

2022
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
30 SEPTEMBER 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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	33,446	33,446
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(27,183)	(27,183)
(c) advertising and marketing	(126)	(126)
(d) leased assets	(165)	(165)
(e) staff costs	(1,957)	(1,957)
(f) administration and corporate costs	(550)	(550)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(37)	(37)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST)	(1,370)	(1,370)
1.9 Net cash from operating activities	2,058	2,058
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(12)	(12)
(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 (provide details if material)	-	-
2.6	Net cash used in investing activities	(12)	(12)
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	-	-
3.6	Repayment of borrowings	(785)	(785)
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 used in financing activities	(882)	(882)
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	87	87
4.2	Net cash from operating activities (item 1.9 above)	2,058	2,058
4.3	Net cash used in investing activities (item 2.6 above)	(12)	(12)
4.4	Net cash used in financing activities (item 3.10 above)	(882)	(882)
4.5	Effect of movement in exchange rates on cash held	5	5
4.6	Cash and cash equivalents at the end of the period	1,256	1,256

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	1,256	87
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)	1,256	87

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	64
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 <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>	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)	5,004	-
7.4	Total financing facilities	5,004	-
7.5	Unused financing facilities available at quarter end		5,004
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 30 September 2021, the Facility was not drawn down and the applicable interest rate was 6.66%.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from operating activities (item 1.9)	2,058
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,256
8.3	Unused finance facilities available at quarter end (item 7.5)	5,004
8.4	Total available funding (item 8.2 + item 8.3)	6,260
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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: 29 October 2021

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 2021.

FINANCIAL SUMMARY

The quarter ended 30 September 2021 reflected the following:

- Revenues of \$30,939k increased 5% against the comparative quarter in the 2021 financial year ("FY21");
- Gross profit (excluding other income) of \$3,370k increased 1% against the comparative quarter in FY21 (excluding other income), with the lower increase relative to the revenue increase due to the reduced gross profit contribution from the high margin On Demand IT Services and Talent Solutions managed services businesses;
- Gross profit margin (excluding other income) was 10.89%, down from 11.40% for the comparative quarter in FY21 (excluding other income), due to the decrease in the gross profit contribution from On Demand IT Services and Talent Solutions;
- Other income decreased 100% against the comparative quarter in FY21 which included \$1,887k in JobKeeper Payment subsidies, net of "top-up" wages;
- Cash receipts from customers were \$33,446k and payments for contingent labour were \$27,183k;
- Cash payments for staff costs were \$1,957k; and
- Net cash from operating activities for the quarter was \$2,058k.

FINANCIAL UPDATE

Revenue

During the quarter ended 30 September 2021 the Company generated revenues of \$30,939k, an increase of 5% against the comparative quarter in FY21.

Although the quarter saw COVID-19 lockdowns reinstated in New South Wales ("NSW") and Victoria, as well as temporary lockdowns in the Australian Capital Territory ("ACT"), business sentiment and confidence remained strong with community COVID-19 vaccination rates increasing and an expectation that the economy would reopen in the December 2021 quarter.

The Company's gross profit (excluding other income) for the September 2021 quarter of \$3,370k, increased 1% against the \$3,354k for the comparative quarter in FY21. The lower increase in gross profit relative to the revenue increase was due to the reduced gross profit contribution from the high margin On Demand IT Services and Talent Solutions managed services businesses.

The prior comparative period included \$1,887k in net JobKeeper Payment subsidies which were provided by the Federal Government as a COVID-19 economic response.

Active contractors as at 30 September 2021 were 863 versus 841 at 30 September 2020 and 906 at 30 June 2021.

Expenditure

Contingent labour costs of \$27,570k for the September 2021 quarter increased 6% against the comparative quarter in FY21, marginally exceeding the rate of increase in revenue due to some contractor superannuation increases for financial year 2022 ("FY22") having to be absorbed.

During the September 2021 quarter, total employee headcount increased by two versus the previous quarter while being two below the employee headcount for the comparative quarter in FY21. Salary costs increased 2% against the comparative quarter in FY21, primarily due to the hiring of several senior staff into the business.

The September 2021 quarter saw a 1% decrease in other operating costs relative to the comparative quarter in FY21, arising mainly from a reduction in information technology and telephony costs.

Cashflows

Cash and cash equivalents as at 30 September 2021 were \$1,256k, up from \$87k at 30 June 2021 and \$138k at 30 September 2020. The net cash position for the September 2021 quarter improved by \$1,169k from the prior quarter, with net cash from operating activities of \$2,058k exceeding net cash used in financing activities of \$882k and investing activities of \$12k.

Cash receipts from customers were \$33,446k for the September 2021 quarter, in line with the June 2021 quarter, while cash payments for contingent labour were \$27,183k, up 1% on the June 2021 quarter. Cash receipts increased 8% on the comparative quarter in FY21, consistent with the 5% revenue increase and collection of aged debtors from the June 2021 quarter. Cash payments increased 1% on the comparative quarter in FY21 consistent with the increase in superannuation costs for FY22.

