

Appendix 4E: Preliminary Financial Report

The GO2 People Ltd (ASX:GO2) ("**GO2**" or the "**Company**") provides the attached Appendix 4E: Preliminary Financial Report for the year ended 30 June 2022.

Issued by: The GO2 People Ltd
Approved by: The Board of The GO2 People Ltd

For more information, please contact:

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Board Chair
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About The GO2 People Ltd

The GO2 People Ltd (ASX:GO2) is a leading provider of recruitment and training services to industry throughout Australia. The day-to-day operations of the company are underpinned by strong core values and an ethical approach to business principles which drive innovation, collaboration and an ongoing commitment to continuous improvement.

To learn more please visit: www.thego2people.com.au

The GO2 People Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	The GO2 People Ltd
ABN:	45 616 199 896
Reporting period:	For the year ended 30 June 2022 (FY22)
Previous period:	For the year ended 30 June 2021 (FY21)

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	148.3% to	73,716
Loss from ordinary activities after tax attributable to the owners of The GO2 People Ltd	up	102.9% to	(5,453)
Loss for the year attributable to the owners of The GO2 People Ltd	up	102.9% to	(5,453)
		2022 Cents	2021 Cents
Basic loss per share		(1.37)	(1.57)
Diluted loss per share		(1.37)	(1.57)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Review of Operations

The Company's strategic focus for the 2022 Financial Year has been to solidify a lean core business offering and integrate strategic and earnings accretive acquisitions.

Acquisitions which were completed late in FY21 were the key contributor of revenue increases across the group, with the focus on the delivery of higher gross margin activities. Revenue in FY22 was \$73.62m compared to \$29.68m in FY21. Recruitment income contributed \$46.06 million for FY22, up from \$26.78 million in the prior year. Job Ready income increased to \$7.99 million from \$712,000 in the prior year. Training income increased to \$4.66 million from \$945,000 in the prior year. Apprentice income increased 14-fold from revenues of \$1.05 million in the prior year to \$14.70 million in FY22. The Group's overall gross margin improved from 14.8% of sales in FY21 to 27.9% in FY22. This trend is expected to continue with the focus on more profitable training services.

The operational integration of acquisitions made in late FY 21 has seen the group consolidate operational premises in Perth. Further development of key client relationships, operational efficiencies and streamlining of the management and executive structures are expected to account for further overhead savings in personnel costs.

The Group's cash and cash equivalents at 30 June 2022 were \$2.52 million.

The Skill Hire WA Pty Ltd subsidiary has a \$2.025 million Multi-Option Facility with Bankwest which includes a \$1.025m overdraft sub-limit, whilst the GO2 labour hire entities have access to a \$15 million debtor finance facility provided by Scottish Pacific, with drawings available against approved clients & invoices (refer detailed explanation in Appendix 4C lodged with the ASX on 29 July 2022). Total available undrawn facilities were \$3.48 million at year end.

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	<u>(0.029)</u>	<u>(0.020)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Indigi Personnel Services Pty Ltd	49.00%	49.00%	14	6
Giraffe Australia Pty Ltd	49.00%	49.00%	7	10
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			21	16
Income tax on operating activities			-	-

Indigi Personnel Services Pty Ltd is a recruitment business that focuses on the provision of Indigenous workforce personnel to the mining and construction sectors, whilst Giraffe Australia Pty Ltd (trading as Core FM) focuses on facilities management and maintenance services across Western Australia. Neither business contributed materially to the results of 2021 and 2022.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited. The auditor is expected to issue an unmodified audit report with a “material uncertainty on going concern” paragraph for the year ended 30 June 2022.

11. Attachments

Details of attachments (if any): The Appendix 4E shall be read in conjunction with the attached Consolidated Financial Statements for the year ended 30 June 2022.

12. Signed

Signed  _____

Date: 31 August 2022

For and on behalf of the Board of the GO2 People Limited

The GO2 People Ltd

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General information

The financial statements cover The GO2 People Ltd as a Group consisting of The GO2 People Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is The GO2 People Ltd's functional and presentation currency.

The GO2 People Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 2, 182 St Georges' Terrace, Perth 6000
Phone: (08) 6151 9200

Principal place of business

3/271 Berkshire Road, Forrestfield WA 6058
Phone: (08) 9376 2800

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2022. The Directors have the power to amend and reissue the financial statements.

The GO2 People Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Revenue	5	73,716	29,684
Cost of sales		(53,089)	(25,281)
Gross profit		20,627	4,403
Share of profits of associates accounted for using the equity method		21	16
Other income	6	151	706
Expenses			
Employee benefits expense	7	(15,328)	(3,745)
Depreciation and amortisation expense		(1,994)	(475)
Selling and marketing expenses		(583)	(74)
Corporate and administration expenses	8	(7,269)	(2,760)
Loss before finance costs, movement in fair value of contingent consideration and income tax expense		(4,375)	(1,929)
Finance costs	9	(1,078)	(302)
Movement in fair value of contingent consideration		-	(457)
Loss before income tax expense		(5,453)	(2,688)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of The GO2 People Ltd		(5,453)	(2,688)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of The GO2 People Ltd		<u>(5,453)</u>	<u>(2,688)</u>
		Cents	Cents
Basic loss per share	23	(1.37)	(1.57)
Diluted loss per share	23	(1.37)	(1.57)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

