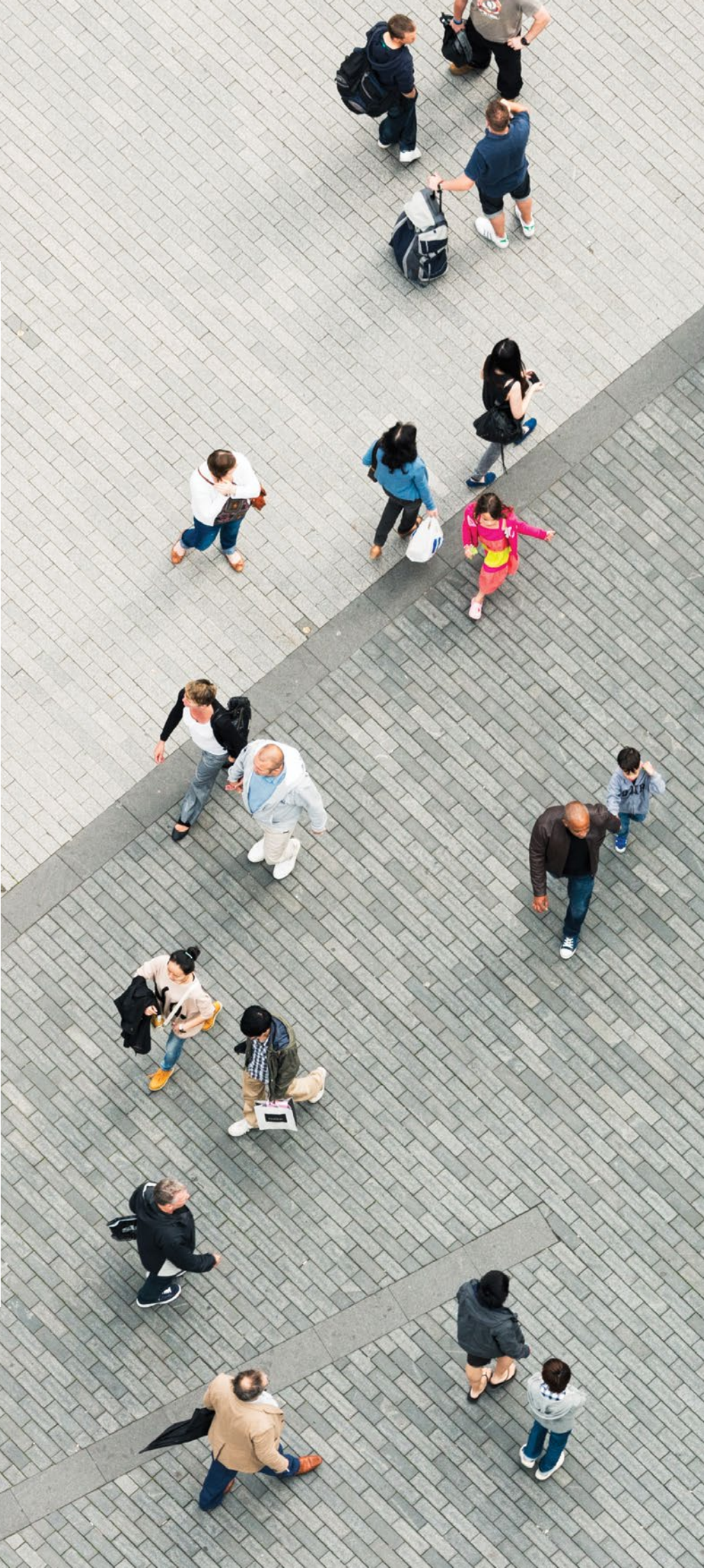


**Annual Report 2019**



“Our underlying strength and confidence in the year ahead ensures we can maintain our dividend for our shareholders. We are pleased with the repositioning of the business and excited about the year ahead. We are equally excited to formalise and drive our social initiatives into a Social Enterprise, recognising that people are at the heart of our business and that we have a strong social conscience.”

**Simon Bennett, CEO**

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## Key Financials

### Net Profit After Tax

**\$2.0**  
Million

### Net Bank Debt

**31.03.19**

FY2018,  
\$29.7 million

**\$26.6**  
Million

### Operating Cash Flow

FY2018,  
\$11.5 million

**\$9.5**  
Million

### Total Dividend for the Year

Unchanged on  
prior year

**16.2**  
cents per share

## Revenue

Down 4.1%

**\$267.8**  
Million

### Shareholders' Funds

FY2018,  
\$36.9 million

**\$34.8**  
Million

### Total Assets

FY2018,  
\$105.3 million

**\$95.5**  
Million

# Chairman's Report.

Dear Shareholder,

Whilst it is certainly disappointing to report a further fall in profitability, I believe we have well signalled particular challenges the Group has met during the financial year.

The fact however is that we have suffered in the construction sector, where the level of client failure in the face of their own dealings with major construction firms has caught AWF with high bad debt levels.



These losses have been the greatest we have experienced in the more than 30 years dealing in this sector, and has unfortunately also included the demise of excellent long-standing client relationships, where those companies have in fact been overwhelmed by counterclaims.

In the general labour provision areas, we also noted in our advice to Shareholders of consciously withdrawing from lower margin business during the year, and have done so to a level of over \$14 million in revenue per annum; in the blue collar sector. Whilst giving up such revenue is initially a painful call, we have been able to progressively re-deploy productive resources to better yielding business and accordingly key clients are telling us of improved customer service levels in the workplace.

Further, the uncertainty and inflexibility of officialdom around the placing of key skilled migrant workers in the major centres added significant non-recoverable costs. The inability to freely move these workers between cities and regions to maximise use of skills where such skills are in high demand was quite mystifying, particularly as AWF is guaranteeing wages in any case.

On a more positive note, the purchase of Select Recruitment, based in Dunedin, has provided significant synergies and growth to the Southern Region of the AWF business and assisted in delivering on permanent recruitment opportunities. This is a growth business and permanent placements feature highly in AWF objectives and we have made good progress in this area.

The Group has maintained a powerful and thorough focus on Health & Safety, and it is important that as a Board, we reflect on the excellent safety culture within our leadership, employees and contractors.

As a Board, we wonder if vigilance across the sector is where it should be to ensure Health & Safety compliance.

We have previously advised the practice of Board members each attending detailed Operational Health & Safety Committee meetings throughout the year.

Founding Director Simon Hull continues to chair the Board Health & Safety Committee, and rigorously tests workplace practices borne out of his long involvement in workplace safety.

The blue collar component will always be valued and important. However, we recognise that the risk and compliance costs make this space less attractive in the current environment. We believe firmly in the Group's strategy to de-risk and diversify by adding additional white collar business.

With our white collar brands, Madison and Absolute IT, several successful joint presentations have demonstrated the value of the synergies of these businesses and the excellent platform that has been achieved.

In particular, Absolute IT had a stunning year both in terms of profitability and new clients won. Over the year our senior leaders have continued to grow and develop the business for growth. There is however, a recognition that competition for our talented recruiters will continue to be the norm in IT recruitment and indeed throughout our whole industry.

Madison traded well but did not achieve all the growth that we expected. However, the effect of the completion of our large Managed Service project contract has to be factored into this comment.

With a future strategic growth focus, Madison signed a significant contingent workforce Managed Service Contract and is targeting a wider portfolio of activities in the 19/20 Financial year. Madison also won the hotly contested Seek sponsored Most Innovative Agency of the Year award.

So, a very mixed year financially, but some very significant milestones achieved against where to position the business going forward. It's been a much longer journey to stability and growth than we had expected, but we do now consider that we have established that position.

We were pleased to be able to declare a final dividend of 8.2 cents per share, maintaining the previous years' total dividend of 16.2 cents per share. We expect to be able to steadily grow dividends as we move ahead from here.

As a Board, we wish to acknowledge the ongoing commitment of our management team, led by Simon Bennett. In Simon we have a strong and focused leader; determined to build a sustainable platform for growth – an aim we all embrace.

For the Board,

**Ross B Keenan**  
Chairman

# Our People Resilient. Focused. Confident.

Simon Bennett, CEO



In broad terms we were reasonably happy with our achievements in the white collar sector. We have strong teams within the businesses, and good levels of engagement. As for our clients and the wider business environment, engagement and retention of our people is a key factor for success.

Madison and Absolute IT increased revenue from \$149.5 million to \$151.9 million and delivered a small decline in NPBT from \$6.0 million to \$5.6 million.

Absolute IT has delivered earnings growth since acquisition. The business delivers high-quality work in an evolving sector that we expect will continue to grow. Understanding the uniqueness and factors for success for Absolute IT has been more important than thinking about what to change. We have common goals with our operating systems and have dedicated resource this year to optimise our systems and gain some better client and candidate functionality, along with developing efficiencies for consultants.

Madison was able to reorganise the business, as our largest workforce project came to an end, ensuring we could effectively re-deploy both our internal talent and the learnings gained.

We grew the core business but did not fully 'fill the earnings gap' created following the end of the project.

Absolute IT's Auckland branch moved in to 51 Shortland Street, where our head office and Madison are located, in early January. Late last year Madison's Wellington branch moved in to Cornerstone House in Customhouse Quay, where Absolute IT is located. The businesses work well together and we are beginning to see some good leverage of resources and client relationships.

Our shared service functions have now integrated Absolute IT onto our accounting and IT platforms. This has given us peace of mind from a risk perspective.

All three businesses are in the process of migrating to a common email domain, with the telecommunications already migrated. This is also leading to greater investment in digital and marketing capability that we can share across the Group. We believe we have the most innovative recruitment marketing function in New Zealand, which gives us better results for our clients. We are also providing insights and analytics that our large clients are very eager for.

Much of this capability is being proven in our managed service operations, which are centred on our work with a government organisation undergoing significant business transformation. We are pursuing other opportunities to enable us to offer these types of solutions; not only in Madison, but in Absolute IT and AWF too. The global trend for companies and government organisations to leverage their contingent workforce via a Managed Service appears to be moving to New Zealand, as we are getting regular inquiries. Madison has recently been awarded a pilot bespoke RPO for a large government department, which further emphasises the demand and demonstrates our agility in providing non-traditional solutions.

Building and leveraging capability across our operating businesses is a key part of our strategy. We believe now that we have capacity and capability to bring another business into the Group and grow its earnings. We are excited to have agreement to acquire JacksonStone & Partners Limited; a highly reputable executive search and recruitment consultancy. It is a fantastic business which will work alongside Madison and Absolute IT.

JacksonStone has been in business for 10 years and is a key advisor to government and private sector clients, working at the topmost levels of recruitment. They are trusted and

## Building a social enterprise within the business will enable clients to support pro-social outcomes when they work with us.

sought after by business leaders across the country. The Vendors have committed to working in the business for at least 30 months. This acquisition complements our family of businesses very well. It further diversifies us from the blue collar sector, which has become increasingly challenging over the last few years. The acquisition is significantly earnings accretive from day one, with good incentives in place for the working vendors to continue to grow earnings over the next 30 months.

We are grateful for the support of our key Shareholders for our Dividend Reinvestment Plan. We signalled our intention to build some headroom into our balance sheet to carry out such a transaction as we have achieved.

The reality of a large drop in earnings in AWF was not something we had anticipated a year ago. In fact, to the contrary, we were expecting to grow again. However this was not to be the case as we saw revenue in AWF fall from \$129.8 million to \$115.9 million and NPBT drop from \$4.9 million to \$1.3 million. Having communicated this softening at half year and no upturn in the second half, we reviewed and reconfigured the business to reduce our cost base. We have a cost base for a lower level of business to ensure we can be more selective with clients. We want to ensure we reduce both credit risk and safety risk. In fact, one of our largest former clients was recently prosecuted by Worksafe and fined more than \$300,000 for failing to keep a worker safe. This emphasised to us that servicing this low-margin and high-risk business was inappropriate for us.

We lost three of our workers this year on the roads. This took a considerable personal toll on our people who were connected to those men, but of course this paled in significance to the loss experienced by their families. It reinforced in our minds the significance that work

plays in people's lives, but also the important role we play in keeping them safe. A recent survey of our AWF workers endorsed what a great job we do in terms of care, respect and provision of meaningful work; and the opportunity we have to make a difference in the lives of many more.

With this in mind, and with the experiences we have, we have established to a new initiative committed to social outcomes. We will utilise our knowledge and processes to help give support to those who find work unattainable and the employment process inaccessible. A number of current clients have committed to assisting us with this initiative through provision of work opportunities. Many large organisations are now interested in the impact of their purchasing decisions beyond the service or resource they are buying.

Building a social enterprise within the business will enable clients to support pro-social outcomes when they work with us. We believe we will be able to expand the workforce and begin to deal with the country's systemic unemployment issues; a true 'win-win' for our business, and this country.

AWF Madison is well-positioned for the year ahead. Our white collar businesses are strong and we are adding a complementary white collar business to the Group. Given the Dividend Reinvestment Plan and our strong cash flows, we are able to keep our dividends steady, despite our drop in earnings. We expect to be able to reduce debt, and with the anticipated lift in earnings, look to growth in dividend income when AWF can again make a good earnings contribution.

I'm proud of the work that my team has put in this year, and of what they have been able to achieve. We look forward to delivering a better financial performance to our Shareholders in the year ahead.

## Some Context: The Evolving World of Work

Those who have chosen a career in recruitment will tell you it's an incredibly fascinating and challenging industry; now more so than ever as the world of work rapidly evolves.



**We need to be proactive in the way we prepare for change.**

Consumer expectations and progressive technology are enabling new ways of doing business, bringing disruption to whole sectors. In this landscape business leaders must challenge the way they operate, drive product evolution and ensure the capability of their team for the future of work.



As the largest recruitment organisation in New Zealand, we work with a diverse range of employers and job hunters. Some are struggling to keep up with the fast pace of change across the world of work, while others are fully embracing it. Across the Group, AWF Madison is building capability to take advantage of disruptive technologies and global trends in the world of work.

We have progressed from the start of the digital age, to the complex fusion of technologies that marks the fourth industrial revolution. The speed and scale of this revolution has been estimated to be 3,000 times the impact of the third industrial revolution, and we see technology merging more and more with humans' lives.

Consumer expectations and progressive technologies are enabling new ways of doing business, bringing disruption to whole sectors. In this landscape business leaders must challenge the way they operate, drive product evolution and ensure the capability of their team for the future of work.

People need to continually cultivate their skills, and understand that career paths will look different to those of the past. And, government must work quickly to understand the changing landscape they are regulating. Whilst they have recently commissioned research into how New Zealand can maximise opportunities and manage the risks, the velocity of change may mean the landscape will be different by the time the research is complete.

### Shifting Skills Base

A McKinsey report found that by 2030, up to 14% of the global workforce may need to change work because of digitisation, automation and artificial intelligence. Closer to home, an OECD report released in 2018 estimated that 10% of New Zealand jobs are at risk of automation and a further 22.8% of jobs will likely change.

The types of skills our country needs will shift over the next few years, and it is clear that we need to be proactive in the way we prepare for this change. We applaud initiatives like the pilot programme that will be run by The Manufacturers Network bringing the manufacturing, education, union and government bodies together to address the skills shift in this sector. As a significant employer of temporary workers for large manufacturing clients, we are mindful that our own workforce will need to adapt to changing technology.

