

2022
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
31 MARCH 2022

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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28,863	95,289
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(24,232)	(79,523)
(c) advertising and marketing	(109)	(355)
(d) leased assets	(167)	(492)
(e) staff costs	(2,631)	(7,354)
(f) administration and corporate costs	(1,169)	(2,274)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(44)	(119)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	(1,872)	(6,110)
1.9 Net cash used in operating activities	(1,361)	(938)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(5)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 (reclassification of system implementation costs)	-	-
2.6	Net cash used in investing activities	(1)	(5)
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	1,490	1,415
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(101)	(298)
3.10	Net cash from financing activities	1,389	1,117
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	230	87
4.2	Net cash used in operating activities (item 1.9 above)	(1,361)	(938)
4.3	Net cash used in investing activities (item 2.6 above)	(1)	(5)
4.4	Net cash from financing activities (item 3.10 above)	1,389	1,117
4.5	Effect of movement in exchange rates on cash held	(5)	(9)
4.6	Cash and cash equivalents at the end of the period	252	252

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	252	230
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)	252	230

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	54
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.	

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (debtor finance facility)	6,155	2,198
7.4 Total financing facilities	6,155	2,198
7.5 Unused financing facilities available at quarter end		3,957
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 2025 (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 March 2022 the applicable interest rate was 6.06%.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (item 1.9)	(1,361)
8.2 Cash and cash equivalents at quarter end (item 4.6)	252
8.3 Unused finance facilities available at quarter end (item 7.5)	3,957
8.4 Total available funding (item 8.2 + item 8.3)	4,209
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.09
<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: 28 April 2022

Authorised by: By the Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Quarterly Activity Report for Entities Subject to Listing Rule 4.7C

Ignite Limited (ASX: IGN) (the “Company”) presents its unaudited Quarterly Activity Report for the quarter ended 31 March 2022.

FINANCIAL SUMMARY

The quarter ended 31 March 2022 reflected the following:

- Revenues of \$27,807k increased 1% against the comparative quarter in the 2021 financial year (“FY21”);
- Gross profit of \$3,507k increased 10% against the comparative quarter in FY21, with the larger increase relative to the revenue increase due to the higher gross profit contribution from high margin permanent placements;
- Gross profit margin was 12.61%, up from 11.65% for the comparative quarter in FY21, due to the increase in the gross profit contribution from permanent placements;
- Cash receipts from customers were \$28,863k and payments for contingent labour were \$24,232k;
- Cash payments for staff costs were \$2,631k; and
- Net cash used in operating activities for the quarter was \$1,361k.

FINANCIAL UPDATE

Revenue

During the quarter ended 31 March 2022 the Company generated revenues of \$27,807k, an increase of 1% against the comparative quarter in FY21.

The Company’s business operations continued to be impacted by COVID-19 to different degrees during the quarter, with varying public health orders in place across States and Territories.

The Company’s gross profit for the March 2022 quarter of \$3,507k, increased 10% against the comparative quarter in FY21. The larger increase in gross profit relative to the revenue increase was due to the higher gross profit contribution from high margin permanent placements.

Across all divisions, active contractors as at 31 March 2022 were 826 versus 882 as at 31 December 2021 and 889 as at 31 March 2021.

Expenditure

Contingent labour costs of \$24,300k for the March 2022 quarter were in line with the comparative quarter in FY21.

During the March 2022 quarter, total employee headcount increased by one versus the previous quarter and seven versus the comparative quarter in FY21 (a 10% increase in total headcount). Salary and oncosts increased 9% against the comparative quarter in FY21, primarily due to the hiring of several business leaders and recruitment consultants as well as the establishment and staffing of the national resource centre.

The March 2022 quarter saw a 34% increase in other operating costs relative to the comparative quarter in FY21. This increase arose mainly from increased marketing and advertising expenditure and the one-time costs associated with planned projects to implement two software as a service (“SaaS”) platforms. These SaaS platforms are replacing the legacy financial system and the legacy customer and contractor management system supporting the On Demand IT Services division. There were also increases in underlying annual insurance premiums and advertising costs which will continue to be reflected in subsequent quarters.

