

Appendix 4E: Preliminary Final Report

31 August, 2021: The GO2 People Ltd (ASX:GO2) ("The GO2 People" or "the Company") provides the attached Appendix 4E: Preliminary Final Report for the year ended 30 June 2021.

Ends

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

For more information, please contact:

Darren Cooper, Board Chair
The GO2 People
0413 120 606

About The GO2 People

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.

The company's Recruitment Division provides tailored staffing solutions to a range of industries with a client base that includes a number of national and multinational blue chip organisations across the construction, resources and industrial sectors. GO2 Skills & Training is a nationally Registered Training Organisation (RTO 40927), delivering both accredited and non-accredited workplace training and education courses.

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:	12 345 678 901
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	2.1% to	29,683
Loss from ordinary activities after tax attributable to the owners of The Go2 People Ltd	up	20.6% to	(2,232)
Loss for the year attributable to the owners of The Go2 People Ltd	up	20.6% to	(2,232)
		2021 Cents	2020 Cents
Basic loss per share		(1.30)	(1.43)
Diluted loss per share		(1.30)	(1.43)

Dividends

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

Review of Operations

- Available cash (including term deposits) of \$6.38m
- Successfully completed Hunter and Skill Hire transactions in H2 FY21.

The Company's strategic focus for the 2021 Financial Year has been to solidify a lean core business offering and make strategic and earnings accretive acquisitions.

Mostly due to acquisitions completed in FY21, the balance sheet of the Company has been strengthened. The Company has access to over \$6.3m in cash, including \$5m held in a term deposit and \$1.3m cash at bank.

Revenue was steady across the group with a focus on higher gross margin activities. Revenue in FY21 was \$29.68m compared to \$29.08m in FY20. Labour Hire services contributed \$26.78m in revenue in FY21 from \$27.13m in FY20. Training services increased four-fold from revenues of \$0.6m in FY20 to \$2.43m in FY21. The gross margin of the Group in FY21 improved from 12.6% to 14.8% of revenue. This trend is expected to continue with the focus on more profitable training services.

During the second half of FY21, the Group completed 2 acquisitions. In March, 2021, the Group acquired Hunter Executive Search Consultants (Hunter). Hunter contributed revenues of \$1.2m and profit after tax of \$298,223 from 13th March 2021 to 30 June 2021. If the acquisition occurred on 1 July 2020, the full year contributions would have been revenues of \$3,550,456 and profit after tax of \$540,018.

On 31 May 2021, the Company acquired Skill Hire Australia (Skill Hire). Skill Hire contributed revenue of \$3.3m and a loss after tax of \$160,114 for the month from 1 June 2021 to 30 June 2021. If the acquisition occurred on 1 July 2020, the full year contributions would have been revenues of \$44.5m and profit after tax of \$4.3m.

The operational integration of recent acquisitions 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 overhead savings in excess of \$2m annualized in personnel costs.

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	(0.019)	(0.005)

4. Control gained over entities

Name of entities (or group of entities)	Hunter Executive Search Consultants Pty Ltd (Hunter)
Date control gained	12 March 2021
Name of entities (or group of entities)	Skill Hire Australia Pty Ltd (Skill Hire) group
Date control gained	31 May 2021

Refer to note 26 for more information.

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%	6	11
Giraffe Australia Pty Ltd	49.00%	49.00%	10	(48)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			16	(37)
Income tax on operating activities			-	-

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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 2020 and 2021.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

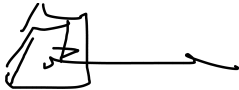
The financial statements have not been audited and is in progress of being audited. The auditor is expected to issue an unmodified audit report for the year ended 30 June 2021.

11. Attachments

Details of attachments (if any):

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cashflows for the year ended 30 June 2021 are attached.

