2023
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
31 March 2023

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	31 March 2023

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		26,595	90,100
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(21,002)	(73,142)
	(c)	advertising and marketing	(107)	(445)
	(d)	leased assets	(86)	(395)
	(e)	staff costs	(2,328)	(7,969)
	(f)	administration and corporate costs	(913)	(2,156)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		1	3
1.5	Interest and other costs of finance paid		(61)	(222)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		2	2
1.8	Other (GST)		(1,712)	(5,602)
1.9	**Net cash from operating activities**		**389**	**174**

2.	**Cash flows used in investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment	(1)	-
	(d)	investments	-	-
	(e)	intellectual property	-	-
	(f)	other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	**Net cash used in investing activities**	**(1)**	**-**

3.	**Cash flows used in financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(235)	(26)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(84)	(282)
3.10	**Net cash used in financing activities**	**(319)**	**(308)**

4.	**Net movement in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at the beginning of the period	175	367
4.2	Net cash from operating activities (item 1.9 above)	389	174
4.3	Net cash used in investing activities (item 2.6 above)	(1)	-
4.4	Net cash used in financing activities (item 3.10 above)	(319)	(308)
4.5	Effect of movement in exchange rates on cash held	1	12
4.6	**Cash and cash equivalents at the end of the period**	**245**	**245**

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	245	175
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)**	**245**	**175**

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]	61
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. The decrease on the prior period was due to an Independent Non-Executive Director's retirement under the Constitution on 22 November 2022.

Following Tim Moran's decision to step down as CEO, the Company has appointed Cameron Judson as the Executive Director to lead the Business until at least the release of Ignite's full year results in August 2023. Cameron has assumed all CEO responsibilities effective 15 March 2023.

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)	4,761	2,294
7.4	**Total financing facilities**	**4,761**	**2,294**
7.5	**Unused financing facilities available at quarter end**		**2,467**
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

The Company relies on a secured debtor finance facility provided by ScotPac Business Finance, expiring on 20 February 2025 (the "Facility"), to meet its working capital requirements. The maximum Facility amount is the lower of 85% of approved trade receivables or $15,000k and is subject to certain drawdown conditions. As at 31 March 2023, the applicable interest rate was 9.52% p.a.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from operating activities (item 1.9)	389
8.2	Cash and cash equivalents at quarter end (item 4.6)	245
8.3	Unused finance facilities available at quarter end (item 7.5)	2,467
8.4	Total available funding (item 8.2 + item 8.3)	2,712
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: 19 April 2023

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 Executive Director and Finance Director 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 (the "Company") and its controlled entities (the "Group")(ASX: IGN) presents its unaudited Quarterly Activity Report for the quarter ended 31 March 2023.

FINANCIAL SUMMARY

The quarter ended 31 March 2023 reflected the following:

- Revenue of $25,700k decreased 8% against the comparative quarter in FY22;
- Gross profit of $2,935k is down 16% on the comparative quarter in the 2022 financial year ("FY22") as:
  - Specialist Recruitment, contingent labour hire gross margin decreased by 12% (and 18% compared to the December 2022 quarter ("Q2"), and permanent revenue decreased by 15% (increasing 21% compared to Q2); and
  - Managed Services gross margin decreased by 44% (and 13% compared to Q2) due to restructuring On Demand IT Services to focus on higher margin clients generating a better return from a smaller team, as well as a very poor result in Talent Solutions leading to its closure in March 2023;
- The Group's active contractors as at 31 March 2023 reduced by 125 contractors to 701 compared to the 31 March 2022 quarter. Q2 had 767 active contractors;
- Gross profit margin was 11.4%, down from 12.6% for the comparative quarter in FY22, largely due to the decline in the proportion of profit contribution of Managed Services. Contingent labour hire represents 76% of the Group's gross margin and was affected by continued Federal Government stand-downs in January 2023;
- Total operating overheads were 17% lower than the comparative quarter in FY22 largely due to a reduction in headcount and shared services cost savings. Total operating overheads were 13% lower than Q2.
- Cash receipts from customers were $26,595k and payments for contingent labour were $21,002k;
- Cash payments for staff costs were $2,328k; and
- Net cash from operating activities for the quarter was $389k.

FINANCIAL UPDATE

Expenditure

Contingent labour costs were $22,769k for the March 2023 quarter, a decrease of 6% against the comparative quarter in FY22.

During the March 2023 quarter, total employee headcount decreased by 14 versus the comparative quarter in FY22 (a 19% decrease in total headcount) and 5 versus Q2 (an 8% decrease in total headcount) largely due to the restructure of On Demand IT Services and the closure of Talent Solutions. Salary and on costs decreased 14% against the comparative quarter in FY22.

The March 2023 quarter saw a 23% decrease in other operating costs relative to the comparative quarter in FY22 due to lower one-off consulting costs, savings associated with office premises relocations and a reduction in advertising costs. This decrease was partially offset by an increase in annual insurance premiums, increased website development costs and additional software licencing costs as a result of changing Managed Service Providers.

