Annual

Report

2017

AWF MADISON

"Your Group continues to consolidate its position as the industry leader in New Zealand, and we face the future with confidence."

Ross Keenan, Chairman

Revenue

Up 19.5%

$256.4 Million

Net Profit After Tax

Up 12.8%

$5.9 Million

EBITDA

Up 14.9%

$13.5 Million

Contents

Total Shareholder Returns

FY2016, 7.29%

18.72%

Total Dividend For The Year

Up 6.5%

16.2 Cents per share

Net Debt 31.03.17

FY2016, $21.9 million

$32.4 Million

Shareholders' Funds

FY2016, $36.3 million

$36.9 Million

Total Equity and Liabilities

FY2016, $80.0 million (restated)

$107.0 Million

Chairman's Report.

Ross Keenan, Chairman

Dear Shareholder,

In announcing our annual result to the market, we headlined the 31 March 2017 year as one of steady lift in profitability within a year of consolidation.

Instrumental in that consolidation has been the work of our Chief Executive, Simon Bennett, in continuing to build a strong and capable management team. Our investment in people at all levels of the businesses is showing pleasing results.

We continued also to invest in new technology, and in dealing with certain one-off items, all of which are enabling the positioning of the AWF Madison Group to achieve good growth in the current year.

We have written down our debtor exposure in Christchurch to the recoverable amount, together with the legacy software which has been replaced by AWF's new CRM (Customer Relationship Management) operating system.

These one-off and abnormal items dealt with were soon overshadowed entirely by the successful acquisition of the Absolute IT group, which provides an excellent example of our commitment to broaden the base of the group to achieve strong growth in future years.

In its first five months, Absolute delivered a strong performance in accordance with our expectations.

In compliance with statutory financial reporting requirements, we have included in Note G1 of the Financial Statements an assessment showing that, had Absolute been included for the full 2017 financial year, Group revenue would have been just over $300 million and net profit in the vicinity of $7.5 million.

So with a solid year performance from the Group, and the steady delivery of operational efficiencies we have been putting in place over the last three years, plus our ongoing investment in technology, the Board is confident we will again be able to target significant growth in revenue and earnings for the year to 31 March, 2018.

Your Board said last year that we expected to be able to resume our objective of a steady lift in dividends, and it is pleasing to have announced a final dividend of 8.2 cents a share. This takes the dividend for the full year to 16.2 cents a share, a 6.5% lift on the dividend for the 31 March 2016 year.

As the current year progresses, we are reviewing the mix of skills and experience on the Board to ensure your Company maintains the continuity, competence and capability essential for adaptation to a changing business environment. Shareholders can expect to be updated in due course.

AWF Madison Group remains the only recruitment services company listed on the NZX, providing something of a benchmark for the industry and a bellwether for activity levels in the New Zealand employment market generally.

The industry plays a valuable role in promoting labour market efficiency and commercial competitiveness, while helping people to find rewarding and satisfying work.

Competent recruitment companies help economies to adapt and adjust to constant technological, demographic, cyclical and structural change.

Companies are facing increasing competition for employees with sought-after skills and experience. Recruitment companies can marry in-depth knowledge of firms' needs to wide candidate reach and an understanding of candidates' skills and work aspirations. To those seeking work, they offer avenues to employment and experience. To those seeking advancement or a new direction, they offer a greater choice of employment opportunity.

Your Group continues to consolidate its position as the industry leader in New Zealand, and we face the future with confidence.

Finally, I would again like to express my thanks on behalf of the Board to our hard-working and dedicated staff for their commitment over a busy year, and our appreciation to candidates and clients for their continued support.

On behalf of the Board

Ross Keenan
Chairman

Putting in the Hard Yards.

Simon Bennett, CEO

A year ago we promised double-digit earnings growth for the March 2017 financial year, and we have delivered.

Underlying AWF Madison Group's financial result has been a great deal of hard work and adjustment. We have been aligning the structure and resources of our operating businesses with the changing demands of the market, and focusing our attention on the areas in which recruitment need is greatest, and the returns are strongest.

Most visibly, we executed a major expansion into the technology recruitment area with the November 2016 acquisition of Absolute IT.

The tech sector is now New Zealand's third largest exporter, contributing $16 billion to GDP in the March year. The sector attracted record funding growth and strong growth in demand for tech professionals is expected to continue.

Absolute is taking its place in the Group structure alongside AWF and Madison, but as a separate entity with its own leadership. In the first five months the acquisition has contributed positively to earnings, as expected.

As white-collar recruiters, Absolute and Madison are beneficial counterparts with a complementary client base.

In its Employment Market Report 2017, Madison noted almost universally strong labour demand continuing the upward pressure on salaries with the shortage of skill sets constraining business productivity.

As a result of businesses responding and adapting to a rapidly changing landscape, there has been particularly high demand for project management skills across all levels, from business support functions through to the management of large programmes of work. The digitally driven world continues to drive the crossover of skills between job functions such as IT to marketing, and finance to IT.

During a challenging year, Madison contributed well to our profit. However, the full benefit of our programmes of investing in people and developing higher-end channels has not yet flowed through to the bottom line.

The fruit of this effort coupled with the income streams from the 2018 Census work indicates strong future prospects. Securing the 2018 Census contract was a highlight for the business and reaffirmed confidence in Madison's capability with complex national projects.

AWF performed strongly, driven by high demand for skilled, semi-skilled and unskilled labour. AWF is now "a bigger machine," but again, the full fruits of our rationalisation and modernisation will be seen in future years.

Completion of Phase 1 of the transition to a new CRM (customer relationship management) system has transformed the business from the paper-based systems of the past, and transferred day-to-day operational control from the branches to an online environment. This will free up considerable resource and will allow us to provide far more efficient and effective services to our clients and candidates.

There has been much debate over the last year on the desirability of importing labour and the work-readiness of New Zealand candidates.

Our experience is that candidates able to meet today's requirements have been hard to find.

The time when labourers showed up and signed on for a single day is long past. A more rigorous health and safety environment means workers must be inducted onto sites, and we must be able to assess their ability to assimilate and apply health and safety instructions.

As a result of low unemployment, we work harder to find work-ready candidates for entry level roles. A large proportion of these entry level candidates fail mandatory drug tests, and many find themselves debarred from work by past criminal convictions. A full and clean driving licence is increasingly seen as essential so that candidates can get themselves to work.

The distinction between "skilled" and "unskilled" labourers is also becoming blurred. Mechanisation and automation mean that nowadays, even digging holes in roads requires a level of learned skills and safety-consciousness.

This is translating, and will continue to translate, into higher wages at the entry level. Over the last decade, the adult minimum wage has risen by 34%.

However, frequent reports of shortages, especially in the Auckland construction sector, illustrate the fact that it is becoming harder to find workers who meet basic requirements.

This validates the need for AWF's broad and deep reach, efficient processes and candidate assessment capabilities. But the fact remains, there are not thousands of local workers and would-be workers with clean records and the necessary basic skills.

It would be easy to imagine our growth in this past year has come as a natural consequence of New Zealand's strong economic performance. The Treasury's latest forecasts predict gross domestic product (GDP) growth will hit 3.6% this June year and 3.5% in 2018.

The labour force participation rate reached a record high of 70.6% in the March 2017 quarter, unemployment fell below 5% for the first time since the Global Financial Crisis, and employment growth continues to exceed the rate of population growth.

In reality, growth brings its own problems, especially in the recruitment market, where the difficulty of finding people with the skills most in demand by today's employers has been well-publicised.

In our Annual report a year ago, we laid out our strategy for the AWF Madison Group. This year, we are focused on the strategies of our three operating businesses – AWF, Madison, and Absolute IT.

Each of these operates in different, distinct recruitment markets. Each has its own drivers – greater or lesser mixes of permanent, temporary, and contracting, for example – and the mix for each varies as economic circumstances alter, technology drives change and innovation across industries and sectors, and demographics influence workforce composition.

This makes specific, short-term financial forecasting extremely difficult, or even foolhardy. Your Board and management are focused on momentum – growing our scale, reach, and efficiency, and concentrating our efforts and resources where changing needs dictate.

That said, the groundwork is laid and we are confident we will again deliver significant growth in revenue and earnings for our shareholders in the current year.

What Drives Us.

Whether it is through building one new relationship or tackling the challenges within New Zealand's labour market, our businesses aspire to influence the growth and success of our country. We believe it is possible to deliver strong returns for our shareholders in a way that also provides better outcomes for our people, our customers and our country.

The uniqueness of our three businesses provides distinct advantages in the channels in which we operate. We will therefore continue to develop these businesses individually with business plans that cater for their particular markets and drivers. Their goals however will be aligned to the same group aspiration and the following four strategic imperatives.

1

Our People.

We will be driven forward by capable people who are engaged with our purpose and strategic direction, and who are determined to do better.

2

Our Customers.

We will grow market share and add value through our reputation for quality, efficiency, relationships and customised solutions.

3

Our Country.

We are uniquely positioned and have a responsibility to provide proactive solutions to address structural challenges in the employment market.

4

Our Finances.

We are targeting double digit EBITDA growth through execution and improvement initiatives impacting cost and revenue, to create sustainable value for our shareholders.

AWF has a 29 year history of supplying semi-skilled and skilled workers to the construction, infrastructure, transport and logistics, manufacturing and mining sectors. Every day as many as 3,500 people are deployed on client sites. Through its network of branches, AWF provides hundreds of enterprises throughout New Zealand with the human capital necessary to complete major projects, meet increased demand in goods and services, or to fill the skills gap in their permanent workforce.

1

Our People.

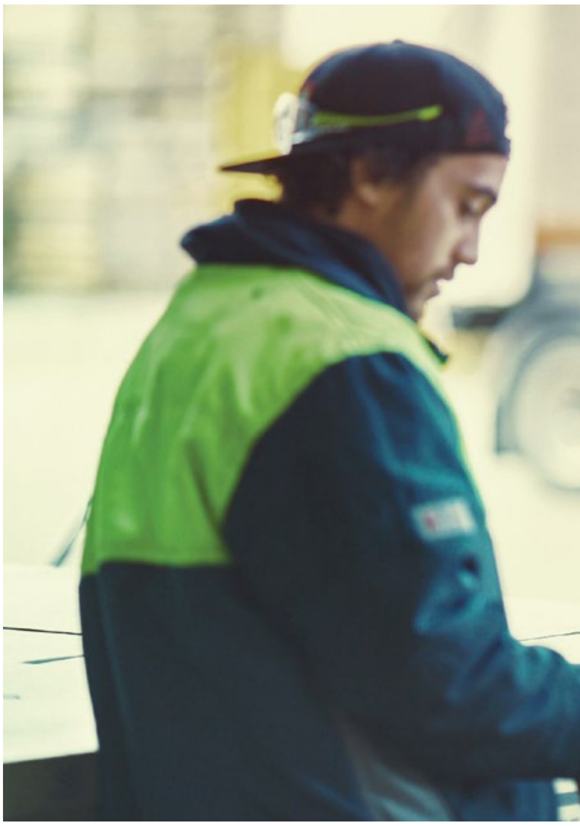
The adaptability of the AWF branch network to deliver in the midst of present and future employment market challenges is paramount to our success in delivering excellence in customer satisfaction:

- Transforming our service delivery model and refining role accountabilities will provide further learning and development opportunities.
- Developing our employer value proposition and employment brand will ensure that we attract, hire and retain people who will thrive in this modernised operating model.
- We will engage our people with AWF's purpose, strategic priorities and future state initiatives.

Business Plan.

The strategic highlight of the past year was the investment into new technology alongside a revamped operating procedure to reduce manual effort and duplication.

AWF will continue to strengthen our platform and optimise the new systems and processes for increased efficiency. AWF's success in sourcing and safely placing candidates in a predominantly skill-short environment is driving the following strategic initiatives:



2

Our Customers.

Whilst AWF's core strength has traditionally been in the provision of temporary labour, we will continue to expand our higher margin business and take steps to develop new service offerings:

- Burgeoning demand in the construction and technical industry, particularly from Auckland, presents significant business opportunities.
- We will drive better utilisation of our temporary workforce through refining our operating model and optimising our recently implemented CRM.
- We have the capacity to develop new service offerings in response to our clients' needs.

3

Our Country.

