ignite

2023 HALF YEAR REPORT

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IGNITE LIMITED

ABN 43 002 724 334

2023 HALF YEAR REPORT

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 2022 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 (retired 22 November 2022)
Cameron Judson

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 ("Technology & Talent Solutions"). The Group operates nationally through 5 offices in Australia as well as in New Zealand and employs approximately 66 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 27 February 2023 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2022.

Financial and operational review

Key financial metrics

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

	31 Dec 2022 $000	31 Dec 2021 $000	Increase/ (Decrease) $000	Increase/ (Decrease) %
Continuing operations				
Revenue	55,798	59,459	(3,661)	(6.2)
Gross profit	6,821	6,747	74	1.1
Gross profit margin	12.22%	11.35%	-	-
Loss net of income tax	(820)	(80)	(740)	(925.0)
Operating loss	(820)	(80)	(740)	(925.0)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(449)	264	(713)	(270.1)
Employee benefits expense	5,423	4,743	680	14.3
Corporate overheads	2,870	2,787	83	3.0
Net cash (used in) / from operating activities	(215)	423	(638)	(150.8)

	31 Dec 2022 $000	30 Jun 2022 $000	Increase/ (Decrease) $000	Increase/ (Decrease) %
Debtor finance facility	(2,529)	(2,320)	(209)	(9.0)
Net assets	4,223	5,012	(789)	(15.7)

Directors' Report (continued)

Financial and operational review (continued)

Financial review

During the half year ended 31 December 2022 the Group generated a loss from ordinary activities net of income tax of $820k (31 December 2021: loss of $80k), of which $607k were incurred in the September 2022 quarter. The result was due to losses sustained within our Technology & Talent Solutions business ($312k) and the investment in additional headcount in Specialist Recruitment in NSW and Victoria at the end of FY22 not generating sufficient additional gross margin to offset the additional costs.

Revenue from continuing operations decreased 6.2% to $55,798k (31 December 2021: $59,459k) while the gross profit from continuing operations increased 1.1% to $6,821k (31 December 2021: $6,747k) and the gross profit margin increased from 11.35% to 12.22%. The decrease in revenue was due to a continued focus in Specialist Recruitment on higher margin placements, rather than on high volume, low margin placements as well as a significant reduction in the contribution of Managed Services. The improvement in gross margin is due to a focus of increasing the average margin for new contingent labour placements. The overall increase in total gross margin and gross margin percentage was impacted by the decrease in the relative contribution of the higher margin Managed Services business.

As at 31 December 2022, there were 767 active contractors across the Group versus 882 as at 31 December 2021, with the reduction primarily in low margin contractors in Business Support (decrease of 81 contractors) and loss making contracts in On Demand IT Services (decrease of 21 contractors).

Employee benefits expense increased 14.3% on the prior comparative period due to a higher headcount and associated salaries and on costs at the beginning of the half year. By reducing unproductive headcount in the business, the employee benefits expense decreased by 12.9% in the December 2022 quarter compared to the September 2022 quarter. Further, Management have closed the Talent Solutions business early in the March 2023 quarter. Total redundancies related to the closure that have been incurred in the March 2023 quarter are $52k. As a result of these changes, the expected salary costs for the second half of FY23 will be lower than the costs incurred in the second half of FY22.

Occupancy expense decreased 25.9% on the prior comparative period due to continued savings on office premises relocations on short term leases in the first quarter of the financial year. Depreciation and amortisation expense increased 9.3% due to long term lease renewals. Other expenses increased 7.0% on the prior comparative period due to increased insurance costs and increased travel costs as a result of interstate travel restrictions being lifted and increased advertising costs. This was partially offset by a reduction in the one-time costs associated with finalisation of the implementation of two software as a service (“SaaS”) platforms. These platforms have replaced the legacy financial system and the legacy customer and contractor management system supporting the On Demand IT Services division and have removed our reliance on end-of-life systems and improved our overall cyber security posture.