Cashflows

Cash and cash equivalents as at 31 March 2023 were $245k, largely in line with the $252k for the comparative quarter in FY22. The net cash position for the March 2023 quarter increased 40% ($70k) from Q2, with net cash received from operating activities of $389k offset by the net cash used in financing activities of $319k and net cash used in investing activities of $1k.

Cash receipts from customers decreased 8%, while cash payments for contingent labour decreased 13% on the comparative quarter in FY22. Cash receipts were $26,595k for the March 2023 quarter, down 19% on Q2 ($32,738k). Cash payments were $21,002k, down 20% on Q2 ($26,097k). This cyclical trend is due to lower contractor pays flowing from reduced contractor hours worked in January 2023. Many customer offices close during the Christmas/New Year and contractors also use the opportunity to take leave.

Cash payments for staff costs in the March 2023 quarter were $2,328k, a 11% decrease on the $2,605k in Q2. This was due to a reduction in headcount.

Cash payments for administration and corporate costs in the March 2023 quarter were $913k, a 74% increase on the prior quarter. The increase was driven by annual insurance premiums (excluding cyber insurance renewals which will occur in the June 2023 quarter).

OPERATIONAL UPDATE

Specialist Recruitment

During the March 2023 quarter, Specialist Recruitment's gross profit decreased by 13% against the comparative quarter in FY22. The gross profit decrease reflected a 12% decrease in contingent labour gross profit, with permanent placement revenue decreasing 15% against the comparative FY22 period. Similarly, gross profit decreased by 13% against Q2, with a 18% decrease in contingent labour gross profit, partially offset by a 21% increase in permanent placement revenue.

Salary and on costs increased 12% on the comparative quarter in FY22, largely due to higher headcount. Conversely, other operating costs decreased 19%, largely due to the reduction in advertising spend and reduction in provision for doubtful debts. Salary and on costs decreased 7% compared to Q2 due to lower headcount and utilisation of annual leave. Other operating costs decreased 30%, largely due to the reduction in advertising spend and reduction in provision for doubtful debts.

Active contractors were 597 at 31 March 2023 versus 701 for the comparative quarter in FY22 and 659 for Q2. The decrease follows the decision to move away from high volume, low margin placements. The reduction in active contractors was primarily in Business Support, which decreased by 94 contractors, and resulted in a 3% increase in the average gross margin per active contractor relative to the comparative quarter in FY22.

On Demand IT Services

The March 2023 quarter gross profit decreased 28% against the comparative quarter in FY22 due to a focus on a smaller number of key clients, resulting in an increase in the gross margin percentage. A reduction in headcount saw salary and on costs decline 68%, while other operating costs declined 88% mainly due to one-time SaaS implementation costs in the comparative quarter.

Gross profit remained flat against Q2. Reductions in headcount led to a 25% decline in salary and on costs. Further, other operating costs decreased by 43% due to one-time implementation project costs for a SaaS platform to replace the legacy customer and contractor management system incurred in the comparative period.

Technology & Talent Solutions

Gross profit for the March 2023 quarter decreased 70% against the comparative FY22 quarter due to the closure of Talent Solutions in March 2023. The Manager of Technology Solutions resigned in March 2023. Consequently, salary and on costs decreased 49% against the comparative quarter in FY22.

Shared Services

Net corporate overheads decreased 21% against the comparative FY22 quarter, with a 23% decrease in salary and on costs due to lower headcount. Other operating costs decreased 19% mainly due to the savings on rental payments associated with the relocating the Sydney office and the reduction of one-time consulting fees for the implementation of a SaaS platform to replace legacy accounting systems. Interest expense on the debtor finance facility increased 19% against the comparative FY22 quarter due to the combination of an increase in the total facility drawn down and significant increases in the official cash rate that have increased the debtor finance facility borrowing rate to 9.52% in March 2023.

Net corporate overheads saw a 6% decrease on Q2, reflecting a 5% decrease in salary and on costs due to the release of the CEO’s FY23 bonus accrual upon their resignation effective 31 March 2023.

Similarly, there was a 6% decrease in other operating costs largely due to conference fees incurred in Q2 and the reversal of the provision for doubtful debts.

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 $61k during the March 2023 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 31 March 2023 was $4,761k and the applicable interest rate was 9.52% p.a.

OUTLOOK FOR THE FOURTH QUARTER 2023

With over 80% of Specialist Recruitment’s gross margin generated from Federal and State Government, the upcoming Federal and State government budgets will significantly influence our activity levels. The business focus is on achieving higher gross margin placements, greater share of wallet and improving consultant productivity.

On Demand IT Services will continue to perform in line with March 2023 quarter.

The Group enters the June quarter with a significantly lower total employee headcount versus the comparative quarter in FY22. We anticipate other operating costs in the June 2023 quarter to remain materially in line with the March 2023 quarter, with the exception of cyber insurance renewal rates which are expected to be significantly higher due to the increased incidence of cyber breaches in the current financial year in the corporate environment. This is due for renewal in the June 2023 quarter.

With new appointments to the leadership team, the business has a renewed focus on profitable growth, particularly within our well established, profitable markets.