Cashflows

Cash and cash equivalents as at 31 March 2022 were \$252k, largely in line with the \$230k as at 31 December 2021 and up from \$87k as at 31 March 2021. The net cash position for the March 2022 quarter increased by \$22k from the prior quarter, with net cash used in operating activities of \$1,361k and net cash used in investing activities of \$1k marginally exceeded in total by the cash received from financing activities of \$1,389k.

Cash receipts from customers were \$28,863k for the March 2022 quarter, down 12% on the December 2021 quarter (\$32,980k), while cash payments for contingent labour were \$24,232k, down 14% on the December 2021 quarter (\$28,108k). This cyclical trend is due to a combination of slower cash receipts from customers and lower customer billings as well as lower contractor pays flowing from reduced contractor hours worked in the first month of the quarter. Many customer offices close during the Christmas/New Year period and contractors also use the opportunity to take leave during that period. Cash receipts increased 5% while cash payments increased 3% on the comparative quarter in FY21.

Cash payments for staff costs in the March 2022 quarter were \$2,631k, a 5% decrease on the \$2,766k in the December 2021 quarter. The December 2021 quarter included additional payments in October 2021 related to FY21 commissions and short-term incentives and Queensland payroll tax relating to May, June and September 2020, deferred by the State Government due to COVID-19. Conversely, the March 2022 quarter included higher salary and oncosts associated with headcount increases as well as the payment of New South Wales payroll tax in January 2022 relating to the period from June to November 2020, also deferred by the State Government due to COVID-19.

Cash payments for administration and corporate costs in the March 2022 quarter were \$1,169k, a 111% increase on the December 2021 quarter, largely due to the payment of annual insurance premiums and other annual subscriptions.

OPERATIONAL UPDATE

Specialist Recruitment

During the March 2022 quarter the Specialist Recruitment business contributed a gross profit increase of 9% against the prior comparative period. Meanwhile, salary and on costs decreased 12% due to lower headcount, while other operating costs increased by 12% due to increased marketing and advertising expenditure.

The gross profit increase comprised a 68% increase in permanent placement revenue and a 1% increase in contingent labour gross profit against the comparative quarter in FY21 with customers opting to engage candidates on a permanent rather than contingent basis. The Federal Government business continues its robust performance while the Engineering vertical also continues to deliver a strong result this financial year.

The gross profit for the March 2022 quarter increased 7% on the December 2021 quarter due to a 41% increase in permanent placement revenue and a 1% increase in contingent labour gross profit.

The NSW and Victorian businesses delivered 8% and 4% improvements in gross profit, respectively versus the comparative quarter in FY21 due to stronger permanent placement revenue. The ACT business delivered a 10% improvement on the comparative quarter in FY21, driven by increases in both contingent labour and permanent placements. In the March 2022 quarter, the gross profit results for the three states improved against the December 2021 quarter lead by gains in permanent placement revenue, while the ACT also experienced an improvement in its contingent labour gross profit.

As at 31 March 2022 active contractors were 701 versus 750 as at 31 December 2021 and 732 as at 31 March 2021.

On Demand IT Services

The On Demand IT Services gross profit was in line with the comparative quarter in FY21. Meanwhile other operating costs increased significantly due to the costs associated with the project to implement a SaaS platform to replace the legacy customer and contractor management system. The March 2022 quarter gross profit increased 6% against the December 2021 quarter while other operating costs increased 48% due to the SaaS implementation costs. The business is slowly recovering from the operational impact of the COVID-19 lockdowns in NSW and Victoria in the first half of the 2022 financial year ("FY22").

Talent Solutions

For the March 2022 quarter Talent Solutions recorded a 69% improvement in gross profit against the comparative quarter in FY21, versus a 39% decrease in gross profit compared with the December 2021 quarter. The decrease relative to the prior quarter is the result of the completion of several projects commenced in the first half of FY22.