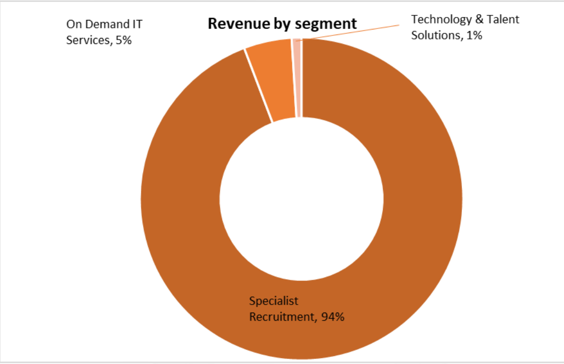
Adding back non-recurring expenditure in the half year, underlying earnings were an operating loss of $659k. The non-recurring expenditure related to, among other things, redundancies from business restructuring, the finalisation of the SaaS implementation costs as well as additional professional fees incurred in dealing with shareholder and employment matters.

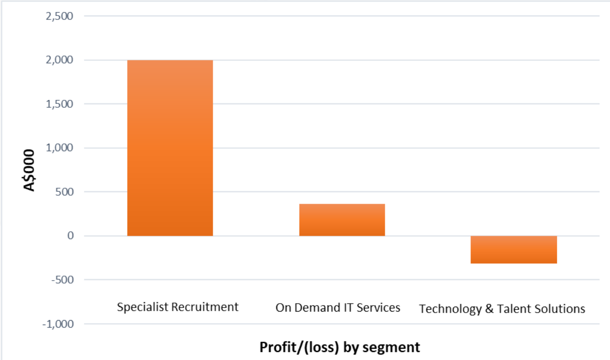
	31 Dec 2022 $000	31 Dec 2021 $000
Operating loss	(820)	(80)
Add back		
SaaS implementation costs	17	72
Legal and Professional fees	105	21
Redundancy costs	31	-
Other	8	25
Underlying operating (loss) / profit	(659)	38

Directors' Report (continued)

Financial and operational review (continued)

Operational review





Specialist Recruitment

Specialist Recruitment contributed 94.2% of the Group's revenue and 97.4% of profit before corporate overheads. Specialist Recruitment contributed a profit before allocation of corporate overheads of $1,997k versus $2,624k in the prior comparative period. This 23.9% decrease in overall profitability was primarily due to an increase in employee benefits expense of 36.7% following investment in additional headcount at the end of FY22. Regrettably, this investment in NSW and VIC did not contribute as planned and Management have reduced headcount in NSW and VIC in the December 2022 quarter, ensuring a substantially lower cost base in the second half of the financial year.

The 5.7% decrease in contingent labour revenue was largely due to a reduction in the total number of low margin contractors in Business Support, partially offset by a 36.8% increase in permanent placement revenue on the prior comparative period.

Gross profit from Specialist Recruitment increased by 4.1% to $5,943k with gross margin increasing from 10.3% to 11.3% due to the continued focus on higher margin business and the increase in permanent placement revenue. The higher margin focus has led to an increase in our IT vertical in both contingent labour placements and permanent placements, for a combined 15.5% gross profit increase across the vertical.

As at 31 December 2022, there were 659 active contractors within Specialist Recruitment versus 750 as at 31 December 2021 with the reduction principally in Business Support (81 contractors).

On Demand IT Services

The On Demand IT Services business recorded a profit before allocation of corporate overheads of $363k in the half year, an 88.1% increase on the prior comparative period. This increase is the result of restructuring and a focus on higher margin clients, using a smaller delivery team, as well as a reduction in other operating expenses due to the completion of the implementation of the SaaS platform to replace the legacy customer and contractor management system.

Directors' Report (continued)

Financial and operational review (continued)

Operational review (continued)

Technology & Talent Solutions

Technology & Talent Solutions delivered a loss before allocation of corporate overheads of $312k, a 171.3% increase on the loss incurred in the prior comparative period. This result reflected a 20.1% decrease in revenue, with gross profit decreasing 14.2% due to short-term non-recurring projects with government agencies and consulting firms secured in the prior period without equivalent projects secured in the current half year. Salary costs increased by 42.0%, due to investment in headcount in business in the second half of FY22.

In the Talent Solutions business, the combination of larger projects ending and the change of government had a significant impact on project pipeline and conversion due to work being delayed or halted. We have closed this segment of the business early in the March 2023 quarter. Total redundancies related to the closure that have been incurred in the March 2023 quarter are $52k.