It's been pointed out that whilst jobs will be displaced or changed, new jobs will be created in response to future issues and opportunities that we do not yet have solutions for. History also tells us that we find new ways to create value in commodities. For example, we do not stop at just producing basic food for sustenance, we find ways to turn food into entertainment. Amazon's example is incredibly interesting – they have deployed thousands of robots into their warehouses to augment workers. Recruitment, however, has far from stopped. In fact, it continues to rise as increased efficiency has led to soaring consumer demand.

What automation, AI and machine learning are unable to replace (at present anyway) is the human element – intuition and interpersonal skills. While perhaps you can't teach intuition, soft skills can be harnessed and it's important that we assist our workforce with communication and interpersonal skills. This is also important as the world of work moves towards a team-centric approach.

### The Organisation of the Future

Deloitte reports that building the organisation of the future is the foremost HR issue. We understand that organisations will need to recalibrate for a disruptive and unpredictable future that requires speed, agility and adaptability. Indeed, many of our clients are investigating, planning or trialling agile, team-centric models and fostering talent mobility within their organisation.



We often see that career paths today are becoming more akin to a jungle gym than a career ladder. Traditional career paths were linear progressions, however today we see that lateral transitions are great for breadth of experience and building technical expertise. It is encouraging to see that many organisations are looking at how they can offer opportunities for development, and support internal hires, career planning and skills assessment.

It is evident that some people are at risk of being left behind by the digital economy. These include people whose jobs may be displaced by automation, and those who lack digital skills. In a rapidly changing landscape, the half-life of skills is swiftly falling, so how do employers ensure their people can access the learning they need?

Amongst this complexity, it is clear that to ensure their organisation has the skills to adapt, businesses need to revamp their career pathways and learning and development framework, and encourage talent mobility within their organisation.

### Expanding the Talent Supply

Businesses that are developing innovative strategies and working to reap the benefits of digital transformation will not get far if there is a talent shortage and a skills mismatch. The urgency to expand the talent supply is critical, and failure to do so could lead them out of the market. What we know is required is a focus on skills needed, rather than titles and credentials.

When we assist employers with permanent recruitment, we often need to challenge the credentials they specify as requirements. Specific experience and the need for qualifications often restrict the pool of potential applicants. Instead, we need to recruit for skills and competencies. Organisations need to identify the gap between the skills they have, and the skills they will need.

The global unemployment rate in 2018 was 5.2%, the lowest it has been in 28 years. Now, and in the future, there will be increased competition for migrants globally. As recruiters, we think employers still have a way to go in ensuring a level playing field for migrant workers when it comes to permanent vacancies, especially when there has been no prior New Zealand experience.

In these cases, part of our role is to consult and advocate for the best people for the job. For short term work, we have recognised the need to employ a migrant workforce ourselves, to support our clients' project needs. BusinessNZ recently implored our politicians to stop treating immigration as politics and our first-hand experience of the challenges that come with this type of solution would have us concur.

### Workforce Augmentation

Technology has supported new ways of working – from enabling flexible working arrangements and remote working, to creating more opportunities for self-employment through access to a global market. Employers who do not have flexible working practices and the infrastructure to support it will find it hard competing for talent who will happily trade in the nine-to-five construct for alternative work arrangements.

The push for businesses to be innovative and adaptable means there is a greater emphasis on agile workforces to meet short to medium term goals. It is necessary to augment the workforce through contingent workers. Contingent workers include agency temps, independent contractors and freelancers – those not engaged on a

permanent basis. Many do not enter the contingent labour market because in New Zealand it is not perceived as providing income security. It will be some time before that view changes. However, expanding the contingent labour market would help New Zealand be in a better position to achieve economic growth.

To plan for the future of work, businesses must be able to imagine the possibilities rather than be constrained by legislative frameworks that were suited to the old world of work. Denmark, often lauded as a flexible labour market, has proactively encouraged the rise of gig workers through legislation that values this type of work the same as traditional employment, ensuring worker rights.

In contrast, New Zealand is lagging in policy to support taxation and provide employment benefits.

## Our innovation strategies start with listening to our customers.

Beyond policy, those who seek non-standard work, be it through the gig-economy, freelancing or temporary work, also need support with life requirements such as securing credit and mortgages. Banks however, find it difficult to assess irregular and small salary amounts as legitimate, stable income.

Organisations also need an easier landscape to utilise contingent workers who do variable hours. The difficulty in adhering to the ever-increasing complexity of the Holidays Act has caused widespread issues for government and private sector organisations alike. The upcoming review of the Act is very welcome. There is a great deal more industrial action and union activity in the current political environment. We applaud the Government's crackdown on worker exploitation and increases in the minimum

wage, but workforce flexibility cannot be stymied by old world views and outdated Employment legislation. We are actively advocating for positive change in this area.

### The Evolving World of Recruitment

Many have speculated that the recruitment industry is at risk of disruption; that automation, AI and machine learning will see the recruiter extinct in the near future. While technology drives disruption, technology is also the way businesses can drive transformation. Our view is that technology will change the way we do some things; automation of repetitive tasks will enable our people to spend more time on higher value tasks that require human intuition and interpersonal skills. It is this aspect of our people's capability that delivers a differentiated customer experience.

When a business operates in a crowded category, competing on price is tempting. But it is only sustainable if they can drive down the cost of delivery. In the recruitment sector however, the cost of delivery, especially in our legislative landscape, is only increasing. If not competing on price, then customer retention and customer experience is paramount.

We seek ways for technology to enable us. We won't validate and push ideas to market because it appears innovative. If it does not solve a customer problem it is likely to fail. Our innovation strategies start with listening to our customers, understanding the customer experience and the reflection points along the journey.

Technology also drives our clients' and candidates' expectations. They seek interactions and information that is in real-time. Our focus on continuous improvement is imperative as our industry changes, and as communication platforms evolve and expectations change.

We strive to be close to our customers in our businesses, and believe that the feedback loop is crucial to understanding how we are doing, what we are doing well and what we need to zero in on. Absolute IT has been using the Net Promoter Score methodology to measure brand loyalty since 2016, and Madison implemented it in 2017. AWF has also measured its candidate NPS on two recent occasions. We are working towards aligning the three businesses so that NPS is measured at the same stages of the candidate and client journey.

We know that the recruitment businesses who are challenging themselves with honest feedback, and using technology to enable their teams to be even more human, will remain relevant in the era of the fourth industrial revolution and will adapt to the new world of work.



# 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.

We have a clear proposition in our three businesses providing distinct advantages in the channels in which we operate, to our clients and candidates. At the same time, we are building strong capability in our shared service functions, in sourcing, recruitment marketing and digital design to further enhance and leverage our business capabilities. The business goals remain aligned to the same Group aspiration and the following four strategic imperatives:

## 1

### **Our People.**

We will be driven forward by resilient and capable people who are engaged with our purpose and strategic direction, and who have the flexibility and determination to do better in the fast-changing environment. We will be additive to the lives of our workforce and present them with opportunity.

## 2

### **Our Customers.**

We will choose and partner with our clients wisely. We will add value through our reputation for quality, efficiency, relationships and customised solutions.

## 3

### **Our Finances.**

We will drive strong cashflow for dividend growth. We seek NPBT growth through continued execution and improvement initiatives impacting cost and revenue, to create sustainable value for our shareholders.

## 4

### **Our Country.**

We are uniquely positioned and have a responsibility to provide proactive solutions to address structural challenges in the employment market. We will make an impact in growing and shaping our workforce for the current and future needs of the country.



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## BUSINESS PLAN

**As we continue to deliver on our vision of growing our impact as New Zealand's leading recruitment and resourcing company, the Group's strategy, ambition and operating activities are underpinned by the fact that we are a values-based organisation.**

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AWF Madison originated as a blue-collar labour hire business over 30 years ago. Through acquisition and repositioning we have grown to become New Zealand's largest recruitment company, spanning blue and white collar, permanent and temporary recruitment.

Our focus continues to be on growing the reach and impact of each entity in their respective sectors, while at the same time leveraging our shared service function to enhance and grow our offering to key clients and prospects.

We are continually seeking to provide proactive solutions and deliver better outcomes, ensuring our business activities remain focused for our clients, our candidates and our country.

Our priorities vary across each business. What is consistent is our commitment to delivering a quality, best-in-class customer experience. This is complemented by our focus on simplification over complexity, which drives operational performance, and the investment we continue to make in our people, in innovation, and in the development

of a cohesive Group framework that is scalable and enables growth.

There are numerous areas of focus that will drive the Group's performance throughout the year ahead. These include:

- Leveraging the Group's growing technology capability and methodologies across our current businesses and acquisitions
- Simplifying our three business models to better monitor lead indicators and drivers of outcomes
- Continuing to invest in marketing and technology, to ensure ongoing product differentiation and the creation of new solutions
- Driving safety discipline across all three businesses
- Continuing to invest in engagement with Government and regulators, and developing a stronger framework for management of industrial and employment relations
- Focusing on quality, measurable goals and insights across the Group
- Developing standardised measures for client and candidate feedback

AWF has a 31-year history of supplying entry level, semi-skilled and skilled workers to the infrastructure, transport and logistics, manufacturing, technical and construction sectors.

Every day thousands of our employees are deployed to 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, and fill the skills gap in permanent workforces.



We were pleased with the way we handled the challenges we faced this year. We suffered significant losses to client failures in the construction sector in the first half of the year. We took the decision to pay our workers beyond their entitlements when we had to redistribute the workforce upon site closures due to company liquidations. At the same time, we were targeted by a media organisation with claims of worker exploitation. It has taken us eleven months to prove this to be untrue as we worked with the legislators through their investigation process.

We also decided not to chase low margin, high cost-to-serve business, and as a result ceased supply to a large manufacturing client. We were unable to agree a suitable margin or pay rates for our candidates and did not have confidence in the relationship to ensure we could partner in our crucial safety programmes.

As a result, AWF is a lower turnover business today than it has been in the past. We have reduced our cost base as a result and geared the business to return 4-6% EBITDA on turnover approaching \$120 million. From our lower base we are cautiously seeking single digit top line growth where it makes sense, without undue credit risk and without compromising the safety of our people.

The year ahead will see us continue to improve operational effectiveness and quality whilst seeking efficiencies. We will look to increase our speed to market with our clients in a talent short market, and establish key reporting metrics internally and for our clients to support the strategic gains we are making.

We will drive candidate outcomes by leveraging our market leader position and deliver training and pathways to

increase the pool of quality work-ready candidates. At the same time, we will leverage our Group sourcing capabilities to improve delivery and add services for our clients. We have the opportunity to drive thought leadership, promoting contingent workforce to a sector struggling for answers to fill the talent gap, particularly given the uncertainty of political appetite for migrant workers.

We have made good gains with our employment brand, which has resulted in better attraction and retention of our candidates. We continue to evolve from a just-in-time labour supplier to a longer-term employer of multi-assignment personnel. Our candidates rated us on average 4.6 out of 5 for caring about their safety in a recent survey. We surveyed our current workforce, who gave us a very high satisfaction rating, and new reporting has given us a view on the opportunity we have with prospect candidates.

Our drive to build a permanent recruitment channel has come to fruition and we now have teams in all of the metropolitan centres, which complements the permanent recruitment in Select Recruitment, which we acquired during the year. Select is a great regional business of a good size with an excellent reputation. We are very pleased to have Select join the AWF stable.

Despite a hard year we were happy with our repositioning of the business, and we are confident that the prospects for the year ahead are good. We have excellent leaders in the business in Donna Lynch and Fleur Board, whose commitment is unparalleled. We are grateful for their vision, passion, care and dedication.



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. Madison's 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. Every day, up to 1,200 employees work on assignment in New Zealand's major cities.



The year has seen some notable achievements for Madison. With increased competition and continued low levels of unemployment, our established brand, experienced people and depth of market knowledge have proven once again to be valuable assets.

This was highlighted in November when we were awarded the accolade of New Zealand's "Most Innovative Agency" at Seek's Annual Recruitment Awards. The award is undoubtedly testament to the ethos and enthusiasm of our team. For us, innovation isn't simply about implementing a shiny new piece of technology, but is rather about what that technology enables. This award represents our ongoing commitment to providing our clients with relevant insights to solve their challenges, and fuel innovation.

Christian Brown's new leadership, early in the year, continues to have a positive impact that is felt across the business. Madison's priorities for the year ahead centre on three key areas; driving NPBT performance through growing the capability and commercial awareness of our people; realising success with large projects by utilising our national reach and commitment to innovation; and a continued emphasis on seeking out operational efficiencies.

Our largest workforce project, which came to completion earlier in the year, was both complicated and logistically challenging. It was a great example of our national reach and as the project wound down, we actively worked to re-deploy talent to other revenue generating opportunities. Our Contingent Workforce Managed Service solution, for a government agency undergoing significant business transformation, has completed a successful first year

of a four-year contract. This project continues to demonstrate our ability to scale quickly, and provide relevant, tailored solutions to our clients.

The foundations are in place, and we feel well positioned for continued success in FY20. Using key reporting metrics and new benchmark standards, Madison's focus will be on enabling a high-performance culture through the development and retention of our people. This will be supported by our network of specialist teams who are aligned to channels of work, and our ability to leverage the sourcing capabilities and technology resources of the Group.

Quality remains a driving force. With a focus on strengthening client relationships and growing our national reach through improved collaboration, we aim to translate the success of the previous year's major projects into new opportunities for the year ahead. Our extensive candidate network and commitment to a best-in-class customer experience sees us ready to take on the year ahead with purpose and determination.



# MADISON

Founded in 2000, Absolute IT caters to the specific recruitment needs of the technology and digital sectors. Absolute IT's 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 is relied upon for its expertise and extensive network.



# ABSOLUTE IT

Absolute IT's strong financial performance was evident throughout the year, which saw the completion of our second full year of contribution to the Group, and we achieved a year-on-year increase in both GP and NPBT. This is testament to our strong leadership and the commitment of our people, and is evidence of the Group's ability to scale to enable growth.

With IT being one of the major business disruptors, our market has remained buoyant throughout FY19. Many organisations continue to push ahead with major transformation, often in the digital space. Over the past year we have realised growth in our number of permanent placements, however contracting placements remain the backbone of our business.

In the year ahead we will continue to focus on the factors we know are the key ingredients of our success. Our General Manager, Tracey Johnson, continues to drive the business to build a team of high-performing consultants. Developing their skills and capability, she supports her team of seasoned recruiters to strive towards excellence in their field.

The relocation of our Auckland office, which took place at the beginning of the year, means that all of our offices are now either co-located with, or in the same building as, our Madison colleagues. This has helped forge stronger collaborative relationships, sharing of knowledge, and partnerships on several client accounts.

We have already seen a great deal of value in our sponsorship of the Technology Investment Network (TIN100), which has given us the opportunity to build even closer ties with industry, and ensures we are fully engaged in the issues that matter to New Zealand's Tech Sector. One such event included a CEO brainstorming

session, which focused on the skills gap in the technology sector and featured a panel discussion moderated by our CEO, Simon Bennett. We will continue to pursue future opportunities through the network.

We were also a supporter and sponsor of the 2019 Digital Skills Hui, held in March. The event brought industry, government and organisations such as NGOs together to discuss how to bridge the gap between education and employment in the digital age – including preparing graduates for employment, bringing diversity to senior leadership, advocating for 'lifelong learning' and the opportunity for people to retrain.