The GO2 People Ltd
Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		2,510	1,246
Trade and other receivables	10	10,046	8,414
Term deposits		19	5,131
Prepayments and deposits		346	238
Total current assets		12,921	15,029
Non-current assets			
Investments accounted for using the equity method		142	122
Plant and equipment	11	1,196	1,302
Right-of-use assets	12	3,552	1,937
Intangibles and goodwill	13	11,864	11,954
Loan to associates		56	54
Total non-current assets		16,810	15,369
Total assets		29,731	30,398
Liabilities			
Current liabilities			
Trade and other payables	14	9,450	8,541
Borrowings	16	2,622	3,083
Lease liabilities	15	802	1,067
Income tax payable		1,824	1,508
Employee benefits	17	1,141	1,038
Contingent consideration		-	1,207
ATO Payables	20	4,423	1,048
Deferred consideration	25	3,533	-
Contract liabilities	18	624	835
Total current liabilities		24,419	18,327
Non-current liabilities			
Lease liabilities	19	2,821	939
Employee benefits	24	47	142
Deferred consideration	25	-	3,250
ATO Payables	20	2,358	3,407
Total non-current liabilities		5,226	7,738
Total liabilities		29,645	26,065
Net assets		86	4,333
Equity			
Issued capital	21	24,602	23,395
Reserves	22	-	20
Accumulated losses		(24,516)	(19,082)
Total equity		86	4,333

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

The GO2 People Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	16,165	1,689	(17,990)	(136)
Loss after income tax expense for the year	-	-	(2,688)	(2,688)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,688)	(2,688)
<i>Transactions with owners in their capacity as owners:</i>				
Exercise of performance rights (net of share issue cost)	73	(73)	-	-
Exercise of options (net of share issue cost)	126	-	-	126
Shares issued for acquisition of Hunter (net of share issue cost)	895	-	-	895
Shares issued for acquisition of Skill Hire (net of share issue cost)	6,136	-	-	6,136
Transfer of expired options from reserve to retained earnings	-	(1,596)	1,596	-
Balance at 30 June 2021	<u>23,395</u>	<u>20</u>	<u>(19,082)</u>	<u>4,333</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	23,395	20	(19,082)	4,333
Loss after income tax expense for the year	-	-	(5,453)	(5,453)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,453)	(5,453)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued for acquisition of Skill Hire (net of share issue cost)	1,206	-	-	1,206
Transfer of expired options	-	(20)	20	-
Balance at 30 June 2022	<u>24,601</u>	<u>-</u>	<u>(24,515)</u>	<u>86</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

The GO2 People Ltd
Consolidated statement of cash flows
For the year ended 30 June 2022

		Consolidated	
	Note	2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		72,714	32,549
Payments to suppliers and employees (inclusive of GST)		(72,909)	(33,197)
Finance cost paid		(517)	(280)
Proceeds from grant income		-	641
		(712)	(287)
Interest received		15	-
Income taxes paid		(110)	-
Net cash used in operating activities	29	(807)	(287)
Cash flows from investing activities			
Payments for plant and equipment	11	(258)	(59)
Proceeds from plant and equipment		112	-
Granting of loan to associate		(1)	(6)
Cash acquired on acquisition - Hunter		-	132
Net cash acquired on acquisition - Skill Hire		-	615
Transfer of financial asset at amortised cost (Term deposit)		5,112	-
Net cash from investing activities		4,965	682
Cash flows from financing activities			
Proceeds from exercise of options	21	-	133
Share issue transaction costs		-	(34)
Repayment of borrowings		(3,862)	(55)
Repayment of lease liabilities		(1,297)	(467)
Proceeds from borrowings		2,265	-
Net cash used in financing activities		(2,894)	(423)
Net (decrease)/increase in cash and cash equivalents		1,264	(28)
Cash and cash equivalents at the beginning of the financial year		1,246	1,274
Cash and cash equivalents at the end of the financial year		<u>2,510</u>	<u>1,246</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

During the year, the Group generated a loss after tax of \$5,453,000 (30 June 2021: \$2,688,000), and as at 30 June 2022 is reporting a net working capital deficiency of \$7,967,000 (30 June 2021: \$3,299,000), has incurred net cash outflows from operations of \$807,000 (30 June 2021 outflow of \$287,000). As at 30 June 2022, the Group had \$2,510,000 in cash (30 June 2021: \$1,246,000) and consolidated net asset of \$86,000 (30 June 2021: net asset of \$4,332,000).

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Group has prepared the financial statements for the financial year ended 30 June 2022 on a going concern basis, which assumes continuity of current business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

On 29 July 2022 the Group announced as part of its Appendix 4C operations update ("June 2022 Operations Update"), measures undertaken to increase margins across its Apprenticeship and Recruitment lines of business, whilst reducing overheads to "right-size" the cost structure.

A combination of charging higher wages, increasing margins and the realised benefits of previously implemented cost reduction measures are now flowing through, and are all expected to have a positive impact on performance in the year ahead.

