2022
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
30 JUNE 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	**Quarter ended ("current quarter")**
43 002 724 334	30 June 2022

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		32,089	127,378
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(25,615)	(105,138)
	(c)	advertising and marketing	(172)	(527)
	(d)	leased assets	(165)	(657)
	(e)	staff costs	(2,716)	(10,070)
	(f)	administration and corporate costs	(1,053)	(3,327)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	-
1.5	Interest and other costs of finance paid		(67)	(186)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (GST)		(2,142)	(8,252)
1.9	**Net cash from/ (used in) operating activities**		**159**	**(779)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment	(53)	(58)
	(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 (reclassification of system implementation costs)	-	-
2.6	**Net cash used in investing activities**	**(53)**	**(58)**

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	122	1,537
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)	(100)	(398)
3.10	**Net cash from financing activities**	**22**	**1,139**

4.	**Net increase/ (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at the beginning of the period	252	87
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	159	(779)
4.3	Net cash used in investing activities (item 2.6 above)	(53)	(58)
4.4	Net cash from financing activities (item 3.10 above)	22	1,139
4.5	Effect of movement in exchange rates on cash held	(13)	(22)
4.6	**Cash and cash equivalents at the end of the period**	**367**	**367**

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	367	252
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)**	**367**	**252**

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]	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

1. These amounts comprise the total fees paid to Directors of the Company during the quarter.

7.	**Financing facilities** *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.*	**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)	5,731	2,320
7.4	**Total financing facilities**	**5,731**	**2,320**
7.5	**Unused financing facilities available at quarter end**		**3,411**
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 30 June 2022 the applicable interest rate was 6.66% p.a.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from operating activities (item 1.9)	159
8.2	Cash and cash equivalents at quarter end (item 4.6)	367
8.3	Unused finance facilities available at quarter end (item 7.5)	3,411
8.4	Total available funding (item 8.2 + item 8.3)	3,778
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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.

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

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.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 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 30 June 2022.

FINANCIAL SUMMARY

The quarter ended 30 June 2022 reflected the following:

- Revenue of $28,494k decreased 4% against the comparative quarter in the 2021 financial year ("FY21");
- Gross profit of $3,824k increased 1% against the comparative quarter in FY21, with the increase relative to the revenue decrease due to the higher gross profit contribution from high margin permanent placements and managed services versus contingent labour;
- Gross profit margin was 13.46%, up from 12.74% for the comparative quarter in FY21, due to the increase in the gross profit contribution from permanent placements and managed services versus contingent labour;
- Cash receipts from customers were $32,089k and payments for contingent labour were $25,615k;
- Cash payments for staff costs were $2,716k; and
- Net cash from operating activities for the quarter was $159k.

FINANCIAL UPDATE

Revenue

During the quarter ended 30 June 2022 the Company generated revenue of $28,494k, a decrease of 4% against the comparative quarter in FY21.

The Company's gross profit for the June 2022 quarter was $3,824k, an increase of 1% against the comparative quarter in FY21. The increase in gross profit relative to the revenue decrease was due to the higher gross profit contribution from high margin permanent placements and managed services versus contingent labour. Comparatively, the June 2021 quarter delivered the second strongest quarterly operating gross profit result in the FY21 year.

The Company's business operations continued to be impacted by COVID-19 during the quarter, though with lesser intensity than in the previous three quarters. Despite this, within the Specialist Recruitment division the Federal Government business maintained its performance albeit tempered by the Federal Government election. In addition, the On Demand IT Services business and the Technology & Talent Solutions business, both had strong double-digit gross profit growth against the comparative quarter in FY21.

Across all divisions, active contractors as at 30 June 2022 were 843 versus 826 as at 31 March 2022 and 906 as at 30 June 2021.

Expenditure

Contingent labour costs were $24,670k for the June 2022 quarter, a decrease of 5% against the comparative quarter in FY21.

During the June 2022 quarter, total employee headcount increased by ten versus the comparative quarter in FY21 (a 15% increase in total headcount) and three versus the prior quarter. Salary and oncosts decreased 7% against the comparative quarter in FY21, primarily due to the writeback of incentive provisions exceeding the incentives earned during the 2022 financial year ("FY22").

The June 2022 quarter saw a 25% 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. Other operating costs also included increases in underlying annual insurance premiums, which will continue to be reflected in subsequent quarters, and the loss on the disposal of the leasehold asset related to the Melbourne office premises.

Cashflows

Cash and cash equivalents as at 30 June 2022 were $367k, up 322% from $87k as at 30 June 2021. The net cash position for the June 2022 quarter increased 46% ($115k) from the prior quarter, with net cash from operating activities of $159k and cash received from financing activities of $22k exceeding net cash used in investing activities of $53k.

Cash receipts from customers were $32,089k for the June 2022 quarter, up 11% on the prior quarter ($28,863k), while cash payments for contingent labour were $25,615k, up 6% on the prior quarter ($24,232k). This cyclical trend is due to lower cash receipts from customers and lower customer billings flowing from reduced contractor hours worked in the first month of the prior quarter. Cash receipts decreased 4% while cash payments decreased 5% on the comparative quarter in FY21.

Cash payments for staff costs in the June 2022 quarter were $2,716k, a 3% increase on the $2,631k in the prior quarter. The June 2022 quarter included additional payments related to redundancy costs from the restructure of the On Demand IT Services division as well as higher salary costs due to additional headcount in the National Resource Centre. The prior quarter included payment of NSW payroll tax relating to the period June 2020 to November 2020, previously deferred by the State government due to COVID-19.

Cash payments for administration and corporate costs in the June 2022 quarter were $1,053k, a 10% decrease on the prior quarter, which included the payment of annual insurance premiums and other annual subscriptions.