Our priorities for the year ahead encompass three principal areas; retaining and developing our people, contractors and clients; demonstrating our agility to drive sustained growth; and maintaining relevance to ensure ongoing alignment to the needs of our market. Our team are enthusiastic about the year ahead, and intend to capitalise on the momentum we have built.



# TŌ TĀTŌU TĀNGATA OUR PEOPLE

## Wellbeing, Health & Safety

We often reflect on the importance work has for the thousands of people who are employed with us. The part we play in ensuring their safety at work is significant, and we recognise that their wellbeing at work and at home is also a fundamental aspect of their overall health and safety.

Taking a 'whole of life' view on wellness is vital. No longer can employers simply 'tick the box' on a series of wellbeing initiatives. We know that a holistic approach to wellness will continue to grow in importance as the world of work evolves.

Within AWF in particular, we know we can make an impact that is life changing. For those at the start of their career right through to highly experienced employees – we take our responsibility for our people's safety seriously.

## The Rise of Social Enterprise

Support for social enterprise is becoming a growing priority for both public and private sector clients in New Zealand. Although there is no formal definition of a "social enterprise", it can be broadly described as an initiative to improve social, cultural, environmental and economic wellbeing in our country. Essentially, social enterprises are organisations that trade to deliver social and environmental good.

AWF Madison has partnered with the Ākina Foundation in order to build a channel in this area. The Ākina Foundation is a charitable trust that has been named as the Government's strategic partner in the development of the social enterprise sector. They not only raise awareness; they also enable the sector through a new procurement platform ([fwd.org.nz](http://fwd.org.nz)) where businesses can buy from social enterprises.

Ākina recognises social enterprise by three key areas: that the primary purpose of the organisation is to provide a public or community benefit; that the majority of income is from trading a good or service; and that the majority of expenditure or profit is spent in the fulfilment of the purpose.

AWF Madison is well-positioned to effect positive social change through employment. There are a multitude of reasons that people may find themselves marginalised from finding employment. These may be circumstantial or systemic, but could include life events, refugees, new migrants, disability, drug or alcohol dependency and prior criminal convictions.

The Government's Health and Safety at Work strategy takes a view through to 2028, providing a roadmap that will "drive ambitious, sustained and system-wide improvements in our health and safety performance, to significantly lift the wellbeing and living standards of all New Zealand workers and their families". We support their ongoing focus on reducing all types of harm at work, and we will continue to ensure we proactively manage the health and safety, and wellbeing, of our people.

Whilst there are a growing number of initiatives working with people to overcome the barriers they face, for example the provision of training, work experience and support services, they can struggle to find meaningful employment opportunities. We believe AWF Madison has the opportunity to develop and advance an Employment Social Enterprise initiative.

As we embark on the new financial year, we see this to be a mutually beneficial opportunity that leverages our networks and experience for the good of New Zealand. We will provide our partner organisations with a conduit to meaningful job opportunities across a broad range of industries, and we will provide our clients with a service that contributes to social procurement targets that deliver impact through their supply chain.

For AWF Madison, there is potential for this to provide an increased pool of talent that is work-ready and supported by specialist organisations; and a high-impact employment initiative that will be a point-of-difference in the employment market. We intend for the initiative to function as a social enterprise with the primary purpose of growing employment opportunities for marginalised people, with the majority of profits being reinvested into support services for these groups.

# TŌ TĀTŌU WHENUA OUR COUNTRY



KEY	
●	AWF LOCATION
●	MADISON LOCATION
●	ABSOLUTE IT LOCATION
●	SELECT LOCATION

## Revenue

Group Revenue at \$268m was down on the prior year Revenue of \$279m.

Revenue sourced from provision of services to Commerce (Madison Recruitment & Absolute IT) of \$152m was up on the prior revenue of \$149m.

Revenue sourced from provision of services to Industry (AWF) was down on the prior year, due to a strategy of minimising financial exposure to certain industry segments.

## Net Profit After Tax

After-tax profit of \$2.0m was down on that of the prior year's \$5.0m.

## Dividend

An interim dividend of 8.0 cents per share was paid on 3 December 2018.

A final dividend of 8.2 cents will be paid on 9 July 2019, resulting in total dividends paid for the year of 16.2 cents per share, consistent with the prior year dividend payments of 16.2 cents per share.

## Funding Costs

Finance cost for the year at \$1.38m was consistent with that of the prior year's \$1.30m.

## Cash Flow

Continuing strong Cash Flow from operating activities of \$9.5m, was achieved due to a reduction in Working Capital (Trade Debtors).

## Borrowings

The \$36.0m million term debt facility with the ASB Bank Limited has been retained and extended out to October 2021. At 31 March 2019 the facility is drawn to \$33.0m following a \$3.0m repayment in July 2018, in part funded by the introduction of the Dividend Reinvestment Plan (DRP).

## Working Capital

Working Capital reduced from \$12.1m at 31 March 2018 to \$7.7m as at 31 March 2019, due, principally, to a reduction in Trade Debtors.

## Acquisition

In September 2018 the business of Select Recruitment, of Dunedin, was brought into the business portfolio. This was funded by the DRP.

## International Financial Reporting Standards (IFRS)

New standards, amendments and interpretations to existing standards came into effect during the financial year. The impact of these standards is disclosed within the Financial Statements.

## 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 an independent 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 executive management positions with Air New Zealand, Air Pacific 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-focussed businesses as well as pursuing his onshore and offshore yacht racing passion. Simon is a non-executive ("non-independent") Director.



**Wynnis Armour**

Wynnis joined the Board in January 2015 as a non-executive ("non-independent") 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.



**Julia Hoare**

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



**Nick Simcock**

Nick joined the Board as an independent Director in January 2018 after 15 years in Managing Director roles in New Zealand, Australia, and Asia/Pacific with Korn Ferry/Futurestep. Nick brings deep industry expertise in recruiting, outsourcing, and talent management. Nick was the CEO and Director of a start-up SaaS payments business Wrap It Up, which was sold in 2017. He is a Trustee on the Wellington Creative Capital Arts Trust, and was formerly on the Otago University Business School Board of Advisors. Nick is a Chartered Member of the Institute of Directors.

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 revised NZX Listing Rules, which came into effect on 1 January 2019, and the corporate governance principles set out in the NZX Code of Corporate Governance. 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 2019, the Board comprised five Directors. Ross Keenan (Chairman), Julia Hoare and Nick Simcock have been determined as independent Directors as defined by the NZX Listing Rules. Simon Hull, and Wynniss Armour are non-independent Directors.

The Board is elected by the shareholders of the Company. In accordance with the Company's constitution and the NZX Listing Rules, a director must not hold office (without re-election) past the third annual meeting following the director's appointment or three years, whichever is longer.

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 2019 totalled \$375,000. A fee of \$115,000 per annum is paid to the Chairman, \$60,000 per annum to Julia Hoare, Nick Simcock, Simon Hull and Wynniss Armour. Further information is provided in the Statutory Information section of the annual report.

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), Ross Keenan, Wynniss Armour, Simon Hull and Nick Simcock.

The Committee meets at least twice per year, with the 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 the Committee are Wynnism Armour (Chairperson), Simon Hull, Julia Hoare, Ross Keenan and Nick Simcock. 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), Wynnism Armour, Julia Hoare, Ross Keenan and Nick Simcock.

The Committee members participate in monthly meetings, and review reports presented by the Group Operations Health and Safety Committee.

## 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 the Committee are Wynnism Armour (Chairperson), Ross Keenan, Simon Hull, Julia Hoare and Nick Simcock.

### Remuneration of Auditors

Details of remuneration paid to Auditors are set out in A4 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 Share 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 (refer to the website).

## Diversity

The Company has a diversity policy in place (refer to the website), consistent with the Directors' 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 2019 is:

	2019			2018		
	MALE	FEMALE	GENDER DIVERSE	MALE	FEMALE	GENDER DIVERSE
NUMBER OF DIRECTORS	3	2	-	4*	2	-
PERCENTAGE OF DIRECTORS	60%	40%	-	67%	33%	-
NUMBER OF OFFICERS	4	4	-	5	4	-
PERCENTAGE OF OFFICERS	50%	50%	-	56%	44%	-

\*NICK SIMCOCK WAS APPOINTED ON 1 JANUARY 2018. EDUARD VAN ARKEL RETIRED ON 25 JULY 2018.

### Directors' and Officers' Indemnity and Insurance

The Company has insured all its Directors and Officers 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 and Officers have 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. A Risk Framework is in place (refer to the website).



Principles:

- creates and protects value;
- is an integral part of all AWF Madison's processes;
- is part of the decision-making process;
- explicitly addresses uncertainty;
- is systematic, structured and timely;
- is based on the best available information; and encourages open communication;
- is tailored to AWF Madison;
- takes human, cultural factors and diversity into account;
- is transparent and inclusive;
- is dynamic, iterative and responsive to change; and
- facilitates continual improvement.

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 2019 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 a Continuous Disclosure Policy and 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.

## Independent Auditor's Report

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 2019, and the statement of comprehensive income, statement of changes in equity, and statement of cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of other accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 28 to 74, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and 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

### Key Audit Matter

#### Impairment testing of goodwill and other indefinite life intangible assets

Goodwill of \$39.3m and other indefinite life intangible assets (brand names) of \$9.4m are recorded in the consolidated financial statements at 31 March 2019, 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 forecast 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.

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, we have no relationship with or interests in the Company or any of its subsidiaries.

### Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

### 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.

### How our audit addressed the key audit matter

We have audited 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;
- Comparing the forecast performance with the approved 2020 financial year budget;
- Involving our internal specialists in assessing the growth rates and the discount rates for reasonableness in comparison to market data;
- Assessing the historical accuracy of the Group's previous forecasts by comparing prior period budgets to actual performance; and
- 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.

### 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.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

### 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/auditors-responsibilities/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.

Andrew Dick, Partner  
For Deloitte Limited  
Auckland, New Zealand  
29 May 2019

**AWF Madison Group Limited**  
Statement of comprehensive income  
For the year ended 31 March 2019

	Note	GROUP	
		2019 \$'000	2018 \$'000
Revenue from contracts with customers	A2	267,805	279,303
Investment revenue	A3	26	32
Fair value gain on settlement of Absolute IT Limited earn-out payment		-	170
Direct costs		(2,687)	(2,187)
Employee benefits expense	F1	(245,683)	(253,182)
Depreciation and amortisation expense	A4, B1, B2	(3,445)	(3,344)
Other operating expenses		(11,782)	(12,385)
Finance costs	A4	(1,380)	(1,297)
<b>Profit before tax</b>		2,854	7,110
Income tax expense	A5	(841)	(2,062)
<b>Profit for the year</b>		2,013	5,048
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		2,013	5,048
<b>Earnings per share</b>			
Total basic earnings per share (cents/share)	C4	6.1	15.5
Total diluted earnings per share (cents/share)	C4	6.1	15.5

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

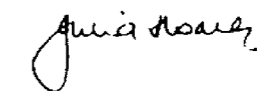
**AWF Madison Group Limited**  
Statement of financial position  
As at 31 March 2019

	Note	GROUP	
		2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	B1	3,038	2,498
Intangible assets – goodwill	B3	39,271	38,620
Intangible assets – other	B2	13,929	16,079
<b>Total non-current assets</b>		56,238	57,197
<b>Current assets</b>			
Cash and cash equivalents	C6	6,357	6,269
Trade and other receivables	C7	32,629	41,101
Contract assets	A2	295	729
<b>Total current assets</b>		39,281	48,099
<b>Total assets</b>		95,519	105,296
<b>Equity and liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	A5	2,462	2,748
Borrowings	C8	33,000	36,000
<b>Total non-current liabilities</b>		35,462	38,748
<b>Current liabilities</b>			
Trade and other payables	C9	24,186	28,527
Contract liabilities	A2	530	340
Taxation payable	A5	280	622
Provisions	F2	241	200
<b>Total current liabilities</b>		25,237	29,689
<b>Total liabilities</b>		60,699	68,437
<b>Net assets</b>		34,820	36,859
<b>Capital and reserves</b>			
Share capital	C2	29,165	27,598
Group share scheme reserve		544	383
Retained earnings	C1	5,111	8,878
<b>Total equity</b>		34,820	36,859

For and on behalf of the Board who authorise the issue of the financial statements on 29 May 2019:



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 2019

	GROUP					
	Share capital	Treasury shares	Group share scheme reserve	Retained earnings	Total equity	
	Note	\$'000	\$'000	\$'000	\$'000	
<b>2018</b>						
Balance at 1 April 2017		27,624	(319)	450	9,180	36,935
<i>Comprehensive income</i>						
Profit for the year		-	-	-	5,048	5,048
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	5,048	5,048
<i>Transactions with shareholders</i>						
Dividends paid	C1, C5	-	-	-	(5,350)	(5,350)
Treasury Shares cancelled	C3	(90)	90	-	-	-
Treasury Shares converted	C2	66	229	(66)	-	229
Treasury Share conversion and cancellation costs	C2	(2)	-	-	-	(2)
Share based payments	F1	-	-	(1)	-	(1)
<b>Total transactions with shareholders</b>		(26)	319	(67)	(5,350)	(5,124)
<b>Balance at 31 March 2018</b>		27,598	-	383	8,878	36,859
<b>2019</b>						
Balance at 31 March 2018		27,598	-	383	8,878	36,859
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9 & 15	G2	-	-	-	(374)	(374)
<b>Balance at 1 April 2018 (Restated)</b>		27,598	-	383	8,504	36,485
<i>Comprehensive income</i>						
Profit for the year		-	-	-	2,013	2,013
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	2,013	2,013
<i>Transactions with shareholders</i>						
Issue of share capital	C2	1,569	-	-	-	1,569
Share issue costs	C2	(2)	-	-	-	(2)
Dividends paid	C1, C5	-	-	-	(5,406)	(5,406)
Share based payments	F1	-	-	161	-	161
<b>Total transactions with shareholders</b>		1,567	-	161	(5,406)	(3,678)
<b>Balance at 31 March 2019</b>		29,165	-	544	5,111	34,820

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

**AWF Madison Group Limited**  
Statement of cashflows  
For the year ended 31 March 2019

	GROUP		
	2019	2018	
	Note	\$'000	\$'000
<b>Cashflows from operating activities</b>			
Receipts from customers		275,022	282,554
Payments to suppliers and employees		(262,813)	(266,336)
<b>Net cash generated from operations</b>		12,209	16,218
Interest received		26	32
Interest paid		(1,380)	(1,296)
Income taxes paid		(1,378)	(3,445)
<b>Net cash from operating activities</b>	C6	9,477	11,509
<b>Cashflows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		81	155
Purchase of property, plant and equipment	B1	(1,606)	(482)
Purchase of intangible assets	B2, G1	(1,025)	(157)
<b>Net cash (used in)/from investing activities</b>		(2,550)	(484)
<b>Cashflows from financing activities</b>			
Proceeds from the issue of share capital	C2, C3	1,569	229
Share issue costs		(2)	(2)
Dividends paid to share holders of the parent	C5	(5,406)	(5,350)
Proceeds from borrowings/(Repayments)	C8	(3,000)	2,500
Repayment of vendor on settlement of Absolute IT Limited earn-out payment		-	(3,250)
<b>Net cash from/(used in) financing activities</b>		(6,839)	(5,873)
<b>Net increase/(decrease) in cash held</b>		88	5,152
Cash and cash equivalents at start of the year		6,269	1,117
<b>Net cash and cash equivalents at end of the year</b>	C6	6,357	6,269

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

# Notes to the Financial Statements

## 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 and its controlled entities ("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, contractor resource and recruitment of permanent staff.

