2021
IGNITE LIMITED

APPENDIX 4C QUARTERLY CASH FLOW REPORT
AND
QUARTERLY ACTIVITY REPORT
30 SEPTEMBER 2020

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	30 September 2020

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	30,939	30,939
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(26,998)	(26,998)
	(c) advertising and marketing	(46)	(46)
	(d) leased assets	(177)	(177)
	(e) staff costs	(2,375)	(2,375)
	(f) administration and corporate costs	(678)	(678)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(67)	(67)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,943	1,943
1.8	Other (GST)	(2,379)	(2,379)
1.9	**Net cash from operating activities**	**162**	**162**

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 (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 from/ (used in) 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	-	-
3.6	Repayment of borrowings	(433)	(433)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash used in financing activities**	**(433)**	**(433)**

4.	**Net increase/ (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at the beginning of the period	408	408
4.2	Net cash from operating activities (item 1.9 above)	162	162
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash used in financing activities (item 3.10 above)	(433)	(433)
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	**Cash and cash equivalents at the end of the period**	**138**	**138**

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	138	408
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)**	**138**	**408**

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]	150
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 including fees to the Executive Chairman Garry Sladden. Mr Sladden was the Independent Non-Executive Chairman of the entity until 23 January 2019. Following the resignation of the previous Chief Executive Officer, and until such time as a new Chief Executive Officer is appointed, Mr Sladden has acted and will continue to act as the Executive Chairman of the Company. During the period that 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** *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)	5,858	878
7.4	**Total financing facilities**	5,858	878

7.5	**Unused financing facilities available at quarter end**	4,980
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 2022 (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 2020 the applicable interest rate was 6.74%.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from operating activities (item 1.9)	162
8.2	Cash and cash equivalents at quarter end (item 4.6)	138
8.3	Unused finance facilities available at quarter end (item 7.5)	4,980
8.4	Total available funding (item 8.2 + item 8.3)	5,118
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: 29 October 2020

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 2020.

FINANCIAL SUMMARY

The 30 September 2020 quarter reflected the following:

- Revenues of $29,424k deceased 16% against the comparative quarter in 2020 for continuing operations, before inclusion of other income from Government grants and tax incentives;
- Gross profit of $3,354k decreased 27% against the comparative quarter in 2020 for continuing operations, before inclusion of other income from Government grants and tax incentives, with the greater decline relative to the revenue decline due to the mix with lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues;
- Gross profit margin was 11.40%, before inclusion of other income from Government grants and tax incentives, down from 13.04% for the comparative quarter in 2020, with the decline due to the lower proportion of permanent placement revenue in the September 2020 quarter;
- Cash receipts from customers were $30,939k and payments for contingent labour were $26,998k;
- Cash payments for staff costs were $2,375k;
- Cash receipts from Government grants and tax incentives (specifically JobKeeper) were $1,943k; and
- Net cash from operating activities for the quarter was $162k, including $1,943k of Jobkeeper receipts.

FINANCIAL UPDATE

Revenue

During the quarter ended 30 September 2020 the Company generated revenues of $29,424k, a decrease of 20% on the comparative quarter in the 2020 financial year ("FY20"), which included revenues from the discontinued China operations. For continuing operations, revenues of $29,424k represented a 16% decrease against revenues of $35,161k in the comparative quarter of FY20, before inclusion of other income from Government grants and tax incentives.

During the September quarter the Company, its staff, contractors and many of its customers continued to experience the ongoing impact of COVID-19. This was particularly acute in Victoria where the majority of the State was in lockdown for an extended period. The majority of staff and contractors in Australia and New Zealand continued to work from home where their roles permitted.

As a consequence of COVID-19, revenues from continuing operations declined 21% in July, 16% in August and 13% in September against the comparative periods in FY20, due to reduced customer demand for contingent labour and permanent placement services and the delay in commencement of Federal Government projects in the People Services division. The aggregate result for the quarter was a revenue decline of 16% against the comparative quarter in FY20 for continuing operations.

The Company's gross profit for the September quarter of $3,354k, before inclusion of other income from Government grants and tax incentives, decreased 44% on the $5,954k for the comparative quarter in FY20, which included the discontinued China operations. For continuing operations, gross profit of $3,354k, before inclusion of other income from Government grants and tax incentives, represented a 27% decrease against gross profit of $4,584k in the comparative quarter of FY20. The greater decline in gross profit relative to the revenue decline was due to the mix with lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues.