As announced further in the June 2022 Operations Update, the Group continues to negotiate with the ATO, with the assistance of specialist consultants, to access a series of payment plans to discharge its ATO liabilities over time (which have been fully provided for in the Group's financial statements).

The Company has \$9,226,000 in ATO liabilities which are not subject to a payment plan and are classified as current in the financial statements. These liabilities may potentially be repaid over a longer period, subject to the ATO's approval.

The Group has prepared financial forecasts for the twelve months from the date of approval of these financial statements taking into consideration an estimation of the payment plans mentioned above, as well as its other long term debt commitments. The Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the financial forecasts, and the following:

- The Group has access to a debtor finance facility provided by Scottish Pacific with an overall facility limit of \$15 million which is subject to approved sub-limits based upon qualifying debtor invoices at a point in time, (drawn to \$1.3m with an overall drawing availability of \$3.5m at year end), and undrawn of \$2.2 million at 30 June 2022. The Skill Hire WA Pty Ltd subsidiary also has a \$2.025 million Multi Option Facility with Bankwest which includes a \$1.025m overdraft facility. Total available borrowings undrawn on both ScotPac and Bankwest lending facilities were \$3.48m at the year end;
- The Group has access to cash and cash equivalents of \$2.52 million at 30 June 2022;
- Total available funding, after taking into account the debtor finance facility, bank overdraft facility and cash and cash equivalents mentioned above, is \$6 million; and
- The Group's total available funding of \$6 million will provide an estimated four (4) quarters of operational cash flow cover as at 30 June 2022, as announced in the June 2022 Operations Update.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.

1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The GO2 People Ltd ("Company" or "parent entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. The GO2 People Ltd and its subsidiaries together are referred to in these financial statements as the "Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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 profit or loss.

Operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

1. Significant accounting policies (continued)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

Revenue from the provision of services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer received and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

If services rendered by the Group exceed the payment, a contract asset is recognised. If the payment exceeds the services rendered, a contract liability is recognised. If a contract includes an hourly fee charge out model, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

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

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 purpose of trading; it is expected to be realised within 12 months after the reporting period; 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 period. All other assets are classified as non-current.

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 after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised,

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

1. Significant accounting policies (continued)

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Motor vehicles	4 years
Office equipment	1.5 - 5 years
Computer equipment	3 years
Minor equipment	3 - 7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand Assets

Brand assets arises on the acquisition of a business. Brand assets are not amortised. Instead, brand assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on brand assets are taken to profit or loss and are not subsequently reversed.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5-10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible 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 non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

1. Significant accounting policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Loss per share

Basic loss per share

Basic loss per share is calculated by dividing the profit attributable to the owners of The GO2 People Ltd, 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.

Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

1. Significant accounting policies (continued)

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16]

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19- Related Rent Concessions beyond 30 June 2021 [AASB 16]

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Accounting Standards and Interpretations	Applicable to annual reporting periods beginning on or after
AASB 2020-1 Amendments to AASs - Classification of Liabilities as Current or Non-current liabilities as Current or Non-current	1 Jan 2023
AASB 2020 -3 Amendments to AASs - Annual Improvements 2018-2020 and Other Amendments	1 Jan 2022
AASB 2020-6 Amendments to AASs - Classification of Liabilities as Current or Non-current liabilities as Current or Non-current – Deferral of Effective Date	1 Jan 2022
AASB 2021-2 Amendments to AASs - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 Jan 2023
AASB 2021-5 Amendments to AASs - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
AASB 2014-10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 2025

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables. an estimate of future sales.

2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Tax losses recognised

Deferred tax assets relating to unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. As at 30 June 2022 it has been determined that losses will not be brought to account as it is not probable that they will be recovered in the next 12 months.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

3. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks, and ageing analysis for credit risk

3. Financial instruments (continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that the borrowings will fluctuate as a result of changes in the market interest rates. Where possible borrowings used for fixed asset purchases will be at a fixed interest rate providing certainty on future interest payments. The Group's trade debtor financing facility has an interest rate payable referenced to the Bank Bill Rate. The Group manages its interest exposure with respect to weekly drawdowns vs prevailing interest rates and the Groups' working capital position. The represents a significant cash-flow risk.

	Basis points increase		Basis points decrease	
	Basis points change	Effect on profit before tax (\$'000)	Basis points change	Effect on profit before tax (\$'000)
Consolidated - 2022				
Trade debtor financing facility	50	<u>(13)</u>	50	<u>13</u>
	Basis points increase		Basis points decrease	
	Basis points change	Effect on profit before tax (\$'000)	Basis points change	Effect on profit before tax (\$'000)
Consolidated - 2021				
Trade debtor financing facility	50	<u>(15)</u>	50	<u>15</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The Group manages credit risk by trading only with recognised, credit-worthy third parties, along with a credit insurance policy to cover for potential insolvency of those labour hire clients funded by the ScotPac debtor finance facility. Collateral is not requested nor is it the Group's policy to secure its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Risk limits are set for each customer and are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is spread. There are no significant concentrations of credit risk within the Group.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