## BASIS OF PREPARATION

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practices in New Zealand ('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 (which is the Group's functional and presentation currency), with values rounded to thousands (\$000) unless otherwise stated.

The financial statements were authorised for issue by the directors on 29 May 2019.

## 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

The Group has adopted the NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers* which became effective for the year beginning 1 April 2018.

Disclosures relating to the impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Group's financial statements are outlined in note G2.

New standards and amendments and interpretations to existing standards that are not yet effective for the current accounting period 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.

Lessor accounting is largely 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;
- 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 and 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 2019 are set out in note F4.

The Group will adopt NZ IFRS 16 for the accounting period beginning 1 April 2019.

The Group has elected to adopt the Cumulative effect approach under which the Group will not restate comparative information. The carrying value of the right-of-use asset and the lease liability shall be the carrying amount of the lease asset and lease liability as at 1 April 2019.

Based on existing lease arrangements, the preliminary assessment of the adoption of IFRS 16 is expected to result in the recognition of the following:

As at 1 April 2019, the recognition of the following on the Group's Statement of Financial Position:

- a ROU asset of \$15.4m;
- a lease liability of \$15.4m; and
- a net movement in deferred tax of \$Nil (comprised as an increase in deferred tax assets and deferred tax liabilities of \$4.3m).

For the year ended 31 March 2020, the recognition of the following on the Group's Statement of Comprehensive Income:

- a decrease in rental expense (included within other operating expenses) of \$2.7m;
- an increase in depreciation expense of \$2.4m;
- an increase in finance costs of \$0.6m; and
- a decrease in tax expense of \$0.1m.

For the year ended 31 March 2020, overall there would be no impact on the Group's Statement of Cashflows, however there would be an increase in net cash from operating activities of \$0.6m and corresponding decrease in net cash from/(used in) financing activities \$0.6m.

## 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:

### 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 instruments

Financial assets and financial liabilities are recognised on the Group's Statement of financial position 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 financial assets at amortised cost. The Group's trade and other payables are classified as financial liabilities at amortised cost.

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.

## Goods and services tax (GST)

All revenue and expense transactions and cashflows are recorded exclusive of GST and other value added taxes. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated with GST included.

## Employee benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

### Superannuation plans

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## A. Financial Performance

### Equity instruments

Ordinary share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Costs which are not directly attributable to the issue of new shares are shown as an expense and included in other operating expenses in the Statement of Comprehensive Income.

Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

### KEY JUDGMENTS 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 judgments, 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.

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

#### Note – B2

Estimating the remaining useful lives of identifiable customer relationship and restraint of trade assets and testing the carrying value of brand assets

#### Note – B3

Testing the carrying value of goodwill

#### Note – A2 & C7

Expected credit losses from trade and other receivables and contract assets

#### Note – A2

Measurement of contract liabilities

#### Note – F2

Rehabilitation under the ACC Partnership programme

#### Note – G1

Identification of intangible assets arising from a business combination

### 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, judgments 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, revenue, expenses and taxation.

### A1 SEGMENT PERFORMANCE

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Directors, who are the chief operating decision maker.

The Group's reportable segments under NZ IFRS 8 Operating Segments have been identified as follows:

- AWF
- Madison and Absolute IT

These segments have been determined on the basis, of the trading brands that operate under each; that discrete financial information is available for these segments; and that their operating results are regularly reviewed by the Group's chief operating decision maker.

### AWF

The 'AWF' segment operates branches under the brand names AWF Labour, AWF Manufacturing and Logistics, AWF Trades, Tradeforce Recruitment and Select in major towns and cities throughout New Zealand. These brands primarily derive their revenues from temporary staffing services to industry.

### Madison and Absolute IT

The 'Madison and Absolute IT' segment 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.

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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>SEGMENT REVENUE AND RESULTS</b>				
<b>Continuing operations</b>				
AWF	115,859	129,848	1,260	4,858
Madison and Absolute IT	151,946	149,455	5,597	5,963
<b>Total for continuing operations</b>	<b>267,805</b>	<b>279,303</b>	<b>6,857</b>	<b>10,821</b>
Other income			26	32
Central administration costs and directors fees			(2,649)	(2,446)
Finance costs			(1,380)	(1,297)
Profit/(loss) before tax			2,854	7,110
Income tax expense			(841)	(2,062)
<b>Profit for the year</b>			<b>2,013</b>	<b>5,048</b>

Revenue reported above represents revenue generated from external customers. Inter-segment sales in the year were \$360,642 (2018: \$568,139) and have been eliminated from the above table. Inter-segment sales were eliminated from the originating segment. One customer accounts for 11.0% of the Group's revenue, relating to the Madison and Absolute IT segment, no other customers individually account for more than 10% of the Group's revenue (2018: No one customer accounted for more than 10% of the Group's revenue).

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' fees, 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.

	2019	2018
<b>SEGMENT ASSETS</b>	\$'000	\$'000
AWF	30,856	33,865
Madison and Absolute IT	61,652	70,464
Total segment assets	92,508	104,329
Unallocated assets	3,011	967
<b>Total assets</b>	<b>95,519</b>	<b>105,296</b>

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.

#### KEY JUDGMENTS AND ESTIMATES – OPERATING SEGMENTS

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.

	2019	2018
<b>SEGMENT LIABILITIES</b>	\$'000	\$'000
AWF	10,295	10,618
Madison and Absolute IT	13,329	19,455
Total segment liabilities	23,624	30,073
Unallocated liabilities	37,075	38,364
<b>Total liabilities</b>	<b>60,699</b>	<b>68,437</b>

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.

OTHER SEGMENT INFORMATION	Depreciation and amortisation		Employee benefits		Net additions to non-current assets	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AWF	720	683	105,828	116,738	835	(661)
Madison and Absolute IT	2,725	2,661	138,160	135,397	(1,794)	(2,424)
Unallocated	-	-	1,695	1,047	-	-
<b>Total</b>	<b>3,445</b>	<b>3,344</b>	<b>245,683</b>	<b>253,182</b>	<b>(959)</b>	<b>(3,085)</b>

## A2 REVENUE FROM CONTRACTS WITH CUSTOMERS

### Accounting Policy

#### Revenue recognition from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised once value has been received by the customer, when the performance obligations have been satisfied and control has transferred. This is typically on successful placement of a candidate. The transaction price is allocated to performance obligations based on their relative standalone selling prices.

#### Revenue earned on temporary placement – over time

Revenue from temporary placements, represents amounts billed from the supply of semi-skilled and skilled temporary staff, including the wage cost of these staff is recognised when the service has been provided. Revenue is recognised over time as services are provided. Performance completed to date is based on the number of hours worked.

The factors considered by Management on a contract by contract basis when concluding the Group is acting as principal rather than agent are as follows:

- Whether the customer has a direct relationship with the Group;
- Whether the Group has the primary responsibility for providing the services to the client, and engages and contracts directly with the temporary worker or other recruitment companies;
- Whether the Group has latitude in establishing the rates directly or indirectly with all parties.

#### Revenue earned on permanent placement – point in time

Revenue from permanent placements, represents amounts billed from the placement of permanent candidates. Revenue is typically based on a percentage of the candidate's remuneration package, this income being recognised at the date an offer is accepted by a candidate and where a start date has been determined.

If a candidate failed to remain in the position for greater than twelve weeks a guarantee is provided to replace the candidate.

#### Revenue earned on a retained basis – point in time

Where the Group is engaged on a retainer basis, revenue recognised is typically based on a percentage of candidate's remuneration package, this income being recognised on the completion of defined stages of work. The defined stages are: on confirmation of vacancy and after job briefing; on presentation of shortlist; and candidate placement.

Revenue is recognised when the underlying performance obligation is satisfied – the successful placement of the candidate.

#### Revenue earned as other services are provided – point in time

Where the Group is engaged to provide payroll related services to manage the administration of contractors sourced by its customers directly, revenue is recognised when the underlying performance obligation is satisfied – upon the provision of services, charged at hourly or daily rates.

Where the Group is engaged to provide contractors, they are covered by the Group's indemnity insurance cover. A fee for this indemnity insurance cover is recognised when the underlying performance obligation is satisfied – upon the provision of cover, charged at hourly rates.

Where the Group is engaged to provide other employee related services, such as psychometric assessments, advertising and candidate background checks, revenue is recognised when the underlying performance obligation is satisfied – upon the provision of services, charge at agreed rates.

#### Variable consideration

The Group pays customer rebates (for revenue from temporary and permanent placement), provides credit notes and warranties over the contract period for certain recruitment services (for revenue on a retained basis). Revenue is constrained to the extent that recognition would result in a significant reversal of revenue. When the uncertainty is resolved, the consideration is recognised.

#### Significant financing component

Payment is typically due within 30–60 days from the invoicing of a contract. There is no significant financing component in any of the Group's contracts with customers.

#### The Group previous accounting policy for the recognition of revenue from the rendering of services for the year ended 31 March 2018

Revenue from the provision of services was recognised when the services were provided. Permanent placement fees were recognised in the accounting period when a candidate accepted an offer of employment. Temporary and contractors' placements fees were recognised when services were provided.

	GROUP	
	2019	2018
	\$'000	\$'000
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Revenue earned on temporary placements		
– AWF	114,684	129,004
– Madison and Absolute IT	113,122	111,539
<b>Total revenue earned on temporary placements</b>	<b>227,806</b>	<b>240,543</b>
Revenue earned on permanent placements		
– AWF	963	713
– Madison and Absolute IT	10,979	10,063
<b>Total revenue earned on permanent placements</b>	<b>11,942</b>	<b>10,776</b>
Revenue earned on a retained basis		
– Madison and Absolute IT	80	107
<b>Total revenue earned on a retained basis</b>	<b>80</b>	<b>107</b>
Other service revenue		
– AWF	212	132
– Madison and Absolute IT	27,765	27,745
<b>Total other service revenue</b>	<b>27,977</b>	<b>27,877</b>
<b>Total revenue</b>	<b>267,805</b>	<b>279,303</b>

#### KEY JUDGMENTS AND ESTIMATES – DETERMINING THE TRANSACTION PRICE FOR REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Refund guarantees

For revenue on a retained basis, Management estimates the expected refund guarantees to customers based on historical experience of candidates leaving within the guarantee period. The estimate is updated for key reporting periods. Refund guarantees relate to the placement of individual candidates.

##### Rebate

Management estimates the expected rebates to customers on inception of the contract based on past precedent and future expected sales. The estimate is updated for key reporting periods. Rebates relate to the placement of a portfolio of candidates and the discount is applied to all qualifying placements.

#### CONTRACT ASSETS

##### Services rendered, invoice yet to send

Payment for services rendered (which includes revenue from all three streams identified above) are not due from the customer until the Group has invoiced the customer. Contract assets are balances due to be recovered from customers for work performed, that have yet to be invoiced. When the customer is invoiced, any amounts previously recognised as a contract asset are reclassified to trade receivables. Contract assets amounts are invoiced within 30 days, with payment typically due within 30 to 37 days from the invoice being

issued. There is no significant financing component in any of the Group's contracts with customers.

Appropriate allowances for expected irrecoverable amounts are recognised in profit and loss which are measured using the simplified approach permitted by NZ IFRS 9 *Financial Instruments*, which requires lifetime expected losses for contract assets to be recognised from initial recognition of the assets. The Group determines the expected credit losses from contract assets in a manner consistent with the approach described for trade and other receivables in note C7.

	GROUP	
	2019	2018
	\$'000	\$'000
<b>CONTRACT ASSETS</b>		
Customers yet to be invoiced for services rendered	295	729
Less provision for impairment	–	–
<b>Total contract assets</b>	<b>295</b>	<b>729</b>
Classified as:		
Current	295	729
Non-current	–	–
<b>Total contract assets</b>	<b>295</b>	<b>729</b>

EXPECTED LOSS RATES FOR CONTRACT ASSETS	GROUP					Total
	Current	1 – 30 days	30 – 60 days	60 – 90 days	90+ days	
<b>1 April 2018</b>						
Expected loss rate (%)	–%	–%	–%	–%	–%	–%
Gross contract assets (\$'000)	729	–	–	–	–	729
Provision for impairment of contract assets (\$'000)	–	–	–	–	–	–
<b>Net contract assets</b>	<b>729</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>729</b>
<b>31 March 2019</b>						
Expected loss rate (%)	–%	–%	–%	–%	–%	–%
Gross contract assets (\$'000)	295	–	–	–	–	295
Provision for impairment of contract assets (\$'000)	–	–	–	–	–	–
<b>Net contract assets</b>	<b>295</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>295</b>

#### KEY JUDGEMENTS AND ESTIMATES – EXPECTED CREDIT LOSSES FROM CONTRACT ASSETS

Management has reviewed and assessed contracts and the provision for impairment represents the best estimate of the expected credit losses based on historical credit loss experience adjusted to reflect current conditions and estimates of future economic conditions.

In making this assessment, Management takes into account

qualitative and quantitative information about current and prospective macroeconomic factors affecting the ability of the debtors (associated to the contracts) to repay the receivables.

The impairment provision is based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these estimates and developing inputs to the calculation. The inputs are based on the Group's past history, external market conditions as well as prospective information.

#### CONTRACT LIABILITIES

##### Contract guarantees

For revenue on a retained basis, the Group's standard contract terms for under permanent placement revenue contracts, includes a guarantee that the candidate placed will remain in the role for more than 12 weeks. If the candidate does not remain in the role for more than 12 weeks, the Group will endeavour to replace the candidate with another individual at no further cost to the customer. If the Group is unable to replace the candidate then the customer is entitled to a credit against the customers account.

Upon placement, a refund liability is recognised with a corresponding adjustment to revenue. This refund liability is measured using a rate derived utilising the Group's historical experience of candidates who have left before 12 weeks. This historical experience rate is measured using the portfolio approach permitted by NZ IFRS 15 *Revenue from Contract with Customers*. This estimate is updated regularly at each reporting period.

##### Contract rebates

For revenue from temporary and permanent placements, under the Group's contract terms with certain customers, a rebate is payable/applied to customers based on agreed percentages of amounts billed over a specified period. These agreed percentages can either be a single fixed rate or incremental based on thresholds.

At the beginning of the specified period, a rebate liability is recognised with a corresponding adjustment to revenue. This rebate liability is measured using a rate derived utilising the Group's expectation of the amounts to be billed to the customer over the specified period. This expectation is based on historical experience with the customer adjusted to reflect forecast estimates of the placements required by the customer over the specified period.

This estimate is updated regularly at each reporting period.

CONTRACT LIABILITIES	GROUP	
	2019	2018
	\$'000	\$'000
Guarantee refund liabilities	175	116
Rebate liabilities	355	224
<b>Total contract liabilities</b>	<b>530</b>	<b>340</b>
Classified as:		
Current	530	340
Non-current	–	–
<b>Total contract liabilities</b>	<b>530</b>	<b>340</b>

#### KEY JUDGEMENTS AND ESTIMATES – GUARANTEE AND REBATE LIABILITIES

##### Guarantee refund liabilities

Management has reviewed and assessed the historical experience rate and the contract liabilities for refund guarantees represents on a portfolio basis, the best estimate of expected candidates leaving within the guarantee period.

