Annual Report 2021

accordant

kia ora

contents

Highlights

$6.2m

Net Profit After Tax
FY2020, $2.7 million

$40.0m

Shareholders' Funds
FY2020, $33.7 million

$21.9m

Operating Cash Flow
FY2020, $9.9 million

$205.5m

Revenue
FY2020, $263.5 million

$13.2m

Net Bank Debt 31.03.21
FY2020, $29.8 million

Achievements

9,341

Candidates placed into a temporary, contract or permanent role.

AWF's audited ACC Accredited Employer status improved to secondary, demonstrating a consolidation of good safety and injury management practice.

1,300+

Training outcomes delivered.

Upgraded CRM and marketplace partners embedded across our white collar businesses.

24,000+

Temporary and contract assignments filled across New Zealand.

1,877

Organisations partnered with to deliver recruitment services.

41,000+

Safety engagements with our temporary employees.

Significant reduction in AWF's carbon footprint with the ongoing introduction of hybrid vehicles across their fleet.

The Work Collective continues to gather momentum and deliver impact.

Welcome

Welcome to our first Annual Report in our new Accordant livery. On 19 October 2020 we moved from a name embedded in our history, to a name grounded in purpose. The name Accordant signifies a collaborative way of working that draws from our collective capability to deliver more for our clients.

Why Accordant? It means harmony. It means bringing people together. And it means growing together.

It reflects our belief in treating people with respect, nurturing their development, and ensuring that thousands of New Zealanders and New Zealand businesses can put their best foot forward every day.

From our beginnings over three decades ago, Accordant has been at the forefront of connecting the people that move us forward and create growth for our country. Today, we are New Zealand's leading recruitment and resourcing company.

Proudly home grown, Accordant's businesses – Absolute IT, AWF, JacksonStone & Partners and Madison Recruitment – span the length and breadth of New Zealand. We operate across nearly every industry sector, at every skill level, spanning permanent and temporary recruitment, and contractor assignments. We connect and nurture the development of a diverse group of New Zealanders – every day.

We have also established The Work Collective, which plays an important role in providing meaningful work opportunities for those who face barriers to employment, and offers organisations a way to deliver social impact through their staffing supply chain.

This gives us a view of the New Zealand employment market that is unmatched, providing a unique understanding and point of view on the Future of Work. Change is a constant, and nowhere is this more strongly felt than in the labour market. A proactive approach is required, where innovative thinking seeks to find the balance between the protection of employees and the evolving needs of employers.

Creating a New Zealand where we can all prosper starts with a motivated and engaged workforce. People that feel pride, dignity, the reward of being needed, and the thrill of achievement that meaningful employment provides.

Creating these connections is how we can make a positive impact on the growth and success of New Zealand – our home.

Our Locations

Chairman's Report

Dear Shareholder,

I am sure that many Boards like Accordant Group are reflecting on “a year like no other”, or similar sentiments, as we try to describe the turbulence that was the Financial Year to March 2021.

It is not just about the end result financials and how we got there, but also about the toll the pandemic took on people, on business relationships, on brand values and, in some cases, the challenges to the very core of the business base of Accordant Group’s well-diversified recruitment and service provider areas.

Fortunately, Accordant Group saw a very competent management take action swiftly and firmly; and very impressively, took their senior teams with them through tremendous instability, such that salary and wage sacrifices were promoted and accepted.

We were later able, with Government support, to reinstate payrolls and in the wider environment, retain some 3,000 individuals across our internal and contingent workforces.

Whilst the first lockdown set the tone, the *into lockdown – out of lockdown* and so on, challenged any hope of continuity and it is only now that we could say with some confidence that we are seeing a sustainable slow climb back to a sense of normality.

With the permanent recruitment market most significantly impacted in 2020, the first to see growth was our AWF blue collar labour hire channel. Whilst there is a good recovery from Absolute IT and JacksonStone & Partners, the white collar Madison business has been slower to return to previous revenue across much of its private sector, albeit in the last few weeks the market has gained significant uplift.

I would like to reflect on one positive side of the successive lockdowns, and again we credit management, that as revenues fell sharply, the opportunity was taken to attack overhead costs in a very aggressive manner which led to (by Year End) overhead expenses being at around 15% lower than the previous year equivalents. Some footprints reduced, but operations are now leaner and more efficient; and in position to accommodate growth.

So as the 2021/2022 Financial Year has got underway, whilst we expect revenues to track below previous years across the Group, margins are improving as care is taken to ensure sustainable growth before fixed costs are added.

Shareholders will recall that Accordant Group suspended the payment of dividends during the uncertainty and did not pay a final dividend for the 2019/2020 Year, nor pay an interim dividend for the 2020/2021 Year, so it was pleasing to be able to advise a resumption of dividends by declaring a final dividend for the 2020/2021 Year of 8.2 cents – a resumption that is our goal to continue as we move ahead.

Finally, as I expect this to be my last Annual Report as Chairman due to my intention to retire during the Financial Year, it is appropriate that I thank major shareholder Simon Hull for his unwavering support through the journey from AWF to the Accordant group of companies, representing, as the Group does, a very well-diversified recruitment and labour contracting specialist business.

And I must acknowledge the masterful leadership of Simon Bennett. Simon’s leadership builds competency, and that we see in plenty within the Group.

We expect to hold the 2021 Annual Shareholders’ meeting on Thursday 26 August, in the same manner as 2020, noting that we achieved much wider shareholder participation this way.

For the Board,

Ross B Keenan
Chairman

CEO's Insights

Accordant continues to strengthen our solutions and the way we can offer these services to our clients.

Simon Bennett, CEO

The labour market in New Zealand is impacted by global trends, the economy and immigration settings. It is also impacted by the employment legislative framework, which shifts as a result of developing case law and the views of the government of the day. Macroeconomic trends shift demand, largely in proportion to GDP growth.

Well, in fact what I have described is true of the world that we understood prior to COVID-19. The impact on the labour market and on our business began on 26 March 2020, when we went into a Level 4 lockdown. There has been significant impact on the labour market, and if there is one thing that I am certain of, it is that more change is inevitable.

Even with open borders we cannot expect immigration settings to allow for the same volume of migrants to supplement our workforce.

ACCELERATED FLEXIBILITY

The backdrop of a number of factors have accelerated global and national trends. Firstly, workforce flexibility was required to navigate varying operational requirements as we moved in and out of lockdown. Many sectors were impacted including retail initially, along with tourism and education, which continue to struggle. The demand for a large number of roles disappeared, and many new roles were created. Secondly, working from home became widespread almost immediately, rather than the slow creep that had been occurring.

In New Zealand, our government has directly contributed to mass redeployments and encouraged working from home where possible. There has been anecdotal evidence that people moved to where the work was, with newspaper articles of airline pilots stacking shelves in supermarkets and the like, but there is hard evidence that there were insufficient numbers of the local workforce mobilised in the horticulture sector, for instance.

The need for workforce flexibility has never been more acute. Even within government, workforce mobility is an issue, and a working group has been established within Te Kawa Mataaho Public Service Commission to explore better ways of mobilising people across different government agencies, beyond the current secondment process.

