ignite

2020 IGNITE LIMITED ANNUAL REPORT

igniteco.com

IGNITE LIMITED

ABN 43 002 724 334

Registered office

Level 2, 55 Wentworth Avenue
Kingston ACT 2604

Principal place of business

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Share registry

Computershare Investor Services Pty Limited
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Executive Chairman

Garry Sladden

Chief Financial Officer

Mahendra Tharmarajah

Company Secretary

Ian Gilmour

Australian Securities Exchange listing

IGN

Auditors

PKF
Level 8, 1 O'Connell Street
Sydney NSW 2000

Solicitors

Hall & Wilcox
Level 18, 347 Kent Street
Sydney NSW 2000

Bankers

National Australia Bank
Level 36, 255 George Street
Sydney NSW 2000

IGNITE LIMITED

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2020 ANNUAL REPORT

CHAIRMAN'S LETTER

Dear Shareholder

The 2020 financial year was not only another very challenging and busy year but also quite rewarding for the milestones achieved in the Group's ongoing turnaround. It was a year of two distinct halves, with the loss from continuing operations after tax in the first half at $2,497k and in the second half at $1,280k, equating to a full year loss from continuing operations after tax of $3,777k, a 21.8% improvement on the comparative period.

In November 2019 the Group exited the China market with the sale of Lloyd Morgan China Limited in a management buyout to the then China Chief Executive Officer. The business had been owned for 12 years, delivering mixed results and providing no synergies with the core contingent labour business in Australia and New Zealand. With the benefit of hindsight the sale was well-timed.

The second half of the 2020 financial year brought with it the global COVID-19 pandemic which has endangered millions of communities globally and impacted every economy. The Directors moved quickly to ensure the health, safety and well-being of staff and contractors working in Australia and New Zealand, allowing those who could work from home to do so, and then proceeded to review the Group's revenues and operating expenses to minimise, where possible, any impact from the COVID-19 pandemic.

Through the course of the first three quarters of the financial year the Group had already been focussed on reducing its fixed labour and property infrastructure costs while at the same time maintaining and growing revenue and improving consultant productivity.

The first half saw the Specialist Recruitment division leadership refreshed in all key markets, with new external appointments in NSW and Victoria and a promotion in the ACT, and the On Demand IT Services leadership team refreshed subsequent to the reporting date. Between June 2019 and June 2020, Group headcount decreased 35% through a combination of performance management, attrition and redundancies, with several roles also being eliminated in the June 2020 quarter.

The Group relocated 3 offices in Melbourne and Sydney and closed 1 in Brisbane. The relocation and closure of these offices has significantly reduced the Group's property footprint and resulted in a 40% reduction in ongoing occupancy costs. Several of the new leases provide a high degree of operational and organisational flexibility with no long-term commitments or capital outlay for leasehold improvements. The majority of the Group's staff have now been working from home for 5 months and we expect this may remain the norm for some time after the COVID-19 pandemic, indicating that there will be further opportunity to reduce occupancy costs.

The Group generated more than 90% of its revenues through contingent labour services to Federal and State Government customers, as well as commercial customers in sectors that were not as adversely impacted by the COVID-19 pandemic as other sectors. This minimised the negative impact on the Group's revenue and gross profit during the June 2020 quarter with revenues only declining 10% on the comparative period for continuing operations. However, during May 2020 the Group experienced a greater than 30% decline in Australian revenue against May 2019 and became eligible to claim the Australian Federal Government JobKeeper Payment subsidy. The Group expects to receive up to $2,300k from the JobKeeper Payment subsequent to the reporting date.

Despite the uncertain ongoing economic and trading impacts of the COVID-19 pandemic, your Directors are confident about the prospects for the 2021 financial year given the significant work undertaken in the 2020 financial year with the divestment of the China business, reductions in occupancy costs and the significant headcount reductions across the operating business units and supporting shared services function. Given the external market circumstances, we believe the Group is well positioned to respond to any decline in customer demand for contingent labour services that may impact revenues and gross profit.

The Directors are incredibly grateful to the Group's executives, leadership team and staff for their continuing hard work, dedication and devotion to providing our customers, contractors and candidates with the best possible service and experience. On behalf of the Directors I would also like to thank our shareholders for their continuing support.

Garry Sladden
Executive Chairman

FINANCIAL AND OPERATIONAL REVIEW

The year in review

The 2020 financial year commenced with a changing of the guard in our Specialist Recruitment division with the appointment of 3 new leaders in the first half. New General Managers were appointed to lead the NSW and Victorian businesses and a long-serving ACT senior manager promoted to lead that business. In addition, the Melbourne office was relocated to more cost-effective premises.

Towards the end of the first half the Group successfully sold the underperforming Lloyd Morgan China business and without the distraction of China, the executive team, together with the refreshed business leadership team, turned its attention to the Australian and New Zealand Specialist Recruitment, On Demand IT Services and People Services divisions. Unfortunately, the first half loss from continuing operations after tax deteriorated 8.4% against the comparative period to $2,497k.

The mid-point of the financial year saw the Australian Eastern seaboard impacted by horrific bushfires in December 2019 and January 2020. As a consequence, revenues in January 2020 were lower than expected following the Christmas and New Year holidays as many Federal and State Government customers implemented extended office closures resulting in many of the Group's contractors not working. The Group revenues recovered in March 2020, however, the end of the March 2020 quarter and the beginning of the June 2020 quarter brought with them the devastating impact of the global COVID-19 pandemic.

The June quarter saw the relocation of 2 Sydney offices to more cost-effective premises and the impairment of the lease for the closed Brisbane office. The Group finished the year with a second half loss from continuing operations after tax of $1,280k, an improvement of 49.3% on the comparative period, to deliver a full year loss from continuing operations after tax of $3,777k, an improvement of 21.8%.

Impact of COVID-19

The spread of COVID-19 was declared a global pandemic on 11 March 2020 by the World Health Organisation. The rapid spread of the virus has seen an unprecedented response from Australian Federal and State Governments. The COVID-19 pandemic is having a significant impact on both local and global communities and economies. The Group has assessed the impact of the COVID-19 pandemic on its financial reporting and determined the financial performance for the year ended 30 June 2020 and overall financial position as at 30 June 2020 have not been materially impacted. The Group's going concern assessment at Note 2 of the Consolidated Financial Statements, and the associated profit and loss forecast for the 2021 financial year and the 15-month cash flow forecast for the period 1 July 2020 to 30 September 2021, reflect a consideration of the impact of the COVID-19 pandemic.

The health, safety and well-being of staff, contractors and candidates working in Australia and New Zealand has been a key focus of the Group since the impact of the COVID-19 pandemic in late March 2020. From the end of March 2020 all staff were directed to work from home where possible and the Group liaised with its customers in Australia and New Zealand to facilitate its contractors also working from home, where the customers and roles permitted. The Group’s technology has been upgraded to support working from home, including video conferencing capability to facilitate staff collaboration and maintain contact with customers and contractors.

The Group has also undertaken precautions and implemented measures and to ensure business continuity and to protect staff and contactors as the COVID-19 pandemic continues. This includes updating the Group's Business Continuity Plan and developing and implementing a COVIDSafe Plan. In addition, the Group implemented a range of initiatives to protect staff, including travel restrictions and social distancing, temperature checks and hygiene protocols for staff and visitors at its office premises.

Group revenues only declined 10% in the June 2020 quarter on the comparative period for continuing operations as more than 90% of revenues were generated through contingent labour services to Federal and State Government customers and commercial customers in sectors that have not been directly impacted by COVID-19 pandemic related staff layoffs and operational closures. Despite this, the Group has seen a marked slow-down in demand for permanent recruitment services including the deferral of many roles that were in the pipeline.

Included in the June 2020 quarter revenue result was a more than 30% decline in May 2020 Australian revenue versus May 2019, which enabled the Group to successfully register for, and claim, the Federal Government’s JobKeeper Payment subsidy from June 2020 with payments received subsequent to the reporting date.

FINANCIAL AND OPERATIONAL REVIEW
(continued)

Key financial metrics

The financial year reflected the following movements on the comparative period.

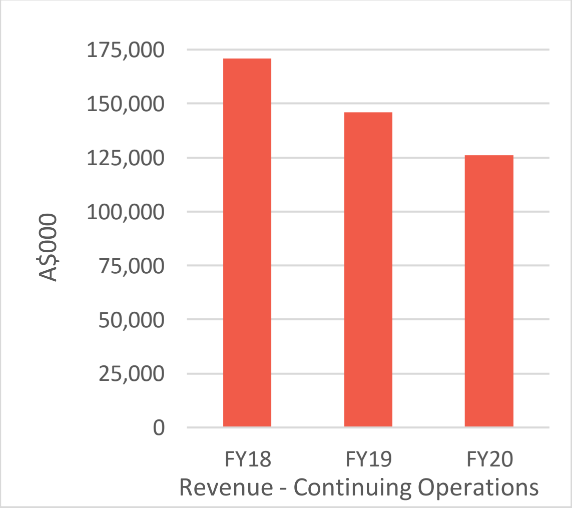
	2020 $000	2019 $000	Change $000	Change +/ (-) %
Continuing operations				
Revenue	125,958	145,924	(19,966)	(13.7)
Gross profit	15,267	18,753	(3,486)	(18.6)
Gross profit margin	12.1%	12.9%	-	-
Loss for the year, net of income tax	(3,777)	(4,827)	1,050	21.8
Employee benefits expense	(12,907)	(16,791)	3,884	23.1
Occupancy expense	(1,578)	(2,377)	799	33.6
Corporate overheads	(7,452)	(8,815)	1,363	15.5
Ordinary activities				
Net cash from/ (used in) operating activities[1]	4,581	(5,466)	10,047	183.8
Debtor finance facility	(1,187)	(5,798)	4,611	79.5
Cash	408	1,287	(879)	(68.3)
Net assets	2,916	8,872	(5,956)	(67.1)
Gearing	21.1%	33.7%	-	-

1. In the current year, management have determined to reclassify the net movement in the debtor finance facility from an operating cash flow to a financing cash flow. The reclassification more accurately reflects operating and financing cash flows and does not change the net decrease in cash for the year.

Financial review

In the 2020 financial year, revenue from continuing operations declined 13.7% from $145,924k to $125,958k. Gross profit from continuing operations decreased 18.6% from $18,753k to $15,267k and the gross profit margin from continuing operations decreased slightly from 12.9% in 2019 to 12.1% in the current year. The revenue decline was largely due to the loss of customers, with some reduced demand from continuing customers, together with the impact of the COVID-19 pandemic on the June 2020 quarter permanent placements. For the full year, permanent recruitment revenue as a proportion of gross profit declined to 9.5% (2019: 16.6%). Despite this, there were improvements in several key financial metrics, including trade receivables ageing, debtor finance facility draw down and net cash from operating activities.

The Australian and New Zealand Specialist Recruitment business accounted for 90.9% of revenue from continuing operations (2019: 90.7%), the On Demand IT Services business accounted for 7.3% (2019: 7.5%) and the People Services business made up the balance.

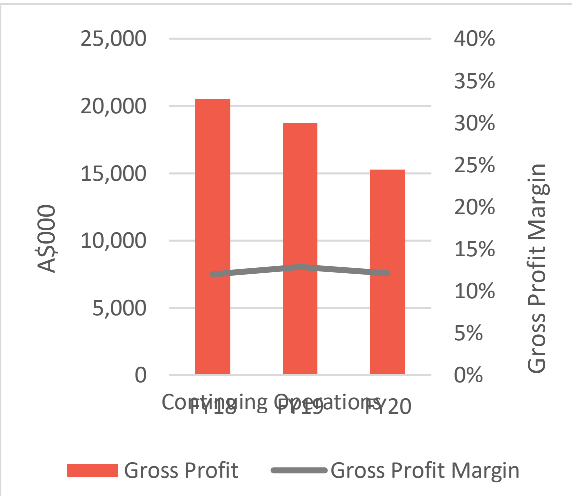


Consolidated profit before corporate overheads and tax for continuing operations decreased 3.0% to $3,420k (2019: $3,527k), reflecting the decline in the On Demand IT Services and People Services divisions, partially offset by the improvement in the Specialist Recruitment division.

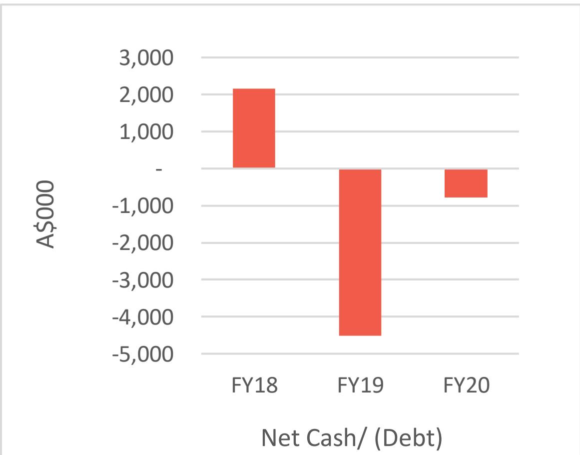
FINANCIAL AND OPERATIONAL REVIEW
(continued)

Financial review (continued)

The Group loss from continuing operations before financing and tax decreased 29.0% to $3,540k (2019: $4,984k loss) due to the $4,796k reduction in net operating overheads partially offset by the $3,486k reduction in gross profit. The $3,884k reduction in employee benefits expense from continuing operations arose primarily from reduced headcount, lower commission payments and reduced short term performance-based incentive payments. The reduction in occupancy expense this year was associated with the adoption of the new accounting standard AASB 16 Leases as described at Note 14 of the Consolidated Financial Statements and the relocation of 3 offices to more cost-effective premises during the year.

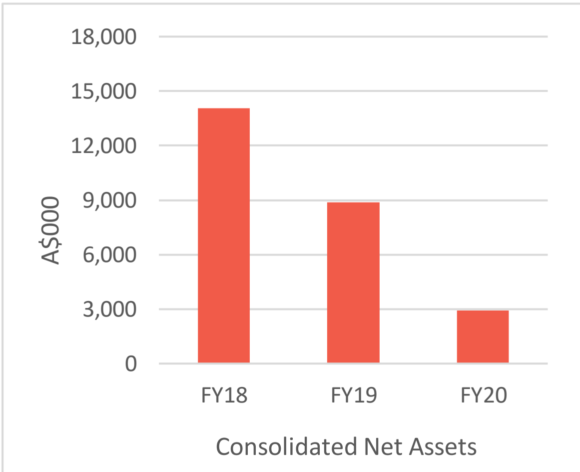


Net cash from operating activities was $4,581k (2019: $5,466k net cash used in operating activities), a 183.8% improvement for the year as a result of reductions in operating expenses and strong trade receivable collections. In addition, in the June 2020 quarter due to the COVID-19 pandemic, several large customers shortened their payment terms improving cash inflows and several State Governments offered payroll tax payment deferrals delaying cash outflows.



The loss from continuing operations after tax decreased 21.8% to $3,777k (2019: $4,827k loss).

At 30 June 2020 the Group had net assets of $2,916k (2019: $8,872k), with the movement reflecting the loss from continuing operations after tax of $3,777k, the loss from discontinued operations after tax of $2,495k and a foreign currency translation gain of $316k. The Group's total assets of $13,849k (2019: $24,490k) primarily consisted of net trade receivables of $7,578k (2019: $13,593k) and accrued income of $4,372k (2019: $6,955k). Net trade receivables decreased 44.3% on the back of improved collections and reduced billings. The Group's total liabilities of $10,933k (2019: $15,618k) primarily comprised trade and other payables of $7,696k (2019: $8,186k).



The cash balance at 30 June 2020 decreased 68.3% to $408k (2019: $1,287k) primarily due to the derecognition of the China cash balance upon disposal of the China business. The improvement in net cash from operating activities resulted in a net repayment of the debtor finance facility during the year. As a result, the debtor finance facility utilised at the end of the year decreased 79.5% to $1,187k (2019: $5,798k). The debtor finance facility drawdown fluctuates during the course of a month depending on contractor payments and customer billing cycles as well as the timing of staff payroll, supplier payments and Federal and State Government statutory tax payments. Consequently, gearing at 30 June 2020 decreased to 21.1% (2019: 33.7%) with net debt of $779k (2019: $4,511k).

FINANCIAL AND OPERATIONAL REVIEW

(continued)

Operational review

Specialist Recruitment

Revenue from the Australian and New Zealand Specialist Recruitment division declined 13.6% to $114,477k (2019: $132,414k). The reduction in revenue reflected the loss of contingent labour customers, some reduced demand from continuing customers and the 53.2% reduction in permanent recruitment revenue due to fewer specialist permanent recruitment consultants and uncertainties in the market due to the COVID-19 pandemic in the June 2020 quarter.