Expenditure

Contingent labour costs of $26,070k for the September quarter were down 15% on the comparative quarter in FY20 for continuing operations, in line with the decline in revenue from continuing operations. The discontinued China operations focussed on permanent recruitment and did not impact contingent labour costs in the comparative quarter.

The impact of the 35% reduction in Australian headcount during FY20 is reflected in the 35% reduction in staff and related costs during the September quarter against the comparative quarter in FY20 for continuing operations. During the September quarter total headcount reduced by a net 6%.

Following a successful four months of working from home the decision was taken early in the quarter to close the Company's Southern Sydney office with staff to relocate to other Sydney offices post COVID-19.

The September quarter saw other operating costs decrease 53% against the comparative quarter in FY20 for continuing operations reflecting the financial benefit from relocating offices in FY20 as well as reduced marketing, advertising, travel and entertainment costs in the quarter due to COVID-19.

Cashflows

Cash and cash equivalents at 30 September 2020 were $138k, down from $408k at 30 June 2020. The net cash outflow for the September quarter was $270k, with net cash from operating activities of $162k.

Cash receipts from customers were $30,939k for the September quarter, down 19% on the June quarter, while cash payments for contingent labour were $26,998k, down 3% on the June quarter. Cash payments decreased at a slower rate than cash receipts in the September quarter versus the June quarter due to the higher proportion of aged debtors collected which increased the June quarter cash receipts. Cash payments decreased 13% while cash receipts decreased 26% against the comparative quarter in FY20 due to the higher proportion of cash receipts from permanent placement revenue from the discontinued China operations with no corresponding contingent labour payment.

Cash payments for staff costs in the September quarter were $2,375k, reflecting a 10% decrease on the normalised June quarter cash payments for staff costs of $2,625k (after adjusting for the reclassification of $719k from contingent labour costs). This reflects the further headcount reductions in the September quarter.

JobKeeper Payment Subsidy

At the end of the June quarter the Company registered for and claimed the Federal Government JobKeeper Payment subsidy for eligible staff and contractors who wished to participate. During the September quarter the Company received $1,943k from the Australian Taxation Office for the JobKeeper Payment claims relating to June, July and August 2020, all of which were recognised as other income during the September quarter.

OPERATIONAL UPDATE

Specialist Recruitment

In the quarter ended 30 September 2020, the Specialist Recruitment business contributed a profit before tax and corporate overheads of $921k versus a $337k profit in the comparative quarter of FY20, reflecting a 50% reduction in salary and other operating costs offsetting a 23% decline in gross profit. The reductions in salary and other operating costs arose from the headcount reductions, closure of the Brisbane office and the relocation of the Melbourne, Western Sydney and Sydney CBD offices during FY20. The decline in gross profit arose from an 18% decrease in contingent labour gross profit and 66% decrease permanent placement revenue against the comparative quarter of FY20 as customers reduced demand for contingent labour and/or placed recruitment on hold during the quarter due to COVID-19.

The profit before tax and corporate overheads for the September quarter decreased 31% on the June quarter due to a 18% decline in contingent labour gross profit, offset by a 15% decrease in salary and other operating costs due to the recognition of redundancy costs in the June quarter.

The continuing focus on improving consultant performance and productivity resulted in Specialist Recruitment headcount reductions of net 7% during the quarter with some of these roles to be back-filled.

The NSW business achieved a net profit before tax and corporate overheads in the September quarter, up 132% on the loss in the comparative quarter in FY20. Meanwhile, the Victorian business achieved a modest net profit before tax and corporate overheads in the September quarter against a breakeven comparative quarter in FY20 reflecting the ongoing impact of COVID-19 in Victoria. The ACT business continued to perform ahead of expectations contributing $798k in net profit before tax and corporate overheads for the September quarter, up 47% on the comparative quarter in FY20.

On Demand IT Services

The On Demand IT Services business achieved a net profit before tax and corporate overheads of $221k in the September quarter, an increase of 121% on the comparative quarter in FY20. This result reflected a 39% reduction in salary and other operating costs, offset by a 7% decline in gross profit against the comparative quarter in FY20. The net profit before tax and corporate overheads was an improvement on the net loss before tax and corporate overheads for the June quarter. COVID-19 continues to impact many of the major On Demand customers.

People Services

The People Services business recorded a net profit before tax and corporate overheads of $63k, a 79% decrease against the comparative quarter in FY20 and a 20% decrease against the June quarter. This unfavourable movement reflected the generally lower volume of work and several ongoing project delays due to COVID-19 and the delay in the delivery of the Federal Government budget, which has had a direct impact on many of their Federal Government customers.