THE CHANGING WORKFORCE

We are very much at a crossroads in New Zealand. There is the desire for flexibility, but with a global and national desire to increase worker protections at the same time. The flexibility and 'uberisation' of work, where people are paid for the outcome not the input, has created opportunity for exploitation. In New Zealand the term 'non-standard work', which is used to describe anything other than full time employment, is growing at pace. To classify workers as either standard or non-standard is overly simplistic, and 'non-standard' work hardly sounds endearing to those workers.

NEW ZEALAND'S LEGISLATIVE FRAMEWORK

Employment legislation must cater for this growing workforce. The Employment Relations (Triangular Employment) Act 2019 is the first legislation that talks to this space, whereby an agency employer, like we are, employs workers who carry out assignments at client sites. This type of work must ensure that the responsibilities of each of the three parties are clear, and that minimum entitlements for the employee are met. Sham contracting arrangements (whereby an employer engages low-pay workers through a contractor model – circumnavigating the provision of basic employee entitlements), or inappropriate casualisation by businesses, must be eliminated. All forms of employment should meet certain standards, so that work performed by those who are not permanent full-time workers, is considered standard work too, by definition.

As a business that engages workers across all sectors carrying out tasks for clients in this 'non-standard' space, we have access to a growing market.

We also have the opportunity to benefit from taking market share from the illegitimate operators in this space, as we see the government minimising the opportunity for exploitative practices.

Last year we co-defended a status claim in the Employment Court alongside our government client. The eight plaintiffs, all former Madison employees backed by the PSA union, claimed they were not our employees, but those of our client. It was significant that a full bench of the Employment Court confirmed the legitimacy of our tripartite agreement, which underscores our temporary workforce business model. It is a strong affirmation of our processes and a benchmark for best practice. The decision was significant, being 100 percent in our favour.

The New Zealand labour market currently has significant shortages in ICT, construction and healthcare. We believe that, even with open borders, we cannot expect immigration settings to allow for the same volume of migrants to supplement our workforce, as they have done prior to COVID-19. Maximising workforce participation, and growing the available workforce, is crucial for our country to fill the demand for workers.

Fair Pay Agreements will have a significant impact on the labour market and will add complexity to all businesses. Whilst it is too early to tell what the impact will be, it is clear that the intent is to move our landscape to more of a collective bargaining framework from that of individual, which the Employment Contracts Act facilitated. Historically, the more difficult the employment landscape the higher the use of alternative arrangements, reducing the dependence on direct employment by host organisations. Contractors, Managed Services, use of temporary workers through agency, and other sole traders flourished in this environment. We expect this complexity to challenge businesses; and although it will also add complexity to our business, our scale, capability and expertise will see us as part of the solution for our clients.

Maximising workforce participation, and growing the available workforce, is crucial for our country to fill the demand for workers.

DELIVERING SOCIAL IMPACT

We developed our social employment initiative, The Work Collective, as a supplementary channel to help grow the labour market through enabling broader workforce participation. Our purpose is making work more accessible to people marginalised from the workplace, and often from basic social needs as well. It is encouraging that many organisations recognise the need for an investment in these social goals. We are seeing demand for this service and look forward to growing The Work Collective significantly this year.

The ability to see future career pathways in new sectors and channels for our candidates also becomes more important. Transferable skills must be utilised, and a more nuanced approach to recruitment for hard-to-fill roles of all types across blue and white collar. Better candidate engagement will be rewarded as we move in to a 'jobs rich' and 'candidate short' environment.

OUR EVOLVING SOLUTIONS

Over six months have passed since we rebranded to Accordant. I have been delighted to see how the change has been welcomed and championed by our people, and our collective capability remains a defining point in our story. Accordant will continue to support the needs of New Zealanders, and enable productivity and growth for the country.

Of course, our businesses have always celebrated candidate centricity, but now have a suite of monitoring tools across the Group to measure candidate satisfaction more acutely, enabling us to set the bar even higher.

Equally important in managing high open-job volumes is classifying activities and role types where we have not been successful, to ensure our strategies are fine-tuned and client expectations can be managed. This balances our candidates' expectations with operational efficiency and optimisation of return on resources.

Accordant continues to strengthen our solutions and the way we can offer these services to our clients. As in larger markets, a Managed Service approach will become more attractive to larger clients who manage up to 10% of their workforce with workers other than permanent full-time. The development of strong shared service capability in our business, from recruitment marketing to workforce management and data insights, holds us in good stead.

The roll out of common operating platforms across all our white-collar businesses, along with the strength and growth of our recruitment marketing and sourcing teams, positions us well in this challenging labour market.

At the commencement of the new financial year we were operating on a lower headcount, particularly in Madison where volumes reduced significantly during the year, with a fall-off in clients' agency spending in the initial weeks post-lockdown. We, like many others, had predicted a recession by now and had acted accordingly. It is positive that these initial recessionary predictions have not come to pass. We have some rebuilding to do in terms of our capacity, which is well underway.

The wage subsidy enabled us to continue employing large numbers of labour hire and white-collar temporary workers. The alternative would have meant significantly downscaling our workforce through redundancies and ending assignments. Maintaining this large workforce ensured access to subsidy funds for a larger group of workers, and also allowed us to remain connected to them, giving us a ready workforce when the lockdown ended, through to today where we have strong demand.

Substantive COVID-19 response measures (including business changes, cost-containment, wage subsidy, reduction in working capital and the 12-month suspension in dividend) have allowed us to reduce our debt profile.

We have a solid base now to grow the business. With capital on hand, we can balance our desire to return a dividend to our shareholders, whilst retaining our ability to scale up our workforce and invest in our current sectors. We are also well-positioned to look for opportunity in aligned sectors where we can leverage our scale, systems and processes.

As a business from humble beginnings at the core of working New Zealand, we are now knitted into the fabric of the New Zealand economy, across sectors and through the full life cycle of careers. We are proud of the impact we make, and I look forward to contributing to the fulfilment of our potential as I transition to the Board and hand over to our new Chief Executive.

Simon Bennett
Chief Executive

What Drives Us

Our Belief

We believe it is people that drive our country forward.

Our People

At the heart of our business is a group of curious, resilient, capable and engaged people who are driving us forward. Their determination to do better empowers us to contribute more additively to the lives of New Zealanders and the success of New Zealand.