12. Signed

Signed  _____

Date: 31 August 2021

For and on behalf of the Board of the Go2 People Limited

The Go2 People Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Revenue	5	29,683	29,084
Cost of sales		(25,281)	(25,430)
Gross profit		4,402	3,654
Share of profits/(losses) of associates accounted for using the equity method		16	(36)
Other income	6	706	680
Expenses			
Employee benefits expense	7	(3,745)	(3,381)
Depreciation and amortisation expense		(475)	(749)
Selling and marketing expenses		(74)	(83)
Corporate and administration expenses		(2,760)	(1,594)
Loss before finance costs and income tax expense		(1,930)	(1,509)
Finance costs		(302)	(342)
Loss before income tax expense		(2,232)	(1,851)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of The Go2 People Ltd		(2,232)	(1,851)
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>(2,232)</u>	<u>(1,851)</u>
		Cents	Cents
Basic loss per share	22	(1.30)	(1.43)
Diluted loss per share	22	(1.30)	(1.43)

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 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		1,246	1,274
Trade and other receivables	8	8,414	4,484
Term deposits		5,131	157
Prepayments and deposits		237	392
		<u>15,028</u>	<u>6,307</u>
Assets held for sale		-	79
Total current assets		<u>15,028</u>	<u>6,386</u>
Non-current assets			
Investments accounted for using the equity method		122	106
Plant and equipment	9	1,302	95
Right-of-use assets	11	1,937	473
Intangibles and goodwill	10	11,954	482
Loan to associates		54	49
Total non-current assets		<u>15,369</u>	<u>1,205</u>
Total assets		<u>30,397</u>	<u>7,591</u>
Liabilities			
Current liabilities			
Trade and other payables	12	9,589	3,894
Borrowings	14	3,083	3,138
Lease liabilities	13	1,067	346
Income tax payable		1,508	-
Employee benefits	15	1,038	260
Contingent consideration	16	750	-
Contract liabilities	17	835	-
Total current liabilities		<u>17,870</u>	<u>7,638</u>
Non-current liabilities			
Lease liabilities	18	939	89
Employee benefits	23	142	-
Deferred consideration	24	3,250	-
Trade and other payables	19	3,407	-
Total non-current liabilities		<u>7,738</u>	<u>89</u>
Total liabilities		<u>25,608</u>	<u>7,727</u>
Net assets/(liabilities)		<u>4,789</u>	<u>(136)</u>
Equity			
Issued capital	20	23,395	16,165
Reserves	21	20	1,689
Accumulated losses		<u>(18,626)</u>	<u>(17,990)</u>
Total equity / (deficiency)		<u>4,789</u>	<u>(136)</u>

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 2021

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity / (deficiency) \$'000
Balance at 1 July 2019	15,858	1,608	(16,112)	1,354
Adjustment for change in accounting policy	-	-	(27)	(27)
Balance at 1 July 2019 - restated	15,858	1,608	(16,139)	1,327
Loss after income tax expense for the year	-	-	(1,851)	(1,851)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,851)	(1,851)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 20)	307	-	-	307
Share-based payments	-	81	-	81
Balance at 30 June 2020	16,165	1,689	(17,990)	(136)
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	-	-	(2,232)	(2,232)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,232)	(2,232)
Transfer of expired options from reserve to retained earnings	-	(1,596)	1,596	-
<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
Balance at 30 June 2021	23,395	20	(18,626)	4,789

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 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		29,135	33,945
Payments to suppliers and employees (inclusive of GST)		(30,007)	(30,862)
Finance cost paid		(43)	(342)
Receipt of government grant		641	273
Net cash from/(used in) operating activities	25	(274)	3,014
Cash flows from investing activities			
Payments for property, plant and equipment	9	(50)	(15)
Granting of loan to associate		(2)	(42)
Payment to acquire businesses - Skill Hire		(6,250)	-
Cash acquired on acquisition - Hunter		132	-
Cash acquired on acquisition - Skill Hire		6,866	-
Proceeds from disposal of property, plant and equipment		-	156
Net cash from investing activities		696	99
Cash flows from financing activities			
Proceeds from issue of shares	20	-	399
Proceeds from exercise of options		133	-
Share issue transaction costs		(34)	(54)
Repayment of borrowings		(318)	(2,766)
Repayment of lease liabilities		(231)	(357)
Net cash used in financing activities		(450)	(2,778)
Net (decrease)/increase in cash and cash equivalents		(28)	335
Cash and cash equivalents at the beginning of the financial year		1,274	939
Cash and cash equivalents at the end of the financial year		<u>1,246</u>	<u>1,274</u>

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

Note 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, it has not had a material impact on the Group's financial statements.

Basis of preparation

These 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, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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.

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 2021 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.

Note 1. Significant accounting policies (continued)

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.

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 a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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.

Note 1. Significant accounting policies (continued)

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.

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 a 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.

Note 1. Significant accounting policies (continued)

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.

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

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.

