2023
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
30 SEPTEMBER 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 September 2022

Consolidated statement of cash flows			Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows used in operating activities**			
1.1	Receipts from customers		30,767	30,767
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(26,043)	(26,043)
	(c)	advertising and marketing	(195)	(195)
	(d)	leased assets	(223)	(223)
	(e)	staff costs	(3,036)	(3,036)
	(f)	administration and corporate costs	(719)	(719)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	-
1.5	Interest and other costs of finance paid		(76)	(76)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (GST)		(1,929)	(1,929)
1.9	**Net cash used in operating activities**		**(1,454)**	**(1,454)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment	2	2
	(d)	investments	-	-
	(e)	intellectual property	-	-
	(f)	other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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 from investing activities**	**2**	**2**

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	1,352	1,352
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)	(97)	(97)
3.10	**Net cash from financing activities**	**1,255**	**1,255**

4.	**Net decrease in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at the beginning of the period	367	367
4.2	Net cash used in operating activities (item 1.9 above)	(1,454)	(1,454)
4.3	Net cash from investing activities (item 2.6 above)	2	2
4.4	Net cash from financing activities (item 3.10 above)	1,255	1,255
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	**Cash and cash equivalents at the end of the period**	**173**	**173**

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	173	367
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)**	**173**	**367**

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]	71
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)	5,714	3,672
7.4	**Total financing facilities**	**5,714**	**3,672**
7.5	**Unused financing facilities available at quarter end**		**2,042**
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 September 2022 the applicable interest rate was 8.24% p.a.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from operating activities (item 1.9)	(1,454)
8.2	Cash and cash equivalents at quarter end (item 4.6)	173
8.3	Unused finance facilities available at quarter end (item 7.5)	2,042
8.4	Total available funding (item 8.2 + item 8.3)	2,215
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.52

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: No. Management expects net operating cash flows to improve based on expected and actual cash receipts. Decrease in unused facilities was temporary due to a change in criteria applied by the lender which required additional validation for certain key debtors. This has been addressed in October, resulting in unused finance facilities available increasing to $4,665k by 17 October, which exceeds three quarters funding.

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: No. Decrease in funding available was temporary and has been remediated as at the date of lodgement.

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: Yes. Management performed a detailed 15-month cash flow forecast which has been audited as part of the FY22 Annual Report. Nothing has materially changed in the business or its projected cash flows in the month since the report was lodged with the ASX.

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: 25 October 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 September 2022.

FINANCIAL SUMMARY

The quarter ended 30 September 2022 reflected the following:

- Revenue of $28,765k decreased 7% against the comparative quarter in the 2022 financial year ("FY22");
- Gross profit of $3,425k increased 2% against the comparative quarter in FY22, due to the higher gross profit contribution from higher margin permanent placements versus contingent labour;
- Gross profit margin was 11.94%, up from 10.89% for the comparative quarter in FY22, due to the increase in the gross profit contribution from permanent placements versus contingent labour, as well as focus on higher margin placements;
- Cash receipts from customers were $30,767k and payments for contingent labour were $26,043k;
- Cash payments for staff costs were $3,036k; and
- Net cash used in operating activities for the quarter was $1,454k.

FINANCIAL UPDATE

Revenue

During the quarter ended 30 September 2022 the Company generated revenue of $28,765k, a decrease of 7% against the comparative quarter in FY22 due to a renewed focus on higher margin placements, rather than filling high volume, low margin placements.

The Company's gross profit for the September 2022 quarter was $3,425k, an increase of 2% against the comparative quarter in FY22. The increase in gross profit was driven largely by the higher gross profit contribution of the higher margin permanent placements versus managed services and contingent labour, as well as an improvement in the gross margin across the portfolio of contingent labour placements.

Within the Specialist Recruitment division, the Federal Government business was tempered by the Federal Government election and is yet to return to the March 2022 quarter activity levels. In addition, the On Demand IT Services business experienced a reduction in gross profit against the comparative quarter in FY22 as projects with high margin clients wound down. By contrast, the Technology & Talent Solutions business experienced strong double-digit gross profit, albeit against a soft comparative period.

Across all divisions, active contractors as at 30 September 2022 were 734 versus 843 as at 30 June 2022 and 863 as at 30 September 2021.

Expenditure

Contingent labour costs were $25,342k for the September 2022 quarter, a decrease of 8% against the comparative quarter in FY22.

During the September 2022 quarter, total employee headcount increased by six versus the comparative quarter in FY22 (a 9% increase in total headcount) and two versus the prior quarter (3%). Salary and on costs increased 11% against the comparative quarter in FY22, primarily due to the increase in headcount, including the recruitment of several senior positions throughout the business during FY22.

