Interim Report 2018

AWF MADISON

Our course is clear and the Company faces the future with confidence.

Simon Bennett, CEO

Contents

Refocusing the AWF Business.

Simon Bennett, CEO

In the first half of FY2019 AWF did not rebound as we had expected. We are disappointed by the business's performance, but we have a clear vision of the direction in which we need to take it.

AWF has been experiencing margin decline for a number of years now. We had expected to stem this tide and begin to grow both margin and revenue.

Two factors drive margin in AWF: the declared mark-up on hourly rate; and the realised cost of other minimum entitlements, training and PPE (personal protective equipment) provided to the worker. With our overseas workers (predominantly Filipino) the costs also include travel commitments and guaranteed salary in between assignments, or prior to them commencing their work on arrival.

Over the last few years the costs of training and PPE have risen as we continue to lift the standard of care for our workers; and we have not been able to fully recover these costs from our clients in most cases.

What we have achieved is a lift in the quality of our workforce and, over time, this positions us better to renegotiate improved rates with our clients at contract renewals.

The smooth deployment of our migrant workers is dependent on timely approvals of visa applications.

As we reported at the end of FY2017, we had a backlog of unprocessed visas, which were all approved by the beginning of this calendar year. We made the decision to bring all these workers to Auckland, at what, in retrospect, transpired to be an inopportune time.

The resultant disruption to these workers' lives generated some negative publicity, and we went well beyond our contractual obligations in paying them and ensuring they were redeployed to work as quickly as possible.

During this time, some substantial clients had contract issues with large head contractors. As a result of failed progress and variation claims of these clients, which became litigious, they could not sustain adequate working capital to retain workers. We were forced to reduce our exposure to these clients and endeavoured to redeploy workers elsewhere.

We supported our workers throughout, up to and during the ensuing client liquidations, when all workers were immediately superfluous to these clients' requirements.

This compounded the initial issue and took many months to resolve, and resulted in the first half of FY2019 reporting a large increase in provision for doubtful debts.

It is clear that there is opportunity in the construction sector and that, well-managed, the opportunity exists to deploy large numbers of migrant workers. We will be conservative in the degree to which we continue to participate for the foreseeable future.

In AWF's wider business we have seen this tide of margin decline finally halted and some growth of new smaller clients who are aligned with our views around fair compensation to workers, including and beyond base pay rates.

Procurement-driven, cost-out clients are becoming less desirable to us, but we now have a core group in our base business from which we can drive growth.

This repositioning of AWF has not distracted us from the remainder of the business, which is growing both in turnover and profitability. Both Madison and Absolute IT grew during the six months under review.

Absolute IT has seen a swing to greater demand for permanent recruitment, which is less dependent on working capital and more profitable in the short term.

As business confidence softens we expect a gradual trend back towards contracting. Absolute IT remains in good heart, and sees continued growth prospects.

We were saddened by the recent passing of one of the founders of Absolute IT, Martin Barry.

Tracey Johnson, our GM, is continuing to redefine our delivery model and is focussing on the growth of her leaders. We are excited to have partnered with technology industry analysts TIN to sponsor the newly named "Absolute IT Supreme Scale-ups Awards", which reflects the fact that the TIN200 companies, as a whole, are coming of age.

As reported by TIN "Our fastest growing companies, ranked 101-200 in the TIN Report, are a maturing group of companies whose products have been proven and fine-tuned to meet market needs, and they are expanding rapidly on a global scale. A key part of any company expansion is recruiting the right staff at the right time".

We are proud to be a key stakeholder in, and contributor to, this key sector of the economy.

Christian Brown, Madison's GM, continues to build on the business's strength and capability in projects of scale and significance in the government sector.

On the back of some strong delivery of projects, we have been targeted for other proposals by new and existing clients. These projects involve the sourcing, management, training and redeployment of contingent workers, driving revenue growth.

At the same time the strength of the economy has also driven growth in demand for permanent recruitment, with a drop-off in temporary hiring from our mainstream client base. Like Absolute IT, Madison expects this trend to slowly reverse.

As I described in our latest annual report, a new Government and much discussion in the Employment Relations space have made for interesting times.

