

## Appendix 4C: Operations Update & Quarterly Cashflow Report Quarter Ended 30 June 2022

The Go2 People Ltd (ASX:GO2) ("**GO2**" or the "**Company**") is pleased to release its quarterly 4C Cashflow Report and Operations Update for Q4 FY2022 (**Quarter**).

### Operations Update

The focus of the Quarter was to implement a program of margin increases across the Group's Apprenticeship and Recruitment lines of business, whilst reducing overheads to "right-size" the cost structure.

Given the general shortage of workers across almost all industries and high demands for training and up-skilling of both new entrants into the workforce and existing workforce participants, the Group is enjoying both high demand from existing clients and strong inbound new business enquiry across all of its service lines. This is now starting to be reflected in revenue, with the Group achieving its highest revenue month on record in June 2022, of \$7 million.

Further highlights for the Quarter included the commencement of Transition to Work, Employability Skills Training and Career Transition Assistance contracts with the Department of Employment and Workplace Relations, ongoing growth of the Traffic Management division, and ongoing high levels of demand for services, especially in the Apprenticeship business.

In addition, wage inflation provides margin tailwinds in calculating the Company's percentage-based fees. A combination of higher wages, increased margins and the realised benefits of previously implemented cost reduction measures now flowing through, are all expected to have a positive impact on performance, commencing 1 July 2022.

GO2 has now largely completed significant foundation-building projects, notably in the risk management, compliance and IT functions of the business. Further incremental investments will be considered on a business case / value-add basis to align with future growth.

Covid and flu-related challenges peaked for the business in the Quarter, with 20% of the internal staff being ill in May alone, along with similar levels of absenteeism across on-hired employees, apprentices and students within the training business. Additional challenges were experienced with the Queensland floods affecting Recruitment

revenue across all 3 months of the quarter. We expect that the peak impacts of both of these factors have now passed.

Pleasingly, following the recent appointment of a new Group CFO (refer ASX announcement 30 March 2022) and new General Manager of Recruitment, the leadership team is now settled and making profound financial and operational improvements in the business.

### **Cashflow Update**

The Company used \$1.4 million in net operating cash during Q4FY22, compared to net operating outflows of \$297K for Q3FY22. The increase in cash consumed is a result of significant revenue growth experienced in the business. Consequently cash collections can lag direct expenditure outflows during these periods. Cash receipts from customers increased from \$15 million to approximately \$21 million, an increase of 40% over Q3FY22, and direct operating cash outflows increased, from \$10 million to \$18 million, which resulted in timing differences.

At 30 June 2022, the Company also experienced a delayed payment from a major client of some \$882K. These circumstances are not unusual at 30 June, where entities are seeking to maximise their cash balances at their 30 June balance date. The overdue amount was received subsequent to the Quarter end, and the account now continues to be conducted within agreed terms. Had this amount been received when due the quarterly net operating cash outflow would have been reduced to \$518K.

Staff and administration cash outflows combined reduced from \$4.9 million in Q3FY22 to \$3.4 million in Q4FY22, pursuant to the Company's ongoing commitment to continuous improvement and as consequence of its expense rationalisation strategies.

The net cash outflow from financing activities for the Quarter, in the amount of \$285K, is predominantly related to the movement in the Company's ScotPac debtor financing facility – see subsequent discussion hereunder regarding the nature and reporting of this facility.

At 30 June 2022, the Company had available cash of \$2.5 million – however as previously noted had the overdue client amount been received available cash would have been \$3.38 million. The Company also had \$3.5 million in unused financing facilities available at quarter end, which includes both the ScotPac facility mentioned above and further explained below, and a Multi Option Facility with Bankwest.

The Appendix 4C accompanies this announcement.

## **Board Changes**

During the Quarter the Company announced the resignations of Mr Tony Fitzpatrick and Mr Robert Stockdale as Non-Executive Directors of the Board. Both directors were founders of Skill Hire in 1996, who transitioned to the Board of The GO2 People Limited on 31 May 2021 as an independent Non-Executive Directors following the acquisition of Skill Hire by GO2.

Post Quarter-end the Company announced the resignations of Mrs Sophie Ray and Mrs Susan Hansen from the Board. The Company has now moved to a more streamlined Board structure, with Independent Non-Executive Chair Darren Cooper and Independent Non-Executive Director John Manning, now joined by Shawn Murphy who has been elevated from CEO to Group Managing Director. These changes will bring further operating cost savings to the Group.