Our Vision

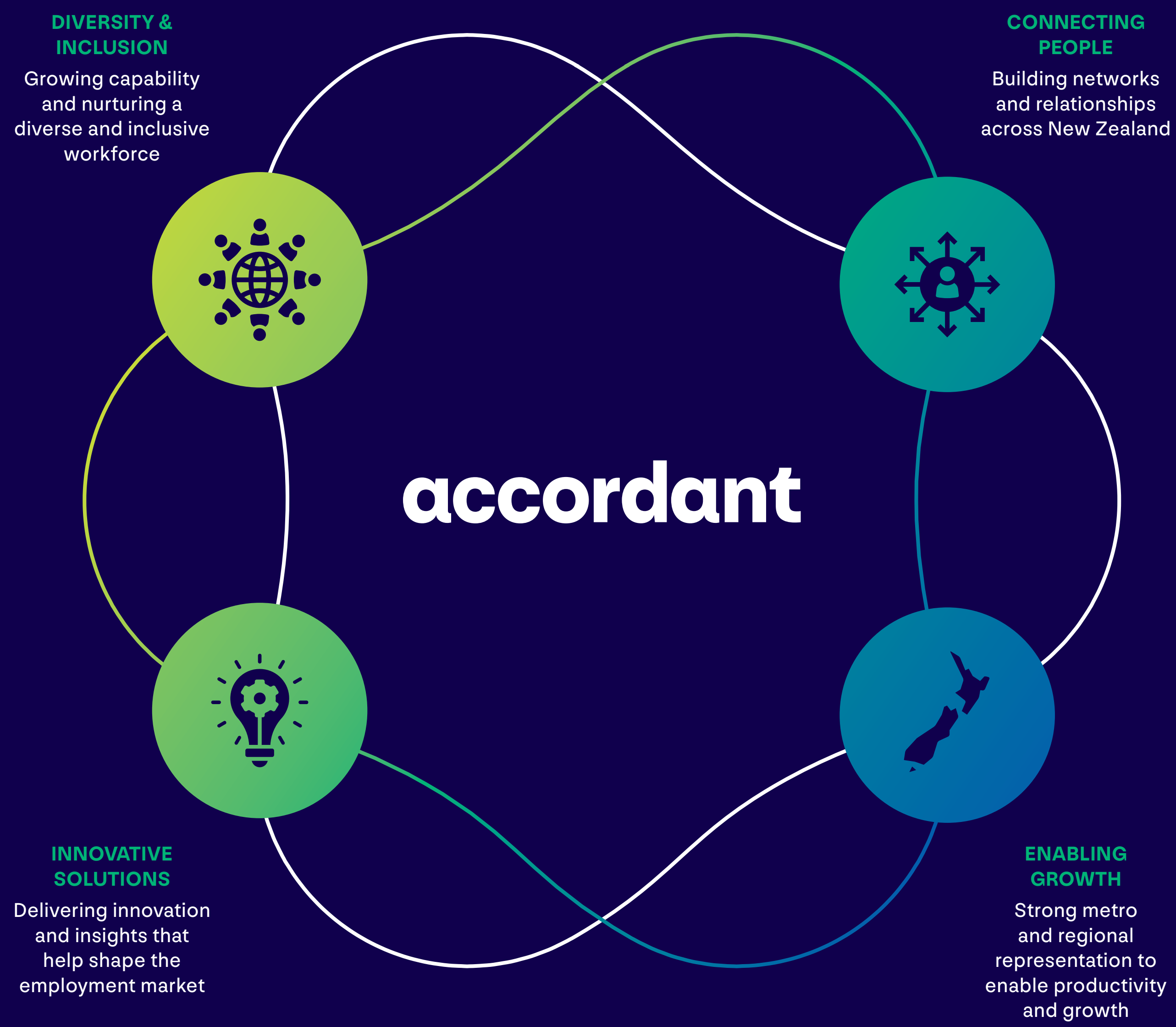
To grow our impact as New Zealand's leading recruitment and resourcing company, for the benefit of our people, customers, finances and country.

Our Customers
We will choose and partner with our clients wisely, adding value through quality, expertise, efficiency, relationships and customised solutions.

Our Finances
We will drive strong dividend and NPBT growth through continued performance and improvement initiatives to create sustainable shareholder value.

Our Country
Our unique position enables us to provide proactive solutions to address structural challenges in the employment market, making an impact by growing and shaping our workforce for the current and future needs of New Zealand.

Our Difference



Our Businesses

accordant

Accordant's businesses span the length and breadth of New Zealand.

absolute IT

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 networks.

AWF

Since 1988, AWF has had a proud history of supplying entry-level, semi-skilled and skilled workers to a range of sectors, spanning infrastructure, construction, transport, logistics, manufacturing, primary industries and many more. From Kaitaia in the north to Invercargill in the south, AWF's network of 21 branches provide 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.

JacksonStone & Partners

JacksonStone & Partners is one of the most experienced executive search and recruitment consultancies in New Zealand. Established in 2011, JacksonStone works across all disciplines up to Chief Executive level and including board appointments, for organisations in the public, private and not-for-profit sectors. JacksonStone offers global search reach through their membership of the CFR Global Executive Search alliance. Their experienced consultants have the capability to identify and place talent both nationally and internationally.

madison

Madison was established in 1998 and has become the recruitment partner to a wide variety of organisations within the private, public and not-for-profit sectors. Madison's service spans entry level and support roles through to professional and managerial positions. Each year, hundreds of permanent positions are filled by candidates who have been sourced and matched to meet specific business requirements, and every day hundreds more employees work on temporary and contract assignments across New Zealand's major cities.

the work collective

The Work Collective is an employment initiative that delivers social impact by connecting Employers, Employment Support organisations and Accordant, New Zealand's leading recruitment and resourcing Group. The purpose of The Work Collective is to provide meaningful work opportunities for those who face barriers to employment. Launched in mid-2019, The Work Collective offers organisations a way to achieve social impact through their staffing supply chain.

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 Accordant 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 and is now an 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 Group's 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.

Laurissa Cooney

Laurissa, who is of Te Āti Hau Nui a Pāpā Rangi (Whanganui) descent, joined the Board as an independent Director in August 2020. Laurissa has previously held senior management, auditing and consulting roles with Deloitte in New Zealand and Deloitte Touche in London, and was the CFO for Te Whare Wānanga o Awanuiārangi. She currently serves as the Chair of Tourism Bay of Plenty, and she is an independent Director for Air New Zealand and Goodman (NZ). She is also a Trustee for the commercial investment trust of Ngai Tai Ki Tamaki and a guardian of Aotearoa Circle.

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.

Financial Commentary

REVENUE

Group Revenue of $206m was down on the prior year Revenue of $264m.

This COVID-19 affected year and its resulting lockdowns saw Group Revenue down $58.0m (22.0%) or $63.9m (23.7%) after annualising for JacksonStone & Partners in FY20, acquired 1 June 2019.

AWF Revenue was down $19.7m (20.2%) on the prior year. Revenue sourced from provision of services to Commerce (Madison Recruitment, Absolute IT & JacksonStone & Partners) was down $38.3m (23.1%) or $44.2m (25.7%) after annualising for JacksonStone & Partners in FY20, acquired 1 June 2019.

NET PROFIT AFTER TAX

After-tax profit of $6.2m was up on the prior year result of $2.7m.

This year's result includes a fair value adjustment gain of $1.285m on the deferred contingent consideration payable to the vendors of JacksonStone & Partners.

The current years result provides a $7.0m impairment write down on the carrying value of Goodwill on Madison Recruitment.

DIVIDEND

COVID-19 saw the suspension of Dividend payments for both the final dividend for the year ended 31 March 2020 and the interim dividend for year ended 31 March 2021. The Directors have resolved to resume distributions of dividends and approved the payment of a fully imputed final dividend of 8.2 cents per share to be paid on 30 June 2021 to all shareholders registered on 20 June 2021. The dividend reinvestment will not participate in this distribution.

CASH FLOW

Net cash flow from Operations was unfavourable. The Group paid out to suppliers, contractors and employees more than was recovered from customers which illustrates the impact of COVID-19.