AWF can make a meaningful contribution to New Zealand's productivity by addressing the shortage of labour:

- We will continue leveraging our position to assist the unemployed to become 'work ready'.
- We will work with our key customers to build pathways into employment for youth.
- To meet demand in the construction sector, we will build upon our success in utilising skilled migrant labour.

4

Our Finances.

AWF is targeting earnings growth through a combination of sales and margin growth as well as operating efficiency:

- Our clients recognise our increasing cost of delivery due to compliance and the candidate short market.
- Our business mix is changing in response to the increased demand for semi-skilled and skilled candidates.
- We will minimise exposure to bad debt through risk management and cautious trading terms.

madison

Madison was established in 1998 and over the years has become the recruitment partner to a wide variety of organisations within the private and public sectors. Its service spans entry level and support recruitment to that of professional roles and managerial positions. Each year, hundreds of permanent positions are filled by candidates who have been sourced and matched to specific business requirements and organisational culture fit. Weekly, over 1,100 temporary employees and independent professional contractors work on assignment in New Zealand's major cities.

1

Our People.

Assisting our recruiters with achieving sustained success and supporting their skills development in a changing recruitment world is vital to our high performance culture:

- Delivering Madison's full service recruitment solutions is an all-encompassing role and as such we will focus on developing talent from within.
- On-the-job training will be supplemented with a structured learning and development programme.
- We will refresh incentive programmes and ensure individual sales targets are appropriately aligned against changing market demands.

Business Plan.

Winning the 2018 Census recruitment contract was a major achievement in Madison's history. It is a vote of confidence in our ability to deliver a national project with the quality and pace we are renowned for, backed by the Group's shared services and networks.

Providing an exceptional customer experience has underpinned Madison's success to date. Our strategic initiatives have been built on ensuring that the experience we deliver in today's talent acquisition environment is not diluted by the growth in our headcount.

2

Our Customers.

In the last five years, job hunting and talent acquisition has changed considerably, leading to increased delivery costs. Madison's focus on excellence in execution whilst having to "do more for less" is critical to continued customer satisfaction:

- We will introduce an NPS measure to our customer feedback platform.
- Innovative pricing solutions will be developed to cater for SMEs and we will strengthen our unbundled recruitment offerings for large corporates to supplement their in-house capability.
- Targeting growth in retained and project work will achieve a greater balance with contingent work and mitigate the higher cost of delivery.

3

Our Country.

As the world of work changes and Post-Millennials begin entering the workforce, Madison Consultants have a part to play in driving outcomes and contributing thought leadership to assist this generation:

- We will develop a programme tailored to Post-Millennials providing advice on the employment market, job hunting and employer expectations.

4

Our Finances.

Madison will achieve earnings growth through existing business and the financial contribution from the Census 2018 contract:

- There is considerable opportunity to develop our revenue stream from recruiting senior and specialist roles.
- We will ensure that there is little impact to BAU performance in delivering the FY18 phase of the Census contract.

absoluteIT

Founded in 2000, Absolute IT caters to the specific recruitment needs of the ICT sector. Their specialist recruiters provide permanent and contractor staffing services New Zealand-wide from their offices in Wellington, Auckland, Hamilton and Christchurch. From resourcing large transformation programmes in the public sector, to sourcing the right fit for large corporates and attracting world class talent for New Zealand start-ups, Absolute IT are relied upon for their expertise and extensive network.

1

Our People.

Protecting Absolute IT's values-based hiring and culture is the key to retaining and developing a high performing team:

- We will continue building our talent pool of like-minded individuals using our values-based selection processes to prepare for growth in headcount.
- We will continue to invest in our people's development, pro-actively identifying and nurturing potential.

Business Plan.

Becoming part of New Zealand's largest recruitment company in 2016 marked a significant chapter in Absolute IT's 16 year history.

As with the acquisition of Madison in 2013, we will ensure that new ownership will not impact upon Absolute IT's key success factors. Accordingly, the following strategic initiatives will protect the Absolute IT identity whilst leveraging Group resources:

2

Our Customers.

Absolute IT has grown market share through regional business strategies delivered by a long-standing service delivery team. Our reputation and approach to doing business will enable us to make further inroads:

- We will focus on new business in the Hamilton and Christchurch regions and elsewhere seek breadth and depth within existing clients.
- We will evaluate our payroll service offering to increase penetration in the Auckland market.

4

Our Finances.

Absolute IT's continued focus on profitability and lean operation costs will ensure we stay on track for financial growth:

- As the founders had developed and therefore intimately understood the financial model, under new ownership we will work to improve the line of sight for the continuing leadership team.
- As one financial entity we will link into the group's financial, governance, reporting and compliance framework.

3

Our Country.

We will work to have a bigger impact on the growth of New Zealand's IT talent by using our position as the country's leading IT recruitment brand:

- Using our data and market insights, we will provide industry thought leadership on the IT skillsets that New Zealand based businesses lack.
- We will facilitate discussion on the development of these skillsets and investigate partnerships to address graduate pathways into the workforce.

Financial Commentary.

Revenue

Revenue grew by $41.8 million to $256.4 million from $214.6 million, a 19.5% increase on the prior year. Revenue sourced from providing services to Industry was 61.5% of total revenue and has grown 8.2% over the prior year, to $157.7 million. Revenue sourced from providing services to Commerce of $98.7 million, up from $68.8 million for the prior year, accounted for 38.5% of total revenue.

Net profit after tax

After-tax profit was $5.9 million, up from $5.2 million in 2016 and a 12.8% increase on 2016.

Dividend

An interim dividend of 8.0 cents per share (2016 7.2 cents per share) was paid on 5 December 2016.

A final dividend of 8.2 cents per share (2016 8.0 cents per share) will be paid on 4 July 2017, resulting in the total dividends paid for the year being 16.2 cents per share, up 6.5% on 2016.

Total dividend payments for the year will be $5.3 million (interim plus final), compared with $5.1 million in the prior year, an increase of 4.6%.

Funding costs

Finance costs for the year were $1.2 million, down from $1.3 million last year, as a result of lower average interest rates charged to the Group during the year.

Cash flow

Operating cash flow, at $11.4 million, was up by $4.7 million on the previous period, due in part to higher revenue and the acquisition of Absolute IT.

Equity

Equity attributable to equity holders of the parent (Shareholder's Funds) at 31 March, 2017 was $36.9 million (2016, $36.3 million), an increase of $0.6 million or 2%.

Trade and other receivables

Trade and other receivables at 31 March, 2017 were $45.3 million, compared with $33.1 million at 31 March, 2016. The increase was largely attributable to the Group's strong sales growth and the addition of Absolute IT receivables.

Borrowings

The Group has secured a $33.5 million term debt facility which expires at the end of 2019.

Net debt is $32.4 million as at 31 March, 2017 from $21.9 million as at 31 March, 2016. The material movements in borrowings were related to an additional $12.5 million secured for the purchase of Absolute IT.

Other Current Liabilities

Trade and other payables are $28.1 million as at 31 March, 2017, up from $18.8 million as at 31 March, 2016. This increase was due to the addition of Absolute IT creditors.

Investment Case.

Delivering Shareholder Value.

We generate strong cash flow and have delivered consistent returns to shareholders, with total shareholder returns (TSR) of 18.72%. Our dividend policy is to maintain the pay-out at 65-70% of underlying earnings and this year's dividend has increased by 6.5% to 16.2 cents per share.

1

Unique Investment Opportunity.

As the only staffing provider listed on the NZX, we offer the only investable exposure to the human resources sector. With temporary staffing, contractor solutions and permanent recruitment services, our breadth of revenue streams provides resilience throughout economic cycles.

2

Benefits of Scale.

Through our businesses, there are on average over 5,000 temporary staff and contractors on assignment each day, and hundreds are placed into permanent work annually. Our three key markets cover the majority of industries and job functions, and provide national coverage through our presence in 22 cities / towns.

3

Value to Economy.

The recruitment services industry plays a key role in promoting labour market efficiency and supports businesses through cyclical and structural changes. As established market leaders with a combined 65 years in operation, we are a trusted voice in a changing world of work.

4

Board of Directors.

Ross Keenan

Ross joined the Board in 2004 in the build-up to AWF's listing and is the group's Chairman and a non-executive director. He brings to the Board a wealth of corporate experience gained as Managing Director of Ansett New Zealand and later Newmans Group. Ross held management positions with Air New Zealand and Qantas from 1968 to 2000 in Fiji, Australia, Los Angeles and London. He is also a Director of Touchdown Ltd.

Simon Hull

Simon founded the Allied Work Force business in 1988. He was AWF Managing Director for 27 years and is its largest shareholder. He has been instrumental in growing what is now the AWF Madison business from a single office in Penrose to its current market leading position. Before founding Allied Work Force, Simon was involved in farming, horticulture and small business management. He continues to be involved in marine-focused businesses as well as pursuing his onshore and offshore yacht racing passion.

Wynnis Armour

Wynnis joined the Board in January 2015 as a non-executive Director. After holding senior management positions in both the public and private sectors, (including Adecco - one of the largest global recruitment firms) Wynnis co-founded the Madison Group which was sold to AWF in 2013. She contributes a wealth of business experience and commercial acumen and a particular understanding of the AWF, Madison and Absolute IT businesses. Wynnis is a member of Global Women and the Institute of Directors and is a Director of angel investor ArcAngels and of Armour Consulting.

Eduard Van Arkel

Eduard (Ted) joined the board as a non-executive Director in 2004 after retiring as Managing Director of the supermarket group Progressive Enterprises Ltd. He previously held senior management positions at Woolworths NZ Ltd and Fletcher Merchants (PlaceMakers). Ted is currently Chairman of Restaurant Brands Ltd. He holds directorships in Abano Healthcare Group Ltd and the Auckland Chamber of Commerce. He also serves on a number of private companies including Philip Yates Securities Ltd, Danske Mobler Ltd and his family-owned companies Lang Properties Ltd and van Arkel & Co Ltd. He is a Patron of Youthtown Inc.

Julia Hoare

Julia joined the Board as a non-executive Director in 2013 after 20 years as a partner with PwC. Julia is Deputy Chairperson of Watercare Services Limited and of The A2 Milk Company Limited, and is an independent Director of Port of Tauranga Limited and New Zealand Post Limited. She is on the National Council of The Institute of Directors and the Advisory Panel for the External Reporting Board.

Rachel Hopkins

Rachel joined the Board as an Associate Director from May 2015 as part of the Institute of Directors' Future Directors programme. She is the GM of Marketing and Communications at industry training organisation Competenz. Rachel has a Bachelor of Law degree and is a former Marketing Manager at the University of Auckland Business School and a former Marketing Director of business incubator The ICEHOUSE. Rachel's tenure on the Board ended in November 2016.

Corporate Governance Statement.

The Board of Directors of AWF Madison Group Limited (NZX:AWF) is responsible for the corporate governance of the Company. The Board has established a culture that ensures commitment to and compliance with good corporate governance principles and ethical conduct is at the heart of the Company's business practices.

The Company will continue to monitor developments in corporate governance practices and update its policies to ensure AWF Madison maintains appropriate standards of governance.

This statement sets out the corporate governance policies, practices and processes followed by the Board throughout the year. AWF Madison complies with the corporate governance principles set out in the NZX Corporate Governance Best Practice Code. The company also complies with the principles in the Financial Markets Authority's Corporate Governance Principles and Guidelines.

The Board

The Board is responsible for the affairs and activities of the Company. It establishes the Group's objectives, strategies for achieving these objectives, the overall policy framework within which the business of the Group is conducted, and monitors Management's performance with respect to these matters. The Board has delegated the day-to-day management of the Group to the Chief Executive Officer. Other delegations are covered in a Delegations Policy.

The Company's Constitution and the Board Charter set out the policies and guidelines for the operation of the Board.

Board Composition and Operations

As at 31 March 2017, the Board comprised five Directors (Rachel Hopkins, the sixth Director, retired on 30 November 2016). Ross Keenan (Chairman), Eduard van Arkel and Julia Hoare have been determined as independent Directors as defined by NZX Listing Rule 1.6.1. Simon Hull, and Wynnis Armour are Non-executive Directors, and Rachel Hopkins was an Associate Director.

The Board is elected by the shareholders of the Company. In accordance with the Company's constitution and the NZX Listing Rules, one third of the Directors are required to retire by rotation every year and may offer themselves for re-election by shareholders.

The Board holds regularly scheduled meetings and other meetings on an as required basis. Board papers are circulated ahead of each meeting. The Board has access to senior executives and external advisers to provide further information.

