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2019

IGNITE LIMITED

APPENDIX 4E

PRELIMINARY FINAL REPORT – 30 JUNE 2019

ABN 43 002 724 334

Lodged with the ASX under Listing Rule 4.3A

www.igniteco.com

REPORT PERIOD

FINANCIAL YEAR ENDED:

30 June 2019

PREVIOUS CORRESPONDING PERIOD:

30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Description	30 June 2019 \$000	30 June 2018 \$000	Change \$000	Change %
Revenue from ordinary activities	152,900	182,203	(29,303)	(16.1)
Loss from ordinary activities after tax attributable to members	(5,812)	(2,566)	(3,246)	(126.5)
Net loss for the period attributable to members	(5,812)	(2,566)	(3,246)	(126.5)

In the 2019 financial year, revenue from ordinary activities for Ignite Limited and its controlled entities (the Group) declined 16.1% from \$182,203k to \$152,900k and gross profit decreased 18.5% from \$31,700k to \$25,832k while the gross profit margin deteriorated slightly from 17.4% in 2018 to 16.9% this year. The revenue decline was largely due to the full year impact of the loss of two large payrolling services contracts in the prior year. The deterioration in margin was due to the proportion of permanent recruitment revenue declining to 39.0% (2018: 46.8%) of gross profit due primarily to the decline in China revenue. As a result we experienced deterioration in our key financial metrics, including trade debtors, debtor finance facility and operating cash flows.

The Australia and New Zealand Specialist Recruitment business accounted for 86.6% of revenue (2018: 87.2%), the China Specialist Recruitment business represented 4.6% (2018: 6.2%), the On Demand IT Services business accounted for 7.1% (2018: 5.2%) and the People Services business made up the balance.

Consolidated profit before corporate overheads and tax fell 47.5% to \$2,561k (2018: \$4,878k), reflecting the performance of the four operating segments and in particular the Specialist Recruitment divisions in New South Wales, Victoria and China.

The loss from operating activities increased 185.9% to \$5,958k (2018: \$2,084k loss) wholly due to the \$5,868k reduction in gross profit while operating overheads decreased 5.9% from \$33,784 to \$31,790. Employee benefits expense reductions came from lower headcount predominantly in the China division. The operating rental expense increase this year was associated with the relocation to new Brisbane premises in the second half of 2018.

Operating cash flow deteriorated significantly for the year to \$1,232k outflow (2018: \$1,492k inflow) due to the reduced revenue and gross profit and the associated lower cash inflows.

The loss from ordinary activities after tax increased 126.5% to \$5,812k (2018: \$2,566k loss).

At 30 June 2019 the Group had net assets of \$8,872k (2018: \$14,075k). The Group's total assets of \$24,490k (2018: \$27,966k) primarily consisted of net trade receivables of \$13,593k (2018: \$17,848k) and accrued income of \$6,955k (2018: \$4,856k). Net trade receivables reduced 23.8% primarily on the back of improved collections and reduced billings. The Group's total liabilities of \$15,618k (2018: \$13,891k) primarily comprised trade and other payables of \$8,186k (2018: \$11,198k).

The cash balance at 30 June 2019 reduced 53.7% to \$1,287k (2018: \$2,782k). The deterioration in trade debtors and cash flow saw the debtor finance facility utilised at the end of the financial year increase 823.2% to \$5,798k (2018: \$628k). The debtor finance facility drawdown fluctuates through the course of a month depending on contractor pay and client bill cycles as well as the timing of staff payroll, supplier payments and Commonwealth and State government statutory tax payments. As a result, gearing at 30 June 2019 was 33.7% (2018: nil) with net debt of \$4,511k (2018: \$2,154k net cash).

DIVIDENDS OR DIVIDEND DISTRIBUTION PLAN

On 30 August 2019, the Directors resolved not to declare an interim or final dividend for the year ended 30 June 2019. No dividends were paid by the Group in the previous corresponding period.

PARENT ENTITY

The ultimate parent entity and ultimate controlling entity within the Group is Ignite Limited. The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities.

Entity Name	Country of Incorporation	Class of Shares	Equity Holding % ¹	
			2019	2018
Ignite New Zealand Holdings Limited ²	New Zealand	Ordinary	100	100
Ignite IT Services Limited ³	New Zealand	Ordinary	100	100
Lloyd Morgan Limited	Hong Kong	Ordinary	100	100
Lloyd Morgan Hong Kong Limited	Hong Kong	Ordinary	100	100
Lloyd Morgan China Limited	China	Ordinary	89	89
Beijing Candle Technology Service Co Ltd	China	Ordinary	100	100

1. The proportion of ownership interest is equal to the proportion of voting power held.

2. Formerly Candle Holdings Limited.

3. Formerly Candle New Zealand Limited.

During the financial year the following non-operating controlled entities were deregistered.

Entity Name	Country of Incorporation
Candle IT & T Recruitment Pty Limited	Australia
Ignite Management Services Pty Limited	Australia
JAV IT Group Pty Limited	Australia
Lloyd Morgan International Pty Limited	Australia
Candle Recruitment Pte Limited	Singapore

ASSOCIATES AND JOINT VENTURES

Ignite Limited does not have any holdings in joint ventures and associates.

OTHER DISCLOSURE REQUIREMENTS

This preliminary final report has been prepared using financial statements that have been audited. Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the audited financial statements, included as part of the Ignite Limited 2019 Annual Report lodged separately to this document. This document should be read in conjunction with the 2019 Annual Report and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2011 and ASX Listing Rules.

Cross Reference Index for Other Disclosures Included in the 2019 Annual Report	Page
Financial and operational review	2
Statement of comprehensive income together with notes	27
Statement of financial position together with notes	28
Statement of changes in equity	29
Statement of cash flows together with notes	30
Net tangible assets per share	57
Additional information	67