

2022
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
31 DECEMBER 2021

ABN 43 002 724 334

Lodged with ASX under Listing Rules 4.7B and 4.7C.

www.igniteco.com

Appendix 4C

Quarterly Cash Flow Report for Entities Subject to Listing Rule 4.7B

Name of entity

Ignite Limited

ABN

43 002 724 334

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	32,980	66,426
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(28,108)	(55,291)
(c) advertising and marketing	(120)	(246)
(d) leased assets	(160)	(325)
(e) staff costs	(2,766)	(4,723)
(f) administration and corporate costs	(555)	(1,105)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(38)	(75)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	(2,868)	(4,238)
1.9 Net cash from/ (used in) operating activities	(1,635)	423
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	12	-
2.6	Net cash from/ (used in) investing activities	8	(4)
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	710	-
3.6	Repayment of borrowings	-	(75)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(100)	(197)
3.10	Net cash from/ (used in) financing activities	610	(272)
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	1,256	87
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	(1,635)	423
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	8	(4)
4.4	Net cash from/ (used in) financing activities (item 3.10 above)	610	(272)
4.5	Effect of movement in exchange rates on cash held	(9)	(4)
4.6	Cash and cash equivalents at the end of the period	230	230

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	230	1,256
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)	230	1,256

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	59
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
^{1.} These amounts comprise the total fees paid to Directors of the Company during the quarter.		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (debtor finance facility)	4,578	708
7.4	Total financing facilities	4,578	708
7.5	Unused financing facilities available at quarter end		3,870
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 2023 (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 December 2021 the applicable interest rate was 6.66%.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash used in operating activities (item 1.9)	(1,635)
8.2	Cash and cash equivalents at quarter end (item 4.6)	230
8.3	Unused finance facilities available at quarter end (item 7.5)	3,870
8.4	Total available funding (item 8.2 + item 8.3)	4,100
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.51
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: By the Board of Directors

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

Notes

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

Quarterly Activity Report for Entities Subject to Listing Rule 4.7C

Ignite Limited (ASX: IGN) (the “Company”) presents its unaudited Quarterly Activity Report for the quarter ended 31 December 2021.

FINANCIAL SUMMARY

The quarter ended 31 December 2021 reflected the following:

- Revenues of \$28,716k increased 5% against the comparative quarter in the 2021 financial year (“FY21”);
- Gross profit (excluding other income) of \$3,377k increased 7% against the comparative quarter in FY21 (excluding other income), with the larger increase relative to the revenue increase due to the increased gross profit contribution from high margin permanent placements;
- Gross profit margin (excluding other income) was 11.76%, up slightly from 11.57% for the comparative quarter in FY21 (excluding other income), due to the increase in the gross profit contribution from permanent placements;
- Other income decreased 100% against the comparative quarter in FY21 which included \$665k in JobKeeper Payment subsidies, net of “top-up” wages;
- Cash receipts from customers were \$32,980k and payments for contingent labour were \$28,108k;
- Cash payments for staff costs were \$2,766k; and
- Net cash used in operating activities for the quarter was \$1,635k.

FINANCIAL UPDATE

Revenue

During the quarter ended 31 December 2021 the Company generated revenues of \$28,716k, an increase of 5% against the comparative quarter in FY21.

State and Territory business operations continued to be impacted by COVID-19 to different degrees, with varying public health orders in place.

The Company’s gross profit (excluding other income) for the December 2021 quarter of \$3,377k, increased 7% against the \$3,161k for the comparative quarter in FY21. The higher increase in gross profit relative to the revenue increase was due to the increased gross profit contribution from high margin permanent placements.

The prior comparative period included \$665k in net JobKeeper Payment subsidies which were provided by the Federal Government as a COVID-19 economic response.

Active contractors as at 31 December 2021 were 882 versus 878 as at 31 December 2020 and 863 as at 30 September 2021.

Expenditure

Contingent labour costs of \$25,338k for the December 2021 quarter increased 5% against the comparative quarter in FY21, in line with the increase in revenue.

During the December 2021 quarter, total employee headcount increased by four versus the previous quarter and the comparative quarter in FY21. Salary costs increased 11% against the comparative quarter in FY21, primarily due to the hiring of several senior staff into the business.

The December 2021 quarter saw a 12% increase in other operating costs relative to the comparative quarter in FY21. This increase arose mainly from increased marketing and advertising expenditure and the one-time costs associated with planned projects to implement two software as a service (“SaaS”) platforms. These platforms are replacing the legacy financial system and the legacy customer and contractor management system supporting the On Demand IT Services division.

Cashflows

Cash and cash equivalents as at 31 December 2021 were \$230k, down from \$1,256k as at 30 September 2021 and marginally down from \$253k as at 31 December 2020. The net cash position for the December 2021 quarter decreased by \$1,026k from the prior quarter, with net cash used in operating activities of \$1,635k exceeding net cash from financing activities of \$610k and from investing activities of \$8k.

Cash receipts from customers were \$32,980k for the December 2021 quarter, materially in line with the September 2021 quarter (\$33,446), while cash payments for contingent labour were \$28,108k, up 3% on the September 2021 quarter. Cash receipts decreased 1% while cash payments increased 1% on the comparative quarter in FY21, which was consistent with the increase in superannuation costs in the 2022 financial year ("FY22").