Note 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.

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 10 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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 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 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 and historical collection rates.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

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

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 2021 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.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 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

Note 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
	Effect on	Effect on
Consolidated - 2021	Basis points change	Basis points change
Trade debtor financing facility	50 <u>(15,417)</u>	50 <u>15,417</u>
	Basis points increase	Basis points decrease
	Effect on	Effect on
Consolidated - 2020	Basis points change	Basis points change
Trade debtor financing facility	50 <u>(15,963)</u>	50 <u>15,963</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 clients. 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.

Note 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.

Fair value of financial instruments

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

Note 4. Operating segments

Identification of reportable operating segments

In the prior year it was determined the Group would no longer focus on the activities performed by the building division. In addition, the Skills and Training business contributed approximately \$0.6 million (2%) of Group revenue which is insignificant to the Group

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

Note 5. Revenue

	Consolidated	
	2021	2020
	\$'000	\$'000
Labour hire services	26,783	27,129
Building services	95	1,258
Training services	2,434	608
Other labour hire revenue	371	89
	<u>29,683</u>	<u>29,084</u>
	Consolidated	
	2021	2020
	\$'000	\$'000
Services provided at a point in time	29,588	27,825
Services transferred over time	95	1,258
	<u>29,683</u>	<u>29,083</u>

Note 6. Other income

	Consolidated	
	2021	2020
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	65	57
Government incentives	641	273
Settlement of legal claim	-	350
	<u>706</u>	<u>680</u>
Other income	<u>706</u>	<u>680</u>

Prior year settlement of the legal claim relates to the Go2 Building debtor that was placed into administration and deficiencies in the services provided by the group's previous legal advisor, which left the company in an unsecured position when it expected to have security in the administration process. There is no such settlement in the current year.

Government incentives comprise the Jobkeeper subsidy of \$539,928 (30 June 2020: \$156,636) and ATO cashflow boost \$100,719 (30 June 2020: \$122,031)

Note 7. Employee benefits expense

	Consolidated	
	2021	2020
	\$'000	\$'000
Wages and salaries	3,485	3,141
Superannuation expense	260	240
	<u>3,745</u>	<u>3,381</u>
	<u>3,745</u>	<u>3,381</u>

Note 8. Current assets - Trade and other receivables

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade receivables	7,709	4,253
Work in progress and accrued revenue	1,104	325
Less: Allowance for expected credit losses	(500)	(136)
	<u>8,313</u>	<u>4,442</u>
Other receivables	101	42
	<u>8,414</u>	<u>4,484</u>
	<u>8,414</u>	<u>4,484</u>

Allowance for expected credit losses

The Group has recognised a loss of \$364,034 (30 June 2020: \$135,588) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021, increasing the allowance for expected credit losses from \$135,588 in the prior year to \$499,622 in the current year.

Note 8. Current assets - Trade and other receivables (continued)

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021	2020	2021	2020	2021	2020
Consolidated	%	%	\$'000	\$'000	\$'000	\$'000
0-30 days	-	-	4,741	2,407	-	-
30-60 days	-	-	2,219	1,151	-	-
60-90 days	-	-	249	264	-	-
>90 days	100.0%	31.6%	500	430	500	136
Total			7,709	4,252	500	136

Note 9. Non-current assets - Plant and equipment

	Consolidated	
	2021	2020
	\$'000	\$'000
Plant and equipment - at cost	667	169
Less: Accumulated depreciation	(174)	(169)
	493	-
Minor equipment - at cost	55	24
Less: Accumulated depreciation	(23)	(19)
	32	5
Motor vehicles - at cost	322	188
Less: Accumulated depreciation	(259)	(159)
	63	29
Computer equipment - at cost	500	16
Less: Accumulated depreciation	(30)	(17)
	470	(1)
Office equipment - at cost	568	333
Less: Accumulated depreciation	(324)	(271)
	244	62
	1,302	95

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Note 9. Non-current assets - Plant and equipment (continued)