Shared Services

Net corporate overheads increased $83k (3.0%) against the prior comparative period. This was due to increases in operating expenses and finance costs offset by a reduction in salary and on costs and occupancy expense. The increase in operating expenses by 21.1% arose from higher insurance premiums, travel costs, software licences and SaaS subscription payments, partially offset by a reduction in one-off consulting costs associated with the implementation of the SaaS platform to replace the legacy financial system. Finance costs increased 114.7% due to increases in interest rates and higher drawdowns of the debtor finance facility to finance working capital particularly in the September 2022 quarter. Employee benefits decreased 6.5% due to a slight reduction in headcount to 18. Reduction in occupancy expenses was due to office relocations.

FY23 Outlook

As a result of staffing changes in the underperforming areas of the business, the expected salary costs for the second half of FY23 will be lower than the costs incurred in the first half of FY23 and in the second half of FY22. The cost savings from discontinuing the Talent Solutions business will start impacting the result from the June 2023 quarter. Consequently, following these recent changes, Management are expecting a significant improvement in net profit in the second half of the financial year.

A key change in our 3-year strategy has been to close our Talent Solutions business and to focus our future headcount investment in Specialist Recruitment in the ACT and NSW businesses which are more mature and have tenure in client relationships which can be leveraged.

Within our Managed Services business, we have narrowed our focus to Technology. Whilst the revenue and gross margin have reduced in On Demand IT Services, the restructure of the business at the end of last year to reduce our cost base and focus on higher margin work has been successful. The business now makes a strong contribution and has the highest net margin percentage within the Group. We expect this to continue to do so given the tenure of the client contracts we have in place.

The Technology Solutions delivery model and cost structure is flexible and aligned to our core IT customers. In particular:

- The delivery model only engages a squad once the work is won and due to commence as opposed to retaining a “bench” which incurs cost and impacts cash flow;
- The division started in July 2022 and has already won and completed projects; and
- The client opportunity and work won has primarily been within Government. This provides a great cross sell opportunity for the group between Technology Solutions and our Specialist Recruitment Government teams who also have the strongest client relationships.

Directors' Report (continued)

Financial and operational review (continued)

Operational review (continued)

FY23 Outlook (continued)

As Ignite look ahead, the key components of our “Invest, Transform & Grow” strategy (improvement in average margin, growth in Federal Government and Technology Solutions) are positively impacting the business. Steps taken to reduce the cost base and continued focus on gross margin percentage will deliver a significant net profit improvement in the final quarter of this financial year and into FY24.

The focus of the Chief Executive Officer and the Executive team is:

- Ensure we maximise the productivity of our experienced Specialist Recruitment consultants and bringing investment headcount through to profitability;
- Continue to grow our contractor base within Federal and State Government with Queensland and NSW representing further opportunity to grow;
- Acquisition of clients and further generation of pipeline within our Technology Solutions business; and
- Work towards our gross profit % margin target of 14% through blended growth in Specialist Recruitment and Technology Solutions.

Business Strategies, Prospects and Risks

The primary areas of focus for the Group are to:

- Increase the number of active contingent labour contractors across the Specialist Recruitment business, in particular within the Federal Government customer group and the technology sector, to drive revenue and gross profit growth;
- Drive permanent recruitment revenue, notably across NSW, in the technology, engineering and business support sectors, where customer demand remains buoyant. As the Federal Government market moves towards permanent and non-ongoing contracts in certain verticals, we will maximise these cash generative opportunities;
- Ensure that new account managers, especially those hired into the technology sector, are trained, developed and supported to ensure they achieve revenue and gross profit productivity at the earliest opportunity to deliver an appropriate return relative to their compensation;
- Drive the managed services businesses, comprising On Demand IT Services and Technology Solutions, to grow the pipeline of projects, improve the conversion rate and grow the gross profit contribution; and
- Continue the drive to achieve overall profitability of the Group while reducing corporate overheads where possible.