Cash payments for staff costs in the December 2021 quarter were \$2,766k, a 41% increase on the \$1,957k in the September 2021 quarter. This was due to the timing of pay-as-you-go tax and superannuation payments in the second quarter, the payment of FY21 commissions and short-term incentives and higher salary costs associated with increases in headcount. In addition, Queensland payroll tax costs relating to May, June and September 2020, deferred by the State Government due to COVID-19, were paid in October 2021.

Cash payments for administration and corporate costs in the December 2021 quarter were \$555k, consistent with the September 2021 quarter.

OPERATIONAL UPDATE

Specialist Recruitment

During the December 2021 quarter the Specialist Recruitment business contributed a gross profit increase of 8% against the prior comparative period. At the same time salary and on costs increased 2% due to the hiring of additional staff while other operating costs increased by 48% due to increased marketing and advertising expenditure.

The gross profit increase comprised a 190% increase in permanent placement revenue, partially offset by a 4% decrease in contingent labour gross profit against the comparative quarter in FY21 with customers opting to engage candidates on a permanent rather than contingent labour basis. The Federal Government business continues its robust performance while the Engineering vertical also continues to deliver a strong result this financial year.

The gross profit for the December 2021 quarter decreased 6% on the September 2021 quarter due to a 10% decrease in contingent labour gross profit, partially offset by a 35% increase in permanent placement revenue.

The NSW business delivered a 30% improvement in gross profit versus the comparative quarter in FY21 on the back of stronger permanent placement revenue. The December 2021 quarter gross profit for the Victorian business was up 8% on the prior comparative period. The ACT business performed in line with the comparative quarter in FY21. In the December 2021 quarter, the gross profit results for the ACT and Victoria were weaker than in the September 2021 quarter while NSW was flat largely due to the combined impact of COVID-19 related restrictions and the Christmas holiday period.

As at 31 December 2021 active contractors were 750 versus 687 as at 30 September 2021 and 715 as at 31 December 2020.

On Demand IT Services

The On Demand IT Services gross profit was down 5% on the comparative quarter in FY21. Meanwhile operating overheads increased significantly due to the costs associated with the project to implement a SaaS platform to replace the legacy customer and contractor management system. The December 2021 quarter gross profit increased 22% against the September 2021 quarter while operating overheads increased 142% for the reasons noted earlier. The business is slowly recovering from the operational impact of the COVID-19 lockdowns imposed in NSW and Victoria during the previous quarter.

Talent Solutions

Talent Solutions recorded a 56% improvement in gross profit against the comparative quarter in FY21 and a 135% improvement against the September 2021 quarter. These favourable movements reflected the impact of a new leader appointed in the September 2021 quarter and the delivery of several new projects as well as the delivery of a number of projects delayed from the previous quarter.

Shared Services

Net corporate overheads increased 1% against the comparative quarter in FY21, with salary and on costs increasing 7% and other operating costs decreasing 3%. Interest expense on the debtor finance facility decreased 19% against the comparative quarter in FY21 due to the continuing benefits of the JobKeeper Payment subsidies from FY21, strong collection activities and relatively low debtors ageing despite a slight deterioration from the September 2021 quarter.

The December 2021 quarter net corporate overheads decreased 7% against the September 2021 quarter. This reflected a 13% decrease in salary and on costs due to decreases in accrued entitlements with the Christmas holidays and a 3% increase in other operating costs due to costs associated with the project to implement a SaaS platform to replace the legacy financial system.

PAYMENTS TO RELATED PARTIES OF THE ENTITY AND THEIR ASSOCIATES

Payments to related parties of the Company and their associates during the December 2021 quarter totalled \$59k, comprising the fees paid to the Directors of the Company.

DEBTOR FINANCE FACILITY

The Company relies on a secured debtor finance facility provided by ScotPac Business Finance expiring on 20 February 2023 ("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 December 2021 was \$4,578k and the applicable interest rate was 6.66%.

OUTLOOK FOR THE THIRD QUARTER 2022

In the Specialist Recruitment division, customer demand for contingent labour is expected to continue at current levels during the March 2022 quarter across the Company's Federal Government customer base in the IT vertical and with commercial customers through the Engineering vertical, which has delivered a robust performance in the first half of FY22.

Permanent placement volumes in the second half of January 2022 have been encouraging and this is expected to be sustained through the March 2022 quarter as businesses look to invest in resources for 2022.

The Specialist Recruitment division is currently hiring business leaders and recruitment consultants to take advantage of the long-term market opportunity, with a focus on bolstering resources within the IT vertical across all geographic markets. A new leader for the NSW IT vertical commenced in January 2022.

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

Talent Solutions continues to develop an improving pipeline of project opportunities that are converting into wins while at the same time investing in building out the skills and capabilities of the team. With a Federal Government election expected sometime in the second half of FY22, the division may experience slowing demand late in the March quarter or during the June quarter.

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

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

Despite high community vaccination rates, increasing infection rates and deaths during December 2021 and January 2022 has seen COVID-19 continue to create a degree of uncertainty for most Australians about their health, safety and job security. At the same time, the Company's staff, customers, candidates and contractors have exhibited increasing resiliency to weather these challenges. As such, the Directors and management are optimistic the strong performance in the first half of FY22 can be maintained in the second half of FY22.