Board Remuneration

Directors' fees for the year ended 31 March 2017 totalled $300,000. A fee of $95,000 per annum is paid to the Chairman, $53,000 to Eduard van Arkel, Julia Hoare, Simon Hull and Wynnis Armour; and $25,000 to Rachel Hopkins. Further information is provided in the Statutory Information section of the annual report.

Directors are eligible to participate in the Restrictive Share Scheme.

The terms of any Directors' retirement payments are as prescribed in the Constitution and require prior approval of shareholders in general meeting. No retirement payments have been made to any Director.

Board Committees

The Board has five formally constituted committees of Directors. Each Committee has a charter or terms of reference that establishes its purpose, structure and responsibilities. The Committees make recommendations to the Board and may only make decisions on matters for which they have been given specific authority.

1. Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee provides independent assurance and assistance to the Board and Chief Executive on the Company's risk, control and compliance framework, and its external financial reporting and accountability responsibilities.

The Committee is comprised of a majority of independent Directors. The members of the Committee are Julia Hoare (Chairperson), Eduard van Arkel, Ross Keenan, Wynnis Armour and Simon Hull.

The Committee meets at least twice per year, with external auditors of the Company and the AWF Madison executives responsible for internal audit management from within the Company in attendance. The Committee also meets with the external auditors with AWF Madison executives absent.

2. Remuneration Committee

The Remuneration Committee's purpose is to establish sound remuneration policies and practices that attract and retain high performing Directors and senior executives. The Committee ensures that executives and Directors are rewarded having regard to the Company's long term performance. The policies adopted are intended to align shareholder interests and employee interests by demonstrating a clear relationship between shareholder value and executive performance.

The members of this Committee are Wynnis Armour (Chairperson), Simon Hull, Eduard van Arkel, Julia Hoare and Ross Keenan.

The Committee meets at least annually to review senior executive remuneration and incentives.

3. Nominations Committee

The Nominations Committee assists the Chairman with an annual evaluation of the Board and Director performance; to determine Director Independence and to identify and recommend to the Board individuals for nomination as members of the Board and its Committees.

All of the Board are members of this Committee.

The Committee meets at least annually.

4. Health & Safety Committee

The role of this Committee is to assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors. It ensures that the Board members themselves are aware of their own responsibilities and duties under legislation, and are fully informed on all Health and Safety issues and targets.

The members of this Committee are Simon Hull (Chairman), Wynnis Armour, Eduard van Arkel, Julia Hoare and Ross Keenan.

The Committee members participate in meetings of and reviews monthly reports presented by the Group Operations Health and Safety Committee that meets formally on a monthly (10 x per year) basis.

5. Organisation Committee

The Organisation Committee acts as a reference point for the Chief Executive in matters around organisational change as required from time to time. The Committee is also responsible for assisting the Board in the application of remuneration policies and best practice for the Board, Chief Executive and Senior Management.

The members of this Committee are Wynnis Armour (Chairperson), Ross Keenan, Simon Hull, Julia Hoare and Eduart van Arkel.

Remuneration of Auditors

Details of remuneration paid to Auditors are set out in A2 of the Financial Statements.

Non-Audit Services

The External Financial Auditors Independence Policy sets out the Company's position in regard to non-audit services.

Deloitte Limited are the auditors of AWF Madison Group Limited and whilst its main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate. In each instance, the Board has considered the nature of the advice sought in context of the audit relationship. In accordance with the advice received from the Audit, Finance and Risk Committee, the Board does not consider these services have compromised the auditor independence for the following reasons:

All non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;

None of the services undermined the general principles relating to auditor independence, including not reviewing or auditing the auditor's own work, not acting in a management or decision-making capacity for the Company, not acting as advocate for the Company or not jointly sharing economic risk or rewards.

Share Trading

The Company has adopted a Securities Trading policy that sets out the formal procedures Directors and employees are required to follow to ensure compliance with the Financial Markets Conduct Act 2013.

Diversity

The Company does not currently have a diversity policy however the Directors are considering the introduction of such a policy, consistent with their belief that a diverse workforce contributes to improved business performance, enables innovation and enhances the Company's relationship with its customers.

In accordance with NZX's Listing Rule requirements, the gender breakdown of AWF Madison Group Limited's Board of Directors and Officers as at 31 March 2017 is:

	2017		2016	
	MALE	FEMALE	MALE	FEMALE
NUMBER OF DIRECTORS	3	2	3	3
PERCENTAGE OF DIRECTORS	60%	40%	50%	50%
NUMBER OF OFFICERS	4	4	5	2
PERCENTAGE OF OFFICERS	50%	50%	71%	29%

Directors' Indemnity and Insurance

The Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as Directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed Deeds of Indemnity with Directors, indemnifying them to the extent permitted by section 162 of the Companies Act 1993.

Risk Management

The Board is responsible for ensuring that key business and financial risks are identified and appropriate controls and procedures are in place to effectively manage those risks. In managing the Company's business risks, the Board approves and monitors policy and process in such areas as internal audit, treasury management, financial performance and capital expenditure. The Board also monitors expenditure against approved projects and approves the capital plan.

The Company has insurance policies in place covering most areas of risk to its assets and business. Policies are reviewed and renewed annually with reputable insurers.

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2017 financial year no Director sought their own independent professional advice.

Interests Register

The Board maintains an Interests Register. In considering matters affecting the Company, Directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict has been disclosed, the Director takes no further part in receipt of information or participation in discussions on that matter.

Disclosure/Shareholder Relations

The Company has procedures in place to ensure key financial and material information is communicated to the market in a clear and timely manner.

Consistent with best practice and a policy of continuous disclosure, external communications that may contain market sensitive data are released through NZX in the first instance. Further communication is encouraged with press releases through mainstream media.

The Company's website is actively used as a portal for shareholder reports, news releases and other communications released to shareholders and media.

The Board formally reviews its proceedings at the conclusion of each meeting to determine whether there may be a requirement for a disclosure announcement.

Deloitte.

To the Shareholders of AWF Madison Group Limited

Opinion

We have audited the consolidated financial statements of AWF Madison Group Limited and its subsidiaries (the 'Group'), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 24 to 55, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of tax due diligence services, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Acquisition accounting in respect of Absolute IT

As disclosed in note G of the consolidated financial statements, the Group acquired the Absolute IT Group (consisting of five separate entities) during the year for $14.7m. The purchase price includes the fair value of contingent consideration payable of $3.4m, determined at the acquisition date. The amount that will ultimately be paid to the seller is dependent on the performance during the year following the acquisition.

The purchase price is allocated to the assets and liabilities acquired, including any identifiable intangible assets, with the balance recorded as goodwill. The Group recorded goodwill of $7.8m and separately identifiable intangible assets (brand, restraint of trade, and customer relationships) of $5.7m.

We identified this as a key audit matter due to the significance of the acquisition to the Group's financial statements, the inherent complexities in accounting for business acquisitions, and the judgement applied by the Group, in:

- Determining the fair value of the contingent consideration at the acquisition date; and
- Identifying and determining the fair value of the assets and liabilities acquired, including the separately identifiable intangible assets;

which impact the calculation of goodwill.

The key inputs into the valuations of the identifiable intangible assets are:

- Royalty rate
- Discount rates
- Forecast revenue and EBIT
- Implied return on other identified assets

How our audit addressed the key audit matter

We have evaluated the appropriateness of the acquisition accounting for Absolute IT by:

- Evaluating the sale and purchase agreement to determine the material terms of the acquisition.
- Assessing the Group's calculation of the fair value of the contingent consideration by comparing the inputs to the terms of the sale and purchase agreement, performance of the acquired business year to date, and forecasts for the remainder of the earn-out period.
- Evaluating the appropriateness and completeness of the intangible assets identified by the Group based on knowledge of the business and industry.
- Evaluating the Group's determination of the fair value of the assets and liabilities acquired by:
  - Assessing the external valuation specialist's competence, capability, and objectivity;
  - Reading the valuation report prepared by the Group's external valuation specialist;
  - Meeting with the Group's external valuation specialist to discuss the methodologies and assumptions used in the valuation;
  - Performing sensitivity analysis on forecast revenue and EBIT; and
  - Involving our internal specialists in evaluating the methodologies and key assumptions used in the valuation of the intangible assets, including agreeing the royalty rate to comparable observable rates and comparing the discount rates and implied return on other identified assets to market data.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of goodwill and other indefinite life intangible assets Goodwill of $38.6m and other indefinite life intangible assets (brand names) of $9.4m are recorded in the consolidated financial statements at 31 March 2017 as detailed in notes B3 and B2 respectively. Goodwill and other indefinite life intangible assets are tested for impairment annually or whenever there are indicators that these assets may be impaired. For the purpose of impairment testing, the goodwill and other indefinite life intangible assets are allocated to cash generating units (CGU) as set out in notes B3 and B2. The recoverable amount of each CGU is determined through a value in use calculation which reflects significant unobservable inputs, including the budgeted future operating performance, discount rate and growth rate. We identified this as a key audit matter because of the significance of the goodwill and other indefinite life intangible assets to the Group's consolidated financial statements and the judgement involved in determining the value in use of each CGU.	We have reviewed and challenged the Group's value in use calculations for each cash-generating unit (CGU). Our procedures included, amongst others: • Testing the value in use calculations for arithmetic accuracy. • Agreeing the forecast performance to the approved 2018 financial year budget. • Involving our internal specialists in assessing the growth rates and the discount rates for reasonableness in comparison to market data and recent transactions. • Assessing the historical accuracy of the Group's previous forecasts by comparing prior period budgets to actual performance. • Performing a sensitivity analysis on the discount rates and growth rates to determine the extent to which any changes in these inputs would result in impairment to the CGUs.
Valuation of overdue debtor As disclosed in note C7 of the consolidated financial statements, the trade receivables balance of $41.1m includes $1.4m of overdue debt from one debtor. The Group has taken steps to recover this debt including through appointment of a liquidator. Having assessed the likely recoverability of the debt the Group has made a provision of $0.8m against the debt as at year end leaving a net recoverable amount of $0.6m. We identified this as a key audit matter because of the judgement required by the Group in estimating the recoverable amount of the debtor.	We have evaluated the adequacy of the provision by performing, amongst others, the following procedures: • Obtaining an understanding of commercial and legal positions in relation to the relevant debtor as at balance date. • Examining the evidence management used to determine the expected recoverable amount of the receivable. • Assessing management's estimate of the recoverable amount in light of the facts and circumstances at balance date. • Assessing the adequacy of the disclosure in the financial statements relating to the uncertainties surrounding the collectability of this overdue debt.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditorsresponsibilities/ audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Dick, Partner for Deloitte Limited
Auckland, New Zealand
25 May 2017

AWF Madison Group Limited

Statement of Comprehensive Income
For the year ended 31 March 2017

		GROUP	
		2017	**2016**
	NOTE	$000	$000
Income			
Revenue	A1	256,428	214,589
Investment Revenue		2	35
Direct costs		(2,844)	(3,058)
Employee benefits expense	F1	(229,150)	(190,333)
Depreciation and amortisation expense	B1, B2	(3,003)	(2,772)
Impairment	B2	(443)	–
Other operating expenses		(10,980)	(9,488)
Finance costs	A2	(1,193)	(1,333)
Acquisition related costs expense	G1	(262)	–
Profit before tax		8,555	7,640
Income tax expense	A3	(2,688)	(2,438)
Profit for the period		5,867	5,202
Other Comprehensive Income		–	–
Total comprehensive income for the period, net of tax attributable to equity holders of the Group		5,867	5,202
Earnings per share			
Total basic earnings per share (cents/share)	C4	18.1	16.0
Total diluted earnings per share (cents/share)	C4	18.0	16.0

The notes to the Group financial statements form an integral part of these financial statements

AWF Madison Group Limited

Statement of Financial Position
As at 31 March 2017

	NOTE	GROUP 2017 $000	GROUP 2016 (RESTATED) $000
Assets			
Non-current assets			
Property, plant and equipment	B1	3,348	1,922
Goodwill	B3	38,620	30,784
Other intangible assets	B2	18,314	14,191
Total non-current assets		60,282	46,897
Current assets			
Trade and other receivables	C7	45,533	33,117
Cash and cash equivalents	C6	1,225	–
Total current assets		46,758	33,117
Total assets		107,040	80,014
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	A3	3,117	2,281
Borrowings	C8	33,500	18,500
Total non-current liabilities		36,617	20,781
Current liabilities			
Trade and other payables	C9	28,107	18,818
Bank overdraft	C6, C8	108	870
Borrowings	C8	–	2,500
Taxation payable	A3	1,636	326
Provisions	F2	217	445
Absolute IT Limited earn-out payment	G1	3,420	–
Total current liabilities		33,488	22,959
Total liabilities		70,105	43,740
Net assets		36,935	36,274
Capital and reserves			
Share capital	C2	27,624	27,946
Treasury account	C3	(319)	(641)
Group share scheme reserve	F1	450	370
Retained earnings	C1	9,180	8,599
Total equity		36,935	36,274

For and on behalf of the Board who authorise the issue of the financial statements on 25 May 2017.