3. Financial instruments (continued)

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group has a facility to finance its trade debtors effectively accelerating payment terms. A significant amount of costs is variable linked directly to revenue sources, if revenue falls then the operating costs also fall.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$'000	More than 1 year \$'000	Remaining contractual maturities \$'000
Consolidated - 2022				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	-	13,871	-	13,871
<i>Interest-bearing - fixed rate</i>				
Lease liability	5.25%	802	2,821	3,623
Borrowings	6.42%	2,622	-	2,622
Deferred consideration	8.00%	3,533	-	3,533
Total non-derivatives		20,828	2,821	23,649
Consolidated - 2021				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	-	9,589	-	9,589
<i>Interest-bearing - variable</i>				
Lease liability	5.25%	1,067	939	2,006
Borrowings	6.42%	3,083	-	3,083
Deferred consideration	8.00%	-	3,250	3,250
Total non-derivatives		13,739	4,189	17,928

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

4. Operating segments

Identification of reportable operating segments

The Directors and management have determined that the Group operates in a single operating segment being the provision of labour hire, recruitment and training services in Australia.

This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing the performance and in determining the allocation of resources. There is no aggregation of operating segments.

5. Revenue

	Consolidated	
	2022	2021
	\$'000	\$'000
Recruitment income	46,059	26,783
Job Ready income	7,999	712
Training income	4,656	945
Other revenue	304	189
Apprentice income	14,698	1,055
	<u>73,716</u>	<u>29,684</u>

	Consolidated	
	2022	2021
	\$'000	\$'000
Labour hire and training services provided over time	73,610	29,588
Building services transferred over time	7	95
	<u>73,617</u>	<u>29,683</u>

6. Other income

	Consolidated	
	2022	2021
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	96	65
Government incentives	26	641
Interest income	29	-
Other income	<u>151</u>	<u>706</u>

Government incentives comprise the Jobkeeper and Job Active subsidy of \$14,000 (30 June 2021: \$539,928) and ATO cashflow boost \$12,000 (30 June 2021: \$100,719).

7. Employee benefits expense

	Consolidated	
	2022	2021
	\$'000	\$'000
Wages and salaries	14,141	3,161
Superannuation expense	1,187	271
Other payroll costs	-	313
	<u>15,328</u>	<u>3,745</u>

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8. Corporate and administration expenses

	Consolidated	
	2022	2021
ATO Penalty fees *	2,689	863
Property fees	449	28
Subscription & memberships	608	110
Professional fees	892	438
Travel & accommodation	234	27
Bad debts	338	155
Office costs	1,075	193
Motor vehicle costs	217	77
Other costs	713	870
	<u>7,215</u>	<u>2,761</u>

* During the year the Company lodged a number of superannuation guarantee statements with the Australian Taxation Office (ATO) on behalf of GO2 subsidiary entities for periods from 2015 where employee superannuation was paid, but outside of the statutory timeframes. The total amount of the superannuation guarantee charge (SGC) liabilities owing is \$3.36 million. The total expensed on these charges for the FY22 period amounted to \$2,689,000, and the Group has fully provided for the SGC liabilities in full. Refer to note 20 for further disclosure regarding the SGC liabilities.

9. Finance costs

	Consolidated	
	2022	2021
	\$'000	\$'000
Interest on debts and borrowings	324	43
Interest on lease liabilities	151	30
Interest on ATO liability	421	18
Interest on factoring facility	182	211
	<u>1,078</u>	<u>302</u>

10. Current assets - Trade and other receivables

	Consolidated	
	2022	2021
	\$'000	\$'000
Trade receivables	8,849	7,589
Contract assets	1,421	1,104
Less: Allowance for expected credit losses	(327)	(380)
	<u>9,943</u>	<u>8,313</u>
Other receivables	<u>103</u>	<u>101</u>
	<u>10,046</u>	<u>8,414</u>

10. Current assets - Trade and other receivables (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022	2021	2022	2021	2022	2021
	%	%	\$'000	\$'000	\$'000	\$'000
0-30 days	-	-	5,386	4,741	-	-
30-60 days	-	-	1,745	2,219	-	-
60-90 days	-	-	797	249	-	-
>90 days	35.5%	100.0%	921	380	327	380
Total			8,849	7,589	327	380

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022	2021
	\$'000	\$'000
Opening balance	380	136
Additional provisions recognised	220	93
Additions through business combinations	-	151
Receivables written off during the year as uncollectable	(249)	-
Amounts recovered during the year	(24)	-
Closing balance	327	380

	Consolidated	
	2022	2021
	\$'000	\$'000
Contract Assets		
Opening balance	1,104	325
Additions through business combination	-	874
Revenue recognised through satisfaction of performance obligation	10,900	1,864
Transferred to trade receivable following invoice to customers	(10,583)	(1,959)
Total	1,421	1,104

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11. Non-current assets - Plant and equipment