During the 20-week Government Wage Subsidy period, qualifying Group entities (excludes Absolute IT) incurred Gross Payroll costs of $54.8m funded in part by Government wage subsidies of $33.8m of which $33.3m was received during financial year 2021.

BORROWINGS

The ASB revolving credit facility has been reduced to $30.0m (FY20 $36.0m) and extended out to 31 October 2022. At 31 March 2021 the facility was drawn to $15.0m.

Corporate Governance Statement

The Board of Directors of Accordant Group Limited (NZX:AGL) 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 Accordant maintains appropriate standards of governance.

This statement sets out the corporate governance policies, practices and processes followed by the Board throughout the year. Accordant complies with the NZX Listing Rules 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 2021, the Board comprised five Directors. Ross Keenan (Chairman), Laurissa Cooney, Wynnis Armour and Nick Simcock have been determined as independent Directors as defined by the NZX Listing Rules. Simon Hull is a non-independent Director.

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 2021 totalled $332,000. A fee of $109,000 per annum was paid to the Chairman, $57,000 per annum to Nick Simcock, Simon Hull and Wynnis Armour, $40,000 to Laurissa Cooney (appointed 1.08.20) and $12,000 to Julia Hoare (retired 30.06.20). The fees paid in FY2021 included a fee sacrifice related to COVID-19 cost containment measures. 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 Laurissa Cooney (Chairperson), Ross Keenan, Wynnis Armour, Simon Hull and Nick Simcock.

   The Committee meets at least twice per year, with the external auditors of the Company and the Accordant executives responsible for internal audit management from within the Company in attendance. The Committee also meets with the external auditors with Accordant 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 Wynnis Armour (Chairperson), Simon Hull, Laurissa Cooney, 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), Wynnis Armour, Laurissa Cooney, Ross Keenan and Nick Simcock.

The Committee members participate in monthly meetings, and participate in 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 Wynnis Armour (Chairperson), Ross Keenan, Simon Hull, Laurissa Cooney 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 Accordant 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 Accordant Group Limited's Board of Directors and Officers as at 31 March 2021 is:

	2021			2020		
	MALE	FEMALE	GENDER DIVERSE	MALE	FEMALE	GENDER DIVERSE
NUMBER OF DIRECTORS	3	2	-	3	2	-
PERCENTAGE OF DIRECTORS	60%	40%	-	60%	40%	-
NUMBER OF OFFICERS	4	5	-	5	4	-
PERCENTAGE OF OFFICERS	44%	56%	-	56%	44%	-

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 Accordant'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 Accordant;
- 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 2021 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.

Deloitte.

Independent Auditor's Report

To the Shareholders of Accordant Group Limited (formerly AWF Madison Group Limited)

Opinion

We have audited the consolidated financial statements of Accordant Group Limited and its subsidiaries (the 'Group'), which comprise the statement of financial position as at 31 March 2021, 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 26 to 66, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*, 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.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and other indefinite life intangible assets Goodwill of \$38.1 million (2020: \$45.1 million) and other indefinite life intangible assets (brand names) of \$10.5 million (2020: \$10.5 million) are recognised in the consolidated financial statements at 31 March 2021, as detailed in notes B4 and B3 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). The recoverable amount of each CGU is determined through a value in use calculation, which reflects significant unobservable inputs, including forecasted financial performance, discount rates and growth rates (including terminal growth rate). As disclosed in note B4, the impact of the Covid-19 pandemic has been more pronounced on Madison Recruitment with slower rate of recovery to pre-Covid-19 financial performance. As a result, an impairment of \$7 million is recognised against goodwill during the period. We have included the impairment considerations of goodwill and other indefinite life intangibles as a key audit matter because of their significance to the Group's consolidated financial statements, the judgement involved in determining the recoverable amount of each CGU in particular the forecasted financial performance and the additional consideration for Madison Recruitment CGU due to the impairment loss recognised.	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 2022 financial year budget; • Assessing the historical accuracy of the Group's previous forecasts by comparing prior period budgets to actual performance; • Challenging Management's assumptions used in the forecasted financial performance, by utilising our knowledge of the Group, the past performance of the CGUs, and their customers; • Performing sensitivity analysis on the forecasted financial performance, growth rates and discount rates and terminal growth rates to determine the extent to which any changes in these inputs would result in impairment to AWF, Absolute IT and JackSon & Partners or an additional impairment to Madison; • Involving our internal valuation specialists in assessing the discount rates for reasonableness in comparison to market data; and • Evaluating the sufficiency of related disclosures with regards to the requirements of NZ IAS 36 Impairment of Assets.

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.

Deloitte Limited

Bryce Henderson, Partner
for Deloitte Limited
Auckland, New Zealand
27 May 2021

Accordant Group Limited (formerly AWF Madison Group Limited)

Statement of comprehensive income
For the year ended 31 March 2021

		GROUP	
		2021	2020
	NOTE	$'000	$'000
Revenue from contracts with customers	A2	205,482	263,527
Investment revenue	A3	–	9
Fair value gain on contingent consideration	F7	1,285	–
Direct costs		(2,569)	(2,462)
Employee benefits expense	A1, F1	(92,170)	(148,975)
Contractor costs	A1	(78,632)	(90,233)
Depreciation and amortisation expense	A4, B1, B2, B3	(5,286)	(6,194)
Impairment of goodwill	A4, B4	(7,000)	–
Other operating expenses		(8,953)	(9,691)
Finance costs	A4	(1,228)	(2,084)
Profit before tax		**10,929**	**3,897**
Income tax expense	A5	(4,732)	(1,220)
Profit for the year		**6,197**	**2,677**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**6,197**	**2,677**
Earnings per share			
Total basic earnings per share (cents/share)	C3	18.1	7.9
Total diluted earnings per share (cents/share)	C3	18.1	7.9

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

Accordant Group Limited (formerly AWF Madison Group Limited)

Statement of financial position
As at 31 March 2021

		GROUP	
		2021	2020
	NOTE	$'000	$'000
Assets			
Non-current assets			
Property, plant and equipment	B1	3,492	3,193
Right of use assets	B2	8,570	11,107
Intangible assets – goodwill	B4	38,068	45,068
Intangible assets – other	B3	14,481	16,194
Total non-current assets		**64,611**	**75,562**
Current assets			
Cash and cash equivalents	C5	1,795	6,178
Trade and other receivables	C6	23,271	53,442
Contract assets	A2	180	87
Total current assets		**25,246**	**59,707**
Total assets		**89,857**	**135,269**
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	A5	2,419	3,122
Borrowings	C7	15,000	36,000
Lease liabilities	B2	6,991	9,098
Contingent consideration	F7	–	1,841
Total non-current liabilities		**24,410**	**50,061**
Current liabilities			
Trade and other payables	C8	20,180	46,169
Contract liabilities	A2	230	202
Taxation payable	A5	1,829	950
Provisions	F2	400	189
Lease liabilities	B2	2,264	2,501
Contingent consideration	F7	535	1,463
Total current liabilities		**25,438**	**51,474**
Total liabilities		**49,848**	**101,535**
Net assets		**40,009**	**33,734**
Capital and reserves			
Share capital	C2	30,868	30,868
Group share scheme reserve		204	330
Retained earnings	C1	8,937	2,536
Total equity		**40,009**	**33,734**