We have been engaging proactively with Government and the appropriate Select Committee that is considering changes to employment legislation.

We feel very comfortable with the goals of both Government and the Opposition. The changing needs of the workforce are being recognised, and the importance of temporary workers is acknowledged as a key and legitimate part of the employment landscape.

I'm confident that any changes to the legislative framework in which we operate will be measured and sensible.

I'm grateful for the commitment of my Leadership team, which has been stable but for the maternity leave of our long-standing and loyal Marketing Manager Shereen Low.

I'm excited to welcome Liz Meleisea to lead our group marketing function. Liz brings an external view, specialist sourcing expertise and enthusiasm to this key function.

This has been one of the harder six months of my tenure as CEO. While I am not happy with the latest results we have delivered, our course is clear and the Company faces the future with confidence.

Revenue

Down 1.0% from $143.1m last year

Up 3.9% on $136.2m for the preceding six months

$141.6 Million

Net Profit After Tax

Down 40% from $3.4m last year

Up 25.9% on $1.6m for the preceding six months

$2.1 Million

Net Operating Cash Flow

Down from $11.9m last year (recovery of high debtor book 31st March 2017)

Up from -$0.3m for the preceding six months

$6.1 Million

Dividend

Interim dividend last year 8.0cps

8.0cps

Net Bank Debt

Up from $23.2m last year (following Absolute IT earn-out payment of $3.25m)

Down from $29.7m as at 31st March 2018

$27.3 Million

Financial Statements.

AWF Madison Group Limited

Condensed consolidated statement of comprehensive income
For the six month period 30 September 2018 (unaudited)

	GROUP	
	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000
Revenue	141,577	143,078
Investment revenue	–	–
Direct costs	(1,752)	(986)
Employee benefits expense	(128,735)	(129,001)
Depreciation and amortisation expense	(1,642)	(1,864)
Other operating expenses	(5,938)	(5,998)
Finance costs	(637)	(741)
Profit before tax	**2,873**	**4,488**
Income tax expense	(821)	(1,070)
Profit for the period	**2,052**	**3,418**
Other comprehensive income for the period	–	–
Total comprehensive income for the period	2,052	3,418
Profit for the period income is attributable to equity holders of the Group	**2,052**	**3,418**
Total comprehensive income is attributable to equity holders of the Group	**2,052**	**3,418**
Earnings per share		
Total basic earnings per share (cents/share)	6.3	10.5
Total diluted earnings per share (cents/share)	6.3	10.5

The notes to the interim condensed consolidated financial statements form an integral part of these financial statements

AWF Madison Group Limited

Condensed consolidated statement of financial position
As at 30 September 2018 (unaudited)

	GROUP		
	30 September 2018 (unaudited) $'000	30 September 2017 (unaudited) $'000	31 March 2018 (audited) $'000
Assets			
Non-current assets			
Property, plant and equipment	3,279	3,076	2,498
Intangible assets – goodwill	39,411	38,620	38,620
Intangible assets – other	14,845	16,948	16,079
Total non-current assets	**57,535**	**58,644**	**57,197**
Current assets			
Cash and cash equivalents	5,669	10,317	6,269
Trade and other receivables	35,429	33,593	41,830
Taxation receivable	145	–	–
Total current assets	**41,243**	**43,910**	**48,099**
Total assets	**98,778**	**102,554**	**105,296**
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	2,680	2,596	2,748
Borrowings	33,000	33,500	36,000
Total non-current liabilities	**35,680**	**36,096**	**38,748**
Current liabilities			
Trade and other payables	25,835	24,781	28,867
Taxation payable	–	201	622
Provisions	200	200	200
Absolute IT Limited earn-out payment	–	3,420	–
Total current liabilities	**26,035**	**28,602**	**29,689**
Total liabilities	**61,715**	**64,698**	**68,437**
Net assets	**37,063**	**37,856**	**36,859**
Capital and reserves			
Share capital	28,371	27,534	27,598
Group share scheme reserve	466	429	383
Retained earnings	8,226	9,893	8,878
Total equity	**37,063**	**37,856**	**36,859**

For and on behalf of the Board who authorise the issue of the financial statements on 26 October 2018:

ROSS KEENAN, Chair JULIA HOARE, Chair, Audit and Risk Committee Julia Hoare

The notes to the interim condensed consolidated financial statements form an integral part of these financial statements

AWF Madison Group Limited

Condensed consolidated statement of changes in equity
For the six month period 30 September 2018 (unaudited)

	GROUP				
	Share capital $'000	Treasury shares $'000	Group share scheme reserve $'000	Retained earnings $'000	Total equity $'000
Period ended 30 September 2017					
Balance at 1 April 2017	27,624	(319)	451	9,180	36,936
Comprehensive income					
Profit for the period	–	–	–	3,418	3,418
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	3,418	3,418
Transactions with shareholders					
Dividends paid	–	–	–	(2,705)	(2,705)
Restricted shares redeemed	(90)	90	–	–	–
Restricted shares exercised	–	229	–	–	229
Share based payments	–	–	(22)	–	(22)
Total transactions with shareholders	(90)	319	(22)	(2,705)	(2,498)
Balance at 30 September 2017	**27,534**	**–**	**429**	**9,893**	**37,856**
Period ended 30 September 2018					
Balance at 1 April 2018	27,598	–	383	8,878	36,859
Comprehensive income					
Profit for the period	–	–	–	2,052	2,052
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	2,052	2,052
Transactions with shareholders					
Issue of share capital	773	–	–	–	773
Dividends paid	–	–	–	(2,704)	(2,704)
Share based payments	–	–	83	–	83
Total transactions with shareholders	773	–	83	(2,704)	(1,848)
Balance at 30 September 2018	**28,371**	**–**	**466**	**8,226**	**37,063**

The notes to the interim condensed consolidated financial statements form an integral part of these financial statements

AWF Madison Group Limited

Condensed consolidated statement of cashflows
For the six month period ended 30 September 2018 (unaudited)

	GROUP	
	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000
Cashflows from operating activities		
Receipts from customers	146,810	154,350
Payments to suppliers and employees	(138,373)	(138,915)
Net cash generated from operations	8,437	15,435
Interest paid	(638)	(741)
Income taxes paid	(1,656)	(2,815)
Net cash from operating activities	**6,143**	**11,879**
Cashflows from investing activities		
Proceeds from disposal of property, plant and equipment	36	72
Purchase of property, plant and equipment	(1,122)	(248)
Purchase of intangible assets	(60)	(27)
Net cash paid on acquisition of Select Dunedin	(666)	–
Net cash (used in)/from investing activities	**(1,812)**	**(203)**
Cashflows from financing activities		
Proceeds from the issue of share capital	773	229
Dividends paid to share holders of the parent	(2,704)	(2,705)
Repayment of borrowings	(3,000)	–
Net cash from/(used in) financing activities	**(4,931)**	**(2,476)**
Net increase/(decrease) in cash held	**(600)**	**9,200**
Cash and cash equivalents at start of the period	6,269	1,117
Net cash and cash equivalents at end of the period	**5,669**	**10,317**

The notes to the interim condensed consolidated financial statements form an integral part of these financial statements

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

REPORTING ENTITY

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 interim report.

The interim condensed consolidated financial statements of AWF Madison Group Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group') have been prepared:

- in accordance with IAS 34 Interim Financial Reporting and NZ IAS 34 Interim Financial Reporting;
- 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 principal services of the Group are the supply of temporary staff and recruitment of permanent staff.

The interim condensed financial statements were authorised for issue by the directors on 26 October 2018.

BASIS OF PREPARATION

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

The accounting policies used in preparation of these interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of any new standards effective as of 1 April 2018, and the early adoption of any other standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of new and revised Standards and Interpretations

New standards and amendments and interpretations to existing standards that came into effect during the current accounting period beginning on 1 April 2018

The Group has adopted the following new or revised standards, amendments and interpretations that became effective for the year beginning 1 April 2018.

- **NZ IFRS 9 Financial Instruments**

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

There is now a new expected credit losses impairment model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The impact of the adoption of NZ IFRS 9 on the Group's financial statements:

Classification, measurement, presentation and disclosure of financial instruments

The Group's financial instruments included only those measured at amortised cost and at fair value through profit or loss and therefore the classification, measurement, presentation and disclosure of the Group financial instruments remain unchanged under NZ IFRS 9.