## **Labour Hire Debtor Funding Facility – Treatment in Appendix 4C**

Whilst the GO2 labour hire entities have access to a debtor finance facility provided by Scottish Pacific with an overall facility limit of \$15 million, drawings under the facility are limited to an approved ratio of invoices outstanding (generally 80%) against approved and debtor-insured clients. As qualifying client invoices are issued by the Company, Scottish Pacific advances the Company the proportion of that invoice according to the pre-approved ratio for that client, and in due course as client payment is received it is first directed to repaying the particular facility advance relevant to that invoice plus interest, with the balance being received by the Company.

The main benefit of the facility is in circumstances where particular clients have agreements allowing extended payment terms beyond end-of-month, and the Company uses the facility to fund the “cashflow gap” between payment of labour hire employees (generally weekly) and receipt of payment from the client following end-of-month. Note however that, due to the fees and interest associated with the facility, the Company uses it selectively – where client payment arrangements are shorter, the Company makes an assessment of its current working capital position and may decide not to pre-fund certain invoices under the facility, but rather to carry them in its working capital reserves and collect the full invoice amount, thereby avoiding the associated interest and fees and improving margins.

Historically, at Section 7.1 of the Appendix 4C detailing “Financing Facilities”, the Company has reported the total \$15m facility limit, and has described the nature of the facility in the notes at Section 7.6, including providing further detail about the amount available for draw down against approved invoices at the end of the quarter. To provide clarity regarding the nature of this facility and the drawings available under it, from this accompanying Appendix 4C and going forward, the Group will now

instead include only the amount available for drawing against approved invoices at Section 7.1, and will detail the total facility limit in the note to Section 7.6.

If future quarters have operating cashflow deficits, the Company will calculate the Estimated Quarters of Funding Available at Section 8.5 using the amount actually available for drawing against qualifying invoices at the quarter end, rather than the overall Facility Limit. This methodology has been adopted for the current quarter.

Note that, had the overdue debtor amount been received on time, the quarters of available cash and funding would be:

		As Reported	Pro- Forma*
8.1	Net Cash From /(Used In) operating activities	(1,414)	(532)
8.2	Cash and cash equivalents at quarter end	2,523	3,405
8.3	Unused finance facilities available at quarter end	3,479	3,479
8.4	Total available funding (8.2 + 8.3)	6,002	6,884
<b>8.5</b>	<b>Estimated quarters of funding available (8.4 ÷ 8.1)</b>	<b>4</b>	<b>13</b>
	<i>* assuming large debtor payment was received on time</i>		

### ATO Liabilities

As announced to ASX on 17 August 2021, 24 December 2021 and 17 January 2022, the Company has lodged a number of superannuation guarantee statements with the ATO on behalf of GO2 subsidiary entities for periods from 2015 where employee superannuation was paid, but outside of statutory timeframes.

The total amount of the superannuation guarantee liabilities owing is \$3.36 million. The Company has fully provided for the SGC liabilities and continues to negotiate with the ATO, with the assistance of specialist consultants, to access a payment plan to discharge these liabilities over time given their nature (no employees were out of pocket for superannuation, merely paid late – in many cases by only a matter of days, with the bulk of the liabilities having been self-investigated and self-reported).

Additionally, the Company is in negotiation with the ATO regarding payment plans for its historical income tax and integrated client account liabilities and, subject to appropriate payment plans being secured, plans to make the repayments out of operating margins and excess working capital over a period of time.

Whilst the Company had expected having payment arrangements with the ATO in place by 30 June, post-Covid the ATO is taking a more thorough approach to assessing and granting payment plans, and requires more detailed information to undertake its assessments than has been the case over the past couple of Covid-affected years. The Company has now appointed the Tax division of William Buck to assist with its applications and its ATO negotiations, and hopes to have all ATO liabilities under approved payment plans shortly.

### **Corporate**

During the Quarter 97,219,834 GO2 Fully paid ordinary shares were released from voluntary escrow. The shares are currently quoted and were issued as Initial Consideration for the acquisition of Skill Hire Australia Pty Ltd ('Skill Hire'), which was completed in May 2021. The holders of these shares remain the Company's top 3 shareholders.

The Company has 406,638,254 fully paid ordinary shares on issue at 30 June 2022, of which 97,219,834 are held in voluntary escrow.