ROSS KEENAN, Chair

JULIA HOARE, Chair, Audit and Risk Committee

The notes to the Group financial statements form an integral part of these financial statements

AWF Madison Group Limited

Statement of Changes in Equity
For the year ended 31 March 2017

		GROUP				
	NOTE	Share capital $000	Retained earnings $000	Group Share Scheme $000	Treasury account $000	Total equity $000
2016						–
Balance at 1 April		27,946	8,449	177	(641)	35,931
Profit and total comprehensive income			5,202			5,202
Payment of dividends	C5		(5,052)			(5,052)
Recognition of share-based payments	F1			193		193
Balance at 31 March		27,946	8,599	370	(641)	36,274
2017						
Profit and total comprehensive income for the year			5,867			5,867
Payment of dividends	C5		(5,286)			(5,286)
Recognition of share-based payments	F1			80		80
Restricted Shares redeemed	C2	(322)			322	–
Balance at 31 March		27,624	9,180	450	(319)	36,935

The notes to the Group financial statements form an integral part of these financial statements

AWF Madison Group Limited

Cash Flow Statement
For the year ended 31 March 2017

		GROUP	
		2017	**2016**
	NOTE	$000	$000
Operating activities			
Receipts from customers		251,434	210,112
Interest received		2	35
Payments to suppliers and employees		(240,074)	(203,444)
Net cash generated from operations		11,362	6,703
Income taxes paid		(2,543)	(3,356)
Interest paid		(1,193)	(1,289)
Net cash from operating activities	C6	7,626	2,058
Cashflow from investing activities			
Proceeds from disposal of property, plant and equipment		186	75
Purchase of property, plant and equipment	B1	(2,032)	(299)
Purchase of intangible assets	B2	(1,104)	–
Net cash paid on acquisition of subsidiaries	G1	(9,903)	–
Net cash (used in)/from investing activities		(12,853)	(224)
Cashflow from financing activities			
Dividends paid to equity holders of the parent	C5	(5,286)	(5,052)
Proceeds from borrowings		33,500	–
Repayment of borrowings		(21,000)	(803)
Net cash from/(used in) financing activities		7,214	(5,855)
Net increase/(decrease) in cash held		1,987	(4,021)
Cash and cash equivalents at start of the year		(870)	3,151
Net cash and cash equivalents at end of the year	C6	1,117	(870)
Represented by			
Cash and cash equivalents		1,225	–
Bank overdraft		(108)	(870)
Net cash and cash equivalents at end of the year		1,117	(870)

The notes to the Group financial statements form an integral part of these financial statements

About this report.

IN THIS SECTION

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in AWF Madison Group Limited ("the Group") financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of the Group;
- it helps explain changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to future performance.

AWF Madison Group Limited is a listed company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory to the annual report. The principal services of the Group are the supply of temporary staff and recruitment of permanent staff.

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practices in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS") and other applicable Financial Reporting Standards as appropriate for profit-orientated entities;
- in accordance with the requirements of the Financial Market Conduct Act 2013, the Companies Act 1993, and the NZX listing rules;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities; and
- in New Zealand dollars, with values rounded to thousands ($000) unless otherwise stated.
- the financial statements were authorised for issue by the directors on 25 May 2017.

BASIS OF PREPARATION

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Accounting policies have generally been covered in the actual notes.

Adoption of new and revised Standards and Interpretations

New standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on 1 April 2016. We have adopted all mandatory standards which became effective during the year, none of which had a material impact on these statements.

New standards, amendments and interpretations have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2017. The standards that will have an impact on the Group are discussed below. None of these have been early adopted and will be adopted when they become mandatory:

- NZ IFRS 9 Financial Instruments introduces a new classification and measurement regime for financial assets. This standard is effective for periods beginning on or after 1 January 2018 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 9.
- NZ IFRS 15 Revenue from Contracts with Customers deals with revenue recognition of contracts with customers and establishes principles of reporting in order to provide more useful disclosures around revenue for users of financial statements. This standard is effective for periods beginning on or after 1 January 2018 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 15.
- NZ IFRS 16 Leases deals with the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in NZ IAS 17 Leases. The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. An indication of the Group's operating lease liability is set out in note F4. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the financial statements of the reporting entity. Lessor accounting remains largely unchanged from NZ IAS 17. This standard is effective for periods beginning 1 January 2019 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 16.

RESTATEMENT OF COMPARATIVE RESULTS

The goodwill for the prior year comparatives has been restated to reflect recognition of deferred tax on the Madison brand acquired in November 2013. This prior period restatement was made as a result of the IASB Interpretations Committee clarification released from its December 2016 meeting that on indefinite life intangibles such as brands where there is no intention to sell, then a deferred tax liability must be recognised. There is no effect on the prior year profit figures. The prior year goodwill has been increased by $2.09 million and the deferred tax liability has been increased by the same amount. This adjustment has been reflected in the Statement of Financial Position and in note A3 and B3.

OTHER ACCOUNTING POLICIES

Accounting policies that are relevant to an understanding of the financial statements (other than those provided throughout the notes to the financial statements) are set out below:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from the provision of services is recognised when the services are provided. Permanent placement fees are recognised in the accounting period when a candidate accepts an offer of employment. Temporary and contractors placements fees are recognised when services are provided.

Dividend and interest revenue

Dividend and interest revenue is presented as investment revenue in the statement of comprehensive income. Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis using the effective interest method.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists (and at least annually for indefinite life intangible assets) the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. All of the financial liabilities of the Group, which include trade and other payables and borrowings, are classified as financial liabilities and initially recognised at fair value less transaction costs and subsequently at amortised cost.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies and the application of accounting standards, the directors are required to make a number of judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. These estimates and associated assumptions are based on historical experience and various other matters that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements that are considered material to understand the performance of the Group are found in the following notes:

Note – A1
Identification of operating segments

Note – B2
Amortisation of identifiable intangible assets

Note – B3
Testing the carrying value of goodwill

Note – G1
Identification and fair value of identifiable assets and liabilities in a business combination

Major sources of estimation uncertainty that are considered material to understand the performance of the Group are found in the following notes:

Note – B2
Amortisation of identifiable intangible assets

Note – C7
Recovery of overdue receivables

Note – F2
Rehabilitation under the ACC Partnership Programme

Note – G1
Estimation of the earn-out contingent consideration in a business combination

A. Financial Performance

IN THIS SECTION

This section explains the financial performance of the Group, providing additional information about individual items in the Statement of Comprehensive Income, including:

(a) accounting policies, judgements and estimates that are relevant for understanding items recognised in revenue.

(b) analysis of the Group's performance for the year by reference to key areas including: performance by segment, expenses and taxation.

A1 SEGMENT PERFORMANCE

The directors have identified the following reportable segments:

Temporary staffing to industry

The Group operates branches under the brand names AWF Labour, AWF Manufacturing and Logistics, AWF Trades and Tradeforce Recruitment in major towns and cities throughout New Zealand. These brands derive their revenues from temporary staffing services to industry and are considered to be one operating segment and one reportable segment for which discrete financial information is available and whose operating results are regularly reviewed by the Group's chief operating decision maker.

Change from 2016

In 2016, it was disclosed that the chief operating decision maker reviews discrete financial information in respect of each branch (or combination of branches), that each branch (or combination of branches) represented an operating segment, and that all branches were aggregated into one reportable segment. However on further reflection, the chief operating decision maker of the Group reviews discrete financial information in respect of the AWF brands (and branches) as a whole and as a result the disclosure above has been amended to describe that there is one operating segment and one reportable segment. This has not changed the reportable segment(s) set out in the tables below.

Temporary, contract and permanent staff services to commerce

The Group operates branches under the brand names Madison Recruitment, Madison Force, Interim Taskforce and Absolute IT (from November 2016) in major cities throughout New Zealand. These brands derive their revenues from temporary, contract and permanent staff services to commerce and are considered to be one operating segment and one reportable segment for which discrete financial information is available and whose operating results are regularly reviewed by the Group's chief operating decision maker.

Change from 2016

In 2016, it was disclosed that the chief operating decision maker reviews discrete financial information in respect of each branch (or combination of branches), that each branch (or combination of branches) represented an operating segment, and that all branches were aggregated into one reportable segment. However on further reflection, the chief operating decision maker of the Group reviews discrete financial information in respect of the combined Madison and (from November 2016) Absolute IT brands (and branches) as a whole and as a result the disclosure above has been amended to describe that there is one operating segment and one reportable segment. This has not changed the reportable segment(s) set out in the tables below.

The Group's reportable segments under NZ IFRS 8 are therefore as follows:

- Temporary staffing services to industry
- Temporary, contract and permanent staff services to commerce

All revenues from external customers, and non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts are attributed to the Group's country of domicile.

	Segment revenue		Segment profit	
	2017	**2016**	**2017**	**2016**
SEGMENT REVENUE AND RESULTS	$000	$000	$000	$000
Continuing operations				
Temporary staffing to industry	157,714	145,803	8,726	7,067
Temporary, contract and permanent staff services to commerce	98,714	68,786	3,387	4,004
Total for continuing operations	256,428	214,589	12,113	11,071
Other income			2	35
Central administration costs and directors fees			(2,367)	(2,133)
Finance costs			(1,193)	(1,333)
Profit/(loss) before tax			8,555	7,640
Income tax expense			(2,688)	(2,438)
Total profit			5,867	5,202

Revenue reported above represents revenue generated from external customers. Inter-segment sales in the year were $730,140 (2016: $333,458) and have been eliminated from the above table.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in this report. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue, finance costs, and income tax expense. This is the same measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

SEGMENT ASSETS	2017 $000	2016 (RESTATED) $000
Temporary staffing to industry	50,849	35,773
Temporary, contract and permanent staff services to commerce	55,233	43,624
Total segment assets	106,082	79,397
Unallocated assets	958	618
Total assets	107,040	80,015

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than cash, cash equivalents and tax assets of the parent.

SEGMENT LIABILITIES	2017 $000	2016 (RESTATED) $000
Temporary staffing to industry	17,140	13,567
Temporary, contract and permanent staff services to commerce	15,992	8,496
Total segment liabilities	33,132	22,063
Unallocated liabilities	36,973	21,677
Total liabilities	70,105	43,740

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the liabilities attributable to each segment. All liabilities are allocated to reportable segments other than bank loans and tax liabilities of the parent.

A prior period restatement was made to recognise Deferred tax on Madison brand of $2.09 million as a result of the IASB Interpretations Committee clarification released from its December 2016 meeting that indefinite life intangibles such as brands where there is no intention to sell, then a deferred tax liability must be recognised.

	Depreciation and amortisation		Impairment		Employee benefits		Net additions to non-current assets	
	2017	2016	2017	2016	2017	2016	2017	2016
OTHER SEGMENT INFORMATION	$000	$000	$000	$000	$000	$000	$000	$000
Temporary staffing to industry	937	1,105	443	–	139,425	134,974	329	(709)
Temporary, contract and permanent staff services to commerce	2,066	1,667		–	88,486	54,145	13,056	(1,621)
Unallocated	–	–	–	–	1,239	1,214	–	–
Total	3,003	2,772	443	–	229,150	190,333	13,385	(2,330)

KEY JUDGEMENTS AND ESTIMATES – OPERATING SEGMENTS

(a) Goodwill has been allocated to reportable segments as described in note B3. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

A2 EXPENSES

		GROUP	
		2017	**2016**
BAD AND DOUBTFUL DEBTS EXPENSE	NOTE	$000	$000
Bad and doubtful debts expense for the period		467	504
DEPRECIATION AND AMORTISATION			
Depreciation	B1	731	663
Amortisation of intangibles	B2	2,272	2,109
Total		3,003	2,772
FINANCE COSTS			
Interest on bank overdrafts and loans		1,186	1,289
Other interest expense		7	44
Total		1,193	1,333
AUDITOR'S REMUNERATION TO DELOITTE FOR:			
Audit of the financial statements		179	145
Due diligence services for tax		22	0
Total		201	145

A3 TAXATION

Accounting Policy – current tax

1 Income tax expense represents the sum of the tax currently payable and deferred tax.

2 Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other years and also excludes items that will never be taxable or deductible.