##### Rebate liabilities

Management has reviewed and assessed the past precedent and future expected sales for individual customers and the contract liabilities for rebates that represent the best estimate of expected rebates to customers. The estimate is updated for key reporting periods.

REVENUE RECOGNISED THAT WAS INCLUDED IN THE CONTRACT LIABILITY BALANCE AT THE BEGINNING OF THE PERIOD	GROUP	
	2019	2018
	\$'000	\$'000
Guarantee refund liabilities	116	23
Rebate liabilities	224	429
<b>Revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>340</b>	<b>452</b>

REVENUE RECOGNISED FROM PERFORMANCE OBLIGATIONS SATISFIED IN PREVIOUS PERIODS	GROUP	
	2019	2018
	\$'000	\$'000
Guarantee refund liabilities	116	23
Rebate liabilities	224	429
<b>Revenue recognised from performance obligations satisfied in previous periods</b>	<b>340</b>	<b>452</b>

### A3 INVESTMENT REVENUE

#### Accounting Policy

Dividend and interest revenue is presented as investment revenue in the statement of comprehensive income.

#### Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

#### Interest revenue

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

	GROUP	
	2019	2018
	\$'000	\$'000
<b>INVESTMENT REVENUE</b>		
Investment revenue	26	32
Other revenue	-	-
<b>Total investment revenue</b>	26	32

### A4 EXPENSES

#### BAD AND DOUBTFUL DEBTS EXPENSE

	GROUP	
	2019	2018
	\$'000	\$'000
Bad debts	1,109	815
Impairment losses reversed	(445)	(594)
<b>Total bad and doubtful debts expense</b>	664	221

#### DEPRECIATION AND AMORTISATION EXPENSE

	Note	GROUP	
		2019	2018
		\$'000	\$'000
Depreciation of property, plant and equipment	B1	921	952
Amortisation of intangible assets	B2	2,524	2,392
<b>Total depreciation and amortisation expense</b>		3,445	3,344

#### FINANCE COSTS

	GROUP	
	2019	2018
	\$'000	\$'000
Interest on bank overdrafts and loans	1,088	1,030
Other interest expense	292	267
<b>Total finance costs</b>	1,380	1,297

#### AUDITOR'S REMUNERATION TO DELOITTE FOR:

	GROUP	
	2019	2018
	\$'000	\$'000
<b>Audit of the financial statements</b>		
Audit of the financial statements	162	162
<b>Total auditor's remuneration to Deloitte</b>	162	162

### A5 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.

- 4 Income tax expense is the income assessed on taxable profit for the year.
- 5 AWF Madison Group Limited's liability for current tax is calculated using tax rates that have been enacted at balance date, being 28% (2018: 28%) for New Zealand.

#### INCOME TAX EXPENSE

	GROUP	
	2019	2018
	\$'000	\$'000
<b>INCOME TAX EXPENSE</b>		
Current tax		
In respect of current year	1,235	2,212
In respect of prior year	(199)	219
	1,036	2,431
Deferred tax		
In respect of current year	(351)	(150)
In respect of prior year	156	(219)
	(195)	(369)
<b>Total tax expense</b>	841	2,062
Reconciliation to profit before tax		
<b>Profit before income tax</b>	2,854	7,110
Income tax at 28%	799	1,991
Tax effect of expenses that are not deductible in determining taxable profit	42	71
<b>Income tax expense</b>	841	2,062
<b>Effective tax rate for the year</b>	29.5%	29.0%

#### CURRENT TAX ASSETS AND LIABILITIES

	GROUP	
	2019	2018
	\$'000	\$'000
<b>Current tax liabilities</b>		
Income tax payable	280	622
<b>Total current tax liabilities</b>	280	622

## B. Assets used to generate income

### Accounting Policy – deferred tax

- 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.
- 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.
- 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.
- 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.
- 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					
	Contract assets and liabilities	Employee benefits	Bad debt provision	Other provisions	Identifiable intangible assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2017</b>	-	1,339	326	169	(4,951)	(3,117)
Prior period adjustment	-	206	(75)	(3)	91	219
Charge (credit to profit or loss for the year)	-	(140)	(166)	(73)	529	150
<b>As at 31 March 2018</b>	-	1,405	85	93	(4,331)	(2,748)
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9 & 15 (note G2)	41	-	104	-	-	145
<b>As at 31 March 2018 (Restated)</b>	41	1,405	189	93	(4,331)	(2,603)
Prior period adjustment	-	(157)	-	-	1	(156)
Business combination	-	-	-	-	(54)	(54)
Charge (credit to profit or loss for the year)	(41)	(132)	(125)	17	632	351
<b>As at 31 March 2019</b>	-	1,116	64	110	(3,752)	(2,462)

	GROUP	
	2019	2018
	\$'000	\$'000
<b>IMPUTATION BALANCES</b>		
<b>Imputation credits available for subsequent reporting periods at 28%</b>	9,539	7,666

The above amounts represent the balance of the imputation account as at the end of the reporting period at 28%, 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 reporting date will be imputed out of existing imputation credits or out of imputation credits arising from the payment of income tax in the next reporting period.

### 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:

- property, plant and equipment
- intangible assets
- goodwill

### B1 PROPERTY, PLANT AND EQUIPMENT

#### Accounting policy

- Fixtures and equipment, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any accumulated impairment losses.
- Depreciation is charged so as to write off the cost of assets, over their estimated useful lives using the diminishing value method.
- 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 Statement of comprehensive income.

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

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

	Note	GROUP			
		Motor Vehicles	Fixtures and equipment	Leasehold Improvements	Total
		\$'000	\$'000	\$'000	\$'000
Cost		1,010	5,278	1,655	7,943
Less accumulated depreciation		(630)	(3,290)	(675)	(4,595)
<b>Net book value at 1 April 2017</b>		380	1,988	980	3,348
Additions		51	305	126	482
Business combinations		-	-	-	-
Disposals – cost		(318)	(416)	(493)	(1,227)
Depreciation expense	A4	(114)	(742)	(96)	(952)
Eliminations on disposal – depreciation		260	336	251	847
<b>Net book value at 31 March 2018</b>		259	1,471	768	2,498
Additions		36	979	591	1,606
Business combinations		-	-	-	-
Disposals – cost		(251)	(1,202)	(49)	(1,502)
Depreciation expense	A4	(78)	(721)	(122)	(921)
Eliminations on disposal – depreciation		184	1,150	23	1,357
<b>Net book value at 31 March 2019</b>		150	1,677	1,211	3,038
Cost		528	4,944	1,830	7,302
Less accumulated depreciation		(378)	(3,267)	(619)	(4,264)
<b>Net book value at 31 March 2019</b>		150	1,677	1,211	3,038

## B2 INTANGIBLE ASSETS

### Accounting policy

- 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.
- 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 (72 months). 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.
- 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 Impairment of Assets (refer also B3).

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
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	2,240	13,371	9,445	1,304	26,360
Less accumulated amortisation	(802)	(6,933)	–	(311)	(8,046)
<b>Net book value at 1 April 2017</b>	<b>1,438</b>	<b>6,438</b>	<b>9,445</b>	<b>993</b>	<b>18,314</b>
Additions	157	–	–	–	157
Amortisation expense	A4 (238)	(1,937)	–	(217)	(2,392)
Impairment	–	–	–	–	–
<b>Net book value at 31 March 2018</b>	<b>1,357</b>	<b>4,501</b>	<b>9,445</b>	<b>776</b>	<b>16,079</b>
Additions	180	194	–	–	374
Amortisation expense	A4 (349)	(1,957)	–	(218)	(2,524)
Impairment	–	–	–	–	–
<b>Net book value at 31 March 2019</b>	<b>1,188</b>	<b>2,738</b>	<b>9,445</b>	<b>558</b>	<b>13,929</b>
Cost	2,577	13,565	9,445	1,304	26,891
Less accumulated amortisation	(1,389)	(10,827)	–	(746)	(12,962)
<b>Net book value at 31 March 2019</b>	<b>1,188</b>	<b>2,738</b>	<b>9,445</b>	<b>558</b>	<b>13,929</b>

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

Brand names of:

- \$7.465 million identified and recognised from the Madison acquisition are allocated to the Madison Group cash generating unit; and
- \$1.980 million identified and recognised from the Absolute IT acquisition are allocated to the Absolute IT cash generating unit.

### KEY JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Brand assets are indefinite life non-financial assets. Determining whether brand assets are impaired requires an estimation of the value in use of the cash generating unit to which brand relates to. The impairment testing of brand is undertaken in conjunction with the impairment testing of goodwill related to the cash generating unit (refer to note B3 for further information).

The impairment assessment of customer relationships and restraint of trade assets requires a judgment and estimation of the expected remaining useful life of these assets.

## 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 identified 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 ('CGUs') expected to benefit from the synergies of the combination.

Cash generating units to which goodwill and indefinite life intangible assets have 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.

	Note	GROUP	
		2019	2018
		\$'000	\$'000
Balance at 1 April		38,620	38,620
Business combinations - Select (allocated to the AWF CGU)	G1	651	–
<b>Net book value as at 31 March</b>		<b>39,271</b>	<b>38,620</b>
Allocation to cash generating units			
• AWF		11,212	10,561
• Madison Recruitment		20,223	20,223
• Absolute IT		7,836	7,836
<b>Total goodwill</b>		<b>39,271</b>	<b>38,620</b>

### 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 forecast 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% (2018: 2.0%). 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 9.14% (2018: 9.85%). The discount and growth rates have been consistently applied to all cash generating units.

In assessing the goodwill for impairment, a sensitivity analysis for reasonably possible changes in key assumptions was performed.

This included:

- reducing the estimated growth rate of growth rates by 0.5%;
- reducing the terminal growth rate by 1%.

These reasonably possible changes in rates did not result in any impairment of goodwill.

### KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

- 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.
- Determining whether goodwill is impaired requires an appropriate discount rate to be applied to future cashflows. An independent assessment of Group's weighted average cost of capital was obtained in January 2019. The discount rate has moved to 9.14% under the Classical model (2018: 9.85%). The key inputs into the Classical model included a risk-free rate based on 10 year New Zealand government bonds, a market risk premium 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

	Note	GROUP	
		2019 \$'000	2018 \$'000
<b>RETAINED EARNINGS AND DIVIDENDS</b>			
Opening balance at 1 April 2018		8,878	9,180
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9 & 15	G2	(374)	-
Opening balance at 1 April 2018 (Restated)		8,504	9,180
Total comprehensive income for the year		2,013	5,048
Dividends paid	C5	(5,406)	(5,350)
<b>Closing balance at 31 March</b>		<b>5,111</b>	<b>8,878</b>

### C2 SHARE CAPITAL

	Note	GROUP			
		2019 No of Shares	2018 No of Shares	2019 \$'000	2018 \$'000
<b>ORDINARY SHARE CAPITAL</b>					
<i>Issued and fully paid:</i>					
Balance at 1 April		32,555,193	32,463,393	27,598	27,624
Issue of shares	C5	868,206	-	1,569	-
Cancellation of Treasury Shares		-	-	-	(90)
Conversion of Treasury Shares to Ordinary Shares	C3, F1	-	91,800	-	66
Conversion and cancellation costs		-	-	(2)	(2)
<b>Total</b>		<b>33,423,399</b>	<b>32,555,193</b>	<b>29,165</b>	<b>27,598</b>

The share capital reflected in the following note represents the ordinary share capital of AWF Madison Group Limited. All ordinary shares carry rights to dividends and distribution on wind-up.

### C3 TREASURY SHARES

	Note	GROUP			
		2019 No of Shares	2018 No of Shares	2019 \$'000	2018 \$'000
<b>TREASURY SHARES</b>					
<i>Issued and fully paid:</i>					
Balance at 1 April		-	127,800	-	319
Cancellation of Treasury Shares	C2	-	(36,000)	-	(90)
Conversion of Treasury Shares to Ordinary Shares	C2, F1	-	(91,800)	-	(229)
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Treasury shares are those ordinary shares purchased by the Group in the course of establishing an Executive Share Scheme and converted to restricted shares.

### C4 EARNINGS PER SHARE

	Note	GROUP	
		2019 \$'000	2018 \$'000
<b>EARNINGS PER SHARE</b>			
Comprehensive income for the year net of tax		2,013	5,048
Number of ordinary shares:			
As at 31 March	C2	33,423,399	32,555,193
Weighted average number of shares for basic earnings per share		32,993,554	32,543,956
<b>Total basic earnings per share (cents per share)</b>		<b>6.1</b>	<b>15.5</b>
Weighted average number of shares for diluted earnings per share		32,993,554	32,543,956
<b>Total diluted earnings per share (cents per share)</b>		<b>6.1</b>	<b>15.5</b>

In 2015, the Group set up a long term incentive scheme, offering the Group's Chief Executive Officer stock appreciation rights (SAR's) with a reference price of \$2.28 per SAR (refer Note F1).

At 31 March the SAR's vesting criteria was not achieved (2018: not achieved) therefore they are anti-dilutive. The SAR's could potentially dilute earnings per share in the future.

The restricted shares detailed in Note F1 could also potentially dilute earnings per share in the future, but currently are anti-dilutive (2018 were anti-dilutive).

## C5 DIVIDENDS

### Accounting policy

Dividend distributions to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

	GROUP			
	2019		2018	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts:				
Prior year final dividend	8.20	2,704	8.20	2,705
Interim dividend	8.00	2,702	8.00	2,645
		5,406		5,350
Final dividend declared	8.20	2,741	8.20	2,699

### Dividend Reinvestment Plan (DRP)

During the year, 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.

In conjunction with the final dividend declared for the financial year ended 31 March 2018 a total of 402,415 ordinary shares at \$1.92 per share for a total of \$773,000 were issued.

In conjunction with the interim dividend declared for the financial year ended 31 March 2019 a total of 465,791 ordinary shares at \$1.71 per share for a total of \$796,000 were issued.

### Subsequent event

On 29 May 2019 the directors approved the payment of a fully imputed final dividend of 8.2 cents per share (total dividend \$2,802,957) to be paid on 9 July 2019 to all shareholders registered on 24 June 2019 (2018: On 28 May 2018 the directors approved the payment of a fully imputed final dividend of 8.2 cents per share (total dividend \$2,698,718) to be paid on 10 July 2018 to all shareholders registered on 29 June 2018).

## 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	
	2019	2018
	\$'000	\$'000
<b>CASH AND CASH EQUIVALENTS</b>		
Cash at bank	6,357	6,269
<b>Total cash and cash equivalents</b>	6,357	6,269

Cash at bank and bank overdraft are financial instruments that are subject to offset. The Group has a legally enforceable right to offset and an intention to settle on a net basis. Cash at bank and bank overdraft have not been offset in the presentation of the Group's statement of financial position, however have been offset in the presentation of total cash and cash equivalents in the Group's statement of cashflows and above.