### **Related Parties Payments During the Quarter**

For the purposes of ASX Listing Rule 4.7C.3, payments of \$98k to related parties as disclosed at Item 6 of the Appendix 4C relate to payments to Directors for agreed Directors' salaries, fees and superannuation.

## **Board Chair Commentary**

GO2 Board Chair Darren Cooper said:

*"We are pleased with the operational performance of the Group, as the benefits of our new business and margin improvement initiatives start to flow through. Unfortunately, the delayed client payment at 30 June isn't reflected in our 30 June numbers, but the fact that this large account was brought up to date post 1 July and continues to be conducted within agreed terms is positive."*

*We take great encouragement from the structural tailwinds the business is experiencing, as all industries scramble to recruit, up-skill and retain their workforces. For us, this is translating into new client wins, more business with existing clients, and negotiated increases in our margins. We aim to shortly release further information regarding recent client wins, our main sectors of operation etc to give investors more insight into the overall activities of the group and, significantly, the client and operating synergies the group realises through its various service offerings – a client in one part of the business can quite quickly become a client across multiple parts of the business. Similarly, a candidate can access multiple service offerings across their employment lifecycle to assist in their employment journey.*

*Further work continues on negotiations with the ATO to secure all outstanding liabilities under agreed payment plans, and again we're positive about the prospects of reaching agreement and enabling the group's liabilities to be discharged over time."*

### **For more information, please contact:**

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Board Chair  
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**Issued by:** The GO2 People Ltd

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

### **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](http://www.thego2people.com.au)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

The GO2 People Ltd

**ABN**

45 616 199 896

**Quarter ended ("current quarter")**

June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	20,990	72,724
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(18,543)	(53,685)
(c) advertising and marketing	(103)	(598)
(d) leased assets	-	-
(e) staff costs	(1,604)	(10,057)
(f) administration and corporate costs	(1,801)	(8,566)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	15
1.5 Interest and other costs of finance paid	(258)	(517)
1.6 Income taxes paid	(103)	(110)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(5)	-
<b>1.9 Net cash from operating activities</b>	<b>(1,414)</b>	<b>(794)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(35)	(257)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	43	112
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash outflows from loans to other entities	4	(2)
2.4	Dividends received (see note 3)	-	-
2.5	Other (transfer from financial assets at amortised cost)	-	5,112
<b>2.6</b>	<b>Net cash (used in) investing activities</b>	<b>12</b>	<b>4,965</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	2,265	2,265
3.6	Repayment of borrowings	(1,591)	(3,862)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (transfer from financial assets at amortised cost)	-	-
3.10	Payment for finance leases	(389)	(1,297)
<b>3.11</b>	<b>Net cash (used in)/ from financing activities</b>	<b>285</b>	<b>(2,894)</b>



<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,640	1,246
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,414)	(794)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	12	4,965
4.4	Net cash from / (used in) financing activities (item 3.10 above)	285	(2,894)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,523</b>	<b>2,523</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,523	3,640
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,523</b>	<b>3,640</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	98
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	3,487*	1,320
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	2,025	713
7.4	<b>Total financing facilities</b>	<b>5,512</b>	<b>2,033</b>
7.5	<b>Unused financing facilities available at quarter end</b>		3,479
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p><b>*Debt Factoring Facility</b></p> <p>Some of the Company's subsidiaries have a Debtors Funding Facility ("Facility") with Scottish Pacific (BFS) Pty Ltd ("ScotPac") in respect of labour hire debts owed by certain of their ScotPac-approved customers. The Facility secures the debts to ScotPac for the funding provided. Interest charges are variable linked to BBSY rates plus an agreed margin.</p> <p>A Facility of up to \$15 million has been approved, however this is limited to 80% of the Approved Debtors (as defined under the terms of the Facility Agreement) at any point in time. As at 30 June 2022 trade debtors for the entities subject to the Debtors Funding Facility totalled approximately \$4.3 million, of which the draw down limitations apply, as outlined above.</p> <p><b>Multi Option Facility ("MOF")</b></p> <p>The Skill Hire WA Pty Ltd subsidiary also has a \$2.025 million MOF facility with Bankwest which includes a \$1,025,000 overdraft facility. At quarter end \$713,000 has been drawn under this facility.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,414)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,523
8.3	Unused finance facilities available at quarter end (item 7.5)	3,479*
8.4	Total available funding (item 8.2 + item 8.3)	6,002
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: N/A</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....28 July 2022.....

Authorised by: .....The Board of The GO2 People Ltd.....

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.