OPERATIONAL UPDATE

Specialist Recruitment

During the June 2022 quarter the Specialist Recruitment business contributed a gross profit decrease of 5% against the comparative quarter in FY21. Meanwhile, salary and on costs decreased 6% due to lower headcount, while other operating costs increased 9% due to increased marketing and advertising expenditure and the loss on the disposal of the leasehold asset related to the Melbourne office premises.

The gross profit decrease reflected a 45% increase in permanent placement revenue and a 4% decrease 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 maintained its robust performance albeit tempered by the Federal Government election, while the Engineering vertical also delivered another strong result. Although the ACT, NSW and Victorian businesses achieved stronger permanent placement revenue versus the comparative quarter in FY21, overall, they delivered a decrease in gross profit due to a drop in the contingent labour gross profit contribution in Victoria.

Gross profit for the June 2022 quarter increased 4% on the prior quarter, with a 3% decrease in permanent placement revenue offset by a 5% increase in contingent labour gross profit. The gross profit result for the ACT improved 2% against the prior quarter, with gains in contingent labour gross profit, partially offset by a decrease in permanent placement revenue. NSW experienced an 8% improvement in gross profit on the prior quarter, with increases in both contingent labour gross profit and permanent placement revenue. Meanwhile, the Victorian business was down on both contingent labour gross profit and permanent placement revenue in the June 2022 quarter versus the prior quarter.

As at 30 June 2022 active contractors were 695 versus 701 as at 31 March 2022 and 735 as at 30 June 2021.

On Demand IT Services

The On Demand IT Services gross profit improved by 28% against the comparative quarter in FY21, reflecting the post COVID-19 lockdown recovery in NSW and Victoria. Salary and on costs increased 23% against the comparative quarter in FY21 with the inclusion of redundancy costs following the divisional restructure. Meanwhile, other operating costs increased significantly due to the one-time costs associated with the project to implement a SaaS platform to replace the legacy customer and contractor management system. The June 2022 quarter gross profit increased 27% against the prior quarter while other operating costs decreased 37% due to relatively higher SaaS implementation costs in the prior quarter.

Technology & Talent Solutions

At the end of the June 2022 quarter, Talent Solutions underwent a rebrand to “Technology & Talent Solutions” to better reflect the focus of its services. The division recorded an 80% improvement in gross profit against the comparative quarter in FY21. Salary and on costs increased against the comparative quarter in FY21 with the expansion and improvement in the delivery capability of the team, while other operating costs remained flat. Gross profit increased 87% against the prior quarter with the expansion of current commercial customer projects and the commencement of new projects with various government departments.

Shared Services

Net corporate overheads decreased 9% against the comparative quarter in FY21, with salary and on costs decreasing 30% and other operating costs increasing 24%. Salary and on costs decreased largely due the writeback of incentive provisions exceeding the incentives earned during FY21. The increase in other operating costs was mainly due to the one-time costs associated with 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 48% against the comparative quarter in FY21 due to the combination of an increase in the total facility drawn down and increases in the official cash rate pushing up the debtor finance facility borrowing rate.

The June 2022 quarter net corporate overheads decreased 11% against the prior quarter. This decrease reflected a 29% decrease in salary and oncosts due to the writeback of incentive provisions exceeding the incentives earned during FY21. Offsetting the decrease in salary and oncosts was a 14% 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 comprised the fees paid to the Directors of the Company, which totalled $72k during the June 2022 quarter.

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 30 June 2022 was $5,731k and the applicable interest rate was 6.66% p.a.

OUTLOOK FOR THE FIRST QUARTER 2023

In the Specialist Recruitment division, customer demand for contingent labour is expected to strengthen from current levels during the September 2022 quarter across the Company’s government and commercial customers. In particular, demand from the Company’s Federal Government customer base in the IT vertical is expected to rebound after a slower June 2022 quarter due to the Federal Government election. Meanwhile, the Engineering vertical which delivered a strong result in FY22 is expected to maintain this performance.

Permanent placement volume, which is proportionately a small contributor to gross profit, experienced quarter-on-quarter growth throughout FY22. This trend is expected to be maintained in the September 2022 quarter as businesses continue to invest in resources for the 2023 financial year (“FY23”) and beyond.

The Specialist Recruitment division continues to actively source business leaders and recruitment consultants to join the business 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 July 2022. The divisional restructure in the June 2022 quarter which achieved lower fixed operating costs, together with the post COVID-19 lockdown recovery in NSW and Victoria, should drive a stronger financial performance in the September 2022 quarter.

Following the rebrand, Technology & Talent Solutions continues to focus on building out its pipeline of new projects with existing and new customers across several service lines and revenue streams.

The key areas of focus for the September 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 placement recruitment, in particular across NSW and Victoria, where the market remains buoyant;
- Drive the managed services business, comprising On Demand IT Services and Technology & Talent Solutions, to grow the pipeline of projects, improve the conversion rate and grow the gross profit contribution; and
- Continue to drive overall profitability while reducing corporate overheads.

Customer demand for contingent labour and permanent resources is currently strong across all geographic markets and functional verticals. Furthermore, with the June 2022 seasonally adjusted unemployment rate at 3.5%, reduced Australian immigration, and the June 2022 annual consumer price index at 6.1%, there is a combination of a shortage of qualified candidates and contractors and upward pressure on salaries and wages. These factors highlight the important role the Company’s recruitment consultants play and should drive strong gross profit growth in FY23.

Finally, given the Company’s investment in developing a National Resource Centre in FY22 and its ongoing focus on attracting and retaining high quality talent, the Directors and management are optimistic the strong financial performance delivered in FY22 will be maintained in FY23.