	GROUP	
	2019	2018
	\$'000	\$'000
<b>RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit after income tax</b>	2,013	5,048
<b>Adjustments for operating activities non-cash items:</b>		
Depreciation and amortisation	3,445	3,344
Loss on disposal of property, plant and equipment	64	224
Movement in doubtful debts provision plus bad debt write off in current year	664	221
Movement in deferred tax	(195)	(369)
Equity-settled share-based payments	161	(2)
Fair value gain on settlement of Absolute IT Limited earn-out payment	-	(170)
<b>Total non-cash items</b>	4,139	3,248
<b>Movements in working capital excluding movements relating to purchase of subsidiaries:</b>		
(Increase)/ decrease in trade and other receivables, and contract assets	7,871	3,277
Increase/(decrease) in trade and other payables, and contract liabilities	(4,299)	966
Increase/(decrease) in provisions	41	(17)
Increase/(decrease) in taxation payable	(288)	(1,013)
<b>Total movement in working capital</b>	3,325	3,213
<b>Cash flow from operating activities</b>	9,477	11,509

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

There are no trade and other receivables with a significant financing component.

The Group determines the expected credit losses by calculating:

- a 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 risk and 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.

### The Group previous accounting policy for the year ended 31 March 2018

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 assets 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 a 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, reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group determines the expected credit losses for all trade receivables and other receivables (including those that are past due and neither past due) by using a provision matrix, estimated based on historical credit loss experience based on shared credit risk characteristics and the days past due status of the debtors. The expected loss rates are based on the payment profiles of sales over a period of 60 months. The historical loss rates are adjusted to reflect current conditions and estimates of future economic conditions affecting the ability of the debtors to repay the receivables. The Group has identified the unemployment rate and industry-specific variables to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

An allowance of \$229,000 (2018: \$303,000) has been made for expected credit losses arising from trade and other receivables.

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.

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.

Included in trade receivables are debtors with a carrying value of \$4.95 million (2018: \$6.17 million) which are overdue at the reporting date. Included in other receivables are debtors with a carrying value of \$Nil (2018: \$0.16 million) which are overdue at the reporting date.

The Group does not hold any collateral over these balances.

The Group writes off a receivable when there is information indicating that the debt is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors has been placed under receivership or liquidation, or has entered into bankruptcy proceedings. NZ IFRS 9 includes a rebuttal presumption that a loss event has occurred if debtors are aged greater than 90 days. Impairment losses on trade and other receivables are presented as 'direct expenses' in the Statement of Comprehensive Income. Any revisions to this amount are credited to the same line item.

		GROUP	
		2019	2018
		\$'000	\$'000
<b>TRADE AND OTHER RECEIVABLES</b>	Note		
Trade receivables		32,164	37,984
Provision for impairment of trade receivables		(229)	(143)
<b>Total trade receivables</b>		<b>31,935</b>	<b>37,841</b>
Other receivables		694	3,420
Provision for impairment of other receivables		-	(160)
Total other receivables		694	3,260
<b>Total trade and other receivables</b>		<b>32,629</b>	<b>41,101</b>

		GROUP	
		2019	2018
		\$'000	\$'000
<b>PROVISION FOR IMPAIRMENT</b>	Note		
<b>PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES</b>			
Closing balance at previous 31 March		143	897
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9	G2	371	-
Balance at 1 April		514	897
Impairment losses recognised		1,109	655
Write-offs to bad debts during the year	A4	(1,034)	(815)
Impairment losses reversed	A4	(360)	(594)
<b>Balance at 31 March</b>		<b>229</b>	<b>143</b>
<b>PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES</b>			
Closing balance at previous 31 March		160	-
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9		-	-
Balance at 1 April		160	-
Impairment losses recognised		-	160
Write-offs to bad debts during the year	A4	(75)	-
Impairment losses reversed	A4	(85)	-
<b>Balance at 31 March</b>		<b>-</b>	<b>160</b>
<b>Total provision for impairment of trade and other receivables at 31 March</b>		<b>229</b>	<b>303</b>

EXPECTED LOSS RATES FOR TRADE RECEIVABLES	GROUP					
	Current	1 – 30 days	30 – 60 days	60 – 90 days	90+ days	Total
<b>1 April 2018</b>						
Expected loss rate (%)	-%	-%	-%	-%	35.6%	0.4%
Gross trade receivables (\$'000)	31,810	4,506	868	398	402	37,984
Provision for impairment of trade receivables (\$'000)	-	-	-	-	(143)	(143)
<b>Net trade receivables</b>	<b>31,810</b>	<b>4,506</b>	<b>868</b>	<b>398</b>	<b>259</b>	<b>37,841</b>
<b>31 March 2019</b>						
Expected loss rate (%)	-%	1.4%	2.2%	3.9%	42.7%	0.7%
Gross trade receivables (\$'000)	27,210	3,334	889	387	344	32,164
Provision for impairment of trade receivables (\$'000)	-	(47)	(20)	(15)	(147)	(229)
<b>Net trade receivables</b>	<b>27,210</b>	<b>3,287</b>	<b>869</b>	<b>372</b>	<b>197</b>	<b>31,935</b>

EXPECTED LOSS RATES FOR OTHER RECEIVABLES	GROUP					
	Current		30 – 60 days	60 – 90 days	90+ days	Total
<b>1 April 2018</b>						
Expected loss rate (%)	-%	-%	-%	-%	-%	4.68%
Gross other receivables (\$'000)	3,260	-	-	-	160	3,420
Provision for impairment of other receivables (\$'000)	-	-	-	-	(160)	(160)
<b>Net other receivables</b>	<b>3,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,260</b>
<b>31 March 2019</b>						
Expected loss rate (%)	-%	-%	-%	-%	-%	-%
Gross other receivables (\$'000)	694	-	-	-	-	694
Provision for impairment of other receivables (\$'000)	-	-	-	-	-	-
<b>Net other receivables</b>	<b>694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>694</b>

#### Other information about customers

One customer accounts for 11% of the 2019 Group revenue, no other customers individually accounts for more than 10% of the 2019 Group revenue (2018: none).

The concentration of credit risk is limited due to the size of the customer base.

#### KEY JUDGEMENTS AND ESTIMATES – EXPECTED CREDIT LOSSES FROM RECEIVABLES

Management has reviewed and assessed debtors on a branch-by-branch basis and the provision for impairment represents the best estimate of the expected credit losses based on historical credit loss experience adjusted to reflect current conditions and estimates of future economic conditions.

In making this assessment, Management takes into account qualitative and quantitative information about current and

prospective macroeconomic factors affecting the ability of the debtors to repay the receivables.

The impairment provision is based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these estimates and developing inputs to the calculation. The inputs are based on the Group's past history, external market conditions as well as prospective information.

#### C8 BORROWINGS – AT AMORTISED COST

BORROWINGS	GROUP	
	2019 \$'000	2018 \$'000
Bank loans	33,000	36,000
<b>Total borrowings</b>	<b>33,000</b>	<b>36,000</b>
<b>Classified as:</b>		
Current	-	-
Non-current	33,000	36,000
<b>Total bank loans</b>	<b>33,000</b>	<b>36,000</b>

#### Summary of borrowing arrangements

The Group has a term loan facility of \$36.0 million with ASB Bank Limited of which \$33.0 million was drawn as at 31 March 2019 (2018: \$36 million).

The loan facilities are secured by first ranking General Security Deed with cross guarantees and indemnities executed by all Group entities (refer note E1).

The banking facilities require the Group to operate within defined financial undertakings. The Group has complied with all covenant requirements during the year.

Interest is calculated on a floating rate and the annual weighted average rate is 3.90% (2018: 3.44%). The rate is reset every three months. The loan is an interest only loan and is repayable on 1 October 2021 (2018: 2 September 2019).

The Group has an overdraft facility of \$12.0 million with ASB Bank Limited. The balance of the overdraft was \$Nil as at 31 March 2019 (2018: \$Nil) and cash at bank was \$6.357 million at 31 March 2019 (2018: \$6.269 million).

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities:

#### Reconciliation of liabilities arising from financing activities

	Note	GROUP			
		Opening balance 1 April \$'000	Financing cash flows <sup>(i)</sup> \$'000	Non-cash changes \$'000	Closing balance 31 March \$'000
<b>For the year ended 31 March 2018</b>					
<b>Borrowings</b>					
Bank loans – ASB Bank Limited:					
– Term facility	C8	33,500	2,500	-	36,000
<b>Other financial liabilities from financing activities</b>					
Absolute IT Limited earn-out payment		3,420	(3,250)	(170)	-
<b>Total</b>		<b>36,920</b>	<b>(750)</b>	<b>(170)</b>	<b>36,000</b>
<b>For the year ended 31 March 2019</b>					
<b>Borrowings</b>					
Bank loans – ASB Bank Limited:					
– Term facility	C8	36,000	(3,000)	-	33,000
<b>Total</b>		<b>36,000</b>	<b>(3,000)</b>	<b>-</b>	<b>33,000</b>

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings and repayment of other financial liabilities in the statement of cash flows.

## 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, expenses, 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	
	2019	2018
<b>TRADE AND OTHER PAYABLES</b>	\$'000	\$'000
Trade payables	7,029	6,708
Goods and services tax (GST) payable	3,992	5,011
PAYE	3,278	3,993
Other payables and accruals	9,887	12,815
<b>Total trade and other payables</b>	<b>24,186</b>	<b>28,527</b>

## D. Financial instruments used to manage risk

### IN THIS SECTION

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

### D1 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

- credit risk;
- liquidity risk;
- market risk – interest rate risk;
- capital risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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

The credit risk on cash and cash equivalents 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 Statement of financial position 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

Liquidity risk is the risk that an Group will encounter difficulty in meeting obligations associated with financial liabilities.

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.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its interest earning cash deposits and its interest bank borrowings. The Group is exposed to interest rate risk to the extent that it invests for a fixed term at fixed rates or borrows for a fixed term at fixed rates. The Group's policy is to obtain the most favourable term and interest rate available.

The Group's exposure to interest rate risk is to the extent that it invests for a fixed term at fixed rates. The Group's interest rate risk policy is to obtain the most favourable term and interest rate available.

#### 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 the prior year.

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 retained earnings, issued 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.

#### 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 assets and liabilities excluding cash and cash equivalents. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or 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
<b>2019</b>							
<b>Financial assets</b>							
Non-interest bearing	-%	32,924	-	-	-	-	32,924
Floating interest	0.75%	6,357	-	-	-	-	6,357
<b>Financial liabilities</b>							
Non-interest bearing	-%	15,411	5,785	3,521	-	-	24,717
Floating interest	3.90%	107	215	965	33,536	-	34,823
		54,799	6,000	4,486	33,536	-	98,821
<b>2018</b>							
<b>Financial assets</b>							
Non-interest bearing	-%	41,830	-	-	-	-	41,830
Floating interest	0.75%	6,269	-	-	-	-	6,269
<b>Financial liabilities</b>							
Non-interest bearing	-%	17,821	7,018	4,028	-	-	28,867
Floating interest	3.44%	103	206	929	36,516	-	37,754
		66,023	7,224	4,957	36,516	-	114,720

### Sensitivity analysis

The sensitivity analysis has been based on the exposure to interest rates for borrowings and cash and cash equivalents at 31 March. The weighted average interest of cash and cash equivalents at balance date was 0.75% (2018: 0.75%).

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 +/- 50 bps	
	2019	2018
	\$'000	\$'000
Impact on profit and equity	165	180

## E. Group structure

### IN THIS SECTION

This section provides information to help readers understand the Group's structure and how it affects the financial position and performance of the Group.

- 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.

### E1 SUBSIDIARIES

#### Accounting policies

#### 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 Group:

- has powers over the investee;

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 Group Limited.

NAME OF SUBSIDIARY	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
<b>2019</b>				
AWF 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
Probity NZ Limited	New Zealand	100%	100%	Priority checks
NZ Employed Limited	New Zealand	100%	100%	Dormant
<b>2018</b>				
AWF Limited	New Zealand	100%	100%	Labour hire
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

\* Force Christchurch Limited (formerly AWF Christchurch Limited) until 7 June 2018, was removed from the New Zealand Companies Office Register on 31 January 2019.

## 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

- 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.
- 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.
- 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 the 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 Payments. 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.

	GROUP	
	2019	2018
	\$'000	\$'000
<b>EMPLOYEE BENEFITS</b>		
Employee benefits	242,334	250,096
Employer contribution to Kiwisaver	3,188	3,087
Equity-settled share-based payments	161	(1)
<b>Total employee benefits expense</b>	<b>245,683</b>	<b>253,182</b>

	GROUP	
	2019	2018
	\$'000	\$'000
<b>COMPENSATION OF KEY MANAGEMENT PERSONNEL</b>		
The remuneration of key management during the year was as follows:		
Salaries and short-term benefits	3,102	2,774
Employer contribution to Kiwisaver	71	92
Equity-settled share-based payments	75	82
<b>Total key management personnel compensation</b>	<b>3,248</b>	<b>2,948</b>

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

##### Employee 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. 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.

A total of 463,000 restricted shares were issued to senior staff during the year 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.

No restricted shares were exercised during the year (2018: A total of 91,800 shares (91,800 Restricted A shares) were exercised during the year).

60,000 restricted shares expired during the year (2018: 182,000 shares). The corresponding interest free loan provided to staff was also cancelled.

At 31 March 2019, there were 759,000 (2018: 356,000) shares held by staff members and corresponding loans to the value of \$1,647,270 (2018: \$914,820).

The following share-based payment arrangements were in existence at 31 March 2019:

	Number	Grant date	Vesting date	Expiry date	Issue price	Fair value of option at grant date
					\$	\$
<b>RESTRICTED SHARE SERIES</b>						
D Shares	156,000	30/07/2014	1/07/2019	1/07/2020	2.57	0.87
E Shares 2017 Grant	28,000	23/11/2016	1/07/2019	1/07/2020	2.57	0.59
F Shares 2017 Grant	42,000	23/11/2016	1/01/2022	1/01/2023	2.57	0.79
E Shares 2018 Grant	28,000	2/08/2017	1/07/2019	1/07/2020	2.64	0.53
F Shares 2018 Grant	42,000	2/08/2017	1/01/2022	1/01/2023	2.64	0.82
E Shares 2019 Grant	26,000	6/06/2018	1/07/2019	1/07/2020	1.93	0.33
F Shares 2019 Grant	39,000	6/06/2018	1/01/2022	1/01/2023	1.93	0.51
G Shares 2019 Grant	151,200	1/11/2018	1/07/2021	1/07/2022	1.90	0.38
H Shares 2019 Grant	246,800	1/11/2018	1/01/2024	1/01/2025	1.90	0.55
<b>Total</b>	<b>759,000</b>					

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 grant 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 expected term of the option. The valuation assumes that senior employees and directors will exercise the options at the end of the allowed one-year loan repayment period.