For and on behalf of the Board who authorise the issue of the financial statements on 27 May 2021:

ROSS KEENAN, Chair

LAURISSA COONEY, Chair, Audit, Finance & Risk Committee

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

Accordant Group Limited (formerly AWF Madison Group Limited)
Statement of changes in equity
For the year ended 31 March 2021

	NOTE	GROUP Share capital $'000	Group share scheme reserve $'000	Retained earnings $'000	Total equity $'000
2020					
Balance at 31 March 2019		29,165	544	5,111	34,820
Comprehensive income					
Profit for the year		–	–	2,677	2,677
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	2,677	2,677
Transactions with shareholders					
Issue of share capital	C2	1,703	–	–	1,703
Dividends paid	C1, C4	–	–	(5,581)	(5,581)
Stock appreciation rights modified	C1, F1	–	(329)	329	–
Share based payments	F1	–	115	–	115
Total transactions with shareholders		1,703	(214)	(5,252)	(3,763)
Balance at 31 March 2020		**30,868**	**330**	**2,536**	**33,734**
2021					
Balance at 31 March 2020		30,868	330	2,536	33,734
Comprehensive income					
Profit for the year		–	–	6,197	6,197
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	6,197	6,197
Transactions with shareholders					
Restricted shares expired	C1, F1	–	(162)	162	–
Restricted shares lapsed	C1, F1	–	(42)	42	–
Share based payments	F1	–	78	–	78
Total transactions with shareholders		–	(126)	204	78
Balance at 31 March 2021		**30,868**	**204**	**8,937**	**40,009**

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

Accordant Group Limited (formerly AWF Madison Group Limited)
Statement of cashflows
For the year ended 31 March 2021

	NOTE	GROUP **2021** $'000	**2020** $'000
Cashflows from operating activities			
Receipts from customers		212,846	267,767
Payments to suppliers, contractors and employees		(218,504)	(255,072)
Net cash from operations (used in)/generated		(5,658)	12,695
Interest received		–	9
Net Receipts from Government Grants		33,323	538
Interest paid on bank overdraft and loans		(707)	(1,401)
Interest paid on lease liabilities	B2	(505)	(582)
Income taxes paid		(4,556)	(1,370)
Net cash from operating activities	C5	**21,897**	**9,889**
Cashflows from investing activities			
Proceeds from disposal of property, plant and equipment		135	60
Purchase of property, plant and equipment	B1	(1,424)	(899)
Purchase of intangible assets	B3	(10)	(143)
Net cash paid on acquisition of JacksonStone & Partners		–	(5,153)
Repayment of deferred consideration to the vendor of JacksonStone & Partners		(1,500)	(616)
Net cash (used in)/from investing activities		**(2,799)**	**(6,751)**
Cashflows from financing activities			
Proceeds from the issue of share capital	C2, C4	–	1,703
Dividends paid to share holders of the parent	C4	–	(5,581)
Proceeds from borrowings	C7	–	3,000
Repayment of borrowings	C7	(21,000)	–
Payment of principal on lease liabilities	B2	(2,481)	(2,439)
Net cash from/(used in) financing activities		**(23,481)**	**(3,317)**
Net increase/(decrease) in cash held		**(4,383)**	**(179)**
Cash and cash equivalents at start of the year		6,178	6,357
Net cash and cash equivalents at end of the year	C5	**1,795**	**6,178**

The notes to the Group financial statements form an integral part of these 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 Accordant Group Limited (formerly 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.

Accordant Group Limited (formerly AWF Madison Group Limited) is a Company limited by shares, incorporated and domiciled in New Zealand and registered under the Companies Act 1993 and listed on the NZX. 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.

On 19 October 2020 AWF Madison Group Limited changed its name to Accordant Group Limited.

BASIS OF PREPARATION

These financial statements are for Accordant Group Limited (formerly AWF Madison Group Limited) ('the Company') and its subsidiaries (collectively referred to as 'the Group') and have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practices in New Zealand ('GAAP'). For the purposes of complying with NZ GAAP the Group is a for profit entity. 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, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies;
- on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business; 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 27 May 2021.

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

All mandatory new standards and amendments and interpretations to existing standards that came into effect during the current accounting period have been adopted in the current year. None of these have had a material impact on the Group.

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

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

There are a number of new standards and amendments to standards and interpretations that are not yet effective for the year beginning 1 April 2021.

None of these new and amendments to standards and interpretations have been early adopted by the Group in preparing these financial statements or been identified as having a material effect on the Group's financial statements in future.

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:

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible (notes B1 and B2) and intangible assets (note B3) 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 (note C6), are classified as financial assets at amortised cost.

The Group's trade and other payables (note C8) and deferred consideration (note F7) arising from business combinations are classified as financial liabilities at amortised cost.

The Group's contingent consideration amounts arising from business combinations (note F7) are classified as a financial liability at fair value through profit or loss. Contingent consideration is categorised within Level 3 of the fair value hierarchy.

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.

Equity instruments

Ordinary share capital (note C2) 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 expenses in the Statement of Comprehensive Income.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Comparatives

Certain comparative amounts have been reclassified to conform to the current year's presentation to enhance the disclosures for the users of the financial statements. Contractor costs of $90.2m have been reclassified from employee benefits expense and shown separately in the statement of comprehensive income.

KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Note – A2
Expectation of refund liabilities and rebates to customers.

Note – C6
Expected credit losses from trade and other receivables

Note – B3
Estimating the remaining useful lives of identifiable customer relationships and restraint of trade assets and testing the carrying value of brand assets.

Note – B4
Impairment testing of the carrying value of goodwill and indefinite life intangible assets.

Note – F2
Rehabilitation under the ACC Partnership programme.

Note – F7
Estimation of the earn-out contingent consideration in a business combination.

GLOBAL PANDEMIC OF CORONAVIRUS DISEASE 2019

The COVID-19 pandemic continues to inhibit general activity and confidence levels within the community, the economy, and the operations of the Group's business. The Group continues to monitor developments and initiate plans to mitigate adverse impacts and maximise opportunities.

During the financial year Group eligible entities received Government Grants totalling $35.6m (for 6,367 employees) and repaid $2.3m (for 429 employees) under the initial COVID-19 Wage Subsidy Scheme and the subsequent Government Wage Subsidy Extension scheme. A net receipt from Government grants of $33.3m. Refer Statement of cashflows.

These grants supported the Group's ability to retain personnel and pay remuneration throughout New Zealand's COVID19 Alert Levels 4 and 3. The government grants have been offset against employee benefits expense in the statement of comprehensive income. Refer note F1.

These financial statements have been prepared based upon conditions existing at the end of the reporting period together with subsequent events up to the date of the signing of these financial statements, that provide evidence of conditions that existed at the end of the reporting period. All reasonably known and available information with respect to the COVID-19 pandemic, has been taken into consideration and all reasonably determinable adjustments have been made in preparing these financial statements.

A. Financial Performance

IN THIS SECTION

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

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

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

A1 SEGMENT PERFORMANCE

The Chief Operating decision maker is the Group Chief Executive.