3 Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Income tax expense is the income assessed on taxable profit for the year. AWF Madison Group Limited's liability for current tax is calculated using tax rates that have been enacted at balance date, being 28% (2016: 28%) for New Zealand.

	GROUP	
	2017	**2016**
INCOME TAX EXPENSE	$000	$000
Current income tax charge	3,651	3,068
Deferred tax	(963)	(630)
Total tax expense	2,688	2,438
Reconciliation to profit before tax		
Profit before income tax	8,555	7,640
Income tax at applicable rates	2,395	2,139
Tax effect of expenses that are not deductible in determining taxable profit	293	299
Income tax expense	2,688	2,438
Effective tax rate for the year	31.4%	31.9%

	GROUP	
	2017	**2016**
CURRENT TAX ASSETS AND LIABILITIES	$000	$000
Current tax liabilities		
Income tax payable	1,636	326
Total	1,636	326

Accounting Policy – deferred tax

1 Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3 The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4 Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

5 Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

DEFERRED TAX BALANCES

The following are the major deferred tax assets/(liabilities) recognised by the Group, and the movements thereon, during the current reporting period:

	GROUP					
	ACC levies $000	Staff expense accrual $000	Bad debt provision $000	ACC rehabilitation claims $000	Identifiable intangible assets (RESTATED) $000	Total (RESTATED) $000
At 1 April 2015	257	1,067	99	58	(4,100)	(2,619)
Prior period adjustment			(50)	–	(242)	(292)
Charge (credit to profit or loss for the year)	(184)	212	166	67	369	630
As at 31 March 2016	73	1,279	215	125	(3,973)	(2,281)
Prior period adjustment	–	(154)	–	–	(47)	(201)
Business combination	–	–	–	–	(1,598)	(1,598)
Charge (credit to profit or loss for the year)	35	214	111	(64)	667	963
As at 31 March 2017	108	1,339	326	61	(4,951)	(3,117)

A prior period restatement was made to recognise Deferred tax on Madison brand of $2.09 million as a result of the IASB Interpretations Committee clarification released from its December 2016 meeting that on indefinite life intangibles such as brands where there is no intention to sell, then a deferred tax liability must be recognised.

	GROUP	
	2017	**2016**
IMPUTATION BALANCES	$000	$000
Imputation credits available for subsequent reporting periods based on a tax rate of 28%	7,376	7,153

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax; and
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.

The consolidated amounts include imputation credits that would be available to the parent entity if subsidiaries paid dividends.

The imputed portions of the final dividends recommended after 31 March 2017 will be imputed out of existing imputation credits or out of imputation credits arising from the payment of income tax in the year ended 31 March 2018.

B. Assets used to generate income

IN THIS SECTION

This section shows the assets the Group uses to generate operating income. In this section of the notes there is information about:

(a) property, plant and equipment

(b) intangible assets

(c) goodwill

B1 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

1 Fixtures and equipment, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 Depreciation is charged so as to write off the cost of assets, over their estimated useful lives using the diminishing value method.

3 The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following diminishing value rates are used for the depreciation of property, plant and equipment

Motor vehicles	25 to 36%
Fixtures and fittings	10 to 60%
Leasehold improvements	4 to 14%

	GROUP			
	Motor Vehicles $000	Fixtures and equipment $000	Leasehold Improvements $000	Total $000
Cost	1,591	2,365	986	4,942
Less accumulated depreciation	(957)	(1,427)	(415)	(2,799)
Net book value at 1 April 2015	634	938	571	2,143
Additions	82	399	44	525
Disposals – cost	(240)	(53)	(6)	(299)
Depreciation expense	(189)	(406)	(68)	(663)
Eliminations on disposal – depreciation	177	38	1	216
Net book value at 31 March 2016	464	916	542	1,922
Additions	131	1,567	302	2,000
Business Combinations	–	78	183	261
Disposals – cost	(555)	(144)	–	(699)
Depreciation expense	(138)	(506)	(88)	(732)
Eliminations on disposal – depreciation	478	118	–	596
Net book value at 31 March 2017	380	2,029	939	3,348
Cost	1,009	4,212	1,509	6,730
Less accumulated depreciation	(629)	(2,183)	(570)	(3,382)
Net book value at 31 March 2017	380	2,029	939	3,348

B2 INTANGIBLE ASSETS

Accounting policy

1 Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

2 Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3 Intangible assets acquired separately with indefinite useful lives are not amortised and are reviewed for impairment on an annual basis and whenever there is an indication that the asset may be impaired as per NZ IAS 36.

Other intangible assets (excluding goodwill) represent the value of client relationships, brand names and restraints of trade acquired through business combinations (where the economic value can reliably be assessed) and computer software.

	GROUP				
	Computer Software	Customer Relationships	Brand Name	Restraint of Trade	Total
	$000	$000	$000	$000	$000
Cost or fair value	2,025	10,506	7,465	441	20,437
Less accumulated amortisation	(505)	(3,528)	–	(104)	(4,137)
Net book value as at 31 March 2015	1,520	6,978	7,465	337	16,300
Amortisation expense	(289)	(1,746)	–	(74)	(2,109)
Net book value as at 31 March 2016	1,231	5,232	7,465	263	14,191
Business combinations	–	2,865	1,980	863	5,708
Additions	1,130	–	–	–	1,130
Impairment	(443)	–	–	–	(443)
Amortisation expense	(480)	(1,659)	–	(133)	(2,272)
Net book value as at 31 March 2017	1,438	6,438	9,445	993	18,314
Cost or fair value	2,712	13,371	9,445	1,304	26,832
Less accumulated amortisation	(1,274)	(6,933)	–	(311)	(8,518)
Net book value as at 31 March 2017	1,438	6,438	9,445	993	18,314

The amortisation expense has been included in the line item “depreciation and amortisation expense” in the Statement of Comprehensive Income.

Brand names $7.465 million (2016: $7.465 million) identified and recognised from the Madison acquisition are allocated to the Madison Group cash generating unit. Similarly, brand names $1.980 million (2016: $nil) identified and recognised from the Absolute IT acquisition are allocated to the Absolute IT cash generating unit.

The impairment relates to software that is no longer in use. The recoverable amount of the software is $nil (2016: $732,000).

KEY JUDGEMENTS AND ESTIMATES – AMORTISATION OF IDENTIFIABLE INTANGIBLE ASSETS

Computer software is amortised at a rate of 14.3% from the time it is brought into use.

Brand names are considered to have an indefinite life as they have no determinable limit to the period over which the brand is expected to generate cash flows for the Group.

The useful lives of customer relationships used in the calculation of amortisation ranges from 4 to 6 years based on directors views of the asset life.

B3 GOODWILL

Accounting Policy

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised.

Goodwill is not amortised, but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination.

Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and the value in use. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss on goodwill is recognised immediately in profit or loss and is not subsequently reversed.

		GROUP	
	NOTE	2017 $000	2016 (RESTATED) $000
Cost as at 1 April		30,784	30,784
Business Combinations	G1	7,836	–
Net book value as at 31 March		38,620	30,784
Allocation to cash generating units			
AWF Limited		10,561	10,561
Madison Group		20,223	20,223
Absolute IT Group		7,836	–
Total Goodwill		38,620	30,784

A prior period restatement was made to recognise Deferred tax on Madison brand of $2.09 million as a result of the IASB Interpretations Committee clarification released from its December 2016 meeting that indefinite life intangibles such as brands where there is no intention to sell, then a deferred tax liability must be recognised.

During the year, changes were made to the AWF business structure to a range of core management functions to reflect the impact of the interdependencies of cash inflows across the AWF cash generating units. As a result, the directors have deemed that AWF Limited is one cash generating unit for the purposes of goodwill impairment testing. As a result, all goodwill associated with AWF have been amalgamated into AWF Limited as one cash-generating unit and prior year comparatives have been changed accordingly.

Annual test for impairment

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of each cash-generating unit is determined from value in use calculations which use a discounted cash flow analysis. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted financial performance. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and risk specific to the cash generating units. The growth rates are based on management's best estimate. Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Board for the subsequent year and estimates of future cash flows based on an estimated growth rate of 1.5% (2016: 1.5%). This rate does not exceed the average long-term growth rate for the relevant markets.

The discount rate used to discount the forecast cash flows is 9.85% (2016: 6.7%). The discount and growth rates have been consistently applied to all cash generating units.

KEY JUDGEMENTS AND ESTIMATES – TESTING THE CARRYING VALUE OF GOODWILL

(a) Determining whether goodwill is impaired requires an estimation of the value in use of the group of cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from those cash-generating units and a suitable discount rate in order to calculate present value.

(b) Determining whether goodwill is impaired requires an appropriate discount rate to be applied to future cashflows. The method of determining the discount rate has been changed from the Brennan-Lally model used for the prior period to derive a discount rate (2016: 6.7%) to the Classical model (2017: 9.85%). The key inputs into the Classical model include risk-free rate based on 10 year New Zealand government bonds, a market risk premiun and an equity beta based on share prices of a selection of listed recruitment companies in the USA and Europe.

C. Managing funding

IN THIS SECTION

This section explains the Group's reserves and working capital. In this section there is information about:

(a) equity and dividends

(b) net debt; and

(c) receivables and payables

C1 RETAINED EARNINGS

	GROUP	
	2017	**2016**
RETAINED EARNINGS AND DIVIDENDS	$000	$000
Balance at the start of the year	8,599	8,449
Dividends paid	(5,286)	(5,052)
Total comprehensive income for the year	5,867	5,202
Balance at 31 March	9,180	8,599

C2 SHARE CAPITAL

The share capital reflected in the following note represents the share capital of AWF Madison Group Limited.

	GROUP	
	2017	**2016**
	$000	$000
Issued and fully paid:		
As at 1 April	27,946	27,946
Cancellation of Treasury Shares	(322)	–
Balance at 31 March	27,624	27,946
Number of fully paid ordinary shares	32,463,393	32,463,393

All ordinary shares carry rights to dividends and distribution on wind-up. In addition, there are a number of shares options. Refer to Note F1 for details on the rules regarding the restricted share scheme for senior employees and directors.

C3 TREASURY ACCOUNT

Treasury shares are those purchased by the Group in the course of establishing an Executive Share Scheme. The balance as at 31 March is 127,800 shares (2016: 256,200) with a value of $319,000 (2016: $640,500).

During the year, 128,400 treasury shares expired with a value of $322,000.

C4 EARNINGS PER SHARE

	GROUP	
	2017	**2016**
	$000	$000
Comprehensive income for the year net of tax	5,867	5,202
Number of ordinary shares:		
As at 31 March	32,463,393	32,463,393
Weighted average number of shares for basic earnings per share	32,463,393	32,463,393
Total basic earnings per share (cents per share)	18.1	16.0
Weighted average number of shares (includes Stock Appreciation Rights "SARs") for diluted earnings per share	32,629,393	32,463,393
Total diluted earnings per share (cents per share)	18.0	16.0

In 2015, the Group set up a long term incentive scheme, offering the participant stock appreciation rights (SAR's) with a reference price of $2.28 per SAR (refer Note F1). During the year, the weighted average share price was $2.49. 166,220 SARs (2016: Nil) are effectively diluted, increasing the number of weighted average number of shares, thereby diluting the earnings per share to 18.0 cents per share (2016: 16 cents per share).

The restricted shares detailed in Note F1 could also potentially dilute earnings per share in the future, but currently are anti-dilutive.

C5 DIVIDENDS

	2017		**2016**	
	Cents per share	Total	Cents per share	Total
Recognised amounts:		$000		$000
Prior year final dividend	8.0	2,649	8.0	2,664
Interim dividend	8.0	2,637	7.2	2,388
		5,286		5,052
Final dividend	8.2	2,713	8.0	2,649

Subsequent event

On 25 May 2017 the directors approved the payment of a fully imputed final dividend of 8.2 cents per share (total dividend $2,713,068) to be paid on 4 July 2017 to all shareholders registered on 27 June 2017.