Profit before tax and corporate overheads increased 17.4% to $2,552k reflecting a 26.6% reduction in salary and related costs offsetting the reduction in revenue and gross profit.

During the first half of the year significant focus was directed towards ensuring the right leadership was in place in key markets and consequently NSW and Victoria welcomed 2 new General Managers, who are both well-known and respected in the Australian recruitment industry, and in the ACT a long-serving senior manager was promoted to the leadership role.

During the year the continuing focus on improving consultant performance and productivity and a focus on the key functional verticals resulted in headcount reductions of 37.7% for continuing operations through a combination of performance management, attrition and redundancies.

The Melbourne office relocated in the first half and 2 Sydney offices relocated in the June 2020 quarter to more flexible and cost-effective premises. The financial benefits have been partly realised in the 2020 financial year and will be fully realised in the 2021 financial year. In addition, the result reflected a one-off impairment loss of $282k related to the exit from the Brisbane office lease commitment. These property changes are expected to deliver a greater than 40% reduction in monthly occupancy costs.

Under new leadership, the NSW business, which experienced most of the headcount reductions during the year, finished the full year with a $447k net loss before corporate overheads, however, not before returning to a modest net profit before corporate overheads in the June 2020 quarter. Meanwhile, the Victorian business achieved a $153k net profit before corporate overheads in the year, a significant turnaround from the $669k net loss before corporate overheads in the comparative period. The ACT continued to be the strongest performing business unit with a sustained performance, contributing $2,878k in net profit before corporate overheads for the year, down 1% on 2019.

On Demand IT Services

Revenue from the Australian and New Zealand On Demand IT Services division declined 15.1% to $9,241k (2019: $10,882k) due to delays in the commencement of new projects (compounded by the COVID-19 pandemic) and a major contract renewal expected in the second half of 2020 being delayed and commencing in July 2020. Profit before tax and corporate overheads decreased by 61.4% during the year to $252k (2019: $652k). On the back of being awarded this new contract from one of its major customers, this highly specialised and unique division continues to maintain a strong pipeline and has set itself up for a successful 2021 financial year.

People Services

The People Services division experienced a decline of 14.8% in revenue to $2,240k (2019: $2,628k), while profit before tax and corporate overheads declined 12.1% to $616k (2019: $701k), largely due to customer delays in awarding projects in the second half year of 2020. While projects in the June 2020 quarter were impacted by the COVID-19 pandemic, several new projects commenced in June 2020. Despite the decline in revenue and profit before tax and corporate overheads, net profit margin improved from 26.7% to 27.5%.

FINANCIAL AND OPERATIONAL REVIEW
(continued)

Operational review (continued)

Shared Services

Net corporate overheads decreased $1,363k (15.5%) against the comparative period mainly due to headcount reductions and associated salary and on cost savings as well as reductions in other operating costs, including occupancy costs. In particular, the second half net corporate overheads were $3,098k versus $4,354k in the first half, a reduction of 28.9% due to headcount reductions as well as a range of non-recurring expenses in the first half including executive search fees, audit fees, and advisory and legal fees associated with a structural review of the Group and the disposal of the China business.

Debtor finance facility

As at 30 June 2020 the Group relied 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 and reporting conditions. The total available Facility at the reporting date was $5,785k and the amount drawn down $1,187k, a decrease of 79.5% on the comparative period largely due to the improved net cash from operating activities during the year, and in particular during the June 2020 quarter.

Discontinued operations

On 18 November 2019 the Company's wholly owned Hong Kong subsidiary, Lloyd Morgan Limited, sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited, which in turn owned the China business including 89% of Lloyd Morgan China Limited and 100% of Beijing Candle Technology Service Co Ltd. The purchaser was the then Chief Executive Officer of Lloyd Morgan China Limited. The sale was entered into for nominal cash consideration and based on the acquisition of the business as a going concern on an "as is, where is" basis, with all faults and without any warranties or representations by the seller and without any future recourse to the seller in respect of the business sold.

At the date of disposal, the China business had incurred a loss after tax of $2,495k (2019: $985k loss). The Company, through its related entities, had majority ownership and control of the China business for more than 12 years and experienced mixed results and numerous challenges in its performance during that period. Over the 5 years to November 2019, the China business, which was self-funding and self-sufficient, had consumed a disproportionate amount of both the Directors' and the executive team's time relative to the scale of operations and contribution to revenue and profitability. There were also limited synergies with the Australian and New Zealand businesses which operated predominantly in the contingent labour market.

In the first half of the 2020 financial year following a review of the options available and considering the ongoing risks and challenges in the China market, the Directors determined not to invest further capital in the China business. Following that decision, the Directors considered that the business, its customers, candidates and staff were best served by local ownership with a locally focused and experienced leadership team.

The year ahead

The Group has commenced the 2021 financial year confidently and believes it is well positioned to meet the challenges posed by the uncertain ongoing economic and trading impacts of the COVID-19 pandemic to its business and the health, safety and well-being of staff and contractors working with customers.

Significant inroads were made during the 2020 financial year in rationalising a large portion of the Group's fixed infrastructure costs including labour and property. Total headcount for continuing operations decreased 35% during the 2020 financial year. In addition, 3 offices were relocated in Melbourne and Sydney to more cost-effective options providing greater operational flexibility, while the redundant Brisbane office lease was fully impaired. These property changes have achieved a greater than 40% reduction in monthly occupancy costs. The full financial benefit of the headcount reductions and property rationalisations will be fully realised during 2021.

FINANCIAL AND OPERATIONAL REVIEW
(continued)

The year ahead (continued)

The Group's receipt of the Federal Government JobKeeper Payment subsidy for the period June 2020 to September 2020 will provide added employment and financial security for staff and contractors as the Group meets the challenges posed by the COVID-19 pandemic.

In the Specialist Recruitment division, July 2020 has seen continuing strong customer demand for contingent labour services, particularly from Federal and State Government customers as well as commercial customers. While permanent placement revenues are not at their pre-COVID-19 levels, there is selective permanent recruitment occurring amongst existing and new customers. Returning the NSW Specialist Recruitment business to full year profitability before corporate overheads is a priority following the significant headcount and associated salary cost reductions achieved in 2020.

In the 2021 financial year the On Demand IT Services division has been awarded 3 new projects from existing customers for which it had tendered during the 2020 financial year. The largest of these projects commenced in July 2020 with the remaining 2 expected to commence in the first half of 2021 following finalisation of contracts. In August 2020, the leadership team for this division was refreshed with the appointment of 2 highly experienced individuals to the General Manager and Operations Manager roles.

The People Services division began to pick up momentum in June 2020 with several projects being approved to commence and that momentum has continued into July 2020.

The Group expects the current COVID-19 pandemic resurgence in Victoria and NSW in particular, to delay all staff returning to offices and contractors to customer sites. Furthermore, customers are likely to be cautious in increasing their current contingent labour commitments or pursuing permanent recruitment. As such the primary focus of the Group for 2021 will be to ensure revenues and gross profit are sustained at 2020 levels in light of the uncertain ongoing economic and trading impacts of the COVID-19 pandemic.

Additionally, the Group will continue to seek further operational efficiencies and expenditure reductions where possible including reviewing several large IT and software supplier contracts due for renewal in the first half of the 2021 financial year. Finally, the Group will continue to focus on collecting its trade receivables and minimising ageing to maintain net cash from operating activities without any material deterioration from current levels, thereby reducing the reliance on the debtor finance facility.

Garry Sladden
Executive Chairman

DIRECTORS' REPORT

The Directors present their report together with the financial report of Ignite Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 30 June 2020 and the independent auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Garry Sladden
Jennifer Elliott
Craig Saphin
Fred van der Tang

Principal activities

The principal activities of the Group during the financial year were the provision of contingent labour and permanent recruitment services ("Specialist Recruitment"), on demand information technology services ("On Demand IT Services") and outsourced recruitment and human resource consulting services ("People Services"). The Group operates in 4 cities across Australia and employs approximately 80 people. There have been no changes in the principal activities of the Group during the year other than the disposal of the China business on 18 November 2019.

Review of operations

The loss attributable to equity holders of the Company for the financial year was $6,272k (2019: $5,812k loss).

The Chairman's Letter and Financial and Operational Review form part of the Directors' Report for the financial year ended 30 June 2020.

Dividends

No dividends were paid or declared during the financial year. On 31 August 2020 the Directors resolved not to declare a final dividend for the year ended 30 June 2020.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year other than the disposal of the China business in November 2019, the impact of the COVID-19 pandemic from March 2020 and eligibility for the Australian Federal Government JobKeeper Payment subsidy from June 2020.

Events subsequent to the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years other than the uncertain ongoing economic and trading impacts of the COVID-19 pandemic and the Group receiving the Australian Federal Government's JobKeeper Payment subsidy.

Future developments

The Group is pursuing a strategy centred on the provision of Specialist Recruitment, On Demand IT Services and People Services in Australia and New Zealand.

Environmental issues

The Group's operations are regulated by relevant Commonwealth and State legislation in Australia and legislation in New Zealand. The nature of the Group's business does not give rise to any significant environmental issues.

Information on the Directors

GARRY SLADDEN

Executive Chairman

Garry is a business and strategic adviser who has a diversified business background in the areas of real estate, private equity, business operations, banking and finance, and equity raising. He was General Manager Operations at Consolidated Press Holdings for six years.

During the last three years Garry has been a director of listed company Folkstone Limited (resigned November 2018). Garry is currently Chairman of Star Car Wash Café Holdings Pty Ltd.

Garry is Executive Chairman of the Board of Directors, a member of the Board Audit, Risk and Compliance Committee and a member of the Board Remuneration and Nomination Committee.

Since the resignation of the previous Chief Executive Officer on 23 January 2019 and until such time as a new Chief Executive Officer is appointed, Garry has and will act as the Executive Chairman of the Company.

JENNIFER ELLIOTT

Independent Non-Executive Director

Jennifer has broad experience across senior executive roles in financial services, with a particular focus on strategic planning, risk and compliance, joint ventures in Asia and global human resources. During a 20-year career with Moody's Corporation, Jennifer held a variety of analytic and management roles, including over five years as head of Moody's Investors Service Asian business, and also several years as Chief Human Resources Officer for Moody's Corporation.

She holds a Master of Asian Business Studies from SOAS, University of London, and arts and law degrees from the University of Sydney.

During the last three years Jennifer has not been a director of any other listed company. Jennifer currently sits on several boards as an independent non-executive director, including not-for-profit entities.

Jennifer is Chairman of the Board Audit, Risk and Compliance Committee and a member of the Board Remuneration and Nomination Committee.

During the period that the Chairman of the Board has acted as Executive Chairman, Jennifer has chaired the meetings of directors.

CRAIG SAPHIN GAICD

Independent Non-Executive Director

Craig is a seasoned executive with over 30 years' experience in Asia-Pacific operations. He has held chief executive officer, general management, executive and non-executive directorships and board oversight roles with full profit and loss experience for public, private and not-for-profit organisations.

Previously, Craig was Executive Director with the technology and HR services company, en Japan, Inc., which is a publicly listed company in Tokyo. He also held the role of Chief Executive Officer at recruitment company en world where he led the growth strategy across Asia.

Prior to this he worked in executive roles leading diverse teams in Australia, China, Japan and Asia for the US technology company EFI, Inc. and Japanese company Fuji Xerox. He has been Chairman for the NFP English service lifeline in Japan, "TELL".

During the last three years Craig has not been a director of any other listed company.

Craig is Chairman of the Board Remuneration and Nomination Committee and a member of the Board Audit, Risk and Compliance Committee.

DIRECTORS' REPORT (continued)

Information on the Directors (continued)

FRED VAN DER TANG

Independent Non-Executive Director

Fred is a highly experienced senior executive at international level, having built a career of over 20 years at Randstad, currently the world's largest recruitment company. In his time at Randstad, he held senior roles which included responsibility for Randstad's operations in the Netherlands, Italy, the UK and Australia/ New Zealand. He also served as Chief Sales Officer at a global level. Fred brings a deep understanding of growth and transformation in the recruitment industry.

Following Randstad, Fred was General Manager Australia/ New Zealand for Ascender HCM, a private equity owned payroll and human capital management provider. Fred is currently Chief Executive Officer and a shareholder of Make it Cheaper, a privately owned Australian company providing business energy price comparison and switching.

A Dutch national, now residing in Sydney, Fred attained a Masters degree in Business and Economics from the University of Amsterdam as well as qualifications from several leading business schools.

During the last three years Fred has not been a director of any other listed company.

Fred is a member of the Board Audit, Risk and Compliance Committee and a member of the Board Remuneration and Nomination Committee.

Directors' interests in shares and options

At the date of this report, the particulars of shares and options in which each Director has a relevant interest either directly or indirectly are disclosed in the Remuneration Report on page 15.

Company Secretary

IAN GILMOUR FGIA, FCG (CS), FAICD

Ian is a seasoned and experienced company secretary and is currently director and company secretary of Gilmour & Co Pty Ltd, a provider of company secretarial services. He is company secretary of Torrens Group Holdings Pty Ltd, Property Exchange Australia Limited, Optalert Holdings Pty Limited, Sydney Institute of Marine Science and Barker College Council. Ian was formerly director and company secretary of AQRB Pty Ltd (formerly Audit Quality Review Board Ltd) and company secretary of RedHill Education Limited (ASX: RDH) and Goodman Fielder Limited (ASX: GFF). He has also provided company secretarial services to several other ASX listed companies.

Audited remuneration report

The remuneration report is set out under the following headings:

- Director Remuneration
- Principles Used to Determine the Nature and Amount of Executive Remuneration
- Details of Directors' and Key Management Personnel Remuneration
- Short-Term Incentive
- Long-Term Incentive
- Employment Contracts
- Option Holdings
- Shareholdings

The information provided under these headings includes remuneration disclosures that are required under the Corporations Act 2001. These disclosures have been transferred from the financial report and have been audited.

DIRECTORS' REPORT (continued)

Director remuneration

The policy of the Board of Directors of the Company (the "Board") is to remunerate Directors at market rates for comparable companies. Such remuneration is provided in recognition of the time, commitment and responsibilities assumed by Directors. The Board Remuneration and Nomination Committee determines payments to Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive Directors is $500,000 per annum as approved by shareholders at the 2005 Annual General Meeting. Fees for Directors are not linked to the performance of the Group. Directors do not receive options or any form of equity as remuneration. Directors are entitled to statutory superannuation and do not receive any other retirement benefits.

Principles used to determine the nature and amount of executive remuneration

Executive remuneration principles

The Board Remuneration and Nomination Committee's Charter includes setting out the terms and conditions by which executive remuneration is determined. The Board Remuneration and Nomination Committee did not seek professional advice from independent external consultants in the financial year on executive remuneration. All executives receive a base salary (which is based on factors such as experience) and statutory superannuation and are eligible for fringe benefits as well as performance-based and service-based incentives. The Board Remuneration and Nomination Committee reviews senior executive remuneration annually, as requested by the Chief Executive Officer, by reference to the Group's performance, executive performance, comparable information from industry sectors and other listed companies in similar industries.

The Group's executive remuneration practices have been designed to align executive and shareholder interests and objectives. The Board believes these practices to be appropriate and effective in attracting and retaining skilled executives to manage and operate the business.

The performance of executives is measured against criteria agreed annually with each executive. The criteria are based predominantly on the forecast financial performance of the Group. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can review the Board Remuneration and Nomination Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract and retain skilled executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives may also be invited to participate in the Company's Equity Incentive Plan. Executives are entitled to statutory superannuation and do not receive any other retirement benefits. All remuneration paid to executives is valued at cost to the Group and expensed.

Performance based remuneration

As part of the Chief Executive Officer and executives' remuneration packages there is a performance-based component, related to Key Performance Indicators ("KPIs"). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPIs are set annually, in consultation with executives to ensure their commitment to achieving those goals.

The KPIs target the areas the Board believes hold the greatest potential for the Group's expansion and profitability, covering financial and non-financial as well as short-term and long-term goals. The measures are specifically tailored to the areas of each executive's involvement within the business and over which they have control. The level set for each KPI is based on budgeted amounts for the Group and industry standards.

Principles used to determine the nature and amount of executive remuneration (continued)

Performance based remuneration (continued)

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited financial information. The Chief Executive Officer's achievement of KPIs is determined by the Board while each executive's achievement of KPIs is determined by the Chief Executive Officer or the Board.