The Group has two defined Reporting Segments:

- **AWF** – Contingent Blue Collar Labour Hire associated with infrastructure, logistics, manufacturing, technical and construction.
- **Madison Recruitment, Absolute IT and JacksonStone & Partners** – White Collar Contingent temporary employees and contractors together with Permanent Recruitment associated with professional and managerial positions including technology and digital business sectors.

Within the White-Collar Reporting Segment are three (3) operating segments:

- Madison Recruitment
- Absolute IT
- JacksonStone & Partners

These operating segments have been aggregated on the basis that they have similar economic characteristics; the nature of services offered, the processes and customers are substantially the same, and strategic decisions are made in conformity over all three brands.

The Group's reportable segments have been identified as follows:

- AWF
- Madison, Absolute IT and JacksonStone & Partners

The Corporate office function reported as 'Central administration costs and director fees' provides governance, compliance, audit, public accountability, Group Funding, accounting, information technology, human resources, and marketing expertise. Revenue derived is incidental to the Group activities. The Corporate office function is not an operating segment and is not part of one of the reportable segments.

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 (throughout New Zealand) and Select (Dunedin). These brands primarily derive their revenues from temporary staffing services to industry.

Madison, Absolute IT and JacksonStone & Partners

The 'Madison, Absolute IT and JacksonStone & Partners' segment operates branches under the brand names Madison Recruitment, Madison Force, Absolute IT and JacksonStone & Partners (from June 2019) 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	
	2021	**2020**	**2021**	**2020**
SEGMENT REVENUE AND RESULTS	**$'000**	**$'000**	**$'000**	**$'000**
Continuing operations				
AWF	77,762	97,448	10,782	1,692
Madison, Absolute IT and JacksonStone & Partners	127,720	166,079	4,235	7,156
Total for continuing operations	**205,482**	**263,527**	**15,017**	**8,848**
Other income			–	9
Central administration costs and directors fees			(2,860)	(2,876)
Finance costs			(1,228)	(2,084)
Profit/(loss) before tax			**10,929**	**3,897**
Income tax expense			(4,732)	(1,220)
Profit for the year			**6,197**	**2,677**

Revenue reported above represents revenue generated from external customers. Inter-segment sales in the year were $175,485 (2020: $82,372) and have been eliminated from the above table. Inter-segment sales were eliminated from the originating segment. No one customer accounts for more than 10% of the Group's revenue (2020: No one customer accounts 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.

	2021	2020
SEGMENT ASSETS	$'000	$'000
AWF	27,411	47,924
Madison, Absolute IT and JacksonStone & Partners	61,764	84,702
Total segment assets	89,175	132,626
Unallocated assets	682	2,643
Total assets	**89,857**	**135,269**

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.

	2021	2020
SEGMENT LIABILITIES	$'000	$'000
AWF	10,509	26,544
Madison, Absolute IT and JacksonStone & Partners	19,214	29,108
Total segment liabilities	29,723	55,652
Unallocated liabilities	20,125	45,883
Total liabilities	**49,848**	**101,535**

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		Impairment	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
AWF	1,964	2,041	–	–
Madison, Absolute IT and JacksonStone & Partners	3,322	4,153	–	–
Madison impairment	–	–	7,000	–
Unallocated	–	–	–	–
Total	**5,286**	**6,194**	**7,000**	–

OTHER SEGMENT INFORMATION continued

	Non-current assets		Net additions to non-current assets	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
AWF	16,518	17,210	1,431	5,452
Madison, Absolute IT and JacksonStone & Partners	48,093	58,224	195	20,117
Unallocated	–	128	–	128
Total	**64,611**	**75,562**	**1,626**	**25,697**

	Employee benefits		Contractor costs	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
AWF	60,329	88,316	52	181
Madison, Absolute IT and JacksonStone & Partners	30,311	59,094	78,580	90,052
Unallocated	1,530	1,565	–	–
Total	**92,170**	**148,975**	**78,632**	**90,233**

Employee benefits and contractor costs were aggregated in the prior year.

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; and
- 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.

In general, where a candidate fails 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.

	GROUP	
	2021	**2020**
REVENUE FROM CONTRACTS WITH CUSTOMERS	$'000	$'000
Revenue earned on temporary placements		
– AWF	76,793	95,723
– Madison, Absolute IT and JacksonStone & Partners	95,563	125,907
Total revenue earned on temporary placements	172,356	221,630
Revenue earned on permanent placements		
– AWF	737	1,642
– Madison, Absolute IT and JacksonStone & Partners	5,369	9,906
Total revenue earned on permanent placements	6,106	11,548
Revenue earned on a retained basis		
– Madison, Absolute IT and JacksonStone & Partners	4,346	4,132
Total revenue earned on a retained basis	4,346	4,132
Other service revenue		
– AWF	232	83
– Madison, Absolute IT and JacksonStone & Partners	22,442	26,134
Total other service revenue	22,674	26,217
Total revenue	**205,482**	**263,527**

KEY JUDGEMENTS 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.

Rebates
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.

	GROUP	
	2021	**2020**
REVENUE FROM CONTRACTS WITH CUSTOMERS BY CLIENT INDUSTRY CATEGORY	$'000	$'000
AWF revenue from contracts with customers		
– Construction & civil	37,654	49,052
– Engineering & technical	9,075	10,123
– Manufacturing & logistics	31,033	38,273
Total AWF revenue from contracts with customers	77,762	97,448
Madison, Absolute IT, JacksonStone & Partners revenue from contracts with customers		
– Administration & other services	786	879
– Arts & recreation services	25	384
– Construction and trades	757	1,138
– Education and training	777	1,750
– Financial and insurance services	22,173	18,346
– Government, defence and public safety	82,228	110,628
– Healthcare and social assistance	4,262	5,802
– Information technology	2,833	4,140
– Logistics (transport, postal & warehousing)	377	1,589
– Manufacturing	1,382	2,084
– Media & telecommunications	646	2,437
– Primary (agriculture, forestry, fishing, mining)	2,539	3,049
– Professional, scientific and technical services	2,523	3,281
– Property/rental and hiring services	154	307
– Retail trade & hospitality	1,931	3,427
– Utilities (electricity, gas, water, waste)	3,033	5,077
– Wholesale trade	1,294	1,761
Total Madison, Absolute IT, JacksonStone & Partners revenue from contracts with customers	127,720	166,079
Total revenue from contracts with customers	**205,482**	**263,527**

CONTRACT ASSETS

Services rendered, invoice yet to send

Payment for services rendered (i.e revenue earned on temporary placement – over time) 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, subject to acceptance conditions, 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 contact assets in a manner consistent with the approach described for trade and other receivables in note C6.

	GROUP	
	2021	**2020**
CONTRACT ASSETS	$'000	$'000
Customers yet to be invoiced for services rendered	180	87
Less provision for impairment	–	–
Total contract assets	**180**	**87**
Classified as:		
Current	180	87
Non-current	–	–
Total contract assets	**180**	**87**

EXPECTED LOSS FOR CONTRACT ASSETS

Management has reviewed and assessed contracts and the provision for impairment $Nil (2020: $Nil) 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.

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 customer's 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.