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 & Software \$'000	Minor Equipment \$'000	Total \$'000
Balance at 1 July 2019	199	666	110	8	8	991
Additions	-	-	14	-	-	14
Disposals	(99)	-	-	-	-	(99)
Reclassification to Right of use Asset	-	(587)	-	-	-	(587)
Depreciation expense	(100)	(50)	(62)	(7)	(5)	(224)
Balance at 30 June 2020	-	29	62	1	3	95
Additions	27	-	15	14	3	59
Additions through business combinations (note 26)	471	117	222	468	30	1,308
Transfers in/(out)	-	(43)	-	-	-	(43)
Depreciation expense	(5)	(40)	(55)	(13)	(4)	(117)
Balance at 30 June 2021	<u>493</u>	<u>63</u>	<u>244</u>	<u>470</u>	<u>32</u>	<u>1,302</u>

Note 10. Non-current assets - Intangibles and goodwill

	Consolidated	
	2021 \$'000	2020 \$'000
Goodwill - at cost	11,748	482
Intellectual property - at cost	1,088	71
Less: Accumulated amortisation	(882)	(71)
	<u>206</u>	<u>-</u>
	<u>11,954</u>	<u>482</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 \$'000	Intellectual property \$'000	Total \$'000
Balance at 1 July 2019	482	71	553
Impairment of assets	-	(71)	(71)
Balance at 30 June 2020	482	-	482
Additions through business combinations (note 26)	11,265	207	11,472
Balance at 30 June 2021	<u>11,747</u>	<u>207</u>	<u>11,954</u>

The goodwill is attributable to the acquisition of the GO2 Skills and Training business, Hunter Executive Search Consultants and Skill Hire Australia group. Refer to note 26 for more information.

Note 11. Non-current assets - Right-of-use assets

	Consolidated	
	2021	2020
	\$'000	\$'000
Land and buildings - right-of-use	1,912	413
Less: Accumulated depreciation	(182)	(238)
	<u>1,730</u>	<u>175</u>
Motor vehicles - right-of-use	474	589
Less: Accumulated depreciation	(267)	(291)
	<u>207</u>	<u>298</u>
	<u><u>1,937</u></u>	<u><u>473</u></u>

Right of use assets – land and buildings consist of the Group's rental leases for properties in Western Australia (remaining term 12 months, option to extend not included in the valuation), New South Wales (remaining term 5 months, no option to extend included in the valuation) and Queensland (remaining term 16 months, no option to extend included in the valuation). The Group has used a discount rate of 5.25% 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 properties \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2019	351	-	351
Reclassification from Plant and equipment asset	-	587	587
Additions	62	-	62
Disposals	-	(180)	(180)
Amortisation	(238)	(109)	(347)
Balance at 30 June 2020	175	298	473
Additions	298	-	298
Additions through business combinations (note 26)	1,321	40	1,361
Amortisation expense	(141)	(20)	(161)
Transfer to Plant and equipment asset	-	(34)	(34)
Balance at 30 June 2021	<u><u>1,653</u></u>	<u><u>284</u></u>	<u><u>1,937</u></u>

Note 12. Current liabilities - Trade and other payables

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade payables	695	556
Payroll liabilities	3,572	1,430
Other payables	5,322	1,908
	<u>9,589</u>	<u>3,894</u>

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

Other payables predominantly relate to obligations with the Australian Tax Office for GST, which is not considered overdue.

Note 13. Current liabilities - Lease liabilities

	Consolidated	
	2021	2020
	\$'000	\$'000
Lease liability	<u>1,067</u>	<u>346</u>

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 5.25%.

Note 14. Current liabilities - Borrowings

	Consolidated	
	2021	2020
	\$'000	\$'000
Insurance premium funding (i)	110	122
Bank debt factoring (ii)	2,973	3,000
Other	-	16
	<u>3,083</u>	<u>3,138</u>

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.

Note 15. Current liabilities - Employee benefits

	Consolidated 2021 \$'000	2020 \$'000
Annual leave	942	203
Long service leave	96	57
	<u>1,038</u>	<u>260</u>

Note 16. Current liabilities - Contingent consideration

	Consolidated 2021 \$'000	2020 \$'000
Contingent consideration - Hunter	750	-

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Refer to note 26 for further information.

Note 17. Current liabilities - Contract liabilities

	Consolidated 2021 \$'000	2020 \$'000
Contract liabilities	835	-

Note 18. Non-current liabilities - Lease liabilities

	Consolidated 2021 \$'000	2020 \$'000
Lease liability	939	89

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 5.25%.