Following the annual assessment, the KPIs are reviewed by the Chief Executive Officer, with assistance as may be required from the Board Remuneration and Nomination Committee in light of the desired and actual outcomes for that year. The KPIs are then set for the year in order to align with the Group's objectives.

Consequences of performance on shareholder wealth

In considering the Group's performance and impact on shareholder wealth, the Board Remuneration and Nomination Committee has regard to the following information in respect of the current financial year and prior four financial years for ordinary activities.

	2020	2019	2018	2017	2016
	$000	$000	$000	$000	$000
Loss attributable to the Owners of the Company	(6,272)	(5,812)	(2,566)	(3,724)	(3,864)
	$	$	$	$	$
Share price at the beginning of the year	0.04	0.05	0.08	0.19	0.27
Share price at the end of the year	0.02	0.04	0.05	0.08	0.19
Return on capital employed	-	-	-	-	-
	Cents	Cents	Cents	Cents	Cents
Basic loss per share	(7.00)	(6.49)	(2.86)	(4.16)	(4.31)
Diluted loss per share	(7.00)	(6.49)	(2.86)	(4.16)	(4.31)

Details of Directors' and key management personnel remuneration

The fees and other remuneration paid to Directors constitute 100% fixed remuneration. Directors are not entitled to any performance-based or service-based remuneration. The remuneration of Directors of the Group is as follows.

	Short-term Employment Benefits			Post-employment Benefits		Long-term Employment Benefits	
	Fees	Other[1]	Non-Monetary Benefits	Superannuation	Termination Benefits	Share Based Payments	Total Remuneration
	$	$	$	$	$	$	$
Directors							
Garry Sladden							
2020	99,000	297,997	-	21,003	-	-	418,000
2019	99,000	77,044	-	13,725	-	-	189,769
Jennifer Elliott							
2020	53,425	-	-	5,075	-	-	58,500
2019	53,425	-	-	5,075	-	-	58,500
Craig Saphin							
2020	53,425	-	-	5,075	-	-	58,500
2019	53,425	-	-	5,075	-	-	58,500
Fred van der Tang[2]							
2020	53,425	-	-	5,075	-	-	58,500
2019	23,699	-	-	2,251	-	-	25,950

1. Garry Sladden has acted as Executive Chairman since 23 January 2019 following the resignation of the previous Chief Executive Officer. In addition to his regular Chairman's fees, Garry has been compensated with an additional fee of $309,595 per annum inclusive of superannuation for his Executive Chairman duties.
2. Fred van der Tang was appointed on 23 January 2019.

The remuneration of key management personnel of the Group is as follows.

	Short-term Employment Benefits			Post-employment Benefits		Long-term Employment Benefits	
	Salary	Bonus	Non-Monetary Benefits	Superannuation	Termination Benefits	Share Based Payments	Total Remuneration
	$	$	$	$	$	$	$
Key management personnel							
Julian Sallabank[1]							
2020	-	-	-	-	-	-	-
2019	324,883	-	-	17,873	33,815	-	376,571
Mahendra Tharmarajah							
2020	311,040	13,125	-	24,963	-	-	349,128
2019	311,925	-	-	25,041	-	-	336,966

1. Julian Sallabank resigned as Chief Executive Officer on 23 January 2019. Julian's termination benefit comprised accrued annual leave.

DIRECTORS' REPORT (continued)

Details of Directors' and key management personnel remuneration (continued)

The relative proportions of key management personnel remuneration that is fixed, performance-based and service-based is as follows.

		Performance-based Remuneration			Service-based Remuneration		
	Fixed Remuneration %[1]	Performance-based Remuneration %[1]	% Vested in Year[2]	% Forfeited in Year	Service-based Remuneration %	% Vested in Year[2]	% Forfeited in Year
Key management personnel							
Julian Sallabank[3]							
2020	-	-	-	-	-	-	-
2019	100	-	-	-	-	-	-
Mahendra Tharmarajah							
2020	96	4	-	-	-	-	-
2019	100	-	-	-	-	-	-

1. The proportions are based on the entitlements of each key management person during the financial year.
2. Vesting percentages are based on actual remuneration payable in the financial year.
3. Julian Sallabank resigned as Chief Executive Officer on 23 January 2019.

The remuneration packages of key management personnel contain a performance-based remuneration component related to achievement of agreed KPIs. The remuneration of key management personnel and the returns to the Company's shareholders are aligned through the remuneration policies implemented by the Board.

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding financial and non-financial objectives. The short-term incentive is a bonus provided in the form of cash, while the long-term incentive is provided as options pursuant to the rules of the Company's Equity Incentive Plan.

Short-term incentive

The objective of the short-term incentive ("STI") is to reward key management personnel for their contribution to the achievement of the Group's annual financial and non-financial objectives. The STI provides for an annual cash payment based on achieving pre-determined KPIs.

Each year the Board Remuneration and Nomination Committee sets KPIs for the key management personnel. The KPIs generally include financial measures relating to the Group such as gross profit, gross profit %, net profit before tax ("NPBT") and NPBT margin %. The non-financial objectives vary with role and responsibility and include measures such as achieving strategic outcomes, adhering to legal and operational compliance, customer satisfaction and staff development.

The KPIs assigned to key management personnel directly impact the amount of any STI payment. Each financial and non-financial objective accounts for between 20 to 40 percent of the maximum STI. The level of performance-based remuneration of key management personnel is directly linked to the performance of the Group in each financial year.

At the end of the financial year, the Board Remuneration and Nomination Committee reviews the actual financial and non-financial performance of the Group and the individual's achievement of the KPIs set at the beginning of the financial year. In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited financial information.

DIRECTORS' REPORT (continued)

Long-term incentive

The objective of the long-term incentive is to reward the Chief Executive Officer and key management personnel for their contribution to the creation of shareholder value over the long-term. Options are granted under the Company's Equity Incentive Plan which provides for key management personnel to receive options as part of their remuneration. The options are granted based on performance criteria and to encourage staff retention.

The goal is to increase congruence of goals between executives and those of the business and shareholders. Options only vest where the performance and tenure hurdles are satisfied.

Employment contracts

It is the Group's policy that service contracts for key management personnel are on-going until terminated by either party. Remuneration and other terms of employment for the key management personnel are formalised in contracts of employment. Each of these contracts of employment specify the remuneration terms including the fixed and performance-based remuneration components providing for cash bonuses, options and other benefits. There are no specified lengths of service included within the contracts of employment. The contracts of employment of the key management personnel may be terminated by either party with three months' notice.

Option holdings

There are currently no options over ordinary shares on issue pursuant to the Company's Equity Incentive Plan.

Shareholdings

	Balance 1 July 2019	Movement	Balance 30 June 2020
Directors			
Garry Sladden	240,142	-	240,142
Jennifer Elliott	250,000	-	250,000
Craig Saphin	230,600	-	230,600
Fred van der Tang	-	250,000	250,000
Key management personnel			
Mahendra Tharmarajah	200,000	-	200,000

No shares were issued during the year to key management personnel pursuant to the exercise of options over ordinary shares.

Shareholdings are unchanged as at the date of this report.

End of Audited Remuneration Report

DIRECTORS' REPORT (continued)

Meetings of Directors and Board committees

During the financial year, the following meetings of Directors, the Board Audit, Risk and Compliance Committee and the Board Remuneration and Nomination Committee were held with attendances as indicated.

	Meetings of Directors		Meetings of the Board Audit, Risk and Compliance Committee		Meetings of the Board Remuneration and Nomination Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Directors						
Garry Sladden	31	31	5	5	2	2
Jennifer Elliott	31	30	5	5	2	2
Craig Saphin	31	31	5	5	2	2
Fred van der Tang	31	31	5	5	2	2

Indemnifying officers

The Company has entered into deeds of indemnity, insurance and access with each of the Directors and the Company Secretary. The form of these deeds was approved by shareholders at the 2001 Annual General Meeting. The indemnity will only indemnify a Director and the Company Secretary to the extent permitted by the law and the Company's Constitution.

During the year the Company paid a premium to insure the Directors and the Company Secretary listed in this report against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of non-executive officers of the Company. The terms of the policy prohibit disclosure of the premium paid.

Directors' benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the Company, a controlled entity or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest other than as disclosed in the Remuneration Report.

This statement excludes a benefit included in the aggregate of emoluments received or due and receivable by Directors and shown in the Company's consolidated financial statements, or the fixed salary of a full-time employee of the Company, a controlled entity or a related body corporate.

Proceedings on behalf of the Company

No person has applied for leave of the Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company, or to intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

DIRECTORS' REPORT (continued)

Non-audit services

The Board, in accordance with advice from the Board Audit, Risk and Compliance Committee, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Board are satisfied that the services disclosed in Note 24 of the Consolidated Financial Statements did not compromise the external auditor's independence for the following reasons:

- The nature and scope of all non-audit services are reviewed and approved by the Board Audit, Risk and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants.

Refer to Note 24 for amounts paid or payable during the financial year to the external auditors in respect of non-audit services.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2020 is set out on page 18 of the Directors' Report.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the consolidated financial statements are rounded off to the nearest thousand dollars or in certain cases to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.

Garry Sladden
Executive Chairman

Dated at Sydney this 31st day of August 2020.

Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Ignite Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

P. Pearman

PAUL PEARMAN
PARTNER

31 AUGUST 2020
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

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Corporate Governance Statement

This statement sets out the material governance principles and processes of the Company and the Group. The Board has followed recommendations established in the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations, Third Edition (the "ASX Recommendations").

The Directors have resolved to consider and apply these ASX Recommendations unless it is determined that, in the circumstances of the Group, there is a sound reason in the interests of shareholders not to do so. Furthermore, the Directors have determined not to adopt the ASX Corporate Governance Principles and Recommendations, Fourth Edition prior to the mandatory adoption date of 1 July 2020, which applies to the Company.

Features of the Group's corporate governance regime are summarized below. Details of the Group's corporate governance codes, charters and policies are available on the Group's website under Investor Information - Corporate Governance (www.igniteco.com/investor-information/corporate-governance) (the "Website").

Principle 1 – Lay solid foundations for management and oversight

The role of the Board is to approve the strategic direction of the Group, guide and monitor management and the business in achieving its strategic plans and oversee good governance practice. The Board aims to protect and enhance the interests of its shareholders, while considering the interests of other stakeholders, including customers, contractors, candidates, vendors, employees and the wider community.

The responsibilities and accountabilities of the Board have been framed in a Board Charter, which reflects its governance principles. The Board Charter is available on the Group's Website.

During the year the Board met 31 times. Meetings are held at regular intervals throughout the year supplemented by additional meetings as required in the conduct of the Board's responsibilities.

The Board operates on the principle that all significant matters are dealt with by the full Board and has specifically reserved the following matters for its decisions:

- Strategy and planning
- Staffing
- Remuneration
- Capital management and financial reporting
- Performance monitoring
- Risk management
- Audit, risk and compliance
- Board processes and policies

To assist in its deliberations, the Board has established two main committees, which, apart from routine matters, act primarily in a review or advisory capacity on the matters set out in their respective charters. These are the Board Audit, Risk and Compliance Committee and the Board Remuneration and Nomination Committee. The charters of each Committee are summarised in this report. Other committees may be established to address specific issues as may be required from time to time.

Chairman's Responsibilities

The Chairman's responsibilities are expressly identified in the Board Charter. The Chairman is responsible for ensuring that the Board receives timely, clear and relevant information to facilitate the efficient organisation and conduct of the Board's duties with respect to strategic direction, governance and monitoring the performance of management. The Chairman is also responsible for ensuring that procedures to assess the performance of the Board and the Directors are operating, facilitating Board discussion and effective contribution of all Directors and overseeing representations to and communications with the shareholders.

Corporate Governance Statement (continued)

Principle 1 – Lay solid foundations for management and oversight (continued)

Director Selection

It is the role of the Board Remuneration and Nomination Committee to identify suitable candidates to complement the existing Board and to make recommendations to the Board on their appointment. The Board considers the appointment or retirement of Directors annually under succession plan principles having regard to the size of the Group and to the appropriate skills and experience of Directors. Skills and experience regarded as important include experience as a chief executive officer, recruitment and broader service industry experience, experience in financial markets, including acquisitions, financial experience, and broad experience in governance and risk management, including ASX listed companies.

Before appointing a Director, the Company undertakes comprehensive due diligence including employment, character reference, criminal history, bankruptcy and disqualified company director investigations.

Directors' Performance Review

During the year the Board surveyed the Directors regarding the performance of the Chairman, the Directors, the Board and its committees and discussed the results.

Company Secretary

The Company Secretary is appointed by the Board and is accountable to the Board, through the Chairman, on all governance matters. Biographical details showing the relevant skills, experience and expertise held by the Company Secretary are included in the Directors' Report.

Role of the Chief Executive Officer

The responsibility for implementing the approved business plans and for the day-to-day operations of the Group is delegated to the Chief Executive Officer who, with the management team, is accountable to the Board. The Board approves the Delegation of Authority that sets out the authority limits for the Chief Executive Officer and the management team.

Performance Based Remuneration

Across the Group, there is a strong performance management discipline teamed with competitive reward and incentive programs. As part of the management team's remuneration packages there is a performance-based component, related to Key Performance Indicators ("KPIs"). The intention of this program is to facilitate congruence of goals between management and those of the business and shareholders. The KPIs are set annually, in consultation with management to ensure their commitment to achieving those goals. The measures are specifically tailored to the areas of each manager's involvement within the business and over which they have control. Performance reviews have been carried out in accordance with policy during the financial year.

Diversity Policy

The Group understands that a diverse workforce is one that recognises and embraces the varied skills and perspectives that people bring to the organisation through their differences.

The Group values the differences between people and the contribution these differences make to its business. The Group recognises its talented and diverse workforce is a key competitive advantage and that its business success reflects the quality and skills of its people. As such the Group is committed to seeking out and retaining the best people to ensure business growth and performance.

Above all, the Group is committed to ensuring that all employees, customers, consultants, suppliers and third-party stakeholders are treated with respect and dignity. It strives to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the Group, regardless of their differences.

Corporate Governance Statement (continued)

Principle 1 – Lay solid foundations for management and oversight (continued)

Diversity Policy (continued)

The Board understands the importance of maintaining a diversity policy. The values are set out in the Group's diversity policy, which is available on the Group's Website.

As part of monitoring its diversity policy, the Board measures its gender diversity noting the respective proportions of men and women on the Board, in key management roles and within broader management. However, the Board has determined not to set measurable objectives for achieving gender diversity for the foreseeable future.

	30 June 2020		30 June 2019	
Gender Diversity	Female (%)	Male (%)	Female (%)	Male (%)
Board of directors	25%	75%	25%	75%
Key management personnel	-	100%	-	100%
Management	50%	50%	40%	60%
Group	60%	40%	69%	31%

Principle 2 – Structure the Board to add value

The Board comprises four Directors. The Board considers this number appropriate in the present circumstances of the Company. The Board Charter requires that there be a majority of Directors who are independent and non-executive. The majority of Directors in office are independent and non-executive. One-third of the Board is required to retire at each Annual General Meeting and may stand for re-election. The Director(s) to retire shall be those who have been longest in office since their last election. A Director appointed to fill a casual vacancy or as an additional Director only holds office until the next Annual General Meeting, when they must retire, and seek re-election by shareholders at the meeting.

Biographical details showing the relevant skills, experience and expertise of each Director are included in the Information on Directors section of the Directors' Report.

The Board comprises the following Directors at the date of this report:

Name	Position	Appointed
Garry Sladden[1]	Executive Chairman	September 2013
Jennifer Elliott	Independent Non-executive Director	May 2014
Craig Saphin	Independent Non-executive Director	March 2017
Fred van der Tang	Independent Non-executive Director	January 2019

1. Garry Sladden was the Independent Non-executive Chairman 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, Garry has acted and will continue to act as the Executive Chairman of the Company. During the period that Garry has acted as Executive Chairman, Jennifer Elliott, Chairman of the Board Audit, Risk and Compliance Committee, has chaired the meetings of directors.

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to add value (continued)

Directors' Independence

The Board has established a policy on Directors' independence. An "independent non-executive Director" is independent of management, free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment, and otherwise meets the criteria for independence set out in the ASX Recommendations.

Directors are considered to be independent if they meet the following criteria:

- they are not a substantial (5% or greater) shareholder of the Company or an officer of a substantial shareholder of the Company;
- they have not been employed in an executive capacity in the last three years by the Company or a subsidiary of the Company;
- they have not been employed as a principal of a material professional advisor to the Company or a subsidiary of the Company during the past three years;
- they are not a material supplier or customer of the Company or a subsidiary of the Company;
- they have no material contractual relationship with the Company or a subsidiary of the Company (other than as a Director of the Company); and
- they are free from any interest, business or personal, which could, or could reasonably be perceived to materially interfere with their ability to act in the best interests of the Group.