	GROUP	
	2021	**2020**
CONTRACT LIABILITIES	$'000	$'000
Guarantee refund liabilities	116	62
Rebate liabilities	114	140
Total contract liabilities	**230**	**202**
Classified as:		
Current	230	202
Non-current	–	–
Total contract liabilities	**230**	**202**

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.

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	
	2021	**2020**
INVESTMENT REVENUE	$'000	$'000
Investment revenue	–	9
Total investment revenue	–	9

A4 EXPENSES

		GROUP	
		2021	**2020**
EXPECTED CREDIT LOSS	NOTE	$'000	$'000
Impairment losses recognised	C6	206	123
Changes in the expected credit loss provision		132	132
Total expected credit losses		**338**	**255**

		GROUP	
		2021	**2020**
DEPRECIATION AND AMORTISATION EXPENSE	NOTE	$'000	$'000
Depreciation of property, plant and equipment	B1	990	898
Depreciation of right of use assets	B2	2,702	2,798
Amortisation of intangible assets	B3	1,594	2,498
Total depreciation and amortisation expense		**5,286**	**6,194**

		GROUP	
		2021	**2020**
IMPAIRMENT EXPENSE	NOTE	$'000	$'000
Intangible assets - Goodwill	B4	7,000	–
Total impairment expense		**7,000**	–

	GROUP	
	2021	**2020**
FINANCE COSTS	$'000	$'000
Financial liabilities measured at amortised cost		
Interest on bank overdrafts and loans	707	1,401
	707	1,401
Financial liabilities measured at fair value through profit or loss		
Interest on contingent consideration	16	101
	16	101
Lease liabilities		
Interest on lease liabilities	505	582
	505	582
Total finance costs	**1,228**	**2,084**

	GROUP	
	2021	**2020**
AUDITOR'S REMUNERATION TO DELOITTE FOR:	$'000	$'000
Audit of the financial statements		
Audit of the financial statements	219	224
Total auditor's remuneration to Deloitte	**219**	**224**

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. Current tax liabilities are calculated using tax rates that have been enacted at balance date, being 28% (2020: 28%) for New Zealand.

	GROUP	
	2021	**2020**
INCOME TAX EXPENSE	$'000	$'000
Current tax		
In respect of current year	5,567	1,747
In respect of prior year	(132)	107
	5,435	1,854
Deferred tax		
In respect of current year	(857)	(498)
In respect of prior year	154	(136)
	(703)	(634)
Total tax expense	**4,732**	**1,220**
Reconciliation to profit before tax		
Profit before income tax	10,929	3,897
Income tax at 28%	3,060	1,091
Tax effect of expenses that are not deductible in determining taxable profit	1,672	129
Income tax expense	**4,732**	**1,220**
Effective tax rate for the year	43.3%	31.3%

	GROUP	
	2021	**2020**
CURRENT TAX ASSETS AND LIABILITIES	$'000	$'000
Current tax liabilities		
Income tax payable	1,829	950
Total current tax liabilities	**1,829**	**950**

Accounting Policy – deferred tax

1. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
2. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
3. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
4. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.
5. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

DEFERRED TAX BALANCES

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

	GROUP					
	Right of use assets	Lease liabilities	Employee benefits	Other provisions	Identifiable intangible assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2019	–	–	1,116	174	(3,752)	(2,462)
Prior period adjustment	–	–	165	(33)	4	136
Business combination	–	–	–	–	(1,294)	(1,294)
Charge (credit to profit or loss for the year)	3,147	(3,046)	(304)	(79)	780	498
As at 31 March 2020	**3,147**	**(3,046)**	**977**	**62**	**(4,262)**	**(3,122)**
Prior period adjustment	–	–	150	(304)	–	(154)
Charge (credit to profit or loss for the year)	(582)	643	(56)	469	383	857
As at 31 March 2021	**2,565**	**(2,403)**	**1,071**	**227**	**(3,879)**	**(2,419)**

	GROUP	
	2021	**2020**
IMPUTATION BALANCES	$'000	$'000
Imputation credits available for subsequent reporting periods at 28%	**13,600**	**10,108**

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 have arisen 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.

B. Assets used to generate income

IN THIS SECTION

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

In this section there is information about:

(a) property, plant and equipment

(b) intangible assets

(c) goodwill

B1 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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

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

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

		GROUP			
		Motor Vehicles	Fixtures and equipment	Leasehold Improvements	Total
	NOTE	$'000	$'000	$'000	$'000
Cost		528	4,945	1,830	7,303
Less accumulated depreciation		(377)	(3,269)	(619)	(4,265)
Net book value at 1 April 2019		151	1,676	1,211	3,038
Additions		100	592	207	899
Business combinations		–	151	183	334
Disposals – cost		(121)	(420)	(183)	(724)
Depreciation expense	A4	(63)	(702)	(133)	(898)
Eliminations on disposal – depreciation		99	347	98	544
Net book value at 31 March 2020		**166**	**1,644**	**1,383**	**3,193**
Additions		1,275	133	16	1,424
Disposals – cost		(243)	(1,068)	(170)	(1,481)
Depreciation expense	A4	(155)	(496)	(339)	(990)
Eliminations on disposal – depreciation		218	1,024	104	1,346
Net book value at 31 March 2021		**1,261**	**1,237**	**994**	**3,492**
Cost		1,538	4,629	1,950	8,117
Less accumulated depreciation		(277)	(3,392)	(956)	(4,625)
Net book value at 31 March 2021		**1,261**	**1,237**	**994**	**3,492**

B2 LEASES

RIGHT OF USE ASSETS AND LEASES LIABILITIES

Accounting policy

1 The Group leases various properties (including offices), motor vehicles and computer equipment. Property lease contracts are typically made for fixed periods of 3 to 9 years but may have extension options as described below. Motor vehicle and computer equipment leases are typically made for fixed periods of 1 to 5 years without extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

2 Leases are recognised as a right-of-use ('ROU') asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

Costs included in the measurement of the right-of-use asset comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date; less any lease incentives received; and
- any initial direct costs incurred by the lessee.

Depreciation is charged so as to write off the cost of assets, over the lease term using the straight-line method where shorter than the useful life of the right of use asset.

3 The lease liability is initially measured at the present value of the future lease payments over the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- the exercise price under a purchase option that the Group is reasonably certain to exercise that option; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option.

There are no leases with variable lease payments which depend on an index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

None of the Group's leases include variable lease payments that depend on an index or a rate.

4 The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets.

The Group recognises the lease payments associated with these leases within operating expenses on a straight line basis over their lease terms.

KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Extension and termination options
Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Incremental borrowing rates
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical judgements in determining the incremental borrowing rate

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing (currently, the Group's sole term facility provider, ASB Bank Limited) received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group subsidiaries, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, location, and security.