Accordingly, neither the comparative financial information nor the opening balance sheet on 1 April 2018 have been restated.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

Impairment model change from incurred losses to expected credit losses

The Group's incurred credit losses from its financial assets have historically not been material and the introduction of the expected credit losses impairment model has not had a material impact on the measurement of the Group's financial assets.

Accordingly, neither the comparative financial information nor the opening balance sheet on 1 April 2018 have been restated.

Accounting policies

The adoption of NZ IFRS 9 from 1 April 2018 has resulted in changes in the Group's accounting policies with respect to financial instruments.

These new accounting policies are set out further below.

The Group's previous accounting policy for financial instruments

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 and other current assets (cash and cash equivalents), are classified as loans and receivables at amortised cost. The Group's trade and other payables are classified as financial liabilities at amortised cost except for the Absolute IT earn out payment which was classified as a financial liability at fair value through profit or loss.

(i) Trade and other receivables

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 the 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.

In determining the recoverability of trade or other receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period, referring to past default experience of the counterparty and an analysis of the counterparty's current financial position.

(ii) Trade and other payables

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

The Group's current accounting policy for financial instruments

The group classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The group classifies its financial liabilities into one of the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value through profit or loss.

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. The Group's trade and other payables are classified as financial liabilities at amortised cost except for the Absolute IT earn out payment which was classified as a financial liability at fair value through profit or loss.

(i) Trade and other receivables

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 expected irrecoverable amounts are recognised in the profit and loss which are assessed using the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses for trade and other receivables to be recognised from initial recognition of receivables.

The allowance recognised is measured by considering the risk or probability that a credit loss occurs, over the maximum contractual period (including extension options) over which the Group is exposed to credit risk, by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

The Group determines the expected credit losses by:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- time value of money;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

When reassessing expected credit losses the Group also considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period, referring to past default experience of the counterparty and an analysis of the counterparty's current financial position.

(ii) Trade and other payables

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

- **NZ IFRS 15 Revenue from Contracts with Customers**

NZ IFRS 15 'Revenue from Contracts with Customers' will replace NZ IAS 18 'Revenue'.

NZ IFRS 15 provides a five-step model to be applied to the recognition of revenue arising from contracts with customers:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

NZ IFRS 15 also introduces new disclosures for revenue.

Under NZ IFRS 15 the Group would recognise revenue when (or as) it satisfies a performance obligation by transferring a promised service to a customer (which is when the customer obtains control of that service). A performance obligation may be satisfied at a point in time (e.g. upon the supply or recruitment of staff) or over time (e.g. consulting services). For a performance obligation satisfied over time, the Group will select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

The Group's revenue is earned from the following:

- supply of temporary staff (to industry, commerce and IT);
- recruitment of contract and permanent staff (to industry, commerce and IT); and

The impact of the adoption of NZ IFRS 15 on the Group's financial statements:

The way in which the Group recognised revenue from contacts with its customers under the requirements of NZ IAS 18 'Revenue' is materially consistent with the revenue recognition requirements of NZ IFRS 15 and therefore the adoption of NZ IFRS 15 has not had material impact on the way in which the Group's recognises revenue.

Accordingly, neither the comparative financial information nor the opening balance sheet on 1 April 2018 have been restated.

Accounting policies

The adoption of NZ IFRS 15 from 1 April 2018 has resulted in changes in the Group's accounting policies with respect to revenue from contracts with its customers.

These new accounting policies are set out further below.

The Group's previous accounting policy for revenue recognition from contracts with its customers

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

(i) 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.

(ii) 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.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

The Group's current accounting policy for revenue recognition from contacts with its customers

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

(i) Rendering of services

Revenue from the provision of services is recognised when the services are provided. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

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.

(ii) Dividend and interest revenue

There have been no changes to the accounting policy for recognising dividend and interest revenue.

New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting periods beginning on 1 April 2018

The Group has not early adopted any new standards, amendments and interpretations that have been issued but are not yet effective.