Note 19. Non-current liabilities - Trade and other payables

	Consolidated 2021 \$'000	2020 \$'000
Other payables - Tax liabilities	3,407	-

On the 9th of November 2020 Skill Hire Australia Pty Ltd entered into a payment plan with the Australian Tax Office in order to repay outstanding income tax balances of \$5,240,956. The payment plan required a monthly payment of \$87,350 with the last payment being on 7 November 2025. This balance represents the non-current portion of the liability.

Note 20. Equity - Issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	<u>370,879,350</u>	<u>142,689,618</u>	<u>23,395</u>	<u>16,165</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	117,964,583		15,858
Rights issue December 2019	31 December 2019	18,050,985	\$0.016	289
Shortfall issue February 2020	28 February 2020	6,500,000	\$0.016	104
Options exercised	30 June 2020	174,050	\$0.040	7
Share issue cost		-	\$0.000	(93)
Balance	30 June 2020	142,689,618		16,165
Exercise of performance rights	21 Sep 2020	5,000,000	\$0.015	75
Exercise of free attaching options	29 Jan 2021	3,323,639	\$0.040	133
Shares issued as Hunter acquisition consideration	12 Mar 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	<u>370,879,350</u>		<u>23,395</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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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 2020 Annual Report.

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Note 21. Equity - Reserves

	Consolidated	
	2021	2020
	\$'000	\$'000
Share-based payments reserve	20	1,689

During the year ended 30 June 2021, some performance shares were exercised. However a large portion of options expired and were not exercised. These were reversed from the reserve and put against the retained earnings. The options had an expiry date of 21 June 2021.

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.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Performance rights \$'000	Options \$'000	Total \$'000
Balance at 1 July 2019	-	1,608	1,608
Share based payment	72	9	81
Balance at 30 June 2020	72	1,617	1,689
Exercise of performance rights	(72)	-	(72)
Expiry of options	-	(1,597)	(1,597)
Balance at 30 June 2021	-	20	20

Note 22. Loss per share

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax attributable to the owners of The Go2 People Ltd	(2,232)	(1,851)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	171,580,822	129,622,482
Weighted average number of ordinary shares used in calculating diluted loss per share	171,580,822	129,622,482
	Cents	Cents
Basic loss per share	(1.30)	(1.43)
Diluted loss per share	(1.30)	(1.43)

Note 23. Non-current liabilities - Employee benefits

	Consolidated	
	2021	2020
	\$'000	\$'000
Long service leave	142	-

Note 24. Non-current liabilities - Deferred consideration

	Consolidated	
	2021	2020
	\$'000	\$'000
Deferred consideration	3,250	-

Deferred consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business. It is measured at the present value of the estimated liability.

Note 25. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax expense for the year	(2,232)	(1,851)
Adjustments for:		
Depreciation and amortisation	470	749
Net impairment of receivables	500	156
Share of equity accounted investment results	-	36
Share option cost	-	81
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,850)	4,513
Decrease in other assets	169	84
Increase in deferred revenue	835	-
Increase/(decrease) in trade and other payables	2,914	(787)
Increase in provisions	920	33
Net cash from/(used in) operating activities	(274)	3,014

Note 26. Business combinations

Hunter Executive Search Consultants Pty Ltd

On the 12th of March 2021 the Group acquired 100% of the ordinary shares in Hunter Executive Search Consultants Pty Ltd (Hunter). Hunter Executive Search Consultants is a recruitment company based in Perth that specialize in permanent and contract placements for the executive, engineering, resources and environment industries. The acquisition consideration will consist of an initial scrip consideration equivalent to \$900K, and a deferred scrip consideration which has its value determined by the Net Profit of Hunter on a standalone basis for the year ended 30 June 2021.

Hunter contributed revenues of \$1,229,239 and profit after tax of \$298,223 to the Group for the period from 12th March 2021 to 30 June 2021. If the acquisition occurred on 1 July, the full year contributions would have been revenues of \$3,550,456 (FY2020: \$3,778,906) and profit after tax of \$540,018 (FY2020: \$239,790).

The allocation of the fair value to goodwill has been made on a provisional basis and management will make further determinations on the acquisition value of the intangible assets within the next 12 months.

Note 26. Business combinations (continued)

Deferred script consideration

The Group has agreed to pay the selling shareholders 3 times the net profit of Hunter for financial year ended 30 June 2021 less the initial consideration of \$900,000. Management has determined that the most likely result for Hunter will be a \$550,000 profit, when multiplied by 3 equals \$1,650,000 resulting in an outstanding consideration of \$750,000.