The September 2022 quarter saw a 15% increase in other operating costs relative to the comparative quarter in FY22. This increase arose mainly from increased insurance premiums and increased travel costs as a result of interstate travel restrictions being lifted.

Other operating costs also included increases in software licences associated with the implementation of two software as a service ("SaaS") platforms in the second half of FY22 and IT support services associated with the relocation of the Sydney and Melbourne offices.

Cashflows

Cash and cash equivalents as at 30 September 2022 were $173k, down 86% from $1,256k as at 30 September 2021. The net cash position for the September 2022 quarter decreased 53% ($194k) from the prior quarter, with net cash used in operating activities of $1,454k exceeding cash received from financing activities of $1,255k and investing activities of $2k. Net operating costs is a largely a function of the temporary timing difference of receipts from customers relative to payments made to contractors.

Cash receipts from customers were $30,767k for the September 2022 quarter, down 4% on the prior quarter ($32,089k), while cash payments for contingent labour were $26,043k, up 2% on the prior quarter ($25,615k). 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 8% while cash payments decreased 4% on the comparative quarter in FY22.

Cash payments for staff costs in the September 2022 quarter were $3,036k, a 12% increase on the $2,716k in the prior quarter. The September 2022 quarter included accrued leave entitlement payments related to the resignation of the Chief Financial Officer within the Shared Services Division as well as the FY22 annual commissions and bonuses that were paid in the first month of the September 22 quarter and higher salary costs due to additional headcount in the National Resource Centre.

Cash payments for administration and corporate costs in the September 2022 quarter were $719k, a 32% decrease on the prior quarter, which included the payment of annual insurance premiums and one-off consulting and SaaS implementation fees.

Management expects net operating cash flows to improve based on expected and actual cash receipts. Decrease in unused facilities was temporary due to a change in criteria applied by the lender which required additional validation for certain key debtors. This has been addressed in October, resulting in unused finance facilities available increasing to $4,665k by 17 October, which exceeds three quarters funding.

OPERATIONAL UPDATE

Specialist Recruitment

During the September 2022 quarter the Specialist Recruitment business contributed a gross profit increase of 3% against the comparative quarter in FY22. Meanwhile, salary and on costs increased 16% due to increased headcount, while other operating costs increased 3% due to increased travel as a result of interstate travel restrictions being lifted. Further, rental payments increased because of the payment of two Melbourne office premises concurrently until the end of October 2022.

The gross profit increase reflected an 80% increase in permanent placement revenue, partially offset by a 5% decrease in contingent labour gross profit against the comparative quarter in FY22 with customers opting to engage candidates on a permanent rather than contingent basis. The Federal Government business was tempered by the Federal Government election and certain federal agencies awaiting the announcement of the budget for additional spend in the 2023 financial year (“FY23”), while the Engineering vertical also delivered another strong result. Although all states achieved significantly stronger permanent placement revenue versus the comparative quarter in FY22, overall, there was a decrease in contingent labour gross profit due to a drop in the contingent labour gross profit contribution across NSW and Victoria.

Gross profit for the September 2022 quarter decreased 1% on the prior quarter, with a 2% decrease in permanent placement revenue and contingent labour gross profit remaining flat. The gross profit result for the ACT improved 5% against the prior quarter, with gains in both contingent labour gross profit and permanent placement revenue. NSW experienced a decrease of 10% in gross profit on the prior quarter, with contingent labour gross profit flat, while permanent placement revenue decreased relative to the strongest quarterly result experienced in FY22. Meanwhile, the Victorian business was down in contingent labour gross profit due to a decrease in contractors in federal agencies which was largely offset by the increase in permanent placement revenue in the September 2022 quarter versus the prior quarter.

As at 30 September 2022 active contractors were 640 versus 695 as at 30 June 2022 and 687 as at 30 September 2021. Decrease is due to movement away from high volume, low margin placements.

On Demand IT Services

The On Demand IT Services gross profit decreased by 13% against the comparative quarter in FY22, as projects with high margin clients wound down. Additionally, break-fix work decreased as a result of store closures and redundant legacy technologies. Salary and on costs decreased 57% against the comparative quarter in FY22 due to the divisional restructure which reduced the team to two junior roles, with the senior positions overseen by the Technology and Talent Solutions business. Meanwhile, other operating costs increased significantly due to additional one-time costs associated with the project to implement a SaaS platform to replace the legacy customer and contractor management system. The September 2022 quarter gross profit decreased 47% against the prior quarter while other operating costs decreased 33% due to reduction in SaaS implementation costs against 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 a 44% improvement in gross profit in September 2022 against the comparative quarter in FY22 (weakest quarterly result of FY22). Salary and on costs increased 79% against the comparative quarter in FY22 with the expansion and improvement in the delivery capability of the team, which also led to an increase in other operating costs due to increased travel costs as business development managers actively pursued new projects once interstate travel restrictions were lifted. Gross profit decreased 47% against the prior quarter with two high margin projects ending within the June 2022 quarter.

