

2021
IGNITE LIMITED
APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
31 MARCH 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 March 2021

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	27,478	91,707
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(23,437)	(78,263)
(c) advertising and marketing	(57)	(157)
(d) leased assets	(169)	(523)
(e) staff costs	(2,228)	(7,344)
(f) administration and corporate costs	(1,085)	(2,279)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(43)	(171)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	2,607
1.8 Other (GST)	(1,643)	(6,063)
1.9 Net cash used in operating activities	(1,184)	(485)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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 (provide details if material)	-	-
2.6	Net cash from investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,019	162
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	1,019	162
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at the beginning of the period	253	408
4.2	Net cash used in operating activities (item 1.9 above)	(1,184)	(485)
4.3	Net cash from investing activities (item 2.6 above)	-	-
4.4	Net cash from financing activities (item 3.10 above)	1,019	162
4.5	Effect of movement in exchange rates on cash held	(1)	2
4.6	Cash and cash equivalents at the end of the period	87	87

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	87	253
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)	87	253

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	134
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 including fees to the Executive Chairman Garry Sladden. Mr Sladden has acted as the Executive Chairman of the Company since 23 January 2019. Following the appointment of Tim Moran as Chief Executive Officer on 8 March 2021, Mr Sladden will return to the role of Non-Executive Chairman. During the period Mr Sladden has acted as Executive Chairman, Jennifer Elliott, Chairman of the Board Audit, Risk and Compliance Committee, has chaired the meetings of directors.		

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)	6,930	1,845
7.4	Total financing facilities	6,930	1,845
7.5	Unused financing facilities available at quarter end		5,085
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 Scottish Pacific 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 March 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)	(1,184)
8.2	Cash and cash equivalents at quarter end (item 4.6)	87
8.3	Unused finance facilities available at quarter end (item 7.5)	5,085
8.4	Total available funding (item 8.2 + item 8.3)	5,172
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.37
	<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: 28 April 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 31 March 2021.

FINANCIAL SUMMARY

The quarter ended 31 March 2021 reflected the following:

- Revenues of \$27,479k increased 3% against the comparative quarter in the 2020 financial year (“FY20”), being the first quarter impacted by COVID-19;
- Gross profit of \$3,205k decreased 7% against the comparative quarter in FY20, with the decline relative to the revenue increase due to the mix with lower contribution from high margin permanent placement revenue and People Services revenues;
- Gross profit margin was 11.65%, down from 12.88% for the comparative quarter in FY20, with the decline due to the lower proportion of permanent placement revenue in the March quarter;
- Cash receipts from customers were \$27,478k and payments for contingent labour were \$23,437k;
- Cash payments for staff costs were \$2,228k;
- Net cash used in operating activities for the quarter was \$1,184k.

FINANCIAL UPDATE

Revenue

During the quarter ended 31 March 2021 the Company generated revenues of \$27,479k, an increase of 3% against the comparative quarter in FY20.

The March quarter saw an easing of COVID-19 related health and safety restrictions for the Company, its staff, contractors and many of its customers. The majority of staff and contractors in Australia and New Zealand began to return to their offices and workplaces on at least a part-time basis.

The Company’s gross profit for the March quarter of \$3,205k, decreased 7% against the \$3,445k for the comparative quarter in FY20. The decline in gross profit relative to the revenue increase was due to the mix with a lower contribution from high margin permanent placement revenue and People Services revenues.

Expenditure

Contingent labour costs of \$24,277k for the March quarter increased 4% against the comparative quarter in FY20, in line with the increase in revenue. The activities undertaken in FY20 and in the first half of the 2021 financial year (“FY21”) to reduce fixed infrastructure costs in labour and property continue to have a positive financial impact.

The 33% reduction in Australian headcount in FY20 was reflected in the 25% reduction in staff and related costs during the March quarter against the comparative quarter in FY20. During the March quarter total headcount reduced by a net 3%.

The March quarter saw other operating costs decrease 43% against the comparative quarter in FY20 reflecting the financial benefits that continue to flow from relocating offices in FY20 as well as reduced marketing, advertising, travel and entertainment costs in the March quarter due to the January holidays and COVID-19 related restrictions impacting travel and entertainment.

Cashflows

Cash and cash equivalents at 31 March 2021 were \$87k, down from \$225k at 31 March 2020. The net cash outflow for the March quarter was \$166k, with net cash used in operating activities of \$1,184k.

Cash receipts from customers were \$27,478k for the March quarter, down 17% on the December quarter, while cash payments for contingent labour were \$23,437k, down 16% on the December quarter. Cash receipts decreased 10% and cash payments decreased 1% on the comparative quarter in FY20, due to the higher proportion of receipts in FY20 related to permanent placement revenue.

Cash payments for staff costs in the March quarter were \$2,228k, a 19% decrease on the December quarter cash payments for staff costs of \$2,741k which included the payment of payroll tax deferred in the previous quarters due to COVID-19 related concessions from State Governments.

Cash payments for administration and corporate costs in the March quarter were \$1,085k, a 110% increase on the December quarter, primarily due to the payment of annual insurance premiums and executive search fees related to the appointment of a new Chief Executive Officer.

OPERATIONAL UPDATE

Specialist Recruitment

During the March quarter the Specialist Recruitment business contributed a profit of \$1,096k versus a \$235k profit in the comparative quarter in FY20, reflecting a 38% reduction in salary and other operating costs while gross profit remained at the same level. Active contractors at 31 March 2021 were 700 versus 730 at 31 March 2020.