In determining whether or not a material relationship exists with a third party such as a supplier, professional advisor or customer, the Board considers that relationship to be material if it meets the following criteria:

- the customer accounts for more than 5% of the Group's consolidated gross revenue per annum;
- the Group accounts for more than 5% of the supplier's consolidated revenue;
- the total value of any contract or relationship between the Group and the Director (other than as a Director of the Company) exceeds $200,000.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense. The consent of the Board is required prior to obtaining such advice and the concerned Director does not participate in the Board's consideration of its consent.

Induction of New Directors and Ongoing Development

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including their duties and responsibilities, required time commitment, requirement to disclose notifiable interests or other interests and matters affecting independence.

New Directors participate in an induction program designed to introduce the Director to all aspects of the Group's business and corporate strategies, as well as incorporating information in relation to areas in which the Director will particularly be involved. The new Director will meet with the Chairman and each Director, the Chief Executive Officer and management in order to gain an insight into the values and culture of the Group.

On an ongoing basis, Directors are provided with presentations and briefings on matters impacting the strategy and operations of the Group.

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to add value (continued)

Board Skills Matrix

The Board skills matrix is set out below:

Strategic Areas	Skills
Strong capital management and appropriate oversight of financial controls and risk	• Risk management • Financial accounts literacy • Shareholder and investor relations • Investment banking and capital management
Understanding of employment/ labour hire business	• Employment/ labour hire business acumen • Information technology • Marketing • Digital strategy
International business experience	• Senior management experience leading international divisions • Strategy
Other areas	• Executive/ senior management experience • Corporate governance experience • Diversity and inclusion

Board Remuneration and Nomination Committee

The Board Remuneration and Nomination Committee (the "Committee") operates under a Charter approved by the Board. The Charter is available on the Group's Website. The Committee's objective is to assist the Board in the consideration of personnel and remuneration issues within the Group. The Committee ordinarily comprises a minimum of three Directors, a majority of whom are independent non-executive Directors.

The members of the Committee during the year were:

Name	Position
Craig Saphin	Chairman of the Committee
Garry Sladden	Member of the Committee
Jennifer Elliott	Member of the Committee
Fred van der Tang	Member of the Committee

Qualifications of Committee members are set out in the Information on Directors section of the Directors' Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out in the Meetings of Directors and Board Committees section of the Directors' Report.

Corporate Governance Statement (continued)

Principle 2 – Structure the Board to add value (continued)

Board Remuneration and Nomination Committee (continued)

The responsibilities of the Board Remuneration and Nomination Committee are delegated by the Board and include:

- recommending the structure and constituency of the Board such that it has the effective composition, size and commitment to properly discharge its responsibilities and duties;
- ensuring appropriate Board succession planning, including identification, induction and training of new Directors as required;
- performance assessment in relation to the Board and individual Directors;
- assisting the Chairman in relation to the efficacy of Board processes;
- recommending Chairman and non-executive Director remuneration;
- recommending remuneration framework and levels for the Chief Executive Officer and management;
- assisting the Chairman in relation to performance goals for, and assessment of, the Chief Executive Officer and management;
- policies and procedures regarding the management team for recruitment, retention, remuneration, training and succession planning; and
- policies on superannuation arrangements for the Group.

For details on the amount of remuneration, and all monetary and non-monetary components for each of the key management personnel who were not Directors during the year, and for all Directors, refer to the Details of Directors' and Key Management Personnel Remuneration section of the Directors' Report. In relation to the payment of bonuses, granting of options, and other incentive payments, discretion is exercised by the Board having regard to the overall performance of the Group and the performance of the individual during the period.

There is no scheme to provide retirement benefits to non-executive Directors, other than statutory superannuation.

Principle 3 – Act ethically and responsibly

Code of Conduct/ Ethical Business Behaviour

The Board recognises the need to observe the highest standards of corporate practice and business conduct. The Board has adopted a Code of Conduct (the "Code") applicable to all Directors, management and employees. The Code directs standards of behaviour and interpersonal dealings. Within the letter and spirit of the Code, the Directors, management and all employees are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with customers, contractors, candidates, vendors, competitors, the community and each other, striving at all times to enhance the reputation and performance of the Group.

The Code is available on the Group's Website.

In addition, the Group has implemented a whistle-blower policy, empowering employees to report instances of workplace misconduct. The procedures are protective of the interests and concerns of employees who are genuinely exposed to such instances.

Share Ownership and Dealings

Details of shareholdings of Directors in the Company are set out in the Directors' Report.

Corporate Governance Statement (continued)

Principle 3 – Act ethically and responsibly (continued)

Securities Trading Policy

Directors, management and employees are subject to the Corporations Act 2001, which restricts their buying, selling or trading in securities in the Company if they are in possession of inside information.

The Board has adopted a formal policy for securities trading which is available on the Group's Website.

Directors, management and employees of the Group are not permitted to undertake any transactions in relation to shares in the Company in the period between the end of the financial half-year or full-year and the release of the financial information relating to that period. Directors, management and employees of the Group are further prohibited from undertaking transactions involving the Company's shares at any time whilst in possession of information which is not in the public domain and which could reasonably lead to a change in the share price of the Company.

Principle 4 – Safeguard integrity in corporate reporting

Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee (the "Committee") operates under a Charter approved by the Board. The Charter is available on the Group's Website. The Committee's objectives are to assist the Board in safeguarding integrity in financial reporting; making timely and balanced disclosure to shareholders, and potential shareholders in accordance with the principles of continuous disclosure; recognising and managing risk; and overseeing the Company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee ordinarily comprises a minimum of three Directors, a majority of whom are independent non-executive Directors.

The members of the Committee during the year were:

Name	Position
Jennifer Elliott	Chairman of the Committee
Garry Sladden	Member of the Committee
Craig Saphin	Member of the Committee
Fred van der Tang	Member of the Committee

Qualifications of Committee members are set out in the Information on Directors section of the Directors' Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out in the Meetings of Directors and Board Committees section of the Directors' Report.

The responsibilities of the Board Audit, Risk and Compliance Committee are delegated by the Board and include:

- monitoring the integrity of statutory reporting and reviewing, with recommendations, the policies and disclosures inherent in the half-year and full-year financial statements;
- reviewing and approving financial policies and procedures so as to ensure the effectiveness of financial management and reporting, the completeness of compliance obligations, and adherence with continuous disclosure requirements;
- monitoring and appropriately advising the Board in relation to related party transactions;
- monitoring and assessing the Group's internal control frameworks and risk management strategies and processes, including recommending the insurance strategy;
- overseeing the scope, cost and performance of external audit, and directing the strategies and scope of internal audit; and
- recommending the appointment of external auditors and monitoring the independence of external auditors.

Corporate Governance Statement (continued)

Principle 4 – Safeguard integrity in corporate reporting (continued)

External Auditors

The Group's policy is to appoint external auditors who are independent and who demonstrate that independence.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in Note 24 to the Consolidated Financial Statements. The external auditors provide an annual declaration of their independence to the Board and explain the basis upon which non-audit services do not impair their independence.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and preparation and content of the Independent Auditor's Report.

Financial Reporting

The Executive Chairman and Chief Financial Officer have stated, in writing, to the Board that the Group's consolidated financial statements for the year ended 30 June 2020 present a true and fair view in all material respects of the Group's financial position and its operations for the year, and that they are in accordance in all material respects with all relevant accounting standards. The Executive Chairman and Chief Financial Officer have further stated to the Board, in writing, that the Group's records have been properly maintained under law, that the consolidated financial statements are underpinned by sound systems of risk management and internal compliance and control which are operating effectively in all material respects, and that there are no post 30 June 2020 events which would materially impact the effectiveness of those systems.

Principle 5 – Make timely and balanced disclosure

The Group's practice, as reflected in the Communication and the Continuous Disclosure Policies that are available on the Group's Website, is to release all price-sensitive information in a timely manner and in accordance with practices directed by the ASX Listing Rules. For disclosure purposes, price-sensitive information is taken to be information that a reasonable person would expect to have a material effect on the price of the Company's securities.

All material information issued to ASX, published annual reports, half-year and full-year results and presentation material provided to analysts, is published on the Group's Website.

The Company Secretary is the primary person responsible for communication with ASX.

The Executive Chairman is the authorised spokesperson who can communicate on behalf of the Group with shareholders, the media and the investment community.

Principle 6 – Respect the rights of shareholders

The rights of shareholders are detailed in the Company's Constitution. Those rights include electing members of the Board. In addition, shareholders have the right to vote on important matters that have an impact on the Company. To allow shareholders to effectively exercise these rights, the Board is committed to improving the communication to shareholders of high quality, relevant and useful information in a timely manner, through:

- ASX announcements;
- Company publications including annual reports;
- The Annual General Meeting; and
- The Group's Website.

Corporate Governance Statement (continued)

Principle 6 – Respect the rights of shareholders (continued)

Shareholders are encouraged to make their views known to the Company and to directly raise matters of concern. Shareholders are encouraged to attend the Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting will remain the main opportunity each year for shareholders to question the Board and management and make their views known. The Company encourages two-way communication with shareholders and to this end has set up electronic communications facility via its Website (www.igniteco.com/contact-us).

Principle 7 – Recognise and manage risk

The Board has a Risk Management Framework that formalises the approach to management of material business risks. The policy is in the process of being fully implemented through a top down and bottom up approach to identifying, assessing, monitoring and managing key risks across the Group.

The Board is responsible for approving strategies and policies in relation to the identification of and management of risk and compliance. The Board oversees the effective management of risk and compliance, including delegation to the Board Audit, Risk and Compliance Committee and to management. The Board Audit, Risk and Compliance Committee reports to the Board on the effectiveness of the Risk Management Framework that is in place and all material business risks.

The external audit function also reviews the Group's risk assessment and risk management.

The Group monitors its exposure to all material business risks including economic, social, governance and environmental risks. The Group has no material exposure to environment and social sustainability risks, other than in the normal course of business.

Internal Audit

The Board and the Board Audit, Risk and Compliance Committee are yet to implement an internal audit function.

In the absence of an internal audit function, management regularly review the Group's risk management and internal control processes to ensure that they meet the evolving needs of the business.

Workplace Health and Safety

The Group recognises the importance of workplace health and safety issues and is committed to achieving the highest standards. The Board Audit, Risk and Compliance Committee facilitates the systematic identification of issues relevant to all workers under the Group's responsibility and ensures effective management of them through the Work, Health and Safety Policy.

Principle 8 – Remunerate fairly and responsibly

The Board Remuneration and Nomination Committee's Charter includes setting out the terms and conditions by which the Chief Executive Officer and management remuneration is determined. The Board Remuneration and Nomination Committee seeks professional advice from independent external consultants where required. All management receive a base salary and statutory superannuation and are eligible for fringe benefits as well as performance-based and service-based incentives. The Board Remuneration and Nomination Committee reviews management remuneration annually, as requested by the Chief Executive Officer, by reference to the Group's performance, individual performance and comparable information from industry sectors and other listed companies in similar industries.

The Group recognises the importance of ensuring that any recommendations given in relation to the remuneration of key management personnel provided by remuneration consultants are provided independently of those to whom the recommendations relate.

Management may be invited to participate in the Company's Equity Incentive Plan, subject to the rules of the Plan. Pursuant to Section 5.3 of the Plan participants must not hedge the value of, or enter into a derivative arrangement in respect of, unvested or vested options.

Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Continuing operations			
Revenue	5	125,958	145,924
Contingent labour costs		(110,691)	(127,171)
Gross profit		15,267	18,753
Other income		708	574
Employee benefits expense		(12,907)	(16,791)
Depreciation and amortisation expense	7	(893)	(636)
Occupancy expense		(1,578)	(2,377)
Other expenses	7	(4,137)	(4,507)
Loss from continuing operations		(3,540)	(4,984)
Finance income		20	8
Finance cost		(512)	(312)
Loss from continuing operations before income tax		(4,032)	(5,288)
Income tax benefit	8	255	461
Loss from continuing operations, net of income tax		(3,777)	(4,827)
Discontinued operations			
Loss from discontinued operations, net of income tax	9	(2,495)	(985)
Loss from ordinary activities attributable to the Owners of the Company		(6,272)	(5,812)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		316	608
Income tax on other comprehensive income		-	-
Other comprehensive income for the year, net of income tax		316	608
Total comprehensive loss for the year attributable to the Owners of the Company		(5,956)	(5,204)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020 (continued)

	Note	2020 Cents	2019 Cents
Ordinary activities			
Basic loss per share	22	(7.00)	(6.49)
Diluted loss per share	22	(7.00)	(6.49)
Net tangible assets per share	22	3.22	9.69
Continuing operations			
Basic loss per share	22	(4.22)	(5.39)
Diluted loss per share	22	(4.22)	(5.39)
Net tangible assets per share	22	3.22	6.85
Discontinued operations			
Basic loss per share	22	(2.78)	(1.10)
Diluted loss per share	22	(2.78)	(1.10)
Net tangible assets per share	22	-	2.84

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	2020 $000	2019 $000
Current assets			
Cash and cash equivalents	10	408	1,287
Trade and other receivables	11	12,589	22,415
Total current assets		12,997	23,702
Non-current assets			
Plant and equipment	12	131	596
Right-of-use assets	14	691	-
Intangible assets	13	30	192
Total non-current assets		852	788
Total assets		13,849	24,490
Current liabilities			
Trade and other payables	15	7,696	8,186
Debtor finance facility	16	1,187	5,798
Lease liabilities	14	586	-
Provisions	17	897	1,130
Other liabilities	18	-	229
Total current liabilities		10,366	15,343
Non-current liabilities			
Lease liabilities	14	393	-
Provisions	17	174	249
Other liabilities	18	-	26
Total non-current liabilities		567	275
Total liabilities		10,933	15,618
Net assets		2,916	8,872
Equity			
Contributed equity	20	83,541	83,541
Reserves	21	(95)	(411)
Accumulated losses		(80,530)	(74,258)
Total equity		2,916	8,872

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Contributed Equity $000	Reserves $000	Accumulated Losses $000	Total $000
Current year				
Balance as at 1 July 2019	83,541	(411)	(74,258)	8,872
Loss for the year attributable to the Owners of the Company	-	-	(6,272)	(6,272)
Other comprehensive income for the year				
Foreign currency translation differences for foreign operations	-	316	-	316
Total comprehensive income/ (loss) for the year attributable to the Owners of the Company	-	316	(6,272)	(5,956)
Balance as at 30 June 2020	83,541	(95)	(80,530)	2,916
Prior year				
Balance as at 1 July 2018	83,541	(1,020)	(68,446)	14,075
Loss for the year attributable to the Owners of the Company	-	-	(5,812)	(5,812)
Other comprehensive income for the year				
Foreign currency translation differences for foreign operations	-	608	-	608
Total comprehensive income/ (loss) for the year attributable to the Owners of the Company	-	608	(5,812)	(5,204)
Transactions with the Owners recorded directly in equity				
Equity remuneration reserve	-	1	-	1
Total transactions with the Owners in their capacity as Owners of the Company	-	1	-	1
Balance as at 30 June 2019	83,541	(411)	(74,258)	8,872

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Cash flows from/ (used in) operating activities			
Receipts from customers		150,075	170,640
Payments to suppliers and employees		(136,151)	(165,523)
Interest received		21	16
Interest and other borrowing costs paid		(538)	(312)
Goods and services tax paid		(8,869)	(10,287)
Foreign income tax refund		43	-
Net cash from/ (used in) operating activities	23(a)	4,581	(5,466)
Cash flows used in investing activities			
Purchase of plant and equipment	12	(40)	(280)
Payments for intangible assets	13	-	(27)
Payments for acquisition of financial assets[1]		-	(936)
Proceeds from disposal of financial assets[1]		741	-
Disposal of discontinued operations, net of cash	9(d)	(718)	-
Net cash used in investing activities		(17)	(1,243)
Cash flows (used in)/ from financing activities			
Net proceeds from debtor finance facility[2]		-	5,170
Net repayment of debtor finance facility[2]	23(b)	(4,611)	-
Payment of lease liabilities	23(b)	(877)	-
Net cash (used in)/ from financing activities		(5,488)	5,170
Net decrease in cash held		(924)	(1,539)
Cash and cash equivalents at the beginning of the year		1,287	2,782
Effect of exchange rates on cash holdings in foreign currencies		45	44
Cash and cash equivalents at the end of the year	10	408	1,287

1. In the current year, management have determined to reclassify the net movement in term deposits from an operating cash flow to an investing cash flow. The reclassification more accurately reflects operating and investing cash flows and does not change the net decrease in cash for the year. Refer to Note 3(v) on the restatement of prior period comparatives.
2. In the current year, management have determined to reclassify the net movement in the debtor finance facility from an operating cash flow to a financing cash flow. The reclassification more accurately reflects operating and financing cash flows and does not change the net decrease in cash for the year. Refer to Note 3(v) on the restatement of prior period comparatives.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the Consolidated Financial Statements.