RESTRICTED SHARE SERIES	Grant date	Vesting date	Share price at grant date	Exercise Price	Remaining term to vesting	Expected life	Risk Free Rate	Annualised Volatility	Option Value
			\$	\$	(Days)	(Years)	%	%	\$
D Shares	30/07/2014	1/07/2019	\$2.45	\$2.57	1,797	4.90	4.00%	30.00%	\$0.87
E Shares 2017 Grant	23/11/2016	1/07/2019	\$2.55	\$2.57	950	2.60	2.40%	26.50%	\$0.59
F Shares 2017 Grant	23/11/2016	1/01/2022	\$2.55	\$2.57	1,865	5.10	2.40%	26.50%	\$0.79
E Shares 2018 Grant	2/08/2017	1/07/2019	\$2.70	\$2.64	698	1.90	2.20%	23.10%	\$0.53
F Shares 2018 Grant	2/08/2017	1/01/2022	\$2.70	\$2.64	1,613	4.40	2.50%	26.20%	\$0.82
E Shares 2019 Grant	6/06/2018	1/07/2019	\$1.94	\$1.93	390	2.10	1.90%	26.70%	\$0.33
F Shares 2019 Grant	6/06/2018	1/01/2022	\$1.94	\$1.93	1,305	4.60	2.30%	25.70%	\$0.51
G Shares 2019 Grant	1/11/2018	1/07/2021	\$1.84	\$1.90	973	2.70	2.00%	25.10%	\$0.38
H Shares 2019 Grant	1/11/2018	1/01/2024	\$1.84	\$1.90	1,887	5.20	2.20%	26.70%	\$0.55

The weighted average fair value of the restricted shares granted under the restricted share scheme during the year was \$0.48 (2018: \$0.70)

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

	GROUP			
	2019		2018	
	Option Number	Weighted average exercise price \$	Option Number	Weighted average exercise price \$
Balance at 1 April	356,000	\$2.57	622,800	\$2.56
Granted during the year	463,000	\$1.90	70,000	\$2.64
Exercised during the year	-	\$-	(91,800)	\$2.50
Expired during the year	-	\$-	(182,000)	\$2.56
Forfeited during the year	(60,000)	\$2.57	(63,000)	\$2.57
<b>Balance at 31 March</b>	<b>759,000</b>	<b>\$2.17</b>	<b>356,000</b>	<b>\$2.57</b>

The number of restricted share options exercisable at 31 March 2019 is Nil (2018: Nil).

The restricted shares outstanding at 31 March 2019 had a weighted average remaining contractual life of 1,286 days (2018: 1,131 days).

During the year ended 31 March 2019 the share based payments expense recognised by the Group was a charge of \$71,731 (2018: credit of \$91,000).

There were no restricted share options exercised during the year (2018: The weighted average share price at the date of exercise during the prior year was \$2.93).

### 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. Due to the nature of the long term incentive scheme, the scheme has been treated as a share option scheme under NZ IFRS 2 Share-based Payment and a value placed on each SAR in accordance with the standard. 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
Grant date	24/07/2015
Vesting date	1/07/2020
Share price at grant date	\$2.34
Reference price	\$2.28
Days until vesting	1,804
Expected life (years)	4.94
Risk Free Rate	3.0%
Annualised Volatility	27.5%
Option 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 2019 there were 2,000,000 (2018: 2,000,000) SAR's in the scheme with a value of \$440,360 (2018: \$440,360).

During the year ended 31 March 2019 the share based payments expense recognised by the Group was \$89,000 (2018: \$89,000).

If the Total Shareholder Return vesting criteria is met, the number of shares issuable is calculated using the reference price, the volume weighted market price of shares for the 60 days prior to the vesting date and the maximum number of SAR's available.

## 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	
	2019	2018
	\$'000	\$'000
<b>PROVISION FOR MEDICAL COSTS</b>		
Balance at 1 April	200	217
Payments made during the year	(272)	(152)
Revaluation of provision	241	(65)
Outstanding costs incurred in the current year	72	200
<b>Balance at 31 March</b>	<b>241</b>	<b>200</b>
Current	241	200
Non-current	-	-
<b>Balance at 31 March</b>	<b>241</b>	<b>200</b>

AWF Limited participates in the ACC accredited employers full self cover plan. Under the plan AWF Limited, as employer undertakes injury management (via its appointed agent) and accepts financial responsibility for employees who suffer work-related injuries for a nominated period. AWF Limited has capped its exposure to total claims and unexpected high individual claims via stop loss cover.

### KEY JUDGEMENTS AND ESTIMATES – REHABILITATION UNDER THE ACC PARTNERSHIP PROGRAMME

Provisions represent 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 17,488,884 shares is the ultimate controlling entity of the Group, having a 52.33% holding.

### Transactions

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

	GROUP	
	2019	2018
	\$'000	\$'000
<b>RELATED PARTY TRANSACTIONS</b>		
Multihull Ventures Limited – Recruitment services	-	11

Simon Hull is a shareholder of Multihull Ventures Limited. No amounts remain unpaid at 31 March 2019 (2018: \$ Nil).

## F4 COMMITMENTS

### Accounting policy

- 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.
- 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	
	2019	2018
	\$'000	\$'000
<b>OPERATING LEASES RECOGNISED AS AN EXPENSE</b>		
Minimum lease payments under operating leases recognised as an expense in the year	3,331	3,268
	3,331	3,268

	GROUP	
	2019	2018
	\$'000	\$'000
<b>NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>		
Less than 1 year	2,728	2,824
Later than 1 year and not later than 5 years inclusive	7,327	6,317
More than 5 years	1,838	2,277
<b>Total operating lease commitments</b>	<b>11,893</b>	<b>11,418</b>

	GROUP	
	2019	2018
	\$'000	\$'000
<b>CAPITAL EXPENDITURE COMMITMENTS</b>		
Property, plant and equipment	116	270
<b>Total capital expenditure commitments</b>	<b>116</b>	<b>270</b>

## G. Significant matters in the financial year

### IN THIS SECTION

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

#### G1 BUSINESS COMBINATIONS

##### 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.

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.

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) *Business Combinations* 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.

#### F5 CONTINGENT ASSETS AND LIABILITIES

AWF Madison Group Limited has a guarantee to NZX Limited for \$75,000 dated 24 May 2005.

The Group has no other contingent assets or liabilities at 31 March 2019 (2018: \$Nil).

#### F6 EVENTS AFTER THE REPORTING DATE

##### CEO incentive plan

On 9 May 2019 the Group announced the lapse of the 2,000,000 stock appreciation rights (SAR) issued to the CEO, pursuant to the AWF Madison Limited SAR Long Term Incentive Plan ("Plan"). There are no outstanding stock appreciation rights on issue under the Plan.

The Group also announced the establishment of a new short term incentive plan for the CEO ("STI Plan").

Under the STI Plan, the CEO is offered an option to acquire ordinary shares of AWF Madison or ordinary shares and cash, if the targeted share price is met. The CEO may exercise the option at least 30 days post the release of AWF Madison Limited's result for the financial year ending 2020 and before 31 December 2020.

The CEO must still be employed by AWF Madison Limited on 31 March 2020 to exercise the option. Upon exercise, ordinary shares in AWF Madison or ordinary shares and cash will be issued to the CEO.

##### Acquisition of JacksonStone & Partners Limited

The Group is in the process of finalising arrangements to acquire this business, with effect from 1 June 2019. The business conducts executive recruitment, retained searches, and senior level contracting. The business is viewed as complementary to the Group's other white collar businesses.

##### Other

No other subsequent events have occurred since reporting date that would materially impact the Group's financial statements as at 31 March 2019.

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

<b>Analysis of assets and liabilities acquired</b>	Fair value on acquisition
	\$'000
<b>Non-current assets</b>	
Plant and equipment	33
Intangible assets	
• Customer relationships	194
<b>Current assets</b>	
Other receivables	8
<b>Non-current liabilities</b>	
Deferred tax	(54)
<b>Current liabilities</b>	
Trade and other payables	(166)
Net identifiable assets and liabilities	15
Goodwill on acquisition	651
Cost of acquisition	666

The receivables acquired (which principally comprise other receivables) in this transaction had gross contractual amounts of \$8,000. 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 Select was made up as follows:	\$'000
Paid in cash	666
	666

Acquisition related costs amounting to \$14,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss for the year ended 31 March 2019.

#### 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

Goodwill arose in the acquisition of Select 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 Select 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 ARISING FROM A BUSINESS COMBINATION

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 be recognised on the Statement of financial position. 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:

- 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.

#### Impact of acquisitions on the results of the Group

For the period 1 September 2018 to 31 March 2019, included in Group profit after tax is \$213,000 and in Group revenue \$3,008,000 attributable to Select.

Had this business combination been effected at 1 April 2018, the revenue of the Group from continuing operations would have been approximately \$5.5 million, and the net profit after tax for the year ended 31 March 2019 from continuing operations would have been approximately \$0.4 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 Select 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.

## G2 CHANGES IN ACCOUNTING POLICIES

### Impact of the adoption of NZ IFRS 9 and NZ IFRS 15

This note explains the impact of the adoption of NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements.

The Group adopted NZ IFRS 9 and NZ IFRS 15, respectively, from 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. NZ 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 model for impairment that replaces the incurred loss 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 adoption of NZ IFRS 9, did however, result in the following:

- changes to the Group's accounting policies with respect to the recognition and measurement of impairment of the Group's financial assets. These new accounting policies are set out in the 'about this report' section of the notes to these financial statements and notes C7 and A2;
- adjustments to the amounts of impairment recognised against the Group's financial assets in the financial statements on adoption date, 1 April 2018.

There were no reclassification adjustments between financial asset categories as the Group's financial assets only comprise those measured at amortised cost.

The Group has the following types of financial assets measured at amortised cost that are subject to NZ IFRS 9's new expected credit loss model:

- trade receivables (note C7);
- other receivables (note C7); and
- contract assets (note A2).

The Group has updated its impairment methodology under NZ IFRS 9 for each of these classes of assets.

The impact of the change in impairment methodology on the Group's retained earnings and total equity as at 1 April 2018 is disclosed in the tables following.

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, the identified impairment loss was immaterial.

There were no changes to the classification, recognition and measurement of the Group's financial liabilities as the Group's financial liabilities only comprise those measured at amortised cost.

In accordance with the transitional provisions outlined in NZ IFRS 9, the Group has applied the standard retrospective method and elected not to restate the comparatives. The opening retained earnings have been adjusted for the effect of applying the standard at initial application.

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

NZ IFRS 15 '*Revenue from Contracts with Customers*' replaces the guidance in NZ IAS 18 '*Revenue*' and associated pronouncements.

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.

NZ IFRS 15 requires the Group to 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 placement of permanent staff) or over time (e.g. supply of temporary staff). 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 adoption of NZ IFRS 15 from 1 April 2018 did not have a material impact on the financial statements of the Group.

The adoption of NZ IFRS 15, did however, result in the following:

- changes to the Group's accounting policies with respect to the recognition and measurement of the Group's revenue from contracts with its customers (including the recognition of related contract asset and liabilities). These new accounting policies are set out in the 'about this report' section of the notes to these financial statements and note A2.
- reclassification of the amounts of customer guarantee and rebate provisions recognised within the Group's 'trade and other payables' on the Statement of Financial Position on adoption date, 1 April 2018.

In accordance with the transitional provisions outlined in NZ IFRS 15, the Group has applied the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under NZ IAS 18.

### (i) Accounting for guarantees

Under the Group's standard contract terms under permanent placement revenue contracts, the Group guarantees that the candidate placed will remain in the role for more than 12 weeks. If the candidate does not remain in the role for more than 12 weeks, the Group will endeavour to replace the candidate with another individual at no further cost to the customer. If the Group is unable to replace the candidate within 4 weeks then the customer is entitled to a credit.

The Group previously recognised a provision for such guarantees based on the number of expected guarantees to be called. The calculation utilises the Group's historical experience of candidates who have not remained in their placed roles for more than 12 weeks. This provision was recognised within 'trade and other payables' on the Group's Statement of Financial Position and a corresponding adjustment to revenue.

Under NZ IFRS 15, the Group is required to recognise variable consideration in relation to customer guarantees on contract inception. The estimate is updated regularly at reporting periods.

As a result of the transition to NZ IFRS 15 as at 1 April 2018, the balance of this provision, \$116,000 has been reclassified from 'trade and other payables' to 'contract liabilities' on the Group's Statement of Financial Position (i.e. presentation and disclosure adjustment only). There were no material recognition and measurement impacts relating to the accounting for guarantees as a result of the transition to NZ IFRS 15.

### (ii) Accounting for customer rebates

Under the Group's contract terms with certain industrial sector customers, a rebate is payable/applied to customers based on agreed percentages of amounts billed over a specified period. These agreed percentages can either be a single fixed rate or incremental based on thresholds.

The Group previously recognised a provision for such rebates based on the total rebate expected to be paid in relation to the amounts expected billed over a specified period. This provision was recognised within 'trade and other payables' on the Group's Statement of Financial Position and a corresponding adjustment to revenue.

Under NZ IFRS 15, the Group is required to recognise variable consideration in relation to customer rebates on contract inception.

As a result of the transition to NZ IFRS 15 on as at 1 April 2018, the balance of this provision as at 1 April 2018, being \$224,000, has been reclassified from 'trade and other payables' to 'contract liabilities' on the Group's Statement of Financial Position (i.e. presentation and disclosure adjustment only). There were no material recognition and measurement impacts relating to the accounting for guarantees as a result of the transition to NZ IFRS 15. The impacts have been disclosed to the right.

### (iii) Accounting for costs to fulfill a contract

The Group pay sales commissions to its employees upon successful placement of a candidate.

The Group currently recognises these sales commissions as an expense during the period in which they are incurred.

Under NZ IFRS 15, costs to fulfill a contract should be capitalised and amortised over the period to which the costs relate. There is however a practical expedient permitted under NZ IFRS 15, for contracts less than 12 months, where the

costs can be expensed in the period. The Group do not pay sales commissions that relate to a contract period greater than 12 months and accordingly have applied the practical expedient. Accordingly there was no material recognition and measurement impacts relating to the accounting for costs to fulfill a contract as a result of the transition to NZ IFRS 15.

### (iv) Services rendered not yet invoiced

The Group previously recognised accrued revenue for balances due from customers for work performed that have yet to be invoiced. This accrued revenue was recognised within 'trade and other receivable' on the Group's Statement of Financial Position and a corresponding adjustment to revenue.

As a result of the transition to NZ IFRS 15 as at 1 April 2018, the balance of this provision, \$729,000 has been reclassified from 'trade and other receivable' to 'contract assets' on the Group's Statement of Financial Position (i.e. presentation and disclosure adjustment only). There were no material recognition and measurement impacts relating to the accounting for services rendered not yet invoiced as a result of the transition to NZ IFRS 15.

### The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	\$'000
<b>Opening retained earnings 31 March 2018</b>	8,878
<b>Impact of adopting NZ IFRS 9 as at 1 April 2018</b>	
Increase in the impairment provision for trade receivables	(371)
Increase in the impairment provision for other receivables	-
Increase in the impairment provision for contract assets	-
Increase in deferred tax assets relating to increase in the impairment provisions above	104
<b>Total impact of adopting NZ IFRS 9 as at 1 April 2018</b>	<b>(267)</b>
<b>Impact of adopting NZ IFRS 15 as at 1 April 2018</b>	
Increase in guarantee refund liabilities	(74)
Increase in rebates liabilities	(74)
Increase in deferred tax assets relating to increase in contract liabilities above	41
<b>Total impact of adopting NZ IFRS 15 as at 1 April 2018</b>	<b>(107)</b>
<b>Total impact of adopting NZ IFRS 9 and 15 as at 1 April 2018</b>	<b>(374)</b>
<b>Adjusted opening retained earnings 1 April 2018</b>	<b>8,504</b>

### Other impacts as a result of the transition to NZ IFRS 15

Whilst the Group has applied the cumulative effect method and therefore the comparative information has not been restated, the Group has reclassified the following amounts as at 31 March 2018 for presentation purposes:

- trade and other receivables of \$729,000, relating to services rendered not yet invoiced to contract assets (note A2 and C7); and
- trade and other payables of \$340,000, relating to guarantees and rebates to contact liabilities (note A2 and C9).