The deferred script consideration will be issued at a deemed price per consideration share equivalent to the 14 Day VWAP, subject to:

- i) if the 14 Day VWAP is less than 3 cents, the deemed issue price per share of the deferred script consideration will be 3 cents per share; alternatively
- ii) if the 14 Day VWAP is greater than 8 cents, the deemed issue price per share of the deferred script consideration will be 8 cents per share.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	132
Trade receivables	230
Plant and equipment	6
Motor vehicles	118
Trade payables	(20)
Other payables	(129)
Provision for income tax	(95)
Employee benefits	(101)
Hire purchase	(158)
Net liabilities acquired	(17)
Goodwill	1,667
Acquisition-date fair value of the total consideration transferred	<u>1,650</u>
Representing:	
The Go2 People Ltd shares issued to vendor (25,426,418 shares @ 3.54c per share)	900
Contingent consideration	750
	<u>1,650</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,650
Less: contingent consideration	(750)
Less: shares issued by company as part of consideration	(900)
Add: cash acquired on acquisition	132
Net cash received	<u>132</u>

Note 26. Business combinations (continued)

Skill Hire Australia Pty Ltd

On the 31st of May 2021 the Group acquired 100% of the ordinary shares in Skill Hire Australia Pty Ltd (Skill Hire). Skill Hire delivers a full suite of blue-collar employment services via its registered training organisation and its apprenticeship & traineeship recruitment and labour hire divisions. Skill Hire delivers both Government funded and fee-for-service workplace training and education in the form of pre-employment programs, traineeships and apprenticeships, and fee-for-service recruitment and labour hire services to a large client base in Western Australia and South Australia. The consideration transferred was:

- \$6.25 million cash at completion (31 May 2021)
- \$3.25 million cash deferred over 2 years
- 194.4 million GO2 shares valued on 31 May 2021 at \$0.032 per share

The allocation of the fair value to goodwill has been made on a provisional basis and management will make further determinations on the acquisition value of the intangible assets within the next 12 months.

Skill Hire contributed revenues of \$3,300,023 and loss after tax of \$160,114 to the Group for the period from 1 June 2021 to 30 June 2021. If the acquisition occurred on 1 July, the full year contributions would have been revenues of \$44,586,687 (FY2020: \$42,787,014) and profit after tax of \$4,309,301 (FY2020: \$1,165,177).

Fair value measured on a provisional basis

The following amounts have been measured on a provisional basis.

- The fair value of Skill Hire's intangible assets (customer contracts, brand assets and online training assets) has been measured provisionally and therefore not recognised in the financial statements.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Note 26. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	6,865
Financial assets	5,000
Trade receivables	3,624
Other assets	115
Plant and equipment	1,184
Right-of-use assets	1,361
Other intangible assets	216
Trade payables	(412)
Other payables	(2,143)
Contract liabilities	(1,147)
Income tax payable	(1,540)
Employee benefits	(850)
Lease liability	(1,361)
Loans and borrowings	(4,854)
Net assets acquired	6,058
Goodwill	9,599
Acquisition-date fair value of the total consideration transferred	15,657
Representing:	
The Go2 People Ltd shares issued to vendor	6,157
Deferred Payment	3,250
Completion Cash Payment	6,250
	15,657
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	15,657
Less: cash and cash equivalents	(6,250)
Less: payments to be made in future periods	(3,250)
Less: shares issued by company as part of consideration	(6,157)
Add: Cash acquired on business	6,865
Net cash received	6,865

Note 27. Events after the reporting period

On 17th August 2021 the Australian Taxation Office (ATO) issued a statement to the Group which reports that there was an outstanding amount of \$862,851 owing to the ATO in respect to Superannuation Guarantee Charges and related charges emanating from an ATO superannuation audit for the 2015 to 2019 financial years. Due to certain payments being late, which in the main relates to 2015, the ATO has imposed charges to the relevant periods. The Group continues to liaise with the ATO in an attempt to have the charges remitted or to implement an alternate payment plan as a prepayment for future periods. This is an adjusting event and has been provided for in the accounts.

The Company is also undertaking its own internal review of the timing of superannuation payments from 2019 to date, to ensure there have been no other incidences of non-compliance which require reporting to the ATO.

Other than the matter noted above, no other matter or circumstance has arisen since 30 June 2021 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.