Note 1 Reporting Entity

The Company is a company limited by shares, incorporated and domiciled in Australia. The consolidated financial statements represent the Group as at and for the financial year ended 30 June 2020.

Note 2 Basis of Preparation

The consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements were authorised for issue by the Directors on the 31st day of August 2020.

Going concern

The Directors have prepared the consolidated financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

The consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020 reflects a loss after tax from continuing operations of $3,777k (2019: $4,827k) and the consolidated statement of cash flows reflects net cash flows from operating activities of $4,581k (2019: $5,466k net cash flows used in operating activities). As at 30 June 2020 the consolidated statement of financial position reflects net assets of $2,916k (2019: $8,872k). The movement in net assets since 30 June 2019 comprises the loss from continuing operations net of income tax of $3,777k for Australia and New Zealand, the loss from discontinued operations net of income tax of $2,495k and a net foreign currency translation gain of $316k.

The Directors have reviewed the Group's profit and loss forecast for the 2021 financial year, and the 15-month cash flow forecast for the period 1 July 2020 to 30 September 2021.

AASB 101 Presentation of Financial Statements requires Directors to determine the Group's ability to continue as a going concern for the purposes of preparing the consolidated financial statements. As such these profit and loss forecasts have been prepared to assist the Directors determine the Group's ability to continue as a going concern and are, therefore, based on base case assumptions around revenue, contingent labour costs, gross profit and operating expenses that reflect the trend in the 2020 financial year, taking into account the uncertain ongoing economic and trading impacts of the COVID-19 pandemic, and known operating expense reductions.

The profit and loss forecasts prepared for the going concern assessment are base case forecasts, not growth forecasts, and so do not reflect any material revenue increases or customer wins that may flow through from the activities undertaken in the 2020 financial year. These activities included the appointment of experienced General Managers with substantial Australian recruitment industry experience to lead the Specialist Recruitment divisions in the ACT, NSW and Victoria, and subsequent to year-end, a new General Manager to lead the On Demand IT Services division.

On the base case assumptions noted above, the profit and loss forecast for the 2021 financial year indicates the Group will continue to sustain losses from continuing operations, albeit less than in the year to 30 June 2020, and will sustain losses in the September 2021 quarter. Despite the forecast losses for the 2021 financial year and the September 2021 quarter, the Directors expect the Group to maintain positive net assets as at 30 June 2021 and as at 30 September 2021.

On the base case assumptions noted above, the 15-month cash flow forecast indicates a decrease in net cash from operating activities during that period. However, the Group expects to have sufficient trade receivables at any point in time during that period against which to draw down funds under the debtor finance facility. The Group, therefore, expects to operate within the overall debtor finance facility limit of $15,000k disclosed at Note 16.

Note 2 Basis of Preparation (continued)

Going concern (continued)

The Directors note that the key base case assumptions in the profit and loss and cash flow forecasts are revenue and days sales outstanding ("DSO"), which drive profitability and cash flow. The Directors further note that contingent labour costs move in line with revenue, so any increase or decrease in revenue results in contingent labour costs moving in the same direction and at the same rate, unless there is a significant improvement or deterioration in the underlying customer margin, which is infrequent. The downside sensitivity of each key base case assumption has been examined individually.

The Directors note that a sustained 5% reduction in forecast revenue, during the 15-month period to 30 September 2021 across all revenue streams, would result in a 114% increase in the aggregate net cash used in operating activities over the forecast period. The Directors are confident the additional working capital required is capable of being funded by the debtor finance facility as and when required during that period. As at the date of this report, no customer for contingent labour services has indicated a firm date by which they intend to cease using the Group's services. The Directors note that in the event of a material customer loss or decrease in revenue, immediate corrective action would be implemented to reduce operating expenses.

The Directors also note that a sustained 5-day deterioration in forecast DSO, during the 15-month period to 30 September 2021 across all revenue streams, would result in a 507% increase in the aggregate net cash used in operating activities over the forecast period. The Directors are confident the additional working capital required is capable of being funded by the debtor finance facility as and when required during that period. The Directors have examined the historical DSO trend for the trailing twelve months to June 2020 and noted that the average DSO was 20 days during that period. Furthermore, the majority of the Group's customers tend to be regular and consistent payers given the need to ensure continuity of their contingent labour services.

The Directors have determined the Group will be able to pay its debts as and when they fall due after considering the following relevant factors:

- A continuing focus on improving profitability and cash flows through revenue growth and actively reducing operating expenses through specific initiatives, including:
    - Increasing business development activity across all operating segments, concentrating in particular on the acquisition of new customers in Specialist Recruitment to redress the revenue decreases over the last several years, and with a particular focus on sectors hiring during the COVID-19 pandemic.
    - Improving the win/ loss ratio from tender responses, in particular in the Specialist Recruitment and On Demand IT Services divisions.
    - Through the leadership of the General Managers in the ACT, NSW and Victoria, driving active account management of, and relationship building with, existing customers to grow the Group's share of their contingent labour spend and acquire share from competitors.
    - Appointing a new experienced General Manager to lead the On Demand IT Services division from August 2020 to increase the scale and profitability of that division.
    - Business leaders continuing to apply a rigorous performance improvement process to ensure consultants are trained, coached and mentored to achieve their activity levels and revenue targets within specific timeframes.
    - Seeking further operational efficiencies and expenditure reductions where possible.
    - Reviewing and where possible rationalising several large IT and software supplier contracts due for renewal in the first half of the 2021 financial year.
    - Continuing to downsize and rationalise existing office facilities and their associated costs where permitted by contractual terms and as operational needs require.
- The profit and loss forecasts prepared using base case assumptions do not reflect any recurring revenue growth or operating expense reductions other than those already achieved in the year to 30 June 2020;

Note 2 Basis of Preparation (continued)

Going concern (continued)

- The sensitivity analysis undertaken on the profit and loss and cash flow forecasts indicates that even with a sustained 5% reduction in forecast revenue or a sustained 5-day deterioration in forecast DSO, the increased working capital required is capable of being funded by the debtor finance facility as and when required during that period;
- The Group sustained a loss after tax from continuing operations of $3,777k for the year ended 30 June 2020 and, according to the base case profit and loss forecasts, is expected to sustain further losses in the 2021 financial year and also in the September 2021 quarter;
- The Group had net assets of $2,916k as at 30 June 2020 and is currently expected to maintain positive net assets as at 30 June 2021 and 30 September 2021 according to the base case profit and loss forecasts;
- The Directors are continuously reviewing the Group's strategic and capital market options which may include mergers and acquisition activities, asset divestment opportunities and/or raising capital from shareholders; and
- The existence of the debtor finance facility with Scottish Pacific Business Finance, which was extended on 20 January 2020 with an expiration date of 20 February 2022. The facility is subject to certain terms and conditions, which include clauses whereby the lender may vary the terms of the agreement with one month's notice, and the maximum facility amount is the lower of 85% of approved trade receivables or $15,000k from 20 January 2020 until the expiry of the facility. The Directors note that since establishment of the debtor finance facility in September 2016, the lender has not varied any terms by relying on one month's notice and all variations have instead followed prior discussion and consultation with the Group.

In the Directors' opinion, the ability of the Group to continue as a going concern is primarily dependent upon:

- Maintaining revenue and gross profit at the current levels without any material deterioration due to the uncertain ongoing economic and trading impacts of the COVID-19 pandemic;
- Achieving revenue growth through new customer acquisitions;
- Maintaining cash flows from operating activities at current levels, including the collection and ageing of trade receivables without any material deterioration from their current position;
- Ensuring timely invoicing of customers, particularly in the On Demand IT Services division, and subsequent collection of trade receivables;
- Continuing to be eligible for the Australian Federal Government JobKeeper Payment subsidy during the period to 27 September 2020;
- Achieving further reductions in operating expenses and shared services costs where possible;
- Maintaining the ongoing support of the debtor finance facility lender Scottish Pacific Business Finance;
- Considering the potential impact of the contingent liability disclosed in Note 28;
- Obtaining new debt or equity capital, if required, from other sources including shareholders, should the Group's revenue and gross profit be materially negatively impacted by the COVID-19 pandemic and/or should working capital shortfalls arise during the forecast period; and
- Ensuring the majority of the Group's offices, staff and contractors are not impacted by COVID-19 infections, which could materially impact the Group's revenues and/or operating expenses due to office closures, staff sick leave and/or contractor lay-offs.

The Directors are confident in the Group's ability to achieve the aforementioned and have, therefore, concluded that it is appropriate to adopt, and have adopted, the going concern basis in preparing the consolidated financial statements. The Directors are of the view that the Group will be able to pay its debts as and when they become due from net cash from operating activities and funds from the debtor finance facility.

Note 2 Basis of Preparation (continued)

Going concern (continued)

However, in the event that the Group is unable to achieve successful outcomes in relation to the aforementioned, such circumstances would indicate that a material uncertainty exists that may cast significant doubt as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements.

The consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 3 Significant Accounting Policies

(a) Principles of consolidation

The Company and its controlled entities are collectively referred to in the consolidated financial statements as the Group. The consolidated financial statements incorporate the assets and liabilities as at 30 June 2020 and the results for the year ended 30 June 2020 for the Group.

The Group controls the controlled entities when it has power over the entities, it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the control elements.

Entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statement of profit or loss and other comprehensive income.

The acquisition method of accounting is used to account for the acquisition of entities by the Group.

Intercompany transactions, balances and unrealised gains on transactions between entities comprising the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of an entity's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of controlled entities between the owners of the parent entity and the non-controlling interests based on their respective ownership interests.

(b) Revenue

Revenue is recognised for the major business activities and service lines as follows:

(i) Specialist Recruitment

Specialist recruitment consists of two main revenue streams.

Contingent Labour

Contingent labour revenue comprises the sourcing, engagement and placement of temporary contractors. The sourcing, identification, submission and acceptance of temporary contractors for specified roles at the customer are not considered to be distinct performance obligations from the temporary contractor being engaged by the Group for an agreed period of time and deployed at the customer and are, therefore, accounted for as a single performance obligation. As explained in Note 3(s)(i), management has made a significant judgement to determine that the Group acts as principal in providing the contingent labour services to customers over the duration of the contract.

Note 3 Significant Accounting Policies (continued)

(b) Revenue (continued)

(i) *Specialist Recruitment (continued)*

Contingent Labour (continued)

Consideration received can be variable in nature, based on the duration of the contract arrangement and the labour rate, which may vary based on contractor tenure. The variable consideration is included in the transaction price at the Group's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised over a period of time as the services of the temporary contractor are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

Permanent Recruitment

Permanent recruitment revenue is recognised once the sourcing and placement are completed and the full-time, part-time or fixed-term candidate commences employment with the customer. The sourcing, identification, submission and acceptance of candidates for specified roles at the customer are not considered to be distinct performance obligations from the customer employing the candidate and are, therefore, accounted for as a single performance obligation. Unlike contingent labour services, the Group does not act as principal in providing the ongoing employment services, and as such has no remaining performance obligations once the customer has employed the candidate.

Consideration received can be variable in nature, based on the customer accepting and employing the candidate. The variable consideration is included in the transaction price at the Group's best estimate, based on the most likely outcome determined from the likelihood of customer acceptance, and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

Revenues are recognised at a point in time upon customer acceptance and employment of the candidate. Services provided but not yet billed are recognised as accrued revenue.

(ii) *On Demand IT Services*

On Demand IT Services revenue comprises the delivery of specified information technology skills. The sourcing, identification and engagement of temporary contractors by the Group to deliver specified information technology skills for the customer are not considered to be distinct performance obligations and are, therefore, accounted for as a single performance obligation.

Consideration received can be variable in nature, based on the duration of the contract arrangement and the service rate, which may vary based on volume. The variable consideration is included in the transaction price at the Group's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved. Management has determined that the Group acts as principal in providing these services on the same basis as contingent labour (see Note 3(b)(i)).

Revenues are recognised over a period of time as the services are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

(iii) *People Services*

People Services revenue comprises the development and delivery of outsourced recruitment and human resource consulting services. The development and delivery of the services for the customer are not considered to be distinct performance obligations and are therefore, accounted for as a single performance obligation.

Note 3 Significant Accounting Policies (continued)

(b) Revenue (continued)

(iii) People Services (continued)

Consideration received can be variable in nature, based on the duration of the contract arrangement and the service rate, which may vary based on volume. The variable consideration is included in the transaction price at the Group's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved. Management has determined that the Group acts as principal in providing these services on the same basis as contingent labour (see Note 3(b)(i)).

Revenues are recognised over a period of time as the services are provided to the customer. Services provided but not yet billed are recognised as accrued revenue.

(iv) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Income tax

Income tax expense comprises current and deferred tax. The charge for current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred income tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting profit or loss or taxable income.

Deferred income tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is recorded in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be recorded directly to equity, in which case the deferred tax is recorded directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which they can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The GST components of cash flows arising from investing or financing activities that are recoverable from or payable to the Australian Taxation Office are presented as operating cash flows.

(e) Foreign currency translation

(i) Functional and Presentational Currency

Items included in the financial statements of each entity that is included in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentational currency.

Note 3 Significant Accounting Policies (continued)

(e) Foreign currency translation (continued)

(ii) Currency Translation

In preparing the financial statements of each entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(iii) Foreign Operations

The results and financial position of all the entities included in the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the exchange rates at the reporting date;
- Income and expenses are translated at average exchange rates during the financial year unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;
- All resulting exchange differences are recognised in other comprehensive income/ (loss) and presented in the foreign currency translation reserve in equity; and
- Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of a foreign entity and translated at the exchange rates at the reporting date.

(f) Financial instruments

(i) Classification

Financial Assets

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Financial assets comprise cash and cash equivalents and trade and other receivables on the consolidated statement of financial position.

Financial Liabilities

Non-derivative financial liabilities are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost. Financial liabilities comprise trade and other payables, lease liabilities and the debtor finance facility on the consolidated statement of financial position.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

(ii) Recognition and Derecognition

Regular purchases and sales of financial assets are recognised or derecognised on trade-date being the date on which the Group commits to purchase or derecognise the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Note 3 Significant Accounting Policies (continued)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the net present value of the future cash inflows. It is determined using a present value model based on management's estimate of future net cash inflows from continued use, including movements in working capital and subsequent disposal of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Impairment losses in respect of goodwill are not reversed.

(h) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash includes cash on hand with banks or financial institutions.

(i) Trade receivables

Trade receivables and contract assets (accrued revenue) are recognised initially at fair value and subsequently at carrying value less any loss allowance. Trade receivables are generally due for settlement within 30 to 90 days depending on customer trading terms.

The credit loss allowance for trade receivables is measured at an amount equal to the lifetime expected credit losses for each group of debtors. Debtors are grouped based on shared credit risk characteristics and the days past due.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of each group of debtors, adjusted for factors that are specific to a debtor including their current financial position, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

Age of trade receivables	Current	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Historical loss rate	0.01%	0.04%	0.21%	1.79%	100.00%

As at 30 June 2020 the Group has not recognised a credit loss allowance as the provision matrix calculation indicated no expected credit loss against trade receivables.

The amount of any credit loss allowance is recognised in the consolidated statement of profit or loss and other comprehensive income. When a trade receivable for which a credit loss allowance has been recognised becomes uncollectable in a subsequent period, it is written-off against the loss allowance. Subsequent recoveries of amounts previously written-off are credited in the consolidated statement of profit or loss and other comprehensive income.

The Group writes-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed into liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written-off are subject to enforcement activities.

Note 3 Significant Accounting Policies (continued)

(j) Plant and equipment

Plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation and any accumulated impairment loss. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of its recoverable amount.

The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

Furniture, fixtures and equipment are depreciated over their useful life to the Group commencing from the time the assets are held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements. The cost method of accounting is used for all acquisition of assets. Cost is determined as the fair value of the consideration at the date of acquisition plus costs directly attributable to bringing the asset to a working condition for its intended use.

The gain or loss on disposal of all plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in profit or loss in the year of disposal.

