.

FINANCIAL SUMMARY

The quarter ended 30 June 2021 reflected the following:

- Revenues of \$29,710k decreased 6% against the comparative quarter in the 2020 financial year (“FY20”);
- Gross profit of \$3,769k increased 5% against the comparative quarter in FY20, with the increase relative to the revenue decrease due to the mix with higher contribution from high margin permanent placement revenue;
- Gross profit margin was 12.69%, up from 11.36% for the comparative quarter in FY20, with the increase due to the higher proportion of permanent placement revenue in the June quarter;
- Cash receipts from customers were \$33,360k and payments for contingent labour were \$26,894k;
- Cash payments for staff costs were \$2,360k; and
- Net cash from operating activities for the quarter was \$1,155k.

FINANCIAL UPDATE

Revenue

During the quarter ended 30 June 2021 the Company generated revenues of \$29,710k, a decrease of 6% against the comparative quarter in FY20.

Most of the June quarter saw easing of COVID-19 related health and safety restrictions for the Company, its staff, contractors and many of its customers. The majority of staff and contractors in Australia and New Zealand began to return to their offices and workplaces on at least a part-time basis.

The Company’s gross profit for the June quarter of \$3,769k, increased 5% against the \$3,594k for the comparative quarter in FY20. The increase in gross profit relative to the revenue decrease was due to the mix with a higher contribution from high margin permanent placement revenue.

Expenditure

Contingent labour costs of \$25,940k for the June quarter decreased 8% against the comparative quarter in FY20, marginally exceeding the decrease in revenue.

The activities undertaken in FY20 and in the first half of the 2021 financial year (“FY21”) to reduce fixed infrastructure costs in labour and property continue to have a positive financial impact.

The operating cost benefit of the reduction in Australian headcount in FY20 continued to be reflected in the 5% reduction in staff and related costs during the June quarter against the comparative quarter in FY20. During the June quarter total headcount remained unchanged from the previous quarter.

The June quarter saw other operating costs decrease 25% against the comparative quarter in FY20 reflecting the financial benefits that continue to flow from relocating or closing offices in FY20.

Cashflows

Cash and cash equivalents at 30 June 2021 were \$87k, down from \$408k at 30 June 2020. The net cash position for the June quarter remained unchanged from the prior quarter, with net cash from operating activities of \$1,155k largely offset by net cash used in financing activities of \$1,152k.

Cash receipts from customers were \$33,360k for the June quarter, up 21% on the March quarter, while cash payments for contingent labour were \$26,894k, up 15% on the March quarter. Cash receipts decreased 13% and cash payments decreased 3% on the comparative quarter in FY20, due to the higher proportion of cash receipts in FY20 related to permanent placement revenue.

Cash payments for staff costs in the June quarter were \$2,360k, a 6% increase on the \$2,229k in the March quarter due to bonus payments.

Cash payments for administration and corporate costs in the June quarter were \$465k, a 57% decrease on the March quarter which included the payment of annual insurance premiums and executive search fees related to the appointment of a new Chief Executive Officer.

OPERATIONAL UPDATE

Specialist Recruitment

During the June quarter the Specialist Recruitment business contributed a profit of \$1,567k, up 28% on the \$1,224k profit in the comparative quarter in FY20, reflecting a 1% increase in salary costs and a 53% reduction in other operating costs, while gross profit increased 8%. Active contractors at 30 June 2021 were 735 versus 730 at 31 March 2021 and 705 at 30 June 2020.

The reduction in other operating costs arose from the closure of the Brisbane office and the relocation of the Melbourne, Western Sydney and Sydney CBD offices in FY20 and the closure of the Southern Sydney office in early FY21. The gross profit increase comprised a 7% decrease in contingent labour offset by a 111% increase in permanent placement revenue against the comparative quarter in FY20.

The profit for the June quarter increased 43% on the March quarter due to a 11% increase in contingent labour as well as a 13% increase in permanent placement revenue, offset by a 4% increase in salary and other operating costs.

Specialist Recruitment headcount increased by a net 5% during the June quarter.

The NSW business achieved a profit in the June quarter, up 2,279% on the profit in the comparative quarter in FY20. Meanwhile, the Victorian business, consisting of a small team, delivered a loss in the June quarter, down 111% on the profit in the comparative quarter in FY20. The ACT business continued to perform ahead of expectations contributing a profit for the June quarter, up a modest 6% on the comparative quarter in FY20, reflecting the continued growth and strong demand from its predominantly Federal Government customers. All business units experienced stronger customer demand for contingent labour in the June quarter versus the March quarter as economic and trading conditions improved.