	Consolidated	
	2022	2021
	\$'000	\$'000
Plant and equipment - at cost	1,404	667
Less: Accumulated depreciation	<u>(966)</u>	<u>(174)</u>
	438	493
Minor equipment - at cost	215	55
Less: Accumulated depreciation	<u>(185)</u>	<u>(23)</u>
	30	32
Motor vehicles - at cost	676	322
Less: Accumulated depreciation	<u>(513)</u>	<u>(259)</u>
	163	63
Computer equipment - at cost	1,824	500
Less: Accumulated depreciation	<u>(1,445)</u>	<u>(30)</u>
	379	470
Office equipment - at cost	1,217	568
Less: Accumulated depreciation	<u>(1,031)</u>	<u>(324)</u>
	186	244
Total Plant and equipment	<u><u>1,196</u></u>	<u><u>1,302</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant & Equipment \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Computers Equipment \$'000	Minor Equipment \$'000	Total \$'000
Balance at 1 July 2020	-	29	62	1	3	95
Additions	27	-	15	14	3	59
Additions through business combinations	471	-	222	468	30	1,191
Transfers in/(out)	-	74	-	-	-	74
Depreciation expense	<u>(5)</u>	<u>(40)</u>	<u>(55)</u>	<u>(13)</u>	<u>(4)</u>	<u>(117)</u>
Balance at 30 June 2021	493	63	244	470	32	1,302
Additions	141	118	26	80	13	378
Disposals	-	(169)	-	-	-	(169)
Depreciation written back	-	63	-	-	-	63
Transfers in/(out)	(149)	149	-	-	-	-
Depreciation expense	<u>(47)</u>	<u>(61)</u>	<u>(84)</u>	<u>(171)</u>	<u>(15)</u>	<u>(378)</u>
Balance at 30 June 2022	<u><u>438</u></u>	<u><u>163</u></u>	<u><u>186</u></u>	<u><u>379</u></u>	<u><u>30</u></u>	<u><u>1,196</u></u>

12. Non-current assets - Right-of-use assets

	Consolidated	
	2022 \$'000	2021 \$'000
Land and buildings - right-of-use	4,046	1,912
Less: Accumulated depreciation	(845)	(182)
	<u>3,201</u>	<u>1,730</u>
Motor vehicles - right-of-use	612	474
Less: Accumulated depreciation	(261)	(267)
	<u>351</u>	<u>207</u>
	<u><u>3,552</u></u>	<u><u>1,937</u></u>

Right of use assets – land and buildings consist of the Group's rental leases for properties in Western Australia (remaining terms between 15 months and 61 months, option to extend not included in the valuation), and Queensland (remaining term 28 months, no option to extend included in the valuation). The Group has used a discount rate of 4.4% being the weighted average incremental borrowing rate.

The Group leases office equipment under specific agreements. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2020	175	298	473
Transfer to Plant and equipment asset	-	(74)	(74)
Additions	456	-	456
Additions through business combinations	1,361	118	1,479
Disposals	-	(63)	(63)
Depreciation expense	(262)	(72)	(334)
Balance at 30 June 2021	<u>1,730</u>	<u>207</u>	<u>1,937</u>
Additions	2,592	148	2,740
Depreciation expense	(987)	(38)	(1,025)
Disposals	-	(100)	(100)
Balance at 30 June 2022	<u><u>3,335</u></u>	<u><u>217</u></u>	<u><u>3,552</u></u>

Additions in the year relate to the extension to the head office property lease in Western Australia for a further 5 years and extension of the Queensland property lease for a further 3 years.

13. Non-current assets - Intangibles and goodwill

	Consolidated	
	2022	2021
	\$'000	\$'000
Goodwill - at cost	7,294	6,870
Intellectual property - at cost	1,088	1,088
Less: Accumulated amortisation	(997)	(882)
	91	206
Brand assets - at cost	1,470	1,470
Customer contracts - at cost	2,822	2,822
Less: Accumulated amortisation	(282)	-
	2,540	2,822
Software - at cost	586	586
Less: Accumulated amortisation	(117)	-
	469	586
	<u>11,864</u>	<u>11,954</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Intellectual	Brand	Customer	Software	Total
	\$'000	property	assets	contracts	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	482	-	-	-	-	482
Additions through business combinations *	6,388	216	1,470	2,822	586	11,482
Amortisation expense	-	(10)	-	-	-	(10)
Balance at 30 June 2021 (Restated)	6,870	206	1,470	2,822	586	11,954
Additions through business combinations	424	-	-	-	-	424
Amortisation expense	-	(114)	-	(282)	(118)	(514)
Balance at 30 June 2022	<u>7,294</u>	<u>92</u>	<u>1,470</u>	<u>2,540</u>	<u>468</u>	<u>11,864</u>

* In accordance with relevant accounting standards, the completion of the provisional accounting resulted in measurement period adjustments related to matters concerned where the facts and circumstances existed at the acquisition date. If the matters had been known at the time, the information would have affected the acquisition accounting. As a result, the current annual financial report has disclosed a revision to the acquisition accounting previously disclosed.

An external valuation and allocation of the purchase price resulting in the recognition of a number of specific identifiable intangible assets which has impacted the previously stated balance of goodwill. This resulted in a reallocation of goodwill to specific identifiable intangible assets of Brand assets of \$1,470,000, Customer contracts of \$2,822,000, and Software assets of \$586,000.