The depreciation rates and methods used for each class of depreciable assets are:

Class of asset	Rate	Method
Furniture, fixtures and equipment	9% - 60%	Straight Line
Leasehold improvements	11% - 50%	Straight Line

(k) Intangible assets

Software development costs are capitalised where it is expected they will contribute to a future period financial benefit through revenue generation and/or expenditure reduction. Otherwise such costs are expensed in the period in which they are incurred. Capitalised software development costs include external direct costs of materials and services and direct payroll and payroll related costs of employee time spent on the project. These costs are amortised over periods between 3 and 5 years on the basis of the expected useful life of the resulting software.

Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount so identified is written-off.

(l) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Recruitment Services Under Guarantee

A provision is recognised to represent the liability associated with refunds for permanent placement fall-outs within the guarantee period provided to customers. This is based on the average permanent placement fees and historical experience with fall-outs.

Note 3 Significant Accounting Policies (continued)

(l) Provisions (continued)

(ii) Make Good on Leased Premises

A provision is recognised for the expected cost to restore leased premises to their original condition at the expiration of the lease. The provision is based on an estimate of the costs to fulfil the obligations within individual leases.

(m) Employee benefits

(i) Employment

Provision is made for the liability for employee benefits arising from services rendered by employees up to the reporting date. Short-term employee benefits expected to be settled within one year together with entitlements arising from wages, salaries and annual leave have been measured as the amounts expected to be paid when the liability is settled plus related on-costs. Other long-term employee benefits payable and long service leave expected to be settled in more than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group on behalf of employees to defined contribution superannuation funds and are charged as expenses when incurred.

(ii) Share Based Payments

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The employee benefits expense recognised in the equity reserve is based on the revised number of options that have vested at the reporting date. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

(iii) Termination

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of when the offer of the termination benefit can no longer be withdrawn and when the costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets involving the payment of a termination benefit is recognised. If the termination benefits are payable more than 12 months after the reporting date, they are discounted to their present value.

(n) Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. The Group leases office premises and office equipment for fixed periods of 1 month to 3 years.

(i) The Group as Lessee

The Group assesses whether a contract is, or contains, a lease at inception of the contract, and recognises a right-of-use asset and a corresponding lease liability with respect to each lease contract in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group applies the practical expedient that allows companies to recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed. The Group also applies the practical expedient excluding initial direct costs in the measurement of the right-of-use asset at the date of initial application.

Note 3 Significant Accounting Policies (continued)

(n) Leases (continued)

(ii) The Group as Lessor

Leases are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For the lease agreement that the Group entered as lessor with respect to the sub-lease of one of its office leases, the Group acted as an intermediate lessor, and accounted for the head lease and the sub-lease as two separate contracts. A sub-lease is classified as a finance or operating lease by reference to the accounting treatment of the head lease. The Group classified its sub-lease of office premises as an operating lease, as the head lease was classified as a short-term lease that expired in April 2020 and was exempt from the application of AASB 16. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease were added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. At the reporting date, the Group does not hold any contract in which it acts as the lessor.

(iii) Extension and Termination Options

Certain leases for office premises include extension and termination options that are used to maximise operational flexibility in managing the assets used in the Group's operations. All the extension and termination options held are exercisable only by the Group and not by the relevant lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended and not terminated. At the date of initial application, the Group decided not to include the extension options or the periods after termination of the current leases.

(iv) Right-of-Use Asset

The right-of-use asset is presented as a separate line in the consolidated statement of financial position.

The right-of-use asset comprises the initial measurement of the corresponding lease liability and lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Where there is a carrying amount of the asset relating to the provision recognised under AASB 137, the asset is reclassified and included in the right-of-use asset.

A right-of-use asset is depreciated over the shorter of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation begins at the commencement date of the lease.

The carrying amount of the right-of-use assets is reviewed annually to ensure it is not in excess of its recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

(v) Lease Liability

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group uses its incremental borrowing rate.

Note 3 Significant Accounting Policies (continued)

(n) Leases (continued)

(v) Lease Liability (continued)

Variable lease payments that do not depend on an index or rate are not included in the measurement of the right-of-use asset and the lease liability. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income.

Contracts may contain both lease and non-lease components. The Group has elected to adopt the practical expedient that permits a lessee not to separate lease and non-lease components of a lease and instead account for them as a single lease arrangement.

Contracts are negotiated on an individual basis and contain a range of terms and conditions. The office lease contracts do not impose any covenants other than the provision of security deposits in the form of bank guarantees held by the lessor and restitution and rectification obligations on the lessee at termination.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payment change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(o) Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classifications.

An asset is classified as current when:

- It is either expected to be realised or intended to be sold or consumed in the Group’s normal operating cycle;
- It is held primarily for the purposes of trading;
- It is expected to be realised within 12 months of the reporting date; or
- The asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Note 3 Significant Accounting Policies (continued)

(o) Current and non-current classification (continued)

A liability is classified as current when:

- It is either expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months of the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

All other assets or liabilities are classified as non-current.

(p) Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the consolidated statement of profit or loss and other comprehensive income.

(q) Earnings/ (loss) per share

(i) Basic Earnings/ (Loss) per Share

Basic earnings/ (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(ii) Diluted Earnings/ (Loss) per Share

Diluted earnings/ (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the effects of all dilutive potential ordinary shares which comprise relevant share options granted to employees.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings/ (loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

(r) Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at the reporting date.

(s) Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty are described below.

(i) Revenue Recognition

The main area of judgement in revenue recognition relates to the recognition of contingent labour arrangements where the Group acts on a principal (gross) basis rather than an agent (net) basis.

Note 3 Significant Accounting Policies (continued)

(s) Critical accounting estimates and judgements (continued)

(i) Revenue Recognition (continued)

The factors considered by the Directors, on a contract by contact basis, when concluding the Group is acting as principal rather than agent are as follows:

- The customer has a direct relationship with the Group;
- The Group has the primary responsibility for providing the services to the customer and engages and contracts directly with the contractor; and
- The Group has latitude in establishing the rates directly or indirectly with all parties.

(ii) Income Taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the Group's provision for income taxes.

(iii) Expected Credit Losses

When measuring expected credit losses the Directors use reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Credit losses recognised in relation to continuing operations over the last three years have been negligible. The Directors have estimated no expected credit losses at the reporting date based on the provision matrix disclosed in Note 3(i).

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. Probability of default constitutes a key input in measuring expected credit loss. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. Exposure at default is represented by the carrying value of trade receivables at the reporting date.

(iv) Leases

Upon the adoption of AASB 16, the Directors applied significant judgement in applying AASB 16 only to contracts that were previously classified as operating leases, determining the lease term where the contract contained an option to extend or terminate the lease and determining the incremental borrowing rate for measuring lease liabilities.

(v) Going Concern

The Directors have prepared the consolidated financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business. In making this assessment the Directors applied significant judgement in reviewing the profit and loss and cash flow forecasts, undertaking sensitivity analysis of those forecasts and understanding the capacity of the debtor finance facility to support the Group's working capital requirements. Refer to Note 2 for the going concern assessment.

Furthermore, the consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, including the right-of-use assets recognised as at 1 July 2019, nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern, as the Directors are of the opinion that the consolidated financial statements should be prepared on the going concern basis.

Note 3 Significant Accounting Policies (continued)

(t) Rounding of amounts

The Company has applied the relief available under ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar, unless otherwise indicated. Auditors', Directors' and executive remuneration has been rounded to the nearest dollar.

(u) New accounting standards and interpretations

(i) New and Revised AASB Standards Affecting Disclosures and/or Amounts Reported in the Consolidated Financial Statements

In the current financial year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current financial year including:

- AASB 16 Leases;
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle - Amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 133 Borrowing Costs; and
- Interpretation 23 Uncertainty over Income Tax Treatments; AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements, except for the adoption of AASB 16.

(ii) Impact of Adoption of AASB 16

The Australian Accounting Standard that became effective during the financial year was AASB 16 Leases. The impact of its adoption is as follows.

AASB 16 removed the distinction between accounting for finance leases and operating leases for the Group with operating leases recognised on-balance sheet from 1 July 2019.

The Group has applied AASB 16 using the modified retrospective approach, under which the information presented for the comparative period ending 30 June 2019 was not restated, and no cumulative effect of application was recognised in accumulated losses at 1 July 2019 as the relevant practical expedients were applied. The details of the accounting policy are disclosed at Note 3(n).

The Group leases office premises and office equipment for fixed periods of 1 month to 3 years. As at 30 June 2019, leases for office premises and office equipment were classified as operating leases according to AASB 117 Leases. On transition to AASB 16, the Group applied the practical expedient to grandfather the assessment of which contracts were leases. It applied AASB 16 only to contracts that were previously classified as operating leases. Contracts that were not classified as operating leases under the previous AASB 117 Leases were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered, or changed, on or after 1 July 2019. From 1 July 2019, the Group recognised right-of-use assets and lease liabilities according to AASB 16.

At the initial adoption of AASB 16, the Group also applied the following practical expedients permitted by the standard:

- A single discount rate was used for a portfolio of leases with similar characteristics;
- Any lease with a residual term of 12 months or less as at 1 July 2019 (i.e. short-term lease) was accounted for as an operating lease;
- Any lease with an underlying asset of low value was accounted for as an operating lease;
- Initial direct costs were excluded in the measurement of the right-of-use asset at the date of initial application; and
- Hindsight was used in determining the lease term where the contract contained options to extend or terminate the lease.

Note 3 Significant Accounting Policies (continued)

(ii) Impact of Adoption of AASB 16 (continued)

On transition to AASB 16 at 1 July 2019, the Group recognised new right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 Jul 2019 $000
Right-of-use assets	3,170
Lease liabilities	3,195

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7.6%, which applied at the date of initial application.

	1 Jul 2019 $000
Operating lease commitments as at 30 June 2019	5,027
Discounted using the incremental borrowing rate as at 1 July 2019	4,744
Less:	
Exemption for short-term leases with 12 months or less as at 1 July 2019	(1,414)
Lease extension and termination options reasonably certain to be exercised	(135)
Lease liabilities as at 1 July 2019	3,195

(iii) Impact of the Application of New and Revised AASB Standards and Interpretations in Issue but Not Yet Effective

The Directors have considered the impact of all new and revised AASB Standards and Interpretations and concluded that the application of these amendments is not expected to have any material impact on the disclosures and/or the amounts recognised in the consolidated financial statements, and do not intend to adopt any of these pronouncements before their effective date. At the date of authorisation of the consolidated financial statements the standards listed below were in issue but not yet effective and were relevant to the Group.

Standard mandatory beyond 30 June 2020	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 "Amendments to Australian Accounting Standards - definition of a business in AASB 3 Business Combinations"	1 January 2020	30 June 2021
AASB 2018-7 "Amendments to Australian Accounting Standards - definition of material in AASB 101 and AASB 108"	1 January 2020	30 June 2021
AASB 2019-1 "Amendments to Australian Accounting Standards - Revised conceptual framework for financial reporting"	1 January 2020	30 June 2021

(v) Comparatives

Other than the representations in the consolidated statement of cash flows, certain comparative amounts have been reclassified where necessary to provide consistency with current period disclosures, which are not deemed to be material.

Note 4 Financial Risk Management

The Board of Directors of the Company (the "Board") has a formally constituted Board Audit, Risk and Compliance Committee (the "Committee"), which operates under a charter approved by the Board. The Committee's objectives are to assist the Board in safeguarding integrity in financial reporting, making timely and balanced disclosure to shareholders and potential shareholders in accordance with the principles of continuous disclosure, and recognising and managing risk.

In meeting these objectives, the Committee is responsible for, among other matters, identifying, monitoring and assessing the Group's internal control framework and risk management strategies and processes in relation to specific risks categorised as financial, economic, operational, compliance, intellectual capital, security and human capital.

The risks of the Group are periodically assessed and the Committee, with management, agree on risk mitigation strategies, including monitoring and reporting.

In regard to financial risk, the Group has identified potential exposure to:

- Market risk (including foreign exchange risk and foreign currency risk);
- Credit risk; and
- Liquidity risk.

The Group uses a variety of methods to measure these financial risks including sensitivity analysis for market risks, ageing analysis and pre-trade credit assessment for credit risks, cash flow forecasting and debtor finance facility monitoring for liquidity risks.

The Group holds the following financial instruments.

		Consolidated	
		2020	2019
	Note	$000	$000
Financial assets measured at amortised cost			
Cash and cash equivalents	10	408	1,287
Trade receivables (net of loss allowance)	11	7,578	13,593
Other receivables	11	165	534
Term deposits	11	242	936
Total financial assets		8,393	16,350
Financial liabilities measured at amortised cost			
Trade payables	15	4,503	4,205
Other payables	15	286	1,192
Lease liabilities	14	979	-
Debtor finance facility	16	1,187	5,798
Total financial liabilities		6,955	11,195

Note 4 Financial Risk Management (continued)

(a) Market risk

(i) Foreign Exchange Risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from foreign currency exposures to the New Zealand dollar (NZD).

(ii) Foreign Currency Risk

To limit the exposure to foreign currency risk, the Group's foreign controlled entities' transactions are carried out in their local currency such that cash inflows and outflows are largely offset to minimise the impact of foreign currency translation. The Group does not undertake any hedging activities with respect to day-to-day foreign currency exposures. The Group's exposure to foreign currency risk based on notional amounts follows.

	NZD $'000
30 June 2020	
Cash and cash equivalents	431
Trade and other receivables	343
Trade and other payables	(36)
Net exposure on consolidated statement of financial position	738
30 June 2019	
Cash and cash equivalents	52
Trade and other receivables	681
Trade and other payables	(72)
Net exposure on consolidated statement of financial position	661

The following foreign exchange rates applied during the financial year.

	Average Rate		Year End Spot Rate	
	2020	2019	2020	2019
CNY[1]	4.798	4.885	4.776	4.818
HKD[1]	5.340	5.608	5.333	5.476
NZD	1.056	1.065	1.071	1.046

1. For the Chinese Yuan (CNY) and the Hong Kong Dollar (HKD), the average foreign exchange rates were for the period 1 July 2019 to 18 November 2019 and the year end spot foreign exchange rates were as at 18 November 2019, the date when the Group disposed of the China business.

Note 4 Financial Risk Management (continued)

(a) Market risk (continued)

(iii) Currency Sensitivity on Group

The following table details the Group's sensitivity to a 10% increase and a 10% decrease in the relevant foreign currency against the Australian dollar. A 10% sensitivity represents management's assessment of the reasonably possible movement in foreign exchange rates.

	CNY $000	HKD $000	NZD $000
Impact of a 10% increase in foreign currency against consolidated balances			
30 June 2020			
Net current financial assets	-	-	69
Impact on net loss after tax from ordinary activities[1]	273	(25)	80
30 June 2019			
Net current financial assets	237	1	63
Impact on net loss after tax from ordinary activities	104	(725)	(13)
Impact of a 10% decrease in foreign currency against consolidated balances			
30 June 2020			
Net current financial assets	-	-	(69)
Impact on net loss after tax from ordinary activities[1]	(273)	25	(80)
30 June 2019			
Net current financial assets	(237)	(1)	(63)
Impact on net loss after tax from ordinary activities	(104)	725	13

1. The impact on net loss after tax from ordinary activities from movements in the Chinese Yuan (CNY) and the Hong Kong Dollar (HKD) was determined using the average foreign exchange rates for the period 1 July 2019 to 18 November 2019, the date when the Group disposed of the China business.

(iv) Cash Flow and Fair Value Interest Rate Risk

The Group's policy is to utilise its debtor finance facility to accommodate its working capital requirements that vary with its pay and bill cycles whilst minimising its interest costs. At the reporting date the Group had the following variable rate borrowings.

	Weighted Average Interest Rate		Balance	
	2020 %	2019 %	2020 $000	2019 $000
Debtor finance facility (Note 16)	6.9	7.3	1,187	5,798

Note 4 Financial Risk Management (continued)

(v) Group Sensitivity

	1% Increase in Weighted Average Interest Rate		1% Decrease in Weighted Average Interest Rate	
	2020	2019	2020	2019
	$000	$000	$000	$000
Impact on net loss after tax	(35)	(30)	35	30

(vi) Price Risk

The Group does not hold any investments in equities or commodities and is therefore not subject to price risk for any recognised financial assets.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from credit exposures to customer trade receivables. Independent credit assessments are used for all new customers and only those with a low risk of default rating are accepted. If there is insufficient credit history to provide an accurate rating, other factors such as assessment of financial position, nature of proposed transactions and directors' personal guarantees are considered.