C6 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise of cash held by the Group and short-term bank deposits with an original maturity of less than three months. The carrying amount of these assets approximates their fair value.

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the consolidated cash flow statement:

- Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

	GROUP	
	2017	**2016**
CASH AND CASH EQUIVALENTS	$000	$000
Cash at bank	1,225	–
Bank overdraft	(108)	(870)
Total cash and cash equivalents	1,117	(870)

	GROUP	
	2017	**2016**
RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTVITIES	$000	$000
Net profit after income tax	5,867	5,202
Adjustments for operating activities non-cash items:		
Depreciation and amortisation	3,003	2,772
Impairment	443	–
Loss on disposal of property, plant and equipment	(50)	8
Movement in doubtful debts provision plus bad debt write off in current year	467	504
Capitalised Acquisition Finance Costs	–	44
Movement in deferred tax	(872)	(338)
Fixed Assets acquired at no cost	–	(226)
Equity-settled share-based payments	80	193
Total Non-cash items	3,071	2,957
Movements in working capital excluding movements relating to purchase of subsidiaries:		
(Increase) in trade and other receivables, net of bad debt expense	(4,380)	(5,625)
Increase/(decrease) in trade and other payables	2,188	(6)
(Decrease)/increase in provisions	(228)	133
Increase/(decrease) in taxation payable	1,108	(603)
Total movement in Working Capital	(1,312)	(6,101)
Cash flow from operating activities	7,626	2,058

C7 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade and other receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An allowance of $897,000 (2016: $589,000) has been made for estimated unrecoverable trade receivables.

The credit period on sale of services is between 7 and 30 days, unless otherwise agreed. No interest is charged on trade receivables for the first 30 days from the date of invoice. Thereafter, interest can be charged at 1.5 per cent per month on the outstanding balance.

Before accepting a new customer, the Group conducts reference checks using external sources. Customer checks and approval of credit limits are performed independently of the sales function, and are reviewed on an ongoing basis.

Included in trade receivables are debtors with a carrying value of $9.19 million (2016: $2.95 million) which are overdue at the reporting date. In determining the level of doubtful debt provision, an assessment has been made of the collectability of this debt. The Group does not hold any collateral over these balances.

One large overdue debtor owes the group $1.4 million (2016: $1.3 million). The payment to the Group is dependent on variation payments to the debtor being approved and paid by head contractors in the projects. Due to the length of time this debt has been outstanding and the lack of certainty surrounding the variation invoices, the group has taken steps to ensure it receives the debt it is owed by appointing a liquidator. The Group has also provided $800,000 (2016: $300,000) against this debt in case the variations are not all approved by the head contractors.

	GROUP	
	2017	**2016**
TRADE AND OTHER RECEIVABLES	$000	$000
Trade receivables	41,098	30,069
Less: Provision for doubtful debts	(897)	(589)
Total trade receivables	40,201	29,480
Other receivables	5,332	3,637
Total trade and other receivables	45,533	33,117
MOVEMENT IN PROVISON FOR DOUBTFUL DEBTS		
Opening provision	589	342
Impairment losses recognised	699	510
Write-offs to bad debts during the year	(163)	(163)
Impairment losses reversed	(228)	(100)
Closing provision for doubtful debts	897	589
AGING OF OVERDUE RECEIVABLES THAT ARE NOT IMPAIRED		
30 – 60 days	2,616	1,475
60 + days	3,457	1,476
Total past due but not impaired trade receivables	6,073	2,951
AGING OF OVERDUE RECEIVABLES THAT ARE IMPAIRED		
0 – 30 days	–	12
30 – 60 days	–	11
60 + days	897	566
Total past due but not impaired trade receivables	897	589

Information about major customers

The Group has no customers making up more than 10% of the 2017 Group revenue (2016: 11.0%).

KEY JUDGEMENTS AND ESTIMATES – RECOVERY OF OVERDUE RECEIVABLES

Determining the recoverability of debts owed by a customer requires a view on whether services provided by that customer to a third party are valid and to the correct standard. The customer is reliant on being paid by the third party for services provided before they are able to pay the Group. The Group has taken a view based on professional advice and information received from various interested parties.

The Group's management has reviewed outstanding debtors on a branch-by-branch basis and the doubtful debt provision at 31 March 2017 represents the best estimate of amounts that will not be collected. The concentration of credit risk is limited due to the size of the customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

C8 BORROWINGS

Accounting Policy

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and settlement or redemption of borrowing is recognised as interest over the term of the borrowings.

	GROUP	
	2017	**2016**
	$000	$000
Bank loan	33,500	21,000
	33,500	21,000
Classified as:		
Current	–	2,500
Non-current	33,500	18,500
Total bank loans	33,500	21,000

Summary of borrowing arrangements

The Group has a term loan facility of $36.0 million with ASB Bank Limited of which $33.5 million was drawn as at 31 March 2017 (2016: $18.5 million with ANZ Bank New Zealand Limited).

The loan facilities are secured by cross guarantee and indemnity between AWF Limited, AWF Madison Group Limited, AWF Christchurch Limited, Madison Recruitment Limited and Madison Force Limited.

Interest is calculated on a floating rate and the annual weighted average rate is 4.74% (2016: 5.31%). The rate is reset every three months. The loan is an interest only loan and is repayable on 2 September 2019. The balance at 31 March 2017 was $33.5 million (2016: $18.5 million).

The Group has an overdraft facility of $12.0 million with ASB Bank Limited. The balance of the overdraft was $6.464 million as at 31 March 2017. With cash on hand of $6.356 million at 31 March 2017, the net current borrowing position with ASB Bank Limited was $108,000.

During the year, the Group repaid a Commercial Flexi Facility of $2.5 million with ANZ Bank New Zealand Limited. The balance at 31 March 2016 was $2.5 million.

C9 TRADE AND OTHER PAYABLES

Accounting Policy

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Income, expenditure, assets and liabilities are recognised net of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST where invoiced.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

	GROUP	
	2017	**2016**
TRADE AND OTHER PAYABLES	$000	$000
Trade payables	9,819	2,156
Goods and services tax (GST) payable	3,452	3,473
PAYE	2,715	1,921
Other payables and accruals	12,121	11,268
Total trade and other payables	28,107	18,818

D. Financial instruments used to manage risk

IN THIS SECTION

This section explains the financial risks the Group faces, how these risks affects the Group's financial position and performance and how the Group manages these risks.

D1 FINANCIAL RISK MANAGEMENT

The Group monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk and liquidity risk.

Currency risk

The Group does not undertake transactions in foreign currencies and therefore has no currency risk.

Credit risk

The Group's principal financial assets are cash and cash equivalents, and trade and other receivables.

The credit risk on liquid funds is limited because the counterparty is a bank with a high credit-rating assigned by international credit-rating agencies. The maximum credit risk on other balances is limited to their carrying values without taking into account any collateral held.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Group has no significant concentration of credit risk as its exposure is spread over a large number of customers other than outlined in note C7.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note C8, cash and cash equivalents (note C6) and equity attributable to equity holders of the Group, comprising issued retained earnings, share capital and treasury account as disclosed in notes C1, C2 and C3 respectively.

The directors review the capital structure on a periodic basis. As part of this review the directors consider the cost of capital and the risks associated with each class of capital. The directors will balance the overall capital structure through payment of dividends, new share issues, and share buy backs as well as the issue of new debt or the redemption of existing debt.

D2 FINANCIAL INSTRUMENTS

Accounting policy

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. All of the financial assets of the Group, which include trade and other receivables, other current assets (deposits), are classified as loans and receivables at amortised cost.

Fair value of Financial instruments

The carrying amounts of financial instruments at balance date approximate the fair value at that date.

Liquidity and interest rate risk management

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest cash flows are at floating rates, the undiscounted cash flows are derived from interest rates at 31 March.

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 – 12 months	1-5 years	5+ years	TOTAL
	%	$000	$000	$000	$000	$000	$000
2017							
Non-interest bearing		17,885	5,678	8,037			31,600
Floating interest	3.59%	209	201	903	35,206		36,519
		18,094	5,879	8,940	35,206	–	68,119
2016							
Non-interest bearing		7,998	6,723	4,097	–	–	18,818
Floating interest	4.63%	2,581	162	729	18,500	–	21,972
		10,579	6,885	4,826	18,500	–	40,790

Sensitivity analysis

The sensitivity analysis has been based on the exposure to interest rates for borrowings at 31 March.

A 50 point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	INTEREST RATE		
	2017		**2016**
	$000	SENSITIVITY	$000
Impact on profit and equity	94	+/ – 50 bps	77

E. Group structure

IN THIS SECTION

This section provides information to help readers understand of the Group's structure and how it affects the financial position and performance of the Group. In this section there is information about:

(a) subsidiaries.

E1 SUBSIDIARIES

Accounting Policy

Basis of consolidation

The Group financial statements comprise the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the Company:

- has powers over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements include the financial statements of AWF Madison Group Limited and the subsidiaries listed below. Subsidiaries are entities controlled, directly or indirectly, by AWF Madison.

NAME OF SUBSIDIARY	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
2017				
AWF Limited	New Zealand	100%	100%	Labour hire
Allied Work Force Christchurch Limited	New Zealand	100%	100%	Labour hire
Madison Recruitment Limited	New Zealand	100%	100%	Recruitment
Madison Force Limited	New Zealand	100%	100%	Recruitment
Absolute IT Limited	New Zealand	100%	100%	Recruitment and Payroll Services
2016				
AWF Limited	New Zealand	100%	100%	Labour hire
Allied Work Force Christchurch Limited	New Zealand	100%	100%	Labour hire
Madison Recruitment Limited	New Zealand	100%	100%	Recruitment
Madison Force Limited	New Zealand	100%	100%	Recruitment

AWF Madison acquired the shares of Absolute IT Limited and its subsidiaries on 1 November 2016.

As at 31 March 2017, Absolute IT (Auckland) Limited, Absolute IT (Waikato/BOP) Limited, Absolute Payroll (Auckland) Limited and Absolute Payroll (Wellington) Limited were amalgamated into Absolute IT Limited.

F. Other

IN THIS SECTION

This section includes the remaining information relating to the Group's financial statements that is required to comply with financial reporting standards.

F1 EMPLOYEE BENEFITS AND SHARE BASED PAYMENTS

Accounting Policies

1 Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

2 Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

3 Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

4 The Group operates an equity-settled share based incentive scheme for senior staff and directors that is settled in ordinary shares. The fair value of these share-based payments is calculated on grant date using an appropriate valuation model. The fair value is included in employee benefits expense on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The same amount is credited to shareholders equity. At each balance date, the Group re-assesses its estimates of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognised in employee benefits expense immediately, with a corresponding adjustment to shareholders equity.

5 The Group operates an equity-settled stock appreciation right scheme for its chief executive that is settled in ordinary shares. The fair value of the stock appreciation rights are treated as share based payments as per the requirements of NZ IFRS 2 (Share Based Payment). The fair value of the SAR's are calculated on grant date using an appropriate valuation model. The fair value is included in employee benefits expense on a straight line basis over the vesting period. The same amount is credited to shareholders equity.

EMPLOYEE BENEFITS	2017 $000	2016 $000
Equity-settled share-based payments	80	193
Employer contribution to Kiwisaver	2,658	2,132
Purchase of employee held shares (non-equity)	–	400
Employee benefits	226,412	187,608
Total employee benefits	229,150	190,333

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management during the year was as follows:

	2017 $000	2016 $000
Salaries and short-term benefits	2,291	1,525
Employer contribution to Kiwisaver	80	50
Share based payments	41	98
Total key management personnel compensation	2,412	1,673

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Employee and director share schemes

The Group has an ownership-based compensation scheme for senior employees and directors of the Group. In accordance with the provisions of the restricted share scheme, as approved by shareholders, senior employees and directors may, at the discretion of the Board, be granted the opportunity of purchasing restricted shares at a price determined by the Board under the rules of the scheme.

Invited participants purchase the shares by way of an interest free loan from the Group. There have been six issues of restricted shares as detailed below. Participants may convert their shares from the vesting date and only when they have repaid the loan from the Group. The shares issued to participants are held as security for the loan until such time the loan has been repaid. Restricted shares are entitled to all the rights as ordinary shares, including dividends and full voting rights, but are not tradable until they are converted to ordinary shares based on the terms of the scheme.