Cash payments for staff costs in the September 2021 quarter were \$1,957k, a 17% decrease on the \$2,360k in the June 2021 quarter. This was due to the timing of an additional pay-as-you-go tax payment and superannuation payment which occurred after quarter end.

Cash payments for administration and corporate costs in the September 2021 quarter were \$550k, an 18% increase on the June 2021 quarter, mainly due to the payment of annual ASX fees.

OPERATIONAL UPDATE

Specialist Recruitment

During the September 2021 quarter the Specialist Recruitment business contributed a gross profit increase of 11% against the prior comparative period, while salary and other operating costs remained flat.

The gross profit increase comprised a 9% increase in contingent labour as well as a 37% increase in permanent placement revenue against the comparative quarter in FY21. Whilst the performance of the Federal Government business remained strong, there was a significant uplift from the Engineering vertical which has had a strong start to the financial year.

The gross profit for the September 2021 quarter decreased 8% on the June 2021 quarter due to a 22% decrease in permanent placement revenue while contingent labour remained flat.

As at 30 September 2021 active contractors were 687 versus 735 at 30 June 2021 and 664 for the prior comparative period.

August 2021 saw the appointment of Bernt Schindler as General Manager of NSW, Victoria and WA.

The NSW business delivered a 20% improvement in gross profit versus the comparative quarter in FY21, together with improvements in the gross profit margin. The September 2021 quarter gross profit for the Victorian business was down 6% on the prior comparative period. The ACT business continued to perform strongly contributing a gross profit increase of 11% on the comparative quarter in FY21. The gross profit result for all business units in the September 2021 quarter was weaker than the June 2021 quarter with COVID-19 related lockdowns impacting contractors required to attend customer sites.

On Demand IT Services

The On Demand IT Services gross profit was down 27% on the comparative quarter in FY21 while operating overheads increased 11% on the back of employee headcount increases. September 2021 quarter gross profit decreased 22% against the June 2021 quarter while operating overheads increased 15%. The business was particularly impacted by the COVID-19 lockdowns imposed in NSW and Victoria during the quarter as a proportion of the division's work involves attendance at customer sites that were closed.

Talent Solutions

Talent Solutions (formerly known as People Services) recorded a significant deterioration in gross profit against the comparative quarter in FY21 and also against the June 2021 quarter. These unfavourable movements reflected a lower volume of project wins together with several project delays due to COVID-19. The Talent Solutions leadership team was bolstered in August 2021 with the addition of Nikki Grech as Executive General Manager.

Shared Services

Net corporate overheads decreased 3% against the comparative quarter in FY21, with salary costs increasing 8% and other operating costs decreasing 4%. Interest expense on the debtor finance facility decreased 50% against the comparative quarter in FY21 due to the continuing benefits of the JobKeeper Payment subsidies from FY21, strong collection activities and low debtors ageing.

The September 2021 quarter net corporate overheads decreased 8% on the June 2021 quarter reflecting a 7% decrease in salary costs and a 6% decrease in other operating costs.

PAYMENTS TO RELATED PARTIES OF THE ENTITY AND THEIR ASSOCIATES

Payments to related parties of the Company and their associates during the September 2021 quarter totalled \$64k, 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 (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. The total available Facility as at 30 September 2021 was \$5,004k and the applicable interest rate was 6.66%.

OUTLOOK FOR THE SECOND QUARTER 2022

The first month of the December 2021 quarter has seen the progressive lifting of COVID-19 related restrictions and lockdowns by various State and Territory governments with most business-related restrictions now expected to be removed by December 2021.

In the Specialist Recruitment division, customer demand for contingent labour is expected to remain strong in the December 2021 quarter across the Company's Federal Government customer base in the IT & Digital vertical. Volumes in the Business Support and Information Management verticals are expected to increase as offices re-open and customer sites become accessible.

While permanent recruitment is still not at pre-COVID-19 levels, volumes have started to increase during October 2021 and this momentum is expected to continue as businesses look to invest for 2022.

The Specialist Recruitment division is expecting continued robust market conditions. Following double digit gross margin growth in the September 2021 quarter versus the prior comparative period, the progress is pleasing. However, there is currently an investment in employee headcount to take advantage of the long-term market opportunity.

The On Demand IT Services division is expected to finalise the replacement of its legacy customer and project management systems during the December 2021 quarter. The division is anticipating an improvement in gross profit during the December 2021 quarter following the slowdown in the September 2021 quarter due to COVID-19 related public health orders and customer site closures.

The new Talent Solutions Executive General Manager is actively investing in building out the skills and capabilities of the team, refreshing the division's go to market proposition and developing an improved pipeline of opportunities to drive revenue and gross profit growth in FY22.

The key areas of focus for the December 2021 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 IT & Digital; and
- Finalise the national service offering to support current Federal and State Government customers cementing the Company's position as a leading government staffing specialist.

Community COVID-19 vaccination rates continue to increase across Australia, public health orders are being withdrawn and health and safety restrictions are being eased or removed. As such the Directors and management continue to remain confident about the prospects for FY22 and are optimistic that the positive momentum from the September 2021 quarter can be maintained over the balance of FY22.