Shared Services

Net corporate overheads decreased 28% against the comparative quarter in FY20 due to a 19% reduction in salary and related costs and a 44% reduction in other operating costs, primarily facilities expenses and consulting fees. The September quarter net corporate overheads decreased 10% on the June quarter due to a 14% reduction in salary and related costs, following the recognition of redundancy costs in the June quarter and lower salary and related costs in the September quarter, as well as a 14% reduction in other operating costs, principally in facilities expenses.

DEBTOR FINANCE FACILITY

The Company relies on a secured debtor finance facility provided by Scottish Pacific Business Finance expiring on 20 February 2022 (“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 2020 was $5,858k, with the amount drawn down $878k (15%) and the applicable interest rate 6.74%.

OUTLOOK FOR THE SECOND QUARTER 2021

The uncertain ongoing economic and trading impacts of COVID-19 experienced in the September quarter are expected to continue in the December quarter of the 2021 financial year (“FY21”).

The financial benefit from the significant FY20 rationalisation of the Company’s fixed infrastructure costs in labour and property were realised in the September quarter of FY21. As outlined above, the Company’s restructuring and cost mitigation have continued in the September quarter and the financial benefits from these changes and those made in FY20 are expected to continue in the December quarter.

The final JobKeeper payment subsidy of $663k for the September 2020 claim period was received in October 2020. As a result, the total JobKeeper payment subsidy received in FY21 is $2,606k. Based on the Company’s 16% revenue decline in the September 2020 quarter versus the September 2019 quarter it will not be eligible for JobKeeper 2.0.

In the Specialist Recruitment division, customer demand for contingent labour services in the December quarter should remain at levels consistent with the September quarter, mainly from Federal and State Government customers. While permanent placement revenues are still not at their pre-COVID-19 levels, there is selective permanent recruitment occurring amongst existing and new customers. The Federal Government budget delivered at the beginning of October has removed a degree of uncertainty for Federal and State Government customers. Many IT service providers are expected to be beneficiaries of significant budget allocations to be spent on various IT projects in the short to medium term in Federal and State Government departments. The ACT Specialist Recruitment business, in particular, should benefit from any new IT projects.

The new On Demand IT Services division leadership team commenced in August 2020. They have spent the initial months engaging with customers, planning the implementation of new projects and building out their project pipeline. The second of the three projects awarded at the end of the 2020 financial year commenced during the September quarter. In addition, the division expects to deliver a new large one-off project for an existing customer in the December quarter.

The People Services division started well in July but was not able to continue the excellent start. Due to customer engagement complications caused by COVID-19 and the delayed Federal Government budget, the August and September results remained flat. Now that the Federal Government budget has been released, momentum is expected to pick up in the December quarter. The division has a customer profile skewed to Federal Government.

The Company has begun investigating options for returning staff to their offices during the December quarter or sometime early in the new year. This return will be undertaken after considering the individual requirements of staff in each state while ensuring it is aligned with the directions from each State Government.

As recently announced, with the business operations now focussed on Australia and New Zealand and several challenges removed, the search for an industry-experienced Chief Executive Officer to join the Company recommenced in early October.

The focus for the December quarter is to:

- Continue driving operational efficiencies and expenditure reductions where possible;
- Review and renegotiate several IT infrastructure and software supplier contracts due for renewal;
- Attract high-quality consultants, with a particular focus on IT & Digital to ensure the Company is well-positioned to take advantage of the continued growth in this sector;
- Work closely with Federal and State Government customers positioning the Company as a leading provider of contingent labour and recruitment services, and in particular skilled IT labour, to meet demand arising from IT projects funded by the Federal Government budget;
- Retain and grow the contingent labour workforce; and
- Focus all business units on business development activities in sectors hiring during COVID-19.

The Company has now traded through two consecutive full quarters impacted by COVID-19 and despite experiencing revenue declines of 10% in the June 2020 quarter and 16% in the September 2020 quarter against the comparative period for continuing operations, the core contingent labour business has been impacted to a proportionately lesser extent. The activities undertaken in FY20 to reduce fixed infrastructue costs in labour and property have resulted in a 35% reduction in staff and related costs and a 53% reduction in other operating costs during the September quarter against the comparative period for continuing operations. The Company was also able to access the Federal Government JobKeeper payment subsidy and at the date of this report had received a total of $2,606k in FY21. Furthemore, the delayed Federal Government stimulus budget released in October 2020 is expected to benefit the Company's Federal and State Government customers and result in demand for contingent labour with IT skills. As such, despite the uncertain ongoing economic and trading impacts of COVID-19, the Directors continue to remain confident about the prospects for FY21.