During the year, 128,400 Restricted B shares expired. The Group also issued 165,000 restricted shares to senior staff. The shares issued were 66,000 Restricted E shares and 99,000 Restricted F shares and issued to staff under the terms of the Group share scheme. At the same time an interest free loan was provided to staff to purchase these shares pursuant to the terms of the scheme. A total of 65,000 shares were forfeited during the year (12,000 Restricted C shares, 18,000 Restricted D Shares, 14,000 Restricted E shares and 21,000 Restricted F shares) and the corresponding interest free loan provided to staff was cancelled.

At 31 March 2017, there were 622,800 (2016: 651,200) shares held by staff members and corresponding loans to the value of $1,591,650 (2016: $1,655,650).

The following share-based payment arrangements were in existence at 31 March 2017.

RESTRICTED SHARE SERIES	Number	Grant date	Vesting date	Expiry date	Issue price $	Fair value at grant date $
(1) Restricted A shares issued 19 November 2012	127,800	19/11/2012	1/06/2015	1/06/2017	2.50	0.72
(2) Restricted C shares issued 30 July 2014	146,000	30/07/2014	1/01/2017	1/01/2018	2.57	0.62
(3) Restricted D shares issued 30 July 2014	219,000	30/07/2014	1/07/2019	1/07/2020	2.57	0.87
(4) Restricted E shares issued 23 November 2016	52,000	23/11/2016	1/07/2019	1/07/2020	2.57	0.59
(5) Restricted F shares issued 23 November 2016	78,000	23/11/2016	1/01/2022	1/01/2023	2.57	0.79

The rules of the restricted share scheme (which for accounting purposes are treated as share options) allow participants to hand back to the Group restricted shares issued to them at the vesting date (or during the exercise period) should the market price of the shares be below the exercise price. If the restricted shares are handed back to the Group, the loan from the Group is cancelled. Due to the nature of the restricted share scheme, the scheme has been treated as a share option scheme under NZ – IFRS 2 Share-based Payment and a value placed on each restricted share in accordance with the standard.

Restricted shares are valued using Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 2 years. To allow for the effects of early exercise, it was assumed that senior employees and directors would exercise the options immediately after vesting.

INPUTS INTO THE MODEL	A shares	C shares	D shares	E shares	F shares
Issue date	19/11/2012	30/07/2014	30/07/2014	23/11/2016	23/11/2016
Vesting date	1/06/2015	1/01/2017	1/07/2019	1/07/2019	1/01/2022
Asset value at Issue date	$2.48	$2.45	$2.45	$2.45	$2.45
Strike Price	$2.50	$2.57	$2.57	$2.57	$2.57
Days until vesting	924	886	1,797	950	1,865
Expected life (years)	2.5	2.4	4.9	2.6	5.1
Risk Free Rate	2.5%	4.0%	4.0%	2.4%	2.4%
Annualised Volatility	30.0%	30.0%	30.0%	26.5%	26.5%
Option Value	0.72	0.62	0.87	0.59	0.79

The following reconciles the outstanding restricted shares granted under the restricted share scheme at the beginning and end of the year:

	2017		2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	$	Number	$
Balance at 1 April	651,200	2.54	831,200	2.55
Issued during the year	165,000	2.57	–	–
Expired during the year	(128,400)	2.50	–	–
Forfeited during the year	(65,000)	2.57	(180,000)	2.57
Balance at 31 March	622,800	$2.56	651,200	2.54

The restricted shares outstanding at 31 March had a weighted average remaining contractual life of 1,342 days (2016: 823 days).

The net impact recognised by the Group in the current reporting period for Restricted shares is a credit of $9,000 (2016: $132,000).

Stock appreciation rights

During 2015 the Group set up a long term incentive scheme whereby the participant is offered stock appreciation rights (SAR's). These are to be settled in ordinary shares, subject to certain performance conditions being met as measured by the Total shareholder return (change in the market value of ordinary shares and amount of cash dividends paid) and the holder being a current employee at the vesting date. The fair value of the SAR's were determined using an adjusted Binomial model which incorporates performance conditions by taking into consideration the potential pay-off scenarios of the SARs.

INPUTS INTO THE MODEL	S.A R.'s
Issue date	24/07/2015
Vesting date	1/07/2020
Share price as at grant date	$2.34
Reference price	$2.28
Days until vesting	1,804
Expected life	4.94
Risk Free Rate	3.0%
Annualised Volatility	27.5%
SAR Value ($)	0.20

The expected volatility was determined by assessing the Group's continuously compounded daily returns for the two year period prior to the grant date.

As at 31 March 2017 there were 2,000,000 SAR's in the scheme with a value of $404,000

The expense recognised by the Group in the current reporting period is $89,000 (2016: $61,000).

F2 PROVISIONS

Accounting policy

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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 end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

	GROUP	
	2017	**2016**
PROVISION FOR MEDICAL COSTS	$000	$000
Provision for medical costs at the start of the year	445	312
Payments made during the year	(589)	(201)
Revaluation of provision	146	296
Outstanding costs incurred in the current year	215	38
Provision for medical costs at the end of the year	217	445
Current	217	445
Non-current	–	–

KEY JUDGEMENTS AND ESTIMATES – REHABILITATION UNDER THE ACC PARTNERSHIP PROGRAMME

Provisions represents management's best estimate of the Group's liability for ongoing medical and rehabilitation costs for open claims in terms of the partnership agreement with Accident Compensation Corporation, based on past experiences and the nature of the open claims.

F3 RELATED PARTIES

Controlling Entity

The SA Hull Family Trust No.2, which holds 16,782,812 shares is the ultimate controlling entity of the Group, having a 51.7% holding.

Trading Transactions

During the year, Group entities entered into the following trading transactions with a related party that is not a member of the Group:

	Property leases	
	2017	**2016**
	$000	$000
Hull Properties Limited	15	37
	15	37

Simon Hull is a shareholder of Hull Properties Limited. The lease expired during the year. Lease payments were on commercial terms. No amounts remain unpaid at 31 March 2017 (2016: Nil).

F4 COMMITMENTS

Accounting Policy

1 Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

3 Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Operating leases, measurement and recognition

Operating lease payments represent rentals payable by the Group for its operational properties, motor vehicles and printers.

Property leases are negotiated for an average term of nine years and rentals are fixed for an average of three years. Property leases contain clauses for rental increases in line with CPI.

Motor vehicles are negotiated for a period of three to five years and are fixed. Printers are negotiated for between three and four years.

	GROUP	
	2017	**2016**
OPERATING LEASES RECOGNISED AS AN EXPENSE	$000	$000
Minimum lease payments under operating leases recognised as an expense in the year	2,525	1,991
	2,525	1,991

Non-cancellable operating lease commitments

As at balance date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP	
	2017	**2016**
NON-CANCELLABLE OPERATING LEASE COMMITMENTS	$000	$000
Less than 1 year	2,768	2,002
Later than 1 year and not later than 5 years inclusive	5,972	3,668
More than 5 years	2,241	1,833
Total operating lease commitments	10,981	7,503

	GROUP	
	2017	**2016**
CAPITAL EXPENDITURE COMMITMENTS	$000	$000
Property, plant and equipment	–	250
Total capital expenditure commitments	–	250

The Group has no capital committed at 31 March 2017 (2016: $250,000 for fitout of new premises).

AWF Madison Group Limited has a guarantee to New Zealand Exchange Limited for $75,000 dated 24 May 2005.

F5 CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent assets or liabilities at 31 March 2017 (2016: $Nil).

F6 EVENTS AFTER THE REPORTING PERIOD

No subsequent event has occurred since balance date that would materially impact the financial statements as at 31 March 2017.

G. Significant matters in the financial year

IN THIS SECTION

Significant matters which have impacted the Group's financial performance.

G1 PURCHASE OF ABSOLUTE IT GROUP

Accounting policy

Acquisition of businesses are accounted for using the acquisition method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant NZ IFRSs.

The Group's goodwill policy is set out in note B3.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet conditions for recognition under NZ IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 Income taxes and NZ IAS 19 Employee Benefits respectively.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Effective 1 November 2016, AWF Madison Group Limited acquired the shares of Absolute IT Limited, Absolute IT (Auckland) Limited, Absolute IT (Waikato/BOP) Limited, Absolute Payroll (Auckland) Limited and Absolute Payroll (Wellington) Limited ("Absolute IT Group").

Absolute IT Group is a specialist in the Information Technology recruitment sector with offices in Auckland, Hamilton, Wellington and Christchurch. The acquisition of Absolute IT Group expands AWF Madison's presence in the fast-growing Information Technology recruitment market, adding to its existing operations in both blue and white collar recruitment. The goodwill and identifiable intangible assets are not deductible for income tax purposes.

Name	Principal activity	Date of acquisition	Proportion acquired	Cost of acquisition
			%	$000
Absolute IT Group	Temporary, contract and permanent staff services to commerce	2/11/2016	100	14,718

Analysis of assets and liabilities acquired	Fair value on acquisition $000
Non-current assets	
Plant and equipment	261
Intangible assets	
Absolute IT brand	1,980
Customer relationships	2,865
Restraint of Trade	863
Current assets	
Trade receivables	8,477
Other receivables	40
Cash and cash equivalents	1,395
Non-current liabilities	
Deferred tax	(1,598)
Current liabilities	
Trade and other payables	(7,199)
Taxation payable	(202)
	6,882
Goodwill on acquisition	7,836
Cost of acquisition	14,718

The Group used an external valuation specialist to value the identifiable intangible assets.

The intangible assets acquired comprise assets that have both finite and indefinite life spans. The Absolute IT brand is considered to have an indefinite life span and the customer relationships and restraints of trade have a finite life span. Intangible assets with a finite life span are amortised over their estimated useful lives. Refer to note B2.

The receivables acquired (which principally comprise trade receivables) in this transaction had gross contractual amounts of $8.477 million. It is estimated that these amounts also represent the fair value of receivables. At acquisition date, it is estimated that all amounts are collectable.

Cost of acquisition

The cost of acquisition of Absolute IT Group was made up as follows:

	$000
Paid in cash	11,298
Earn-out payment	3,420
	14,718

Under the contingent consideration arrangement, the Group is required to pay the vendors an additional amount of up a maximum of $4.2 million if Absolute IT Group's earnings achieve defined thresholds for the 52 weeks to 1 November 2017. The directors estimate the amount payable under this arrangement will be $3.420 million based on 12 month forecast Absolute IT Limited's gross profit and represents the estimated fair value of this obligation at the acquisition date.

Acquisition related costs amounting to $262,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

Net cash outflow on acquisition

	$000
Total purchase consideration	14,718
Less non cash considerations:	
Contingent consideration	3,420
Consideration paid in cash	11,298
Less: cash and bank balances acquired	1,395
Net cash paid	9,903

Goodwill on acquisition

Goodwill arose in the acquisition of Absolute IT Group as the consideration paid included amounts in relation to the benefit of future market development and the assembled client base, candidate data base and workforce. The portion of these benefits that relates to contracts with major clients, the Absolute IT brand, and the restraint of trade agreements imposed on the vendors have been valued separately as intangible asset. The remaining benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

KEY JUDGEMENTS AND ESTIMATES – IDENTIFICATION AND FAIR VALUE OF IDENTIFIABLE INTANGIBLE ASSETS

The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. The Group uses the skills and experience of valuation specialists in establishing an initial range within which fair value is to be recognised. Judgement is then applied in selecting the value to recognised on the balance sheet. Judgement is also applied in determining the useful life of the intangible assets which impacts directly on the amortisation charges to be incurred following an acquisition.

In determining the values for identified intangible assets, being Brand names, Customer relationships and Restraint of trade, valuations were performed by an external valuation specialist. The fair values were determined as follows:

- Brand name was valued using the relief from royalty method under the income approach. This method essentially looks at the theoretical royalty costs that are saved by owning the brand name instead of leasing it. The key inputs are royalty rate, discount rate and forecast revenue.
- Customer relationships were valued using the multi-period excess earnings method. This method uses an indirect approach to determining the value of an intangible asset by deducting an estimate of the after tax contribution to earnings of all other assets and deriving a residual or excess earnings that is then attributed to asset being valued and capitalised at an appropriate required rate of return for that asset. The forecast EBIT is then discounted. It is often used to value intangible assets that are a core part of the business where it is difficult to observe a direct contribution or economic benefit from ownership of the asset. Key inputs are forecast EBIT, discount rate and implied return on other identified assets.
- Restraint of trade was valued using the comparative income differential method. This method involves comparing and assessing the difference in future earnings with or without the benefit of future access to or use of the intangible asset being valued. Key inputs are forecast EBIT and discount rate.