Directors' Report (continued)

Financial and operational review (continued)

Operational review (continued)

Business Strategies, Prospects and Risks (continued)

The future financial performance of the Group is at risk from the following factors:

- There is a high reliance on revenue and gross profit from the Federal Government customer group. A significant reduction in the volume of contingent labour provided to this customer group could materially impact the Group's revenue and gross profit;
- There is a high reliance on experienced account managers who are involved in the management of the Group's customers and contingent labour contractors within the technology and engineering sectors. The loss of these experienced staff in a tight labour market may adversely impact the Group's revenue and gross profit;
- There is a reliance on several third-party SaaS platforms that support the Group's daily operations and as such loss of access to, or compromise in relation to those systems, may adversely impact the Group's operations;
- High inflation rates, as reflected in the December 2022 annual consumer price index of 7.8%, are driving monetary policy and increases in official cash rates. Consequently, recessionary concerns may begin to dampen business confidence, tempering customer demand for contingent and permanent labour; and
- The borrowing rate on the Group's Facility is a margin over a floating reference rate tied to the movement in official cash rates. As such, if official cash rates continue to increase and/ or the Facility drawdown increases, it is likely that the Group will incur higher finance expenses.

Directors' Report (continued)

Events subsequent to the reporting date

Official cash rates are expected to continue to increase during the second half of the 2023 financial year to reduce inflation. Consequently, recessionary concerns may dampen business confidence, tempering demand for contingent labour and permanent recruitment services. Subsequent to the reporting date, and as of the date of this report, there has been no material impact on the Group's financial performance from these events.

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.

Auditor's independence declaration

The lead auditor's independence declaration for the half year ended 31 December 2022 is set out on page 8 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
Chairperson

Dated at Sydney this 27th day of February 2023.

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 2022, 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

PAUL PEARMAN
PARTNER

27 FEBRUARY 2023
SYDNEY, NSW

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

Liability limited by a scheme approved under Professional Standards Legislation

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Condensed Consolidated Financial Statements

Condensed consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2022

	Note	31 Dec 2022 $000	31 Dec 2021 $000
Continuing operations			
Revenue	5, 6	55,798	59,459
Contingent labour costs		(48,977)	(52,712)
Gross profit		6,821	6,747
Other income		2	5
Employee benefits expense		(5,423)	(4,743)
Depreciation and amortisation expense		(212)	(194)
Occupancy expense		(223)	(301)
Other expenses		(1,626)	(1,519)
Loss from continuing operations		(661)	(5)
Finance income		2	-
Finance costs		(161)	(75)
Loss from continuing operations before income tax		(820)	(80)
Income tax		-	-
Loss from ordinary activities attributable to the Owners of the Company		(820)	(80)
Other comprehensive income / (loss)			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		31	(12)
Income tax on other comprehensive income		-	-
Other comprehensive income / (loss), net of income tax		31	(12)
Total comprehensive loss		(789)	(92)

	31 Dec 2022 Cents	31 Dec 2021 Cents
Loss per share from ordinary activities		
Basic	(0.92)	(0.09)
Diluted	(0.92)	(0.09)

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 2022

	Note	31 Dec 2022 $000	30 Jun 2022 $000
Current assets			
Cash and cash equivalents	7	175	367
Trade and other receivables		10,686	12,812
Total current assets		10,861	13,179
Non-current assets			
Plant and equipment		61	71
Right-of-use assets		716	814
Total non-current assets		777	885
Total assets		11,638	14,064
Current liabilities			
Trade and other payables		3,182	4,874
Debtor finance facility	8	2,529	2,320
Lease liabilities		333	307
Provisions		825	863
Total current liabilities		6,869	8,364
Non-current liabilities			
Lease liabilities		404	526
Provisions		142	162
Total non-current liabilities		546	688
Total liabilities		7,415	9,052
Net assets		4,223	5,012
Equity			
Contributed equity	9	83,541	83,541
Reserves		(98)	(129)
Accumulated losses		(79,220)	(78,400)
Total equity		4,223	5,012

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 2022

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current period				
Balance as at 1 July 2022	83,541	(129)	(78,400)	5,012
Loss for the period attributable to the Owners of the Company	-	-	(820)	(820)
Other comprehensive income				
Foreign currency translation differences for foreign operations	-	31	-	31
Total comprehensive income / (loss) for the period attributable to the Owners of the Company	-	31	(820)	(789)
Balance as at 31 December 2022	83,541	(98)	(79,220)	4,223
Prior comparative period				
Balance as at 1 July 2021	83,541	(96)	(78,115)	5,330
Profit for the period attributable to the Owners of the Company	-	-	(80)	(80)
Other comprehensive loss				
Foreign currency translation differences for foreign operations	-	(12)	-	(12)
Total comprehensive loss for the period attributable to the Owners of the Company	-	(12)	(80)	(92)
Balance as at 31 December 2021	83,541	(108)	(78,195)	5,238