On Demand IT Services

The On Demand IT Services business achieved a profit increase of 793% on the comparative quarter in FY20 which delivered a small loss. This result reflected a 41% increase in gross profit, as well as a 32% decrease in salary and other operating costs against the comparative quarter in FY20. The profit for the June quarter decreased 6% on the March quarter due to a slight increase in salary and other operating costs.

People Services

The People Services business recorded a loss, reflecting a 115% deterioration against the comparative quarter in FY20, with the result an 82% improvement against the March quarter loss. These unfavourable movements reflect the generally lower volume of work and several ongoing project delays due to COVID-19.

Shared Services

Net corporate overheads decreased 5% against the comparative quarter in FY20, with salary costs remaining flat and a 12% reduction in other operating costs, primarily facilities expenses. The June quarter net corporate overheads increased 17% on the March quarter reflecting an 18% increase in salary costs and a 16% increase in other operating costs. The increase in salary costs was due to bonus payments during the period.

DEBTOR FINANCE FACILITY

The Company relies on a secured debtor finance facility provided by ScotPac Business Finance expiring on 20 February 2023 (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 at 30 June 2021 was \$5,859k, with the amount drawn down \$783k (13%) and the applicable interest rate 6.66%.

OUTLOOK FOR THE FIRST QUARTER 2022

Company sentiment was upbeat in the June quarter following the appointment of an experienced and credentialed Chief Executive Officer in March and further senior appointments at the end of FY21. External factors including a positive Federal Government budget in May 2021 and stronger customer demand for contingent labour in the June quarter led to the development of a FY22 investment budget for the Company.

Mid-June 2021 to the end of July 2021 saw a resurgence in COVID-19 cases. Consequently, State Governments issued COVID-19 related public health orders requiring the Company to instruct its staff and contractors in New South Wales and Victoria to once again work remotely where feasible. It is clearly too early to know the extent of the impact on the Company's revenues and gross profit in the September quarter from these restrictions. Federal and State Government public health orders and guidelines continue to be monitored and adhered to, thus ensuring the safety and well-being of all staff and contractors.

In the Specialist Recruitment division, customer demand for contingent labour in the June quarter was above the March quarter. This trend is expected to be maintained in the September quarter across the Company's Federal Government customer base in the IT & Digital vertical. However, the Company's Business Support and Information Management verticals are expected to be directly impacted by the imposition of remote working and office closures and the resulting reduced demand for contingent labour. While permanent recruitment is still not at pre-COVID-19 levels, there was an increase in permanent recruitment volume during the June quarter, however, this is now also expected to be tempered during the September quarter.

The On Demand IT Services division is undertaking a replacement of its legacy customer and project management systems during the September quarter. The division is expected to be impacted during the September quarter by COVID-19 related public health orders, with the imposition of remote working and office closures across a number of states preventing or delaying customer onsite work and projects.

A new Executive General Manager has been appointed to lead the People Services division from August 2021, with a focus on driving significant investment and revenue growth in FY22.

With the commencement of the new financial year the key areas of focus for the September quarter are to:

- Finalise the 3-year strategic plan;
- Continue to focus on increasing active contractor numbers across ACT Specialist Recruitment and its predominantly Federal Government customers to drive gross profit growth;
- Ensure resources are properly allocated towards markets least impacted by COVID-19 and ensure business continuity plans support a remote workforce;
- Continue to attract and engage high-quality recruitment consultants and business leaders in key markets, with a particular focus on IT & Digital; and
- Finalise the national service offering to support current Federal and State Government customers cementing the Company's position as a leading government staffing specialist.

The Company has now traded through the first full financial year impacted by COVID-19 experiencing a revenue decline of 10% and a gross profit decline of 12% while increasing active contractors 4%. During this 12-month period the core contingent labour business was impacted to a proportionately lesser extent than the permanent recruitment and People Services businesses.

Despite the ongoing impact of COVID-19 and subject to the uncertainty around the medium-term trading environment and economic impact of the current restrictions, the Directors and management continue to remain confident about the prospects for FY22 and are optimistic that the positive momentum from the FY21 June quarter can be maintained over the full FY22 year.