13. Non-current assets - Intangibles and goodwill (continued)

For impairment testing purposes, the Group identifies its cash generating units (CGUs) as the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or groups of assets.

The Group has identified two CGUs being:

- The recruitment and labour hire CGU; and
- The skills and training CGU.

Indefinite life intangible assets held by each CGU are as follows:

	Consolidated	
	2022	2021
	\$'000	\$'000
Recruitment and labour hire *	8,282	11,266
Skills and training	482	482
	<u>8,764</u>	<u>11,748</u>

* Includes goodwill and brand assets

Indefinite life intangible assets in the Recruitment and labour hire CGU relates to goodwill created on the acquisition of the Hunter Executive Search and Skill Hire Australia Group business, which were completed during the year ended 30 June 2021.

Indefinite life intangible assets in the Skills and training CGU relates to goodwill created on the acquisition of the GO2 Skills and Training business, which was completed during the year ended 30 June 2019.

The Group completes an annual impairment test in accordance with AASB 136 for each CGU with indefinite life intangible assets or when an impairment trigger exists. Where the carrying amount of assets contained within the CGU exceeds its recoverable amount the assets contained within the CGU are considered impaired and written down to their recoverable amount. The Group considers its relationship between its market capitalisation and book value of equity, among other factors, when reviewing for indicators of impairment.

Based on the above, an impairment test was performed for the Recruitment and labour hire CGU.

There was no impairment test performed on Skills and training CGU during the year on the basis that the carrying value is not material to the Group

Impairment assessment for Recruitment and labour hire CGU.

The recoverable amount of the CGU is determined based on value in use. Value in use is calculated using a discounted cash flow model covering a five-year period with an appropriate terminal growth rate at the end of that period for each CGU. The model is based upon an estimated future five-year cash flow forecast, incorporating a base year 1 budget year, a four-year forecast period, and a terminal value calculation in the fifth year, with the following key input assumptions:

Key assumptions	30 June 2022
Growth rate over forecast period	7.72%
Terminal value growth rate	2.0%
Pre-tax discount rate	15.0%

As at 30 June 2022, management has assessed the carrying value of assets and performed an impairment test on the Recruitment and labour hire CGU.

The year one budget has been determined based on the combined revenue for the group following the acquisition of Hunter Executive and Skill Hire Australia, which was based on historical performance for the year ended 30 June 2022 with an uplift of approximately 6% relating to CPI increases in revenue, 10% due to expected price increases from existing customers and \$13.5m in scope of work increases from existing customers.

13. Non-current assets - Intangibles and goodwill (continued)

The key estimates and assumptions used to determine the recoverable amount of a CGU are based on management's current expectations after considering past experience and external information and are considered to be reasonably achievable.

- Revenue growth;
- Gross margin; and
- Discount rate

The Directors and management have considered and assessed reasonably possible changes for key assumptions in relation to the CGU and have not identified any reasonable instances that could cause the carrying amount to exceed its recoverable amount.

14. Current liabilities - Trade and other payables

	Consolidated	
	2022	2021
	\$'000	\$'000
Trade payables	369	695
Payroll liabilities (i)	1,993	3,572
Other payables (ii)	7,088	4,274
	<u>9,450</u>	<u>8,541</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(i) Payroll liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
Superannuation liabilities	546	1,121
PAYG withholding	262	1,113
Accrued payroll	442	657
Payroll tax	666	574
Other ATO payroll liabilities	77	107
	<u>1,993</u>	<u>3,572</u>

(ii) Other liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
PAYG & GST payables	5,778	2,043
Accrued expenses	673	1,346
Other	637	885
	<u>7,088</u>	<u>4,274</u>

15. Current liabilities - Lease liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
Lease liability	802	1,067

Relates to the Group's rental leases for motor vehicles and properties in Western Australia, New South Wales and Queensland. For calculation of the lease liability the Group has used a discount based on the weighted average incremental borrowing rate of 6%.

16. Current liabilities - Borrowings

	Consolidated	
	2022	2021
	\$'000	\$'000
Insurance premium funding (i)	71	110
Trade debtor factoring (ii)	2,551	2,973
	2,622	3,083

Refer to note 3 for further information on financial instruments.

(i) Relates to the Group's insurance premium funding facility, an interest rate of 3.2% per annum is charged on the initial facility balance. Repayable over 10 months.

(ii) Collateral over the Group's trade receivables. Effective interest of 6.42% per annum. Repayable on collection of the receivables funded and drawn again to fund new receivables. The facility limit amounted to \$15,000,000 and unused facility as at reporting date was \$12,026,661.

17. Current liabilities - Employee benefits

	Consolidated	
	2022	2021
	\$'000	\$'000
Annual leave	1,002	942
Long service leave	139	96
	1,141	1,038

18. Current liabilities - Contract liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
Contract liabilities	624	835
	<u>624</u>	<u>835</u>
	Consolidated	
	2022	2021
	\$'000	\$'000
Opening Balance	835	-
Additions through business combination	-	1,147
Receipt of cash	(820)	(690)
Revenue earned upon satisfaction of performance obligation	609	378
	<u>624</u>	<u>835</u>

19. Non-current liabilities - Lease liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
Lease liability	2,821	939
	<u>2,821</u>	<u>939</u>

Relates to the non-current portion of the Group's rental leases for motor vehicles and properties in Western Australia, New South Wales and Queensland. For calculation of the lease liability the Group has used a discount based on the weighted average incremental borrowing rate of 6%.