Shared Services

Net corporate overheads increased 20% against the comparative quarter in FY21, with salary and on costs increasing 16% and other operating costs increasing 27%. Salary and on costs increased largely due to the establishment of the national resource centre and the addition of staff as well as the timing of employee entitlements. The increase in other operating costs was mainly due to the project to implement a SaaS platform to replace the legacy financial system, as well as increases in annual insurance premiums. Interest expense on the debtor finance facility increased 25% against the comparative quarter in FY21 due to a slight deterioration in the debtors ageing and an increase in the total facility drawn down versus the December 2021 quarter. This was due to the timing of working capital early in the quarter flowing from the combination of slower cash receipts from customers and lower client billings due to the reduced contractor hours worked in the first month of the quarter.

The March 2022 quarter net corporate overheads increased 12% against the December 2021 quarter. This reflected a 10% increase in salary and oncosts due to the national resource centre staff as well as the timing of employee entitlements. In addition, there was a 13% increase in other operating costs due to the implementation of the SaaS platform and underlying increases in annual insurance premiums.

PAYMENTS TO RELATED PARTIES OF THE ENTITY AND THEIR ASSOCIATES

Payments to related parties of the Company and their associates during the March 2022 quarter totalled \$54k, comprising the fees paid to the Directors of the Company.

DEBTOR FINANCE FACILITY

The Company relies on a secured debtor finance facility provided by ScotPac Business Finance expiring on 20 February 2025 ("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 March 2022 was \$6,155k and the applicable interest rate was 6.06%.

OUTLOOK FOR THE FOURTH QUARTER 2022

In the Specialist Recruitment division, customer demand for contingent labour is expected to continue at current levels during the June 2022 quarter across the Company's commercial customers and in particular, the Engineering vertical, which has delivered a consistent performance in the first nine months of FY22. Demand from the Company's Federal Government customer base in the IT vertical is expected to be slower due to the Federal Government election in May 2022.

Permanent placement volume, which is proportionately a small contributor to gross profit, has been strong in the March 2022 quarter and this momentum is expected to be maintained through the June 2022 quarter as businesses look to invest in resources for the 2023 financial year ("FY23").

The Specialist Recruitment division continues to actively source business leaders and recruitment consultants to join the business, with a focus on bolstering resources within the IT vertical across all geographic markets, to ensure adequate resources are available to capitalise on the long-term market opportunity.

The On Demand IT Services division is expected to finalise the replacement of its legacy customer and contractor management system during the June 2022 quarter. While the division's business operations were impacted by COVID-19 related public health orders and customer site closures in the first half of FY22, it is expected to deliver a better performance in the June 2022 quarter.

Talent Solutions has built out the skills and capabilities of the team with several new appointments during the quarter and is now focused on pursuing new project opportunities with existing and new customers. With a Federal Government election scheduled in May 2022, the division will likely experience slower customer demand during the June 2022 quarter.

The key areas of focus for the June 2022 quarter are to:

- Continue to increase active contractor numbers across the ACT, NSW and Victorian Specialist Recruitment businesses to drive gross profit growth;
- Continue to drive permanent recruitment placements, in particular across NSW and Victoria, where the market is buoyant;
- Continue to attract and engage high-quality business leaders and recruitment consultants in key geographic markets, with a particular focus on the IT vertical; and
- Continue to invest in the national resource centre which will focus on developing candidate talent pools to support recruitment consultants in meeting customer demand.

High community vaccination rates and declining COVID-19 infection rates saw the relaxation of public health orders and restrictions by most States and Territories towards the end of the March 2022 quarter and the beginning of the June 2022 quarter. Customer demand for permanent and contingent labour resources is currently strong across all geographic markets and business verticals, however, there is also a shortage of qualified candidates and contractors available, highlighting the important role the Company's recruitment consultants play.

Given the Company's investment in developing a national resource centre and its ongoing focus on attracting and retaining high quality talent, the Directors and management are optimistic the year to date momentum can be maintained in the June 2022 quarter and into FY23.