The new standards, amendments and interpretations that will have an impact on the Group are discussed below and the Group intends to adopt these new standards, amendments and interpretations when they become mandatory.

- **NZ IFRS 16 Leases**

NZ IFRS 16 'Leases' will replace NZ IAS 17 'Leases'. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:

- Use of a control model for the identification of leases. This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.
- Distinction between operating and finance leases is removed. Assets (a right-of-use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short-term leases and leases of low value assets.

The effective date is annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, if NZ IFRS 15 Revenue from Contracts with Customers has also been adopted.

The indicative impacts of implementing NZ IFRS 16 are as follows for all leases that the Group is a party to:

Initial recognition and measurement:

- Recognition of a right of use ('ROU') asset. Initial measurement of the ROU asset would include the initial present value of the lease liability, the initial direct costs, prepayments made to lessor, less any lease incentives received from the lessor and restoration, removal and dismantling costs; and
- Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.

Subsequent measurement:

- ROU asset: Depreciate the ROU asset based on NZ IAS 16 Property, plant and equipment.
- Lease liability: Accrete liability based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduce the liability by payments made.

NZ IFRS 16 will have a material impact on the Group's financial statements and will be dependent on the leases that the Group is a party to as at the beginning of the comparative accounting period presented in the Group's financial statements for the year ended 31 March 2020. The Group's operating lease commitments as at 31 March 2018 are set out in note F4 of the Group's annual financial statements for the year ended and as at 31 March 2018, however, measurement of the lease liability and asset under NZ IFRS 16 is yet to be fully assessed.

The Group will adopt NZ IFRS 16 no later than the accounting period beginning 1 April 2019.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

SEGMENT INFORMATION

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.

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 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.

	Segment revenue		Segment profit	
	6 months to 30 September 2018 (unaudited)	6 months to 30 September 2017 (unaudited)	6 months to 30 September 2018 (unaudited)	6 months to 30 September 2017 (unaudited)
SEGMENT REVENUE AND RESULTS	$'000	$'000	$'000	$'000
Continuing operations				
Temporary staffing to industry	60,985	66,645	1,006	3,185
Temporary, contract and permanent staff services to commerce	80,592	76,433	3,854	3,368
Total for continuing operations	**141,577**	**143,078**	**4,860**	**6,553**
Other income			–	–
Central administration costs and directors fees			(1,350)	(1,324)
Finance costs			(637)	(741)
Profit/(loss) before tax			2,873	4,488
Income tax expense			(821)	(1,070)
Profit for the year			**2,052**	**3,418**

Revenue reported above represents revenue generated from external customers. Inter-segment sales in the year were $188,000 (2017: $333,000) 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.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

SEGMENT ASSETS	30 September 2018 (unaudited) $'000	30 September 2017 (unaudited) $'000
Temporary staffing to industry	34,674	29,092
Temporary, contract and permanent staff services to commerce	62,892	72,226
Total segment assets	97,566	101,318
Unallocated assets	1,212	1,236
Total assets	**98,778**	**102,554**

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	30 September 2018 (unaudited) $›000	30 September 2017 (unaudited) $'000
Temporary staffing to industry	13,635	14,298
Temporary, contract and permanent staff services to commerce	16,641	16,023
Total segment liabilities	30,276	30,321
Unallocated liabilities	31,439	34,377
Total liabilities	61,715	64,698

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.

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

OTHER SEGMENT INFORMATION	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000
	Depreciation and amortisation		Employee benefits		Net additions to non-current assets	
Temporary staffing to industry	341	546	55,472	60,176	983	(345)
Temporary, contract and permanent staff services to commerce	1,301	1,318	72,560	68,139	(646)	(1,293)
Unallocated	–	–	703	686	–	–
Total	1,642	1,864	128,735	129,001	337	(1,638)

AWF Madison Group Limited

Notes to the interim condensed consolidated financial statements
For the six month period ended 30 September 2018 (unaudited)

GEOGRAPHICAL INFORMATION

The Group operates in one geographical area, New Zealand (country of domicile). All revenues from external customers, and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets are attributable to the Group's country of domicile.