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Statement of Financial Position as at 1 April 2018

	Note	GROUP			
		31 March 2018 As originally presented \$'000	1 April 2018 IFRS 9 adjustments \$'000	1 April 2018 IFRS 15 adjustments \$'000	1 April 2018 Restated \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	B1	2,498	-	-	2,498
Intangible assets - goodwill	B3	38,620	-	-	38,620
Intangible assets - other	B2	16,079	-	-	16,079
<b>Total non-current assets</b>		<b>57,197</b>	<b>-</b>	<b>-</b>	<b>57,197</b>
<b>Current assets</b>					
Cash and cash equivalents	C6	6,269	-	-	6,269
Trade and other receivables	C7	41,830	(371)	(729)	40,730
Contract assets	A2	-	-	729	729
<b>Total current assets</b>		<b>48,099</b>	<b>(371)</b>	<b>-</b>	<b>47,728</b>
<b>Total assets</b>		<b>105,296</b>	<b>(371)</b>	<b>-</b>	<b>104,925</b>
<b>Equity and liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	A5	2,748	(104)	(41)	2,603
Borrowings	C8	36,000	-	-	36,000
<b>Total non-current liabilities</b>		<b>38,748</b>	<b>(104)</b>	<b>(41)</b>	<b>38,603</b>
<b>Current liabilities</b>					
Trade and other payables	C9	28,867	-	(340)	28,527
Contract liabilities	A2	-	-	488	488
Taxation payable	A5	622	-	-	622
Provisions	F2	200	-	-	200
<b>Total current liabilities</b>		<b>29,689</b>	<b>-</b>	<b>148</b>	<b>29,837</b>
<b>Total liabilities</b>		<b>68,437</b>	<b>(104)</b>	<b>107</b>	<b>68,440</b>
<b>Net assets</b>		<b>36,859</b>	<b>(267)</b>	<b>(107)</b>	<b>36,485</b>
<b>Capital and reserves</b>					
Share capital	C2	27,598	-	-	27,598
Group share scheme reserve	F1	383	-	-	383
Retained earnings	C1	8,878	(267)	(107)	8,504
<b>Total equity</b>		<b>36,859</b>	<b>(267)</b>	<b>(107)</b>	<b>36,485</b>

Presentation of the Statement of Comprehensive Income for the year ended 31 March 2019 as if NZ IFRS 9 and NZ IFRS 15 had not been adopted

	Note	GROUP			
		31 March 2019 As reported with adopting NZ IFRS 9 & 15 \$'000	Year ended 31 March 2019 NZ IFRS 9 adjustments \$'000	Year ended 31 March 2019 NZ IFRS 15 adjustments \$'000	31 March 2019 Amounts without adopting NZ IFRS 9 & 15 \$'000
Revenue from contracts with customers		267,805	-	47	267,852
Investment revenue		26	-	-	26
Direct costs		(2,687)	-	-	(2,687)
Employee benefits expense	F1	(245,683)	-	-	(245,683)
Depreciation and amortisation expense	A4, B1, B2	(3,445)	-	-	(3,445)
Other operating expenses		(11,782)	137	-	(11,645)
Finance costs	A4	(1,380)	-	-	(1,380)
<b>Profit before tax</b>		<b>2,854</b>	<b>137</b>	<b>47</b>	<b>3,038</b>
Income tax expense	A5	(841)	(38)	(13)	(892)
<b>Profit for the year</b>		<b>2,013</b>	<b>99</b>	<b>34</b>	<b>2,146</b>
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>2,013</b>	<b>99</b>	<b>34</b>	<b>2,146</b>

## Companies Act 1993 disclosures

### Presentation of the Statement of Financial Position as at 31 March 2019 as if NZ IFRS 9 and NZ IFRS 15 had not been adopted

	Note	GROUP			
		31 March 2019 As reported with adopting NZ IFRS 9 & 15 \$'000	1 April 2018 NZ IFRS 9 adjustments \$'000	1 April 2018 NZ IFRS 15 adjustments \$'000	31 March 2019 Amounts without adopting NZ IFRS 9 & 15 \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	B1	3,038	-	-	3,038
Intangible assets – goodwill	B3	39,271	-	-	39,271
Intangible assets – other	B2	13,929	-	-	13,929
<b>Total non-current assets</b>		<b>56,238</b>	<b>-</b>	<b>-</b>	<b>56,238</b>
<b>Current assets</b>					
Cash and cash equivalents	C6	6,357	-	-	6,357
Trade and other receivables	C7	32,629	137	295	33,061
Contract assets	A2	295	-	(295)	-
<b>Total current assets</b>		<b>39,281</b>	<b>137</b>	<b>-</b>	<b>39,418</b>
<b>Total assets</b>		<b>95,519</b>	<b>137</b>	<b>-</b>	<b>95,656</b>
<b>Equity and liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	A5	2,462	38	13	2,513
Borrowings	C8	33,000	-	-	33,000
<b>Total non-current liabilities</b>		<b>35,462</b>	<b>38</b>	<b>13</b>	<b>35,513</b>
<b>Current liabilities</b>					
Trade and other payables	C9	24,186	-	483	24,669
Contract liabilities	A2	530	-	(530)	-
Taxation payable	A5	280	-	-	280
Provisions	F2	241	-	-	241
<b>Total current liabilities</b>		<b>25,237</b>	<b>-</b>	<b>(47)</b>	<b>25,190</b>
<b>Total liabilities</b>		<b>60,699</b>	<b>38</b>	<b>(34)</b>	<b>60,703</b>
<b>Net assets</b>		<b>34,820</b>	<b>99</b>	<b>34</b>	<b>34,953</b>
<b>Capital and reserves</b>					
Share capital	C2	29,165	-	-	29,165
Group share scheme reserve		544	-	-	544
Retained earnings	C1	5,111	99	34	5,244
<b>Total equity</b>		<b>34,820</b>	<b>99</b>	<b>34</b>	<b>34,953</b>

The Directors of AWF Madison Group Limited submit herewith the annual financial report of the company for the financial year ended 31 March 2019. 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 as an independent Director. Mr Keenan is a member of the Audit, Finance and Risk Committee, the Health and Safety Committee, the Organisation Committee, and the Remuneration Committee.
Simon Hull	Director, and founding shareholder. Mr Hull is Chairman of the Health and Safety Committee and a member of the Audit, Finance and Risk Committee, the Organisation Committee and the Remuneration Committee.
Eduard van Arkel (retired 25/07/2018)	Director, had joined the board in 2005 as an independent Director. Mr van Arkel was a member of the Audit, Finance and Risk Committee, the Health and Safety Committee, the Organisation Committee, and the Remuneration Committee. Mr van Arkel retired as a Director on 25 July 2018.
Julia Hoare	Director, joined the board in 2013 as an independent Director. Ms Hoare is Chairperson of the Audit, Finance and Risk Committee, and a member of the Health and Safety Committee, the Organisation Committee and the Remuneration Committee.
Wynnis Armour	Director, joined the board in 2015 as a non-independent Director. Ms Armour was a founding shareholder of Madison Recruitment Limited. Ms Armour is Chairperson of the Remuneration Committee and the Organisation Committee, and is a member of the Health and Safety Committee and the Audit, Finance and Risk Committee.
Nicholas Simcock	Director, joined the board in January 2018 as an independent Director. Mr Simcock is a member of the Audit, Finance and Risk Committee, the Health and Safety Committee, the Organisation Committee, and the Remuneration Committee.

### 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

- 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
Ross B Keenan	197,994
Simon Hull	17,488,884
Wynnis Armour	340,945

### Disclosure of interests by Directors

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

#### ROSS B. KEENAN

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

#### JULIA HOARE

Auckland International Airport Ltd Director  
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 Advisory Panel Member  
The Institute of Directors in New Zealand – National Council  
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  
Short Properties Ltd Director  
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

#### EDUARD KOERT VAN ARKEL (retired 25/07/2018)

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

#### NICHOLAS SIMCOCK

AWF Madison Group Ltd Director  
Simcorp Ltd Director  
Wrap It Up Ltd 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 B Keenan	115	115	–	–	115
Simon Hull	60	60	–	–	60
Eduard K van Arkel (retired 25/07/2018)	–	20	–	–	20
Julia Hoare	60	60	–	–	60
Wynnis Armour	60	60	–	–	60
Nicholas Simcock	60	60	–	–	60
	355	375	–	–	375

#### CEO Remuneration

The following discloses the remuneration arrangements in place for CEO of the Company:

##### Fixed Remuneration

Over the course of the 2019 Financial year, the CEO, Simon Bennett, earned fixed remuneration of \$621,059 (2018 financial year \$586,422).

##### Annual Performance Incentive

The annual value of the CEO's Short Term Incentive Scheme (STI) is set at 25% of fixed remuneration if all performance targets are achieved. The measures used in determining the quantum of the STI are set annually. Targets relate to both Company financial performance (60%) and individual leadership targets (40%).

For the 2018 financial year, the CEO earned a total STI payment of \$64,260. The STI for the 2019 financial year has yet to be determined. Payment will be made in the 2020 financial year.

##### Long-Term Incentive

The CEO has access to two long-term incentive schemes:

- The Group operated equity-settled share based incentive scheme, refer note F1 of the financial statements; and
- The CEO equity-settled stock appreciation right scheme, refer note F1 of the financial statements.

##### Equity-settled share based incentive scheme

The CEO was granted options to acquire Restricted Shares funded by interest free loans with future vesting dates:

- 30 July 2014, 90,000 Restricted D Shares at a price of \$2.57 per share with a vesting date of 1 July 2019.
- 1 November 2018, 40,000 Restricted G Shares at a price of \$1.90 per share with a vesting date of 1 July 2021.
- 1 November 2018, 60,000 Restricted H Shares at a price of \$1.90 per share with a vesting date of 1 July 2024.

##### Equity settled stock appreciation scheme

During June 2015 the CEO was offered the opportunity to participate in the Company Stock Appreciation Scheme. The CEO was issued with 2 million stock appreciation rights.

The Stock appreciation rights are based on defined performance criteria to be achieved over the 5 year period ending 1 July 2020. The quantum of this option is capped and is subject to achievement of defined performance criteria.

##### Superannuation

The CEO is eligible to contribute and receive a matching Company contribution up to 3.0% of gross taxable earnings (including STI). For the 2019 financial year the Company contribution was \$18,632 (2018 financial year: \$15,347).

Summary of CEO remuneration	2019	2018
<b>Remuneration event</b>		
Base salary	\$529,500	\$514,080
Short-term incentive	Yet to be determined	\$64,260
Superannuation	\$18,632	\$15,347
At risk – long-term incentives:		
Restricted D Shares	90,000 at \$2.57	90,000 at \$2.57
Restricted G Shares	40,000 at \$1.90	Not applicable
Restricted H Shares	60,000 at \$1.90	Not applicable

### 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, totaling \$100,000 or more, during the year:

Remuneration	Number of Employees	
	2019	2018
\$100,000 – 109,999	10	8
\$110,000 – 119,999	6	10
\$120,000 – 129,999	9	8
\$130,000 – 139,999	6	3
\$140,000 – 149,999	3	4
\$150,000 – 159,999	4	5
\$160,000 – 169,999	6	2
\$170,000 – 179,999	3	2
\$180,000 – 189,999	1	–
\$190,000 – 199,999	3	3
\$200,000 – 209,999	1	1
\$210,000 – 219,999	–	1
\$220,000 – 229,999	3	1
\$230,000 – 239,999	–	1
\$240,000 – 249,999	2	1
\$250,000 – 259,999	–	3
\$260,000 – 269,999	2	–
\$270,000 – 279,999	3	2
\$280,000 – 289,999	1	–
\$330,000 – 399,999	1	–
\$620,000 – 629,999	–	1
\$660,000 – 669,999	1	–

### Additional stock exchange information As at 31 March 2019

Link Market Services  
L11, Deloitte Centre  
80 Queen St  
Auckland 1010  
New Zealand

PO Box 91976  
Auckland, 1142  
New Zealand  
Ph: +64 9 375 5998  
or: 0800 377 388

### Distribution of holders of quoted shares

Size of holding	Number of fully paid ordinary shareholders	Percentage	Number of fully paid shares	Percentage
1 – 1000	95	14.18%	52,816	0.16%
1001 – 5000	265	39.55%	797,422	2.39%
5001 – 10000	130	19.40%	995,267	2.98%
10001 – 50000	151	22.54%	3,316,009	9.92%
50001 – 100000	13	1.94%	1,009,973	3.02%
100001 and Over	16	2.39%	27,251,912	81.53%
	670	100.00%	33,423,399	100.00%

### Substantial security holders

Pursuant to the Financial Markets Conduct Act 2013, 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 product holder	Fully paid shares in which relevant interest is held		
	Number	Percentage	Date of notice
Simon Hull	17,488,884	52.33%	5/02/2018
Milford Asset Management Limited	1,676,308	5.02%	12/04/2019
Masfen Securities Limited	1,678,498	5.02%	5/12/2018

### Twenty largest holders of quoted equity securities

Investor	Total Units	Percentage
Simon Alexander Hull & David John Graeme Cox	17,488,884	52.33%
New Zealand Central Securities Depository Limited	3,960,676	11.85%
Masfen Securities Limited	1,678,498	5.02%
Russell John Field & Anthony James Palmer	1,125,000	3.37%
Susanne Rhoda Webster	426,750	1.28%
Peter Abe Hull & Antoinette Ngaire Edmonds & Rennie Cox Trustees No 1 Ltd	395,196	1.18%
Wynnis Ann Armour & Jocelyn Patricia Dutton	340,945	1.02%
Ian Harold Holland	333,800	1.00%
Simon James Bennett	261,776	0.78%
Joanna Hickman & John Anthony Callaghan & Kevin James Hickman	245,170	0.73%
Philip John Talacek & Brenda Ann Talacek	244,887	0.73%
Kevin James Hickman & Joanna Hickman	200,000	0.60%
Ross Barry Keenan	197,994	0.59%
Forsyth Barr Custodians Limited	124,520	0.37%
Lay Dodd Trustee Services Limited & Patricia Anne Neal	124,362	0.37%
Blair Richard Watson Tallott	103,454	0.31%
James Michael Robert Syme	100,000	0.30%
Murray Alan Hilder & Janet Mary Hilder & Dale Paretoovich	97,371	0.29%
Custodial Services Limited	95,250	0.28%
Bernard Ralph Fuller	88,750	0.27%

## Directory

### Registered Office

Level 6, 51 Shortland Street  
PO Box 105675  
AUCKLAND CITY  
Ph: 09 526 8770

### Directors

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

**Registered Office of  
AWF Madison Group Limited**

Level 6, 51 Shortland St  
PO Box 105675  
Auckland City  
Ph: 09 526 8770

**[awfmadison.co.nz](http://awfmadison.co.nz)**