Shared Services

Net corporate overheads increased 6% against the comparative quarter in FY22, with salary and on costs decreasing 3% and other operating costs increasing 14%. Salary and on costs decreased largely due a lower headcount against the comparative quarter in FY22 and this was offset slightly by the payout of entitlements related to the resignation of the CFO in September 2022. The increase in other operating costs was mainly due to the increase in annual insurance premiums, as well as one-time costs related to the IT support services associated with the relocation of the Sydney and Melbourne offices. Interest expense on the debtor finance facility increased 98% against the comparative quarter in FY22 due to the combination of an increase in the total facility drawn down and significant increases in the official cash rate pushing up the debtor finance facility borrowing rate.

The September 2022 quarter net corporate overheads increased 8% against the prior quarter. This increase reflected a 30% increase in salary and on costs, with the expenses in the June 2022 quarter reduced due to the writeback of incentive provisions exceeding the incentives earned. This was offset by a 13% decrease in other operating costs largely due to rental reduction due to the relocation of the Sydney CBD office premises, reduction in legal fees and the remainder of the SaaS platform implementation costs being incurred in the prior quarter.

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 $71k during the September 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 September 2022 was $5,714k and the applicable interest rate was 8.24% p.a.

OUTLOOK FOR THE SECOND QUARTER 2023

Customer demand for contingent labour resources is currently strong across all geographic markets and functional verticals. The permanent immigration intake is set to increase from 160,000 to 195,000 for the 2023 financial year ("FY23"), however with significant backlogs in visa processing, it is expected there will be a significant lag in additional skilled workers joining the labour market. Furthermore, with the September 2022 seasonally adjusted unemployment rate at 3.5% and the September 2022 annual consumer price index at 7.3%, there is a combination of a shortage of qualified candidates and contractors and upward pressure on salaries and wages, albeit at a slower rate than the tightness of the labour market would indicate. These factors highlight the important role the Company's recruitment consultants play in assisting our clients in finding critical human capital in very tight and challenging markets.

Key announcements from the Federal Government budget likely to impact the Company include the significant projected increase in funding for the NDIS, which presents opportunities over the medium term for both contingent labour hire and permanent placements, however, is unlikely to translate to a material uplift in the second quarter of FY23. Further, the announced $3.6bn cost savings from cutting public service use of external labour, advertising, travel and legal services potentially presents further challenges for the business, although it remains to be seen whether this will more directly impact consulting spend from big 4 consulting rather than contingent labour hire to fill operating roles.

Permanent placement volume, which is proportionately a small contributor to gross profit, experienced quarter-on-quarter growth throughout FY22, however retreated in the first quarter of FY23. Any decrease in business confidence amid concerns over rising interest rates and a challenging global outlook may impact this segment of the business in the near term.

In the Specialist Recruitment division, customer demand for contingent labour is expected to strengthen from current levels during the December 2022 quarter across the Company's government and commercial customers. In particular, demand from the Company's Federal Government customer base in the IT and Business Support verticals is expected to continue its upward trajectory after slower June and September 2022 quarters due to the Federal Government election and federal agencies awaiting the finalisation of the only recently released budget. Given the stated aim in the Federal budget of reducing use of external labour, subject to more information being provided by our Federal government clients, this may impact the ability of the group to grow this segment of the business, especially within the ACT. Meanwhile, the Engineering vertical which delivered a strong result in the first quarter is expected to maintain this performance.

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 has finalised the replacement of its legacy customer and contractor management system during the first quarter of FY23. Alongside the divisional restructure in the June 2022 quarter which achieved lower fixed operating costs, the September 2022 quarter was one of the most profitable for the division in the last year. Renewals of key contracts on more favourable terms towards the end of the September quarter are expected to continue the profitable operations of this business segment in the December 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, including both corporate and government clients.

The business will enter the December quarter with a higher total employee headcount versus the comparative quarter in FY22 which is expected to result in higher salary and on costs. Further, consistent with the current quarter, we anticipate higher operating costs resulting from higher insurance rates, including policy renewals taking place during the quarter, as well as increased finance costs due to higher interest rates.

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

- Continue to increase active contractor numbers across the ACT, NSW and Victorian Specialist Recruitment businesses, particularly Federal Government and IT placements, to drive gross profit growth;
- Continue to drive permanent placement recruitment, in particular across NSW and Victoria;
- 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 grow gross margin and improve overall productivity.

Despite the current global uncertainty, the Australian contingent labour employment market remains robust. The Directors and management will continue to monitor current market conditions with a view to maintaining our focus on the keys areas above.