Impact of acquisitions on the results of the Group

For the period 1 November 2016 to 31 March 2017, included in Group profit after tax is $809,000 and in Group revenue $27.6 million attributable to Absolute IT Group.

Had this business combination been effected at 1 April 2016, the revenue of the Group from continuing operations would have been approximately $301.6 million, and the net profit after tax for the year from continuing operations would have been approximately $7.5 million. The directors consider these estimated numbers to represent an approximate measure of the performance of the combined group on an annualised basis and provide a reference point for comparison in future periods.

In determining the estimated revenue and profit of the Group had Absolute IT Group been acquired at the beginning of the current year, the directors have:

- Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- Calculated amortisation of identifiable intangible assets acquired based on the value of these assets at date of acquisition.

Companies Act 1993 disclosures

The Directors of AWF Madison Group Limited submit herewith the annual financial report of the company for the financial year ended 31 March 2017. In order to comply with the Companies Act 1993, the Directors report as follows:

The names and particulars of the Directors of the company during or since the end of the financial year are:

Directors Name	Particulars
Ross Keenan	Chairman, joined the board in 2005 in a non-executive capacity. Mr Keenan is a member of the Audit, Finance and Risk Committee, the Organisation Committee and the Remuneration Committee.
Simon Hull	Director, and founding shareholder. Mr Hull is Chairman of the Boards' Health and Safety Committee and member of the Audit, Finance and Risk Committee, the Organisation Committee and the Remuneration Committee.
Eduard van Arkel	Director, joined the board in 2005 in a non-executive capacity. Mr van Arkel is a member of the Organisation Committee, the Audit, Finance and Risk Committee and the Remuneration Committee.
Julia Hoare	Director, joined the board in 2013 in a non-executive capacity. Ms Hoare is Chairperson of the Audit, Finance and Risk Committee and a member of the Organisation Committee and the Remuneration Committee.
Wynnis Armour	Director, joined the board in 2015 in a non-executive capacity. Ms Armour was a founding shareholder of Madison Recruitment Limited and is Chairperson of both the Remuneration Committee and the Organisation Committee; and a member of the Audit, Finance and Risk Committee.
Rachel Hopkins	Associate Director, joined the Board in 2015 and retired on 30 November 2016.

Entries recorded in the Interests Register

Entries in the Interest Register made during the year and disclosed pursuant to sections 211(1)(e) and 140(1) of the Companies Act 1993 are as follows:

(a) Directors Interests in transactions

1. The Directors had no interests in transactions in the current year.

(b) Share dealings by Directors

The following table sets out each Directors relevant interest in shares of the company as at the date of this report.

Director	Ordinary shares	Restricted A shares
Ross B Keenan	156,875	18,000
Eduard K Van Arkel	67,000	10,800
Simon A Hull	16,782,812	
Wynnis Armour	252,375	

Disclosure of interests by Directors

Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

EDUARD KOERT VAN ARKEL

AWF Madison Group Ltd	Director
Restaurant Brands NZ Ltd	Chairman
Auckland Regional Chamber of Commerce	Director
Lang Properties Ltd	Director
Van Arkel & Co Ltd	Director
Danske Mobler Ltd	Director
Abano Healthcare Group	Director
Phillip Yates Securities Ltd	Director
Indemnity from the Company under the D&O Insurance policy	

ROSS B. KEENAN

AWF Madison Group Ltd	Chairman
Touchdown Ltd	Director
Indemnity from the Company under the D&O Insurance policy	

SIMON HULL

AWF Madison Group Ltd	Director
AWF Ltd	Director
AWF Christchurch Ltd	Director
Hull Properties Ltd	Director
Nano Imports Ltd	Director
Multihull Ventures Ltd	Director
Marlborough Developments Ltd (2007)	Director
Indemnity from the Company under the D&O Insurance policy	

JULIA HOARE

AWF Madison Group Ltd	Director
New Zealand Post Ltd	Director
A2 Milk Company Ltd	Deputy Chairperson
Watercare Services Ltd	Deputy Chairperson
Port of Tauranga Ltd	Director
External Reporting Boards Advisory Panel – ARB Accounting Standards	
Indemnity from the Company under the D&O Insurance policy	

WYNNIS ARMOUR

AWF Madison Group Ltd	Director
Armour Consulting Ltd	Director
ArcAngels Ltd	Director
Maby Ltd	Director
Common Grounds Café Ltd	Director
University of Canterbury Foundation	Trustee
Indemnity from the Company under the D&O Insurance policy	

RACHEL HOPKINS

AWF Madison Group Ltd	Associate Director (retired on 30 November 2016)
Hodhop Trustee Company Limited	Director
Indemnity from the Company under the D&O Insurance policy	

Changes in state of affairs

During the year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Director Remuneration

The following table discloses the remuneration of the Directors of the company:

Director	Annual	Fees paid in year	Salary and Bonus	Share-based payments	Total
	$'000	$'000	$'000	$'000	$'000
Ross Keenan	95	93			93
Eduard van Arkel	53	52			52
Simon Hull	53	52			52
Julia Hoare	53	52			52
Wynnis Armour	53	52			52
Rachel Hopkins (retired 30 Nov 2016)	25	1			1
		302	-	-	302

Employee Remuneration

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of the company, excluding Directors of the company, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year:

Remuneration	Number of Employees 2017	2016
$100,000 - 109,999	6	5
$110,000 - 119,999	9	4
$120,000 - 129,999	8	1
$130,000 - 139,999	2	1
$140,000 - 149,999	1	7
$150,000 - 159,999		3
$160,000 - 169,999	3	
$170,000 - 179,999	4	1
$180,000 - 189,999	2	
$200,000 - 209,999	1	1
$230,000 – 239,999	2	
$240,000 – 249,999	1	
$260,000 - 269,999	1	1
$460,000 - 469,999		1
$470,000 - 479,999		1
$490,000 – 499,999	1	

Additional stock exchange information
As at 24 May 2017

Share registry

Link Market Services
Level 11, Deloitte Centre
80 Queen St
Auckland 1010
New Zealand

PO Box 91976
Auckland, 1142
New Zealand
Telephone: +64 9 375 5998

Distribution of holders of quoted shares

Size of holding	Number of fully paid ordinary shareholders	Percentage	Number of fully paid shares	Percentage
1 - 1000	55	9.91	33,524	0.1
1001 - 5000	225	40.54	666,110	2.05
5001 - 10000	112	20.18	850,909	2.62
10001 - 50000	129	23.25	2,803,200	8.63
50001 - 100000	16	2.88	1,215,966	3.75
100001 and Over	18	3.24	26,893,684	82.84
TOTAL	555	100	32,463,393	100

Substantial security holders

Pursuant to sub-part 3 of part two of the Securities Markets Act 1988, the following persons have given notice that they were substantial security holders in the company and held a "relevant interest" in the number of fully paid ordinary shares shown below:

Substantial security holder	Fully paid shares in which relevant interest is held		
	Number	Percentage	Date of notice
SA Hull	16,716,462	51.49%	7/04/2015
Milford Asset Management Limited	1,341,047	5.20%	23/01/2014

Twenty largest holders of quoted equity securities

Investor	Total Units	Percentage
Simon Alexander Hull & David John Graeme Cox	16,782,812	51.70%
New Zealand Central Securities Depository Limited	3,936,279	12.13%
Masfen Securities Limited	1,447,001	4.46%
Russell John Field & Anthony James Palmer	1,125,000	3.47%
David Mitchell Odlin	441,375	1.36%
Peter Abe Hull & Antoinette Ngaire Edmonds & Rennie Cox Trustees No 1 Ltd	435,196	1.34%
Susanne Rhoda Webster	426,750	1.31%
Ian Harold Holland	333,800	1.03%
FNZ Custodians Limited	275,340	0.85%
Wynnis Ann Armour & Jocelyn Patricia Dutton	252,375	0.78%
Joanna Hickman & John Anthony Callaghan & Kevin James Hickman	245,170	0.76%
FNZ Custodians Limited	229,456	0.71%
Simon James Bennett	225,875	0.70%
Philip John Talacek	169,977	0.52%
Ross Barry Keenan	156,875	0.48%
Garrett Smythe Limited	156,250	0.48%
Custodial Services Limited	132,440	0.41%
Lay Dodd Trustee Services Limited & Patricia Anne Neal	121,713	0.37%
James Michael Robert Syme	100,000	0.31%
Murray Alan Hilder & Janet Mary Hilder & Dale Paretovich	97,371	0.30%

Directory

Registered Office

Level 6, 51 Shortland Street
PO Box 12832
Penrose
AUCKLAND
Ph: 09 526 8770

Directors

Ross Keenan (Chairman)
Eduard van Arkel (Independent Director)
Julia Hoare (Independent Director)
Rachel Hopkins (Associate Director – retired 30 November 2016)
Simon Hull (Non-Executive Director)
Wynnis Armour (Non-Executive Director)

Auditor

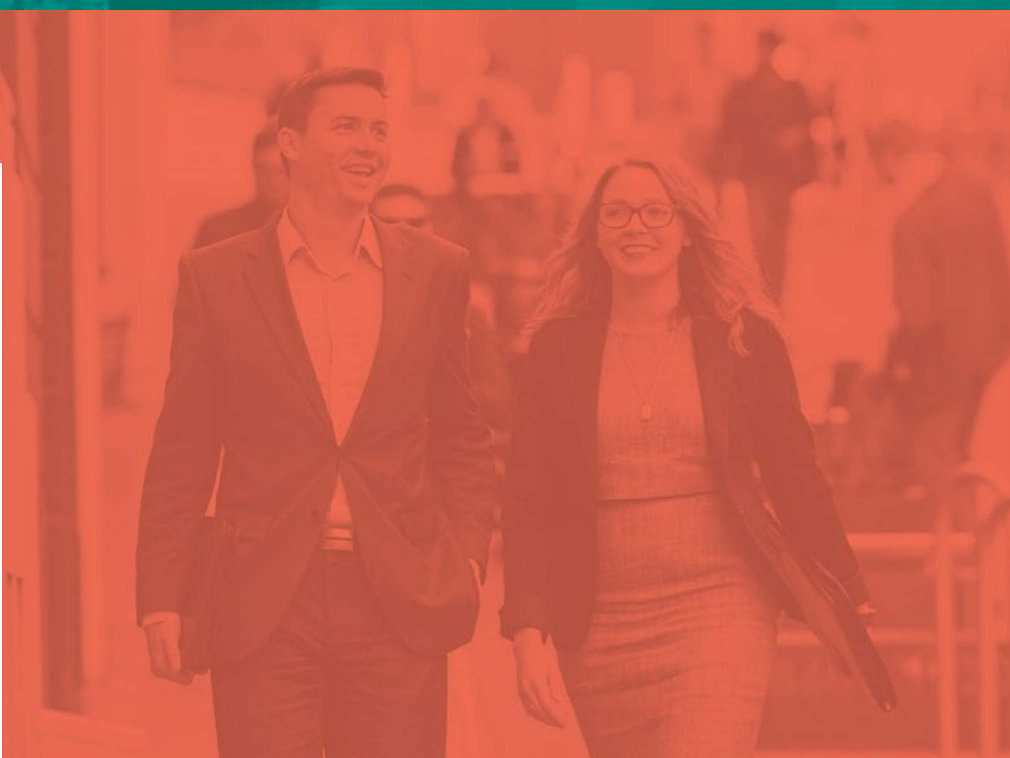
Deloitte Limited
Deloitte Centre
80 Queen Street
PO Box 33
Auckland
Phone: +64 9 309 4944
Fax: +64 9 309 4947

Solicitors

Russell McVeagh
Vero Centre
48 Shortland Street, PO Box 8
Auckland 1140
New Zealand
DX CX10085
Phone: +64 9 367 8000
Fax: +64 9 367 8163

Share Registry

Link Market Services
L11, Deloitte Centre
80 Queen St
Auckland
New Zealand
PO Box 91976
Ph: +64 9 375 5998
or: 0800 377 388



AWF MADISON

Registered Office of
AWF Madison Group Limited

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PO Box 12832
Penrose
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awfmadison.co.nz