Compliance to credit limits is monitored internally by the Group's management. Trade receivable ageing reports are submitted regularly to the Board for review.

The Group maintains standard credit terms in its terms and conditions. Some preferred supplier agreements dictate longer payment terms, however, the credit risk remains unaffected.

The carrying value of trade receivables less loss allowance is considered a reasonable approximation of fair value due to their short-term nature.

The Group has not recognised a credit loss allowance at the reporting date (2019: $287k) as disclosed in Note 11, as the provision matrix calculation indicated no expected credit loss against the trade receivables.

Trade Receivables

The following table demonstrates the Group's aged trade receivables at the reporting date aged from their due dates.

	Trade Receivables Aged From Due Date					
	Current	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
	$000	$000	$000	$000	$000	$000
30 June 2020						
Trade receivables	6,967	505	85	21	-	7,578
	92%	7%	1%	0%	0%	100%
30 June 2019						
Trade receivables	10,599	2,225	615	49	392	13,880
	76%	16%	4%	1%	3%	100%

Note 4 Financial Risk Management (continued)

(c) Liquidity risk

The Group manages liquidity risk by monitoring daily and weekly cash flows and ensuring that adequate finance facilities are maintained. The Group maintains cash and cash equivalents and its debtor finance facility to meet its liquidity requirements and raises equity as and when required. Funding for long-term liquidity needs is secured by having adequate finance facilities in place.

Compliance with the debtor finance facility obligations is monitored as part of the cash flow management process. Refer to Note 16 for a summary of the debtor finance facility at the reporting date.

Customers based in Australia account for 97% of trade receivables. The amount due from the largest customer at 30 June 2020 was $1,727k.

The carrying value of trade and other payables is considered a reasonable approximation of fair value due to their short-term nature. Trade payables are settled within six months.

Note 5 Disaggregation of Revenue

The Group derives its revenue from the transfer of services over time and at a point in time through the following service lines and geographic regions. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 Segment Reporting as disclosed in Note 6. Revenue information for continuing operations for the financial year is as follows.

	Consolidated	
	2020	2019
	$000	$000
Timing of revenue recognition - over time		
Contingent labour Australia and New Zealand	113,025	129,310
On demand information technology services Australia and New Zealand	9,241	10,882
Outsourced recruitment and human resource consulting services Australia	2,240	2,628
	124,506	142,820
Timing of revenue recognition - at a point in time		
Permanent recruitment Australia	1,452	3,104
Total revenue	125,958	145,924

Note 6 Segment Reporting

The Group is organised around three operating segments across two geographic regions, which are all labour related. These segments are Specialist Recruitment, On Demand IT Services and People Services in Australia and New Zealand. Segment information for continuing operations for the financial year is as follows.

(a) Segments

The Group determines and presents operating segments based on the information that is provided internally to the Board who are the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment results are reviewed regularly by the Board in order to assess the performance of each segment and make decisions about the allocation of resources.

	Specialist Recruitment		On Demand IT Services		People Services		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	114,477	132,414	9,241	10,882	2,240	2,628	125,958	145,924
Profit before tax	2,552	2,174	252	652	616	701	3,420	3,527
Less: Corporate overheads							(7,452)	(8,815)
Consolidated loss before tax							(4,032)	(5,288)

	Australia		New Zealand		Consolidated	
	2020	2019	2020	2019	2020	2019
	$000	$000	$000	$000	$000	$000
Revenue	124,406	144,177	1,552	1,747	125,958	145,924
Finance income	20	8	-	-	20	8
Total income	124,426	144,185	1,552	1,747	125,978	145,932
Non-current assets	852	548	-	-	852	548

(b) Segment accounting policies

Segment information is prepared in accordance with the accounting policies of the Group as disclosed in Note 6(a) and accounting standard AASB 8 Segment Reporting. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

(c) Income

The Group derived income from the provision of contingent labour and permanent recruitment services, on demand information technology services and outsourced recruitment and human resource consulting services for government and non-government entities in Australia and New Zealand.

(d) Inter-segment transactions

The pricing of inter-segment transactions is on the same basis as prices charged on transactions with parties outside the Group. Such transactions are eliminated on consolidation, except for margin earned on transactions where the services will ultimately be provided outside the Group.

(e) Information about major customers

Included in revenue arising from Specialist Recruitment in Australia and New Zealand of $114,477k (2019: $132,414k) are revenues of approximately $17,658k (2019: $19,834k) which arose from sales to the Group's two largest customers. The largest customer contributed $11,018k (2019: $11,387k) and the second largest customer accounted for $6,640k (2019: $8,447k). No other single customer contributed 5.3% or more to the Group's revenue for 2020.

Note 7 Expenses

The details of expenses for continuing operations during the financial year are set out below.

	Consolidated	
	2020	2019
	$000	$000
Depreciation and amortisation		
Furniture, fixtures and equipment	106	231
Leasehold improvements	132	240
Capitalised software development costs	160	165
Property right-of-use assets	475	-
Equipment right-of-use assets	20	-
Total depreciation and amortisation	893	636
Other expenses		
Consultancy fees	606	498
Professional fees	475	207
Facilities expenses	214	242
Insurances	368	377
Marketing and advertising	317	527
Software licences and subscription services	1,267	1,200
Other operating overheads	890	1,456
Total other expenses	4,137	4,507
Payments to defined contribution superannuation plans	947	1,183

Note 8 Income Tax Benefit

	Consolidated	
	2020	2019
	$000	$000
The prima facie tax benefit on loss before income tax for continuing operations is reconciled as follows:		
Prima facie tax benefit on loss before income tax at 30%	1,210	1,586
Add tax effect of:		
Non-deductible expenses	(118)	(59)
Current year losses for which no deferred tax asset is recognised	(1,075)	(1,537)
Foreign tax provision adjustment	255	461
Foreign tax rate adjustment	(17)	10
Total income tax benefit	255	461

Note 9 Disposal of Subsidiaries

On 18 November 2019 the Company's wholly owned Hong Kong subsidiary Lloyd Morgan Limited sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited, which in turn owned the China business including 89% of Lloyd Morgan China Limited and 100% of Beijing Candle Technology Service Co Ltd. The purchaser was the then Chief Executive Officer of Lloyd Morgan China Limited.

(a) Results of discontinued operations

	18 Nov 2019 $000	30 Jun 2019 $000
Revenue	2,032	6,976
Employee benefits expense	(2,561)	(5,524)
Depreciation and amortisation expense	(445)	(208)
Occupancy expense	(140)	(1,222)
Other expenses	(499)	(996)
Loss from discontinued operations	(1,613)	(974)
Finance income	1	8
Finance costs	(25)	-
Loss from discontinued operations before income tax	(1,637)	(966)
Income tax expense	-	(19)
Loss from discontinued operations, net of income tax expense	(1,637)	(985)
Loss on disposal of discontinued operations	(858)	-
Income tax on disposal of discontinued operations	-	-
Loss net of income tax expense	(2,495)	(985)

(b) Disposal of discontinued operations

	18 Nov 2019 $000	30 Jun 2019 $000
Consideration received	-	-
Net assets disposed	(605)	-
Loss on disposal before income tax	(605)	-
Reclassification of foreign currency translation reserves	(253)	-
Loss on disposal of discontinued operations	(858)	-

(c) Cash flows used in discontinued operations

	18 Nov 2019 $000	30 Jun 2019 $000
Net cash used in operating activities	(123)	(1,177)
Net cash used in investing activities	(721)	(207)
Net cash used in financing activities	(390)	-
Net decrease in cash for the period	(1,234)	(1,384)

Note 9 Disposal of Subsidiaries (continued)

(d) Effect of disposal of discontinued operations on the financial position of the Group

	18 Nov 2019
	$000
Carrying amount of assets and liabilities disposed	
Cash and cash equivalents	718
Trade and other receivables	712
Plant and equipment	208
Right-of-use assets	1,788
Trade and other payables	(744)
Lease liabilities	(1,803)
Provisions	(274)
Net assets disposed	605
Consideration received	-
Cash and cash equivalents disposed	718
Net cash outflow	718

Note 10 Cash and Cash Equivalents

	Consolidated	
	2020	2019
	$000	$000
Cash at bank and on hand	408	1,287

Note 11 Trade and Other Receivables

	Consolidated	
	2020	2019
	$000	$000
Trade receivables	7,578	13,880
Loss allowance	-	(287)
Net trade receivables	7,578	13,593
Accrued revenue	4,372	6,955
Prepayments	232	397
Other receivables	165	534
Term deposits	242	936
Total trade and other receivables	12,589	22,415

All trade and other receivables are current and are non-interest bearing. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value due to their short-term nature. Term deposits refers to those amounts required to secure the bank guarantees in respect of leases disclosed at Note 14. Refer to the disclosure in Note 4 regarding financial risk management.

Note 11 Trade and Other Receivables (continued)

(a) Movement in expected credit losses

	Consolidated	
	2020	2019
	$000	$000
Balance at the beginning of the year	287	313
Expected credit loss recognised during the year	19	42
Amounts written-off during the year as uncollectible	-	(68)
Amounts derecognised due to disposal of China business	(306)	-
Balance at the end of the year	-	287

The Group has not recognised any loss allowance at the reporting date (2019: $287k) against certain groups of debtors as the provision matrix calculation indicated no expected credit loss against the trade receivables.

The amount of the credit loss allowance is recognised in the consolidated statement of profit or loss and other comprehensive income. When a trade receivable for which a loss allowance has been recognised becomes uncollectable in a subsequent period, it is written-off against the loss allowance. Subsequent recoveries of amounts previously written-off are credited in the consolidated statement of profit or loss and other comprehensive income.

The Group writes-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(b) Past due but not written-off

At the reporting date, trade receivables of $611k were past due but not impaired. The ageing analysis of these past due but not impaired trade receivables is as follows.

	Past Due But Not Written-off Trade Receivables Aged From Due Date				
	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
	$000	$000	$000	$000	$000
30 June 2020					
Trade receivables	505	85	21	-	611
30 June 2019					
Trade receivables	2,225	566	45	158	2,994

Note 12 Plant and Equipment

	Consolidated 2020 $000	2019 $000
Furniture, fixtures and equipment, at cost	729	1,568
Accumulated depreciation	(652)	(1,246)
Furniture, fixtures and equipment, net book value	77	322
Leasehold improvements, at cost	1,502	2,789
Accumulated depreciation	(1,448)	(2,515)
Leasehold improvements, net book value	54	274
Total plant and equipment, net book value	131	596

Movements in carrying amounts

	Furniture, Fixtures and Equipment 2020 $000	Leasehold Improvements 2020 $000	Total 2020 $000
Balance at the beginning of the year	322	274	596
Additions	32	54	86
Reclassification from intangible assets	4	-	4
Disposals	(17)	-	(17)
Disposals related to discontinued operations	(99)	(109)	(208)
Impairment	(45)	(12)	(57)
Depreciation expense	(124)	(160)	(284)
Effect of movements in exchange rates	4	7	11
Balance at the end of the year	77	54	131

	2019 $000	2019 $000	2019 $000
Balance at the beginning of the year	450	540	990
Additions	186	94	280
Disposals	(4)	-	(4)
Depreciation expense	(310)	(360)	(670)
Balance at the end of the year	322	274	596

Note 13 Intangible Assets

	Consolidated	
	2020	2019
	$000	$000
Capitalised software development, at cost	2,460	2,978
Accumulated amortisation	(2,430)	(2,786)
Total intangible assets, net book value	30	192

Movements in carrying amounts

	2020	2019
	$000	$000
Balance at the beginning of the year	192	339
Additions	-	27
Reclassification to plant and equipment	(4)	-
Disposals	1	-
Amortisation expense	(160)	(174)
Effect of movements in exchange rates	1	-
Balance at the end of the year	30	192

Intangible assets have finite useful lives. The current year amortisation expense in respect of intangible assets is included under depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income.

Note 14 Leases

(a) Amounts recognised in the consolidated statement of financial position

Right-of-Use Assets

	Consolidated	
	2020	2019
	$000	$000
Property right-of-use assets, at cost	1,295	-
Accumulated depreciation	(658)	-
Property right-of-use assets, net book value	637	-
Equipment right-of-use assets, at cost	74	-
Accumulated depreciation	(20)	-
Equipment right-of-use assets, net book value	54	-
Total right-of-use assets, net book value	691	-

Note 14 Leases (continued)

Movements in carrying amounts

	Property	Equipment	Total
	$000	$000	$000
Balance at the beginning of the year	3,096	74	3,170
Additions	411	-	411
Disposals	(1,771)	-	(1,771)
Impairment	(225)	-	(225)
Depreciation expense	(874)	(20)	(894)
Balance at the end of the year	637	54	691

Lease Liabilities

	Consolidated	
	2020	2019
	$000	$000
Maturity analysis - contractual undiscounted cash flows		
Less than six months	285	-
Six months to one year	356	-
One to five years	411	-
Total undiscounted lease liabilities	1,052	-
Lease liabilities included in the consolidated statement of financial position		
Current	586	-
Non-current	393	-
Total lease liabilities	979	-

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for continuing operations

	Consolidated	
	2020	2019
	$000	$000
Depreciation expense on right-of-use assets	495	-
Interest expense on lease liabilities	79	-
Expense relating to short-term leases	1,577	-
Expense relating to lease of low value asset	1	-
Operating lease payments	-	2,377
Total amount recognised in profit or loss	2,152	2,377

Note 14 Leases (continued)

(c) Amounts recognised in the consolidated statement of cash flows for continuing operations

	Consolidated	
	2020	2019
	$000	$000
Total cash outflow for leases	2,561	2,377

(d) Qualitative information on leases

See Note 3(n).

Note 15 Trade and Other Payables

All trade and other payables are non-interest bearing. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to their short-term nature. Trade payables are normally settled within six months.

	Consolidated	
	2020	2019
	$000	$000
Current		
Trade payables	4,503	4,205
Statutory taxes	2,907	2,789
Other payables	286	1,192
Total trade and other payables	7,696	8,186

Note 16 Debtor Finance Facility

The Group 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. Under this Facility, the Group draws down funds for working capital and customers make payments directly to the lender to reduce the Facility draw down. This results in cash inflows and outflows that are treated as financing cash flows. The Facility is secured by a fixed and floating charge over the Company's assets.

The maximum Facility amount is the lower of 85% of approved trade receivables or $15,000k and is subject to certain drawdown and reporting conditions. At the reporting date the total available Facility was $5,785k (2019: $8,937k) and the applicable interest rate was 6.74% (2019: 7.03%).

	Consolidated	
	2020	2019
	$000	$000
Available debtor finance facility	5,785	8,937
Undrawn debtor finance facility	(4,598)	(3,139)
Amount drawn down	1,187	5,798

Note 17 Provisions

	Consolidated	
	2020	2019
	$000	$000
Current		
Employee benefits	852	971
Recruitment services under guarantee	30	30
Make good on leased premises	15	129
Total current provisions	897	1,130
Non-current		
Employee benefits	94	167
Make good on leased premises	80	82
Total non-current provisions	174	249
Total provisions	1,071	1,379

Movements in provisions

Movements in provisions, other than employee benefits, during the financial year are set out below.

	Recruitment Services Under Guarantee	Make Good on Leased Premises	Total
	$000	$000	$000
Balance at the beginning of the year	30	211	241
Additional provision recognised	-	186	186
Amounts utilised	-	(94)	(94)
Amounts derecognised on disposal of China business	-	(208)	(208)
Balance at the end of the year	30	95	125

Note 18 Other Liabilities

	Consolidated	
	2020	2019
	$000	$000
Current		
Lease incentives	-	229
Non-current		
Lease incentives	-	26
Total other liabilities	-	255

Note 18 Other Liabilities (continued)

Movements in other liabilities

Movements in other liabilities during the financial year are set out below.

	Lease Incentives
	$000
Balance at the beginning of the year	255
Amounts utilised	(255)
Balance at the end of the year	-

Note 19 Deferred Tax Assets

There are unrecognised deferred income tax assets in relation to Australian tax losses on revenue account of $17,651k (2019: $16,216k). Unrecognised deferred income tax assets are reassessed at each reporting date and will be recognised to the extent that the Directors consider it probable that future taxable profit will allow the deferred income tax asset to be realised.

Note 20 Contributed Equity

The Company does not have authorised capital or par value in respect of its listed ordinary shares. All issued ordinary shares are fully paid and rank equally with regards to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Consolidated	
	2020	2019
	$000	$000
Paid up share capital at the beginning of the year	83,541	83,541
Paid up share capital at the end of the year	83,541	83,541
	No.	No.
Issued shares at the beginning of the year	89,582,175	89,582,175
Issued shares at the end of the year	89,582,175	89,582,175

Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern, so that the Company can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 20 Contributed Equity (continued)

Capital risk management (continued)

The Company monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "equity" shown in the balance sheet plus debt.