INFORMATION ABOUT CUSTOMERS

The Group has no customers individually making up 10% of Group revenue and therefore does not have a reliance on its major customers (for the six month period ended 30 September 2017, the Group had no customers individually making up 10% of Group revenue).

FINANCIAL INSTRUMENTS

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

CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2018 or 30 September 2017.

	GROUP	
RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES	6 months to 30 September 2018 (unaudited) $'000	6 months to 30 September 2017 (unaudited) $'000
Net profit after income tax	2,052	3,418
Adjustments for operating activities non-cash items:		
Depreciation and amortisation	1,642	1,864
Loss on disposal of property, plant and equipment	(10)	(25)
Movement in doubtful debts provision plus bad debt write off in current year	827	10
Movement in deferred tax	(68)	(521)
Equity-settled share-based payments	83	(22)
Total non-cash items	2,474	1,306
Movements in working capital excluding movements relating to purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables, net of bad debt expense	5,524	11,633
Increase/(decrease) in trade and other payables	(3,140)	(3,026)
Increase/(decrease) in provisions	–	(17)
Increase/(decrease) in taxation payable	(767)	(1,435)
Total movement in working capital	1,617	7,155
Cash flow from operating activities	**6,143**	**11,879**

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DIVIDENDS PAID

During the six months ended 30 September 2018, the group paid dividends of $2.704 million (six months ended 30 September 2017: $2.705 million).

Dividend Reinvestment Plan (DRP)

In conjunction with the final dividend declared for the financial year ended 31 March 2018 the board implemented a DRP which enabled shareholders to reinvest up to 50% of their dividend in newly issued ordinary shares in AWF Madison Group Limited at $1.92 per share with the balance paid out in cash on 10 July 2018. A total of 402,415 ordinary shares for a total of $773,000 were issued.

PURCHASE OF SELECT

Effective 1 September 2018 AWF Limited acquired the business of Select Dunedin ('Select') from Select Recruitment Limited. Select's service include temporary staffing and permanent recruitment to industry and commerce in the Dunedin region. The acquisition of Select further expands AWF Madison's presence in temporary staffing and permanent recruitment to industry and commerce in the New Zealand market. The goodwill arising on acquisition is not deductible for income tax purposes.

Name	Principal activity	Date of acquisition	Proportion acquired %	Cost of acquisition $'000
Select	Temporary, contract and permanent staff services to industry and commerce	1/9/2018	100%	666

Analysis of assets and liabilities acquired	Fair value on acquisition $'000
Non-current assets	
Plant and equipment	33
Current assets	
Other receivables	8
Current liabilities	
Trade and other payables	(166)
Net identifiable assets and liabilities	(125)
Intangible asset arising on acquisition that has been provisionally allocated to goodwill while the initial acquisition accounting is being completed	791
Cost of acquisition	666

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Cost of acquisition

The cost of acquisition of Select was made up as follows:	$'000
Paid in cash	666
	666

Acquisition related costs amounting to $22,000 have been excluded from the consideration transferred and have been recognised as other operating expense in profit or loss for the period ended 30 September 2018.

Net cash outflow on acquisition	$'000
Total purchase consideration	666
Consideration paid in cash	666
Less: cash and bank balances acquired	–
Net cash paid	666

Goodwill on acquisition

Given the acquisition took place within one month prior to reporting date, the Group is still in the process of completing its initial acquisition accounting. The residual intangible asset arising on acquisition has been provisionally allocated to goodwill while the acquisition accounting is being completed. This intangible asset is expected to include the benefit of future market development and the assembled client base, candidate database and workforce. If these benefits do not meet the recognition criteria for identifiable intangible assets then they will be included within the goodwill as they can not be recognised separately from goodwill.

EVENTS SUBSEQUENT TO REPORTING DATE

Interim dividend

On 26 October 2018 the directors approved the payment of a fully imputed interim dividend of $2.670 million (8.0 cents per share) to be paid on 3 December 2018.

Other

There were no other material events subsequent to reporting date.

Directory

Directors
Ross Keenan (Chairman)
Julia Hoare (Independent Director)
Nick Simcock (Independent Director)
Simon Hull (Non-Executive Director)
Wynnis Armour (Non-Executive Director)

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