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 2022

	Note	31 Dec 2022 $000	31 Dec 2021 $000
Cash flows (used in) / from operating activities			
Receipts from customers		63,505	66,426
Payments to suppliers and employees		(59,671)	(61,690)
Interest received		2	-
Interest and other borrowing costs paid		(161)	(75)
Goods and services tax paid		(3,890)	(4,238)
Net cash (used in) / from operating activities	12	(215)	423
Cash flows from / (used in) investing activities			
Sale / (purchase) of plant and equipment		1	(4)
Net cash from / (used in) investing activities		1	(4)
Cash flows from / (used in) financing activities			
Net proceeds from / (repayment of) debtor finance facility		209	(75)
Payment of lease liabilities		(198)	(197)
Net cash from / (used in) financing activities		11	(272)
Net (decrease) / increase in cash		(203)	147
Cash and cash equivalents at the beginning of the period		367	87
Effect of exchange rates on cash holdings in foreign currencies		11	(4)
Cash and cash equivalents at the end of the period	7	175	230

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 2022.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 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. Basis of Preparation

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 condensed consolidated financial statements were authorised for issue by the Directors on the 27th day of February 2023.

Rounding of amounts

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.

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 2022 reflects a loss from ordinary activities net of income tax of $820k (31 December 2021: $80k) and the condensed consolidated statement of cash flows reflects cash flows used in operating activities of $215k (31 December 2022: cash flows from operating activities of $423k). As at 31 December 2022 the condensed consolidated statement of financial position reflects net assets of $4,223k (30 June 2022: $5,012k). The movement in net assets since 30 June 2022 comprises the loss from ordinary activities net of income tax of $820k and a net foreign currency translation gain of $31k 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.

Notes to the Condensed Consolidated Financial Statements (continued)

Note 2. Statement of Compliance (continued)

Going concern (continued)

To assist in determining the Group's ability to continue as a going concern the Directors have prepared base case 15-month profit and loss and cash flow forecasts for the period January 2023 to March 2024. 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, with employee benefits expense based on the headcount in place in December 2022. The profit and loss forecasts prepared for the going concern assessment are base case forecasts, so do not reflect any anticipated improvements through margin increases in existing customers or customer acquisitions or, alternatively, deteriorations in economic and trading conditions. Sensitivity analyses were also performed examining a deterioration in two key variables. The Directors expect the Group to maintain positive net assets at 31 March 2024.

On the base case assumptions noted above, the 15-month profit and loss forecast indicates a nominal profit from operating activities while the cash flow forecast indicates net funds from operating activities over that period. 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 Directors, therefore, expect the Group to operate within the overall debtor finance facility limit of $15,000k disclosed at Note 8.

The Directors note that the key assumptions in the cash flow forecast 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 assumption has been examined individually.

The Directors note that a sustained 10% reduction in forecast revenue over the 15-month period to 31 March 2024 across all revenue streams, would result in a decrease in the aggregate net cash from activities over the forecast period of $1,303k. The Directors also note that a sustained 5-day deterioration in forecast DSO over the 15-month period to 31 March 2024 across all revenue streams, would result in an increase in the aggregate net cash used in operating activities over the forecast period of $2,486k.

The Directors are confident the additional working capital required under both scenarios is capable of being funded by the debtor finance facility as and when required during the forecast period and as such have determined the Group will be able to pay its debts as and when they fall due.

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

- At least maintaining revenue and gross profit at the current levels without any material deterioration due to changing market conditions;
- Achieving revenue and gross profit growth through customer acquisition, continuing to improve average margins on future placements and an increase in active contractors;
- Maintaining cash flows from operating activities at current levels including the collection and ageing of trade receivables without any material deterioration;
- Achieving further reductions in shared services costs where possible;
- The Group net assets of $4,223k at 31 December 2022 and the ability to maintain positive net assets at 31 March 2024;
- The existence and continuity of the debtor finance facility with ScotPac Business Finance, which expires on 20 February 2025; and

Notes to the Condensed Consolidated Financial Statements (continued)

Note 2. Statement of Compliance (continued)

Going concern (continued)

- The sensitivity analysis undertaken on the cash flow forecast which indicates that even with a sustained 10% 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.