		Consolidated	
		2020	2019
	Note	$000	$000
Cash and cash equivalents	10	408	1,287
Debtor finance facility	16	(1,187)	(5,798)
Net (debt)/ cash		(779)	(4,511)
Total equity		(2,916)	(8,872)
Total capital		(3,695)	(13,383)
Gearing ratio		21.1%	33.7%

Note 21 Reserves

	Consolidated	
	2020	2019
	$000	$000
Balance at the beginning of the year	(411)	(1,020)
Foreign currency translation reserve	316	608
Equity remuneration reserve	-	1
Balance at the end of the year	(95)	(411)

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The reserve is recognised in the consolidated statement of profit or loss and other comprehensive income when the net investment is disposed.

Movements in reserves

	Foreign currency translation reserve	Equity remuneration reserve	Total
		$000	$000
Balance at the beginning of the year	(412)	1	(411)
Foreign currency translation reserve recycled upon disposal of foreign operations	802	-	802
Foreign currency translation differences for foreign operations	(486)	-	(486)
Balance at the end of the year	(96)	1	(95)

Note 22 Dividends and Per Share Information

(a) Dividends

On 31 August 2020 the Directors resolved not to declare a final dividend for the year ended 30 June 2020. No dividends were paid by the Company in the previous corresponding period.

(b) Franking account balance

	2020 $000	2019 $000
Franking credits available to the Company	15,679	15,679

(c) Per share information

	Consolidated	
	2020 Cents	2019 Cents
Ordinary activities		
Basic loss per share	(7.00)	(6.49)
Diluted loss per share	(7.00)	(6.49)
Net tangible assets per share	3.22	9.69
Continuing operations		
Basic loss per share	(4.22)	(5.39)
Diluted loss per share	(4.22)	(5.39)
Net tangible assets per share	3.22	6.85
Discontinued operations		
Basic loss per share	(2.78)	(1.10)
Diluted loss per share	(2.78)	(1.10)
Net tangible assets per share	-	2.84

Weighted average number of shares used as the denominator

	Consolidated	
	2020 No.	2019 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	89,582,175	89,582,175
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	89,582,175	89,582,175

Note 22 Dividends and Per Share Information (continued)

Reconciliation of loss per share

	Consolidated 2020 $000	2019 $000
Ordinary activities		
Loss after tax used in calculating basic loss per share	(6,272)	(5,812)
Loss after tax used in calculating diluted loss per share	(6,272)	(5,812)
Net tangible assets	2,886	8,680
Continuing operations		
Loss after tax used in calculating basic loss per share	(3,777)	(4,827)
Loss after tax used in calculating diluted loss per share	(3,777)	(4,827)
Net tangible assets	2,886	6,140
Discontinued operations		
Loss after tax used in calculating basic loss per share	(2,495)	(985)
Loss after tax used in calculating diluted loss per share	(2,495)	(985)
Net tangible assets	-	2,540

Note 23 Cash Flow Information

(a) Reconciliation of loss from ordinary activities after income tax to cash flows from operating activities

	Consolidated 2020 $000	2019[1] $000
Loss from ordinary activities after income tax	(6,272)	(5,812)
Adjustments for:		
Depreciation and amortisation expense	1,338	844
Loss on disposal of fixed assets	16	4
Impairment loss on property, plant and equipment	282	-
Loss on disposal of discontinued operations	858	-
Equity remuneration expense	-	1
Net exchange differences	11	-
Changes in assets and liabilities:		
Decrease in trade and other debtors and accrued revenue	8,364	2,839
Decrease in prepayments	46	101
Decrease/ (increase) in trade creditors and accruals	239	(3,012)
Decrease in provisions	(72)	(115)
Decrease in other liabilities	(229)	(316)
Net cash from/ (used in) operating activities	4,581	(5,466)

1. In the current year, management have determined to reclassify the net movement in the debtor finance facility from an operating cash flow to a financing cash flow. The reclassification more accurately reflects operating and financing cash flows and does not change the net decrease in cash for the year. Refer to Note 3(v) on the restatement of prior period comparatives.

Note 23 Cash Flow Information (continued)

(b) Changes in liabilities arising from financing activities

	Debtor finance facility	Lease liabilities	Total
	2020	2020	2020
	$000	$000	$000
Balance at the beginning of the year	5,798	-	5,798
Initial recognition of lease liabilities	-	3,195	3,195
Acquisition of leases	-	449	449
Disposal of discontinued operations	-	(1,803)	(1,803)
Net cash used in financing activities	(4,611)	(877)	(5,488)
Foreign exchange movements	-	15	15
Balance at the end of the year	1,187	979	2,166
	2019	2019	2019
	$000	$000	$000
Balance at the beginning of the year	628	-	628
Net cash from financing activities	5,170	-	5,170
Balance at the end of the year	5,798	-	5,798

Note 24 Remuneration of Auditors

During the financial year, the following fees were paid or were payable for services provided by the auditors of the Company and their related practices and to auditors of controlled entities.

	Consolidated	
	2020	2019
	$	$
Audit services		
Auditors of the Company - PKF[1]	90,000	-
Auditors of the Company - Deloitte[1]	157,250	155,000
Network firm of the auditors of the Company - Deloitte	21,230	29,231
Other auditors of controlled entities	10,090	17,482
Total	278,570	201,713
Taxation services		
Auditors of the Company - PKF	15,000	-
Auditors of the Company - Deloitte	14,463	18,800
Network firm of the auditors of the Company - Deloitte	13,486	11,710
Other auditors of controlled entities	-	9,423
Total	42,949	39,933

1. On 20 December 2019, Deloitte Touche Tohmastsu resigned as auditors of the Company and PKF (NS) Audit & Assurance were appointed as auditors of the Company.

Note 25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 3(a). The Company does not have any holdings in joint ventures or associates.

Subsidiary	Principal Activity	Country of Incorporation	Class of Shares	Equity Holding % 2020	Equity Holding % 2019
Ignite New Zealand Holdings Limited	Holding	New Zealand	Ordinary	100	100
Ignite IT Services Limited	Operating	New Zealand	Ordinary	100	100
Lloyd Morgan Limited[1]	Dormant	Hong Kong	Ordinary	100	100

1. Lloyd Morgan Limited is dormant and being deregistered.

On 18 November 2019 the Company's wholly owned Hong Kong subsidiary Lloyd Morgan Limited sold 100% of its subsidiary Lloyd Morgan Hong Kong Limited, which in turn owned the China business including 89% of Lloyd Morgan China Limited and 100% of Beijing Candle Technology Service Co Ltd. The purchaser was the then Chief Executive Officer of Lloyd Morgan China Limited.

Note 26 Related Party Disclosures

(a) Parent entity

The ultimate parent entity and ultimate controlling entity within the Group is Ignite Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions. There are no fixed terms for the repayment of loans between entities within the Group.

(d) Directors and key management personnel

The aggregate compensation provided to Directors and key management personnel of the Group is set out below.

	2020 $	2019 $
Short-term employment benefits	881,437	943,401
Post-employment benefits	61,192	69,040
Termination benefits	-	33,815
Total	942,629	1,046,256

Note 27 Parent Entity Disclosure

(a) Statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	2020 $000	2019[1] $000
Revenue	124,406	144,177
Contingent labour costs	(109,459)	(125,679)
Gross profit	14,947	18,498
Other income	708	574
Employee benefits expense	(12,907)	(16,791)
Depreciation and amortisation expense	(893)	(636)
Occupancy expense	(1,578)	(2,377)
Other expenses	(3,010)	(4,312)
Impairment expense	-	(4,528)
Loss from operating activities	(2,733)	(9,572)
Finance income	20	7
Finance cost	(512)	(312)
Loss before income tax	(3,225)	(9,877)
Income tax benefit	255	461
Total comprehensive loss for the year	(2,970)	(9,416)
Accumulated losses at the beginning of the year	(77,848)	(68,432)
Loss after income tax	(2,970)	(9,416)
Accumulated losses at the end of the year	(80,818)	(77,848)

1. The restatement of prior period comparatives has no impact on total comprehensive loss for the year. Refer to Note 3(v) on the restatement of prior period comparatives.

(b) Statement of financial position as at 30 June 2020

	2020 $000	2019 $000
Assets		
Current assets	12,774	20,028
Non-current assets	852	549
Total assets	13,626	20,577
Liabilities		
Current liabilities	10,332	14,632
Non-current liabilities	567	248
Total liabilities	10,899	14,880
Equity		
Contributed equity	83,541	83,541
Reserves	4	4
Accumulated losses	(80,818)	(77,848)
Total equity	2,727	5,697

Note 27 Parent Entity Disclosure (continued)

(c) Parent entity contingencies

The Company has no material contingent liabilities to disclose at the reporting date (2019: Nil).

The Company has no capital commitments for the acquisition of property, plant and equipment at the reporting date (2019: Nil).

(d) Parent entity guarantees

Bank guarantees have been provided on behalf of the Company to third parties in relation to the leases disclosed at Note 14. In the event of default, the issuing bank has security from the Company for the value of the bank guarantees.

Note 28 Contingent Liabilities

Given the nature of its contingent labour business, the Group has a large number of casual employees at any point in time. The recent Federal Court decision in WorkPac Pty Ltd v Rossato [2020] FCAFC 84 provided a further interpretation around how a court of law may characterise and define a casual employee. Specifically, the decision pointed to circumstances where there was a firm advance commitment from the employer and, as a result, the casual employee had an expectation of continuing and indefinite employment and accruing benefits associated with permanent employment.

The Group has undertaken a review of its business, contracts and casual employees and determined that the implications of this decision cannot be measured with sufficient reliability at this juncture. The Group's casual employees are engaged with no long-term commitment and, therefore, should have no expectation of continuing and indefinite employment. However, given the nature of the decision and the large number of casuals employed by the Group, it is possible that an obligation may arise in the future should casual employees and a court of law take a different interpretation of the facts specific to the Group.

The Group has no other material contingent liabilities to disclose at the reporting date (2019: Nil).

Note 29 Events Subsequent to the Reporting Date

The COVID-19 pandemic continues to create uncertain ongoing economic impacts in the Australian and New Zealand economies and trading conditions for the Group, however, there has so far been no significant impact on the Group's financial performance subsequent to the reporting date.

At the end of the June 2020 quarter the Company registered for and claimed the Australian Federal Government JobKeeper Payment subsidy for eligible staff and contractors who opted in commencing with June 2020. In the period between the reporting date and the date of this report the Australian Taxation Office have paid the Company a total of $417k for the JobKeeper Payment subsidy relating to June 2020. Provided the Company, staff and contractors remain eligible, the Company expects to continue claiming and receiving the JobKeeper Payment subsidy for the period to September 2020. The Company expects to receive up to $2,300k from the JobKeeper Payment subsequent to the reporting date.

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

The Directors of the Company declare that:

1. In the opinion of the Directors of the Company:

   (a) the consolidated financial statements and notes that are contained in pages 28 to 71 and the remuneration report in the Directors' Report, set out on pages 10 to 15, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2020.

3. The Directors draw attention to Note 2 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the Corporations Act 2001.

Garry Sladden
Executive Chairman

Dated at Sydney this 31st day of August 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IGNITE LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Ignite Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year (together the Group).

In our opinion, the financial report of Ignite Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial report, which indicates that the Group incurred a net loss after tax from continuing operations of $3,777,000 and total cash inflows from operations of $4,581,000 during the year ended 30 June 2020. As at that date, the Group had net current assets of $2,631,000. The Group's ability to continue as a going concern and meet its debts as and when they fall due is dependent upon the matters described in Note 2 to the financial report. These conditions indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter Relating to Contingent Liabilities

We draw attention to Note 28 to the financial report, where the Group has disclosed a contingent liability at 30 June 2020 as a result of a recent court decision which provided further interpretation regarding the definition of a casual employee. Our opinion is not modified in respect of this matter.

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Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern and Emphasis of Matter Relating to Contingent Liabilities sections, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

1. Disposal of subsidiaries

Why significant	How our audit addressed the key audit matter
As set out in Note 9 of the financial report, the Group disposed of their Chinese business operations on 18 November 2019. A loss of $2,495,000 was recognised in the statement of profit or loss and other comprehensive income in relation to discontinued operations, which included a loss of $858,000 relating to the disposal of discontinued operations. Given that this was a non-routine transaction involving significant overseas entities, we have considered this to be a Key Audit Matter.	Our work included, but was not limited to, the following procedures: • Reviewing the terms of Share Purchase Agreement as well as the Deed of Release; • Agreeing the amount of consideration received to source documents; • Assessing the accuracy of the loss on disposal of discontinued operations; • Assessing the accuracy of accounting for leases in accordance with AASB 16 *Leases* on transition to that standard and on disposal; • Reviewing the calculations regarding the financial effect of discontinued operations on the face of the statement of profit or loss and other comprehensive income and Note 9; • Assessing the appropriateness of the related disclosures in Note 9; and • Assessing the completeness and accuracy of the disclosed circumstances.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Letter, the Financial and Operational Review, and the Director's report.

Other Information (cont'd)

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.

Auditor’s Responsibilities for the Audit of the Financial Report (cont’d)

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ignite Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

PKF

P. Pearman

PAUL PEARMAN
PARTNER

31 AUGUST 2020
SYDNEY, NSW

Additional Information

The following information is required by ASX.

(a) Classes of securities and voting rights

There are two classes of equity securities, being ordinary shares and options. The ordinary shares are quoted on ASX, while the options are unlisted.

The voting rights in respect of the ordinary shares are established by the Company's Constitution which reads as follows:

Clause 5.12: "On a show of hands every Eligible Member present has one vote. On a poll every Eligible Member has one vote for each fully paid up share."

There is currently no on-market buy-back.

No securities on issue are currently subject to voluntary escrow.

(b) Shareholders and option holders

As at 21 August 2020, the number of shareholders holding less than marketable parcels was 405 and the details and distribution of holders of ordinary shares and holders of options was as follows.

Range of Shareholdings	Number of Holders
1-1,000	44
1,001-5,000	65
5,001-10,000	164
10,001-100,000	411
100,001 and over	71
	755

Option Holders	Number
Options granted	Nil

(c) Substantial shareholders

As at 21 August 2020, the names of the substantial shareholders listed in the Company's register were as follows.

Shareholder	Number of Ordinary Shares
Gold Tiger Equities Pty Ltd	22,957,459
OC20181 Pty Ltd	19,979,853
Sandon Capital Pty Ltd	10,150,664

(d) Twenty largest shareholders

As at 21 August 2020, the names of the twenty largest shareholders according to the Company's share registry were as follows.

Rank	Shareholder	Number of Ordinary Shares	%
1	GOLD TIGER EQUITIES PTY LTD	23,000,000	25.67
2	OC20181 PTY LTD <OC20181 A/C>	17,546,517	19.59
3	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	7,591,834	8.47
4	NATIONAL NOMINEES LIMITED	3,402,967	3.80
5	OC20181 PTY LTD <OC20181 A/C>	2,608,336	2.91
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,433,192	2.72
7	MR IAN WALLACE EDWARDS + MRS JOSEPHINE EDWARDS <THE EDWARDS SUPER FUND A/C>	1,083,072	1.21
8	MR KENNETH VICTOR WRIGHT	1,000,000	1.12
9	MR CHRISTOPHER ANDREW GRUMMET	961,612	1.07
10	MISS ALICE JANE LI	774,441	0.86
11	G J P INVESTMENTS PTY LTD <THE LANGHAM A/C>	764,886	0.85
12	MR BARRY PAUL KING	700,000	0.78
13	DR GAVAN HARRISON + MRS KATRINA HARRISON	620,718	0.69
14	MR MARK ANTHONY GUSMAN	575,000	0.64
15	MR ROGER ALAN CATTON	550,000	0.61
16	MR KRISTIAN ROBERT DIBBLE + MRS JANET RACHEL DIBBLE <DIBBLE SUPER FUND A/C>	525,000	0.59
17	MR STUART ANDREW WILLIAMSON	500,000	0.56
18	AVANTEOS INVESTMENTS LIMITED <3495510 SOUTHSIDE A/C>	495,020	0.55
19	MR WILLIAM YUE	440,230	0.49
20	MRS JACQUELINE GARRETT	370,239	0.41
		65,943,064	73.61

2020
IGNITE LIMITED
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