The reductions in salary and other operating costs arose from headcount reductions, closure of the Brisbane and Southern Sydney offices and the relocation of the Melbourne, Western Sydney and Sydney CBD offices. The contingent labour gross profit increased 6%, offset by a 40% decrease in permanent placement revenue against the comparative quarter in FY20. The quarter saw a recovery in customer demand for contingent labour while permanent recruitment has yet to return to pre-COVID-19 volumes.

The profit for the March quarter increased 9% on the December quarter due to a 143% increase in permanent placement revenue, offset by a 4% decline in contingent labour gross profit and a 9% increase in salary and other operating costs. The improvement in permanent placement revenue is expected to continue in the June quarter.

Specialist Recruitment headcount reduced by a net 1% during the March quarter.

The NSW business achieved a profit in the March quarter, up 290% on the loss in the comparative quarter in FY20. Meanwhile, the Victorian business, consisting of a small team, achieved a modest profit in the March quarter, up 102% on the loss in the comparative quarter in FY20. The ACT business continued to perform ahead of expectations contributing a profit for the March quarter, up 96% on the comparative quarter in FY20, reflecting the continued growth and strong demand from its predominantly Federal Government customers. The majority of business units experienced strengthening customer demand for contingent labour and permanent recruitment in February and March as economic and trading conditions improved across key markets.

On Demand IT Services

The On Demand IT Services business achieved a profit increase of 38% on the comparative quarter in FY20. This result reflected a 35% increase in gross profit, offset by a 31% increase in salary and other operating costs against the comparative quarter in FY20. The profit for the March quarter increased 6% on the December quarter due to reductions in salary and other operating costs.

People Services

The People Services business recorded a loss despite a 26% improvement against the comparative quarter in FY20 with the result a deterioration against the loss in the December quarter. These unfavourable movements reflected the generally lower volume of work and several ongoing project delays due to COVID-19.

Shared Services

Net corporate overheads decreased 19% against the comparative quarter in FY20 due to a 15% reduction in salary and related costs and a 43% reduction in other operating costs, primarily facilities expenses and consulting fees. The March quarter net corporate overheads decreased 1% on the December quarter reflecting a 14% reduction in other operating costs, offset by an 11% increase in salary and related costs. The increase in salary and related costs was partly due to the executive search fees and salary associated with the appointment of Tim Moran as Chief Executive Officer on 8 March 2021.

DEBTOR FINANCE FACILITY

The Company relies on a secured debtor finance facility provided by Scottish Pacific 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 at 31 March 2021 was \$6,930k, with the amount drawn down \$1,845k (27%) and the applicable interest rate 6.66%.

OUTLOOK FOR THE FOURTH QUARTER 2021

With the easing of COVID-19 related health and safety restrictions, continued improvement in economic and trading conditions and the appointment of an experienced and credentialed Chief Executive Officer, the outlook for the final quarter of FY21 and the 2022 financial year ("FY22") remains positive with ongoing recovery and growth expected.

The Company expects strengthening customer demand for contingent labour and permanent recruitment in key markets during the June quarter and into FY22. The financial benefits from the significant FY20 rationalisation of the Company's fixed infrastructure costs in labour and property are expected to continue into the June quarter.

In the Specialist Recruitment division, customer demand for contingent labour services in the March quarter was below that in the December quarter due to the January holidays and customer office closures, however, in key markets customer demand is expected to rebound in the June quarter to levels similar to the December quarter. While permanent recruitment is still not at pre-COVID-19 levels, there has been a noticeable increase in permanent recruitment volumes during the March quarter and this is also expected to continue in the June quarter.

The On Demand IT Services division anticipates June quarter gross profit to be consistent with that in the March quarter.

The People Services division has a number of contracted projects for the June quarter which should see it generate an improved gross profit relative to the March quarter.

At the end of the March quarter the Company returned staff to their offices for the majority of each week. Federal and State Government public health notices and guidelines continue to be monitored to ensure the well-being of staff and contractors.

After a solid finish to the March quarter, the key areas of focus for the June quarter are to:

- Develop a 3 year strategic growth plan;
- Identify areas for investment in conjunction with the preparation of the FY22 growth budget;
- Focus on increasing contractor numbers in the June quarter to drive gross profit growth in FY22;
- Continue to attract high-quality recruitment consultants with a particular focus on IT & Digital; and
- Develop a national service offering to support current Federal and State Government customers cementing the Company's position as a leading government staffing specialist.

The Company has now traded through four consecutive full quarters impacted by COVID-19 and experienced revenue declines of 10% in the June 2020 quarter, 16% in the September 2020 quarter, 15% in the December 2020 quarter against the comparative periods for continuing operations and now a 3% increase in the March 2021 quarter against the March 2020 quarter, being the first quarter impacted by COVID-19.

During this 12 month period the core contingent labour business has been impacted to a proportionately lesser extent than the permanent recruitment and People Services businesses. The Company is now seeing strengthening customer demand for contingent labour and permanent recruitment as economic and trading conditions continue to improve across key markets.

Despite the ongoing impact of COVID-19, the Directors continue to remain confident about the prospects for FY21 and all staff and business units are optimistic that the positive momentum will continue through the final quarter of FY21 and into FY22.