20. ATO Payables

	Consolidated	
	2022	2021
	\$'000	\$'000
ATO Payables - Current		
ATO Payment plan	1,048	1,048
ATO Superannuation Guarantee liabilities	3,375	-
	<u>4,423</u>	<u>1,048</u>
	Consolidated	
	2022	2021
	\$'000	\$'000
ATO Payables – Non-current		
ATO payment plan	2,358	3,407
	<u>2,358</u>	<u>3,407</u>

ATO Payment plan

In prior periods Skill Hire Australia Pty Ltd (GO2's wholly owned subsidiary) entered into a payment plan with the Australian Tax Office in order to repay outstanding income tax balances of \$5,241,000. The payment plan required a monthly payment of \$87,350 with the last payment being on 7 November 2025. This ATO liability was acquired as part of the Skill Hire business combination in the prior year. In respect of the \$3,406,000 income tax liability, \$1,048,000 has been recorded as a current liability and \$2,358,000 as a non-current liability at 30 June 2022.

20. Non-current liabilities - ATO Payables (continued)

ATO Superannuation liability

This relates to the Superannuation Guarantee charge in relation to the late payment of superannuation.

During the financial year the Group completed its review and reconciliation of past superannuation payments, and lodged Superannuation Guarantee Charge (SGC) Statements with the Australian Taxation Office (ATO) covering the period from 1 July 2018 to 30 June 2021.

The total amount of the SGC liabilities owing is \$3.36 million. The total expensed on these charges for the FY22 period amounted to \$2.69 million, and the Group has now provided for the SGC liabilities in full.

The Group continues to negotiate with the ATO, with the assistance of specialist consultants, to access payment plans to discharge these liabilities over time, however as at the reporting date a payment plan had not been approved with the ATO, and consequently the entire SGC liability has been recorded as a current liability.

Contingent Liability

The superannuation legislation applies an automatic penalty of 200% where late payments are made and a corresponding SGC statement is not lodged in a timely manner. However, the ATO's draft Practice Statement PSLA2021/D1 provides that 90% of this penalty will be automatically remitted where the taxpayer self-reports. As the total liability could be up to \$5.3 million, it is possible that a further \$0.5 million in penalties, in addition to the \$2.7 million SGC could be levied by the ATO. However, the Group intends to make a submission to the ATO to seek a further reduction to the amount with the possibility of no further liability being levied against the Group. Due to the uncertain nature of this additional penalty amount, the value has not been included in the 30 June 2022 results and has instead been disclosed as a contingent liability in Note 28.

21. Equity - Issued capital

	2022 Shares	Consolidated 2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	<u>406,638,254</u>	<u>370,879,350</u>	<u>24,602</u>	<u>23,395</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	142,689,618		16,165
Exercise of performance rights	21 September 2020	5,000,000	\$0.015	75
Exercise of free attaching options	29 January 2021	3,323,639	\$0.040	133
Shares issued as Hunter acquisition consideration	12 March 2021	25,426,418	\$0.035	900
Shares issued as Skill Hire acquisition consideration	31 May 2021	194,439,675	\$0.032	6,157
Share issue costs		-	\$0.000	(35)
Balance	30 June 2021	370,879,350		23,395
Shares issued as contingent consideration for Hunter acquisition	29 September 2021	<u>35,758,904</u>	<u>\$0.030</u>	<u>1,207</u>
Balance	30 June 2022	<u>406,638,254</u>		<u>24,602</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Every member present at a meeting in person or by proxy shall have one vote per ordinary share held. Voting is decided upon a poll and each share shall have one vote on a poll at each shareholder meeting.

21. Equity - Issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

22. Equity - Reserves

	Consolidated	
	2022	2021
	\$'000	\$'000
Share-based payments reserve	-	20

During the year ended 30 June 2022 1,750,000 options expired and were not exercised. These were reversed from the reserve and applied against the retained earnings.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

23. Loss per share

	Consolidated	
	2022	2021
	\$'000	\$'000
Loss after income tax attributable to the owners of The GO2 People Ltd	(5,453)	(2,688)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	397,819,990	171,580,822
Weighted average number of ordinary shares used in calculating diluted loss per share	397,819,990	171,580,822
	Cents	Cents
Basic loss per share	(1.37)	(1.57)
Diluted loss per share	(1.37)	(1.57)

24. Non-current liabilities - Employee benefits

	Consolidated 2022 \$'000	2021 \$'000
Long service leave	47	142

25. Deferred consideration

	Consolidated 2022 \$'000	2021 \$'000
Deferred consideration - Current	3,533	-

	Consolidated 2022 \$'000	2021 \$'000
Deferred consideration - Non-current	-	3,250

Deferred consideration

The provision represents the obligation to pay deferred consideration following the acquisition of a business - Skill Hire Australia Pty Ltd (Skill Hire). Under the terms of the acquisition agreement, this consideration is to be paid in cash after 2 years of the acquisition (acquisition completed 31 May 2021). On 30 August 2022 the Group entered into a Deed of Variation with the Skill Hire vendors to extend the maturity date of the deferred consideration to 30 November 2023.