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 2022, which are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

Notes to the Condensed Consolidated Financial Statements (continued)

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 2022	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023	30 June 2024
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023	30 June 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023	30 June 2024
AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023	30 June 2024

Comparatives

Certain comparative amounts, which are not deemed to be material, have been disclosed or reclassified where necessary to provide consistency with current period disclosures.

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 2022.

Notes to the Condensed Consolidated Financial Statements (continued)

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 6. Revenue information for continuing operations for the half year ended 31 December 2022 is as follows.

	31 Dec 2022 $000	31 Dec 2021 $000
Timing of revenue recognition - over time		
Contingent labour Australia and New Zealand	51,813	54,921
On demand information technology services Australia and New Zealand	2,677	3,298
Outsourced recruitment and human resource consulting services Australia	546	683
	55,036	58,902
Timing of revenue recognition - at a point in time		
Permanent recruitment Australia	762	557
Total revenue	55,798	59,459

Notes to the Condensed Consolidated Financial Statements (continued)

Note 6. 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 Technology & Talent Solutions in Australia and New Zealand. Segment information for continuing operations for the half year ended 31 December 2022 is as follows.

	Specialist Recruitment		On Demand IT Services		Technology & Talent Solutions		Corporate		Consolidated	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	52,575	55,478	2,677	3,298	546	683	-	-	55,798	59,459
Profit/ (loss) before tax	1,997	2,624	363	193	(312)	(115)	2	5	2,050	2,707
Less: Corporate overheads									(2,870)	(2,787)
Consolidated loss before tax									(820)	(80)

	Australia		New Zealand		Consolidated	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	$000	$000	$000	$000	$000	$000
Revenue	55,537	58,759	261	700	55,798	59,459
Finance income	2	-	-	-	2	-
Total revenue	55,539	58,759	261	700	55,800	59,459
Non-current assets	777	219	-	-	777	219

Note 7. Cash and Cash Equivalents

	31 Dec 2022	30 Jun 2022	31 Dec 2021
	$000	$000	$000
Cash at bank and on hand	175	367	230

Note 8. Debtor Finance Facility

The Group 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. 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 $5,328k (30 June 2022: $5,731k) and the applicable interest rate was 9.01% (30 June 2022: 6.66%).

	31 Dec 2022	30 Jun 2022	31 Dec 2021
	$000	$000	$000
Available debtor finance facility	5,328	5,731	4,577
Undrawn debtor finance facility	(2,799)	(3,411)	(3,869)
Amount drawn down	2,529	2,320	708

Notes to the Condensed Consolidated Financial Statements (continued)

Note 9. Contributed Equity

	31 Dec 2022 $000	30 Jun 2022 $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 10. Dividends

On 27 February 2023 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2022. No interim dividend was paid in the prior comparative period.

Note 11. 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 2022	31 Dec 2021
Ignite New Zealand Holdings Limited	Holding	New Zealand	Ordinary	100	100
Ignite IT Services Limited	Operating	New Zealand	Ordinary	100	100

Note 12. Cash Flow Information

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

	31 Dec 2022 $000	31 Dec 2021 $000
Loss from ordinary activities after income tax	(820)	(80)
Adjustments for:		
Depreciation and amortisation expense	212	194
Net foreign exchange differences	19	(6)
Gain on disposal of fixed assets	(2)	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	2,126	1,103
Decrease in trade and other payables	(1,692)	(918)
(Decrease) / increase in provisions	(58)	130
Net cash (used in) / from operating activities	(215)	423

Notes to the Condensed Consolidated Financial Statements (continued)

Note 13. Events Subsequent to the Reporting Date

In the Talent Solutions business, the combination of larger projects ending and the change of government had a significant impact on project pipeline and conversion due to work being delayed or halted. We have closed this segment of the business early in the March 2023 quarter. Total redundancies related to the closure that have been incurred in the March 2023 quarter are $52k.

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 9 to 20 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 2022 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
Chairperson

Dated at Sydney this 27th day of February 2022.

PKF

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 2022, 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 2022, 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.

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.

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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 2022 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.

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PKF

P. Pearman.

PAUL PEARMAN
PARTNER

27 FEBRUARY 2023
SYDNEY, NSW

2023
HALF YEAR
REPORT

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