26. Key management personnel disclosures

Directors

The following persons were Directors of The GO2 People Ltd during the financial year:

Name	Position held
Darren Copper	Independent Non-executive Chairman
John Manning (appointed 22 November 2021)	Independent Non-executive Director
Paul Goldfinch (resigned 31 August 2021)	Executive Director
Robert Stockdale (resigned 1 May 2022)	Non-executive Director
Tony Fitzpatrick (resigned 23 May 2022)	Non-executive Director
Susan Hansen (appointed 22 November 2021, resigned 28 July 2022)	Independent Non-executive Director
Sophie Ray (appointed 22 November 2021, resigned 28 July 2022)	Independent Non-executive Director
Abilio "Billy" Ferreira (resigned 31 August 2021)	Managing Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Shawn Murphy (Appointed Managing Director 28 July 2022)	CEO & Managing Director
Ross Lovell (employment ended 3 September 2021)	EGM Recruitment
Danny Warren (resigned 14 September 2021)	Chief Financial Officer
Steven Richards (Appointed 30 March 2022)	Chief Financial Officer

26. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	885,150	1,136,167
Post-employment benefits	71,440	79,691
	<u>956,590</u>	<u>1,215,858</u>

27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the Company:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	83,000	69,000
<i>Other services - William Buck</i>		
Other assurance services	23,000	20,000
	<u>106,000</u>	<u>89,000</u>

28. Contingent liabilities

As noted in Note 20 the Group identified instances over the period 1 July 2018 to 30 June 2021 where SGC payments in GO2 subsidiary entities were paid late. As at the date of this report the exact outcome is uncertain and the total penalty could be recorded somewhere between \$nil and \$5.3 million, with a contingent liability up to \$0.5 million. The penalty for late payments has not been recognised as a provision at 30 June 2022, because it has yet to be confirmed whether the Group has a present obligation that could lead to an outflow of resources embodying economic benefits as described in Note 20.

29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	\$'000	\$'000
Loss after income tax expense for the year	(5,453)	(2,688)
Adjustments for:		
Depreciation and amortisation	1,994	470
Expected credit loss on receivables	327	245
Share of equity accounted investment results	(21)	(16)
Profit on disposal of assets	(96)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,157)	(3,850)
Decrease in other assets	267	168
Increase in contract liability	(362)	835
Increase in trade and other payables	3,690	3,629
Increase in provisions	4	920
Net cash used in operating activities	<u>(807)</u>	<u>(287)</u>

30. Related party transactions

Parent entity

The GO2 People Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the Directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2022	2021
	\$	\$
Current receivables:		
Loan to Giraffe Australia Pty Ltd (trading as Core FM)	40,869	54,296

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

31. Parent entity information

Set out below is the supplementary information about the parent entity.

31. Parent entity information (continued)

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$'000	\$'000
Loss after income tax	(1,428)	(1,997)
Total comprehensive loss	(1,428)	(1,997)

Statement of financial position

	Parent	
	2022	2021
	\$'000	\$'000
Total current assets	(1,567)	(1,392)
Total assets	(806)	(477)
Total current liabilities	(19,325)	(21,633)
Total liabilities	(20,327)	(19,147)
Equity		
Issued capital	24,278	23,072
Share-based payments reserve	-	18
Accumulated losses	(4,757)	(4,420)
Total equity	19,521	18,670

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
GO2 People Ltd	Australia	-	-
GO2 Building Pty Ltd	Australia	100.00%	100.00%
Terra Firma Constructions Pty Ltd	Australia	100.00%	100.00%
The GO2 Recruitment Unit Trust*	Australia	100.00%	100.00%
GO2 Recruitment Pty Ltd	Australia	100.00%	100.00%
The GO2 People Australia Pty Ltd	Australia	100.00%	100.00%
GO2 Skills & Training Pty Ltd	Australia	100.00%	100.00%
Hunter Executive Search Consultants Pty Ltd	Australia	100.00%	100.00%
Skill Hire Australia Pty Ltd	Australia	100.00%	100.00%
Skill Hire WA Pty Ltd	Australia	100.00%	100.00%
NARA Training and Assessing Pty Ltd	Australia	100.00%	100.00%
Skill Hire Indigenous Contracting Pty Ltd	Australia	100.00%	100.00%

* GO2 Recruitment Unit Trust was settled in Australia and is not an incorporated entity.

33. Events after the reporting period

Mrs Sophie Ray and Mrs Susan Hansen resigned as Non-Executive Directors effective 27 July 2022. Mr Shawn Murphy assumed the position of Managing Director on the same day.

On 30 August 2022 the Group entered into a Deed of Variation with the Skill Hire vendors to extend the maturity date of the deferred consideration to 30 November 2023.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.