		GROUP			
		Property	Motor vehicles	Computer Equipment	Total
RIGHT OF USE ASSETS	NOTE	$'000	$'000	$'000	$'000
Cost		10,248	810	–	11,058
Less accumulated depreciation		–	–	–	–
Net book value at 1 April 2019		10,248	810	–	11,058
Additions		1,919	–	23	1,942
Business combinations		905	–	–	905
Depreciation expense	A4	(2,324)	(468)	(6)	(2,798)
Net book value at 31 March 2020		**10,748**	**342**	**17**	**11,107**
Additions/lease liability re-measurements		192	–	–	192
Disposals – cost		(338)	(350)	–	(688)
Depreciation expense	A4	(2,437)	(257)	(8)	(2,702)
Eliminations on disposal – depreciation		311	350	–	661
Net book value at 31 March 2021		**8,476**	**85**	**9**	**8,570**
Cost		12,926	460	23	13,409
Less accumulated depreciation		(4,450)	(375)	(14)	(4,839)
Net book value at 31 March 2021		**8,476**	**85**	**9**	**8,570**

	GROUP	
	2021	**2020**
LEASE LIABILITIES	$'000	$'000
Property	9,161	11,241
Motor vehicle	85	342
Computer equipment	9	16
Total lease liabilities	**9,255**	**11,599**
Classified as:		
Current	2,264	2,501
Non-current	6,991	9,098
Total lease liabilities	**9,255**	**11,599**
Maturity analysis – contractual undiscounted cashflows:		
Less than 1 year	2,661	2,818
Later than 1 year and not later than 5 years inclusive	7,162	8,818
More than 5 years	476	1,377
Total undiscounted lease liabilities 31 March	**10,299**	**13,013**
Amounts recognised in Statement of Comprehensive Income:		
Interest on lease liabilities	(505)	(582)
Expenses relating to short term leases	(362)	(122)
Total amounts recognised in Statement of Comprehensive Income	**(867)**	**(704)**
Cash outflows recognised in the Statement of Cashflows:		
Recognised within cash flows from operating activities		
Interest elements of lease payments	(505)	(582)
Total recognised within cash flows from operating activities	**(505)**	**(582)**
Recognised within cash flows from financing activities		
Principal elements of lease payments	(2,481)	(2,439)
Total recognised within cash flows from financing activities	**(2,481)**	**(2,439)**
Total cash outflows recognised in the Statement of Cashflows	**(2,986)**	**(3,021)**

B3 INTANGIBLE ASSETS

Accounting policy

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

2 Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives (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.

3 Intangible assets acquired separately with indefinite useful lives are not amortised and are reviewed for impairment on an annual basis and whenever there is an indication that the asset may be impaired as per NZ IAS 36 Impairment of Assets (refer also B4).

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		2,576	13,566	9,446	1,304	26,892
Less accumulated amortisation		(1,390)	(10,827)	–	(746)	(12,963)
Net book value at 1 April 2019		1,186	2,739	9,446	558	13,929
Additions		143	–	–	–	143
Business combinations		–	2,185	1,029	1,406	4,620
Disposals – cost		(1)	–	–	–	(1)
Amortisation expense	A4	(356)	(1,665)	–	(477)	(2,498)
Eliminations on disposal – amortisation		1	–	–	–	1
Net book value at 31 March 2020		**973**	**3,259**	**10,475**	**1,487**	**16,194**
Additions		10	–	–	–	10
Disposals – cost		(246)	(1)	–	–	(247)
Amortisation expense	A4	(228)	(874)	–	(492)	(1,594)
Eliminations on disposal – amortisation		118	–	–	–	118
Net book value at 31 March 2021		**627**	**2,384**	**10,475**	**995**	**14,481**
Cost		2,482	15,750	10,475	2,710	31,417
Less accumulated amortisation		(1,855)	(13,366)	–	(1,715)	(16,936)
Net book value at 31 March 2021		**627**	**2,384**	**10,475**	**995**	**14,481**

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.
- $1.030 million identified and recognised from the JacksonStone & Partners acquisition are allocated to the JacksonStone & Partners cash generating unit.

KEY JUDGEMENTS 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 B4 for further information).

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

B4 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.

	GROUP	
	2021	**2020**
	$'000	$'000
Balance at 1 April	45,068	39,271
Impairment – Madison Recruitment	(7,000)	–
Business combinations – JacksonStone & Partners	–	5,797
Balance as at 31 March	**38,068**	**45,068**
Allocation to cash generating units		
• AWF	11,212	11,212
• Madison Recruitment	13,223	20,223
• Absolute IT	7,836	7,836
• JacksonStone & Partners	5,797	5,797
Total goodwill	**38,068**	**45,068**

Annual test for impairment

The Group tests goodwill and other indefinite life intangible assets 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. Forecast revenues, direct and indirect costs, are based on historical experience / past practices and expectation of future changes in the markets the Group operates and services.

Impairment testing of goodwill and other intangible assets is an area where estimates and judgments have a significant risk of causing a material adjustment to the carrying amount of the Group's goodwill and other indefinite life intangible asset balances.

When there is an impairment, i.e., 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 value amount of any goodwill allocated to the cash generating unit and thereafter, pro rata against the carrying value of other assets (including intangible assets and net assets).

The value in use calculations use post-tax cash flow projections over a 5- year period based on FY22 financial budgets prepared by management and approved by the Board.

AWF, Absolute IT and JacksonStone & Partners

Key assumptions used for the value in use calculations included:

- Sales growth – 1.5% (2020: 1.5%) Average annual growth over financial years 2023 – 2026 based on past performance, management's expectations of market development, current industry trends and including long-term inflation forecasts.
- Terminal year sales growth – Starting Financial Year 2027 the impairment models assume a constant growth rate of 1.5%. (2020: 1.5%)
- The discount rate used to discount the forecast cash flows is 8.78% (2020: 9.14%).

Madison Recruitment

The Madison Recruitment CGU is sensitive to changes in financial performance assumptions. The impact of the COVID-19 pandemic has been more pronounced on Madison Recruitment with a slower rate of recovery to pre-COVID-19 financial performance. New Zealand's border restrictions have impinged on Madison's temporary candidate pool and contracted the size of the temporary job market.

As a result, at 30 September 2020 the group undertook an impairment test to the CGU and a $7.0m impairment was recorded.

Management and the Board are confident that the temporary job market will return to pre-Covid profitability. Madison Recruitment specialises in entry level to mid-level white collar roles. COVID-19 initially caused clients to consider and curtail their requirements for permanent administrative staff, which significantly impacted Madison's job flow.

Madison Recruitment has applied an accelerated rate of Sales growth over FY23 & 24 off a low FY22 Budget, returning to pre-covid profitability in 2025 with sales growth of 1.5% (2020: 1.5%) thereafter.

The terminal year sales growth starting Financial Year 2027 assumes a constant growth rate of 1.5% (2020: 1.5%).

The discount rate used to discount the forecast cash flows is 8.78% (2020: 9.14).

Sensitivity Analysis

At year end, in testing goodwill for further impairment, a sensitivity analysis for reasonably possible changes in key assumptions was performed.

The sensitivity assumptions across all four CGU's included reducing the estimated growth rate by 0.5%, reducing the terminal rate of growth by 1.0% and increasing the discount rate by 1.0%.

These reasonably possible changes do not result in any impairment for AWF, Absolute IT and JacksonStone & Partners; or any additional impairment above the $7.0m write down for Madison Recruitment.

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 Management 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.

The discount rate applied to future cashflows has been obtained through an independent assessment of Group's weighted average cost of capital which takes in to consideration a risk-free rate based on New Zealand Government Bonds, a market risk premium and an equity beta based a selection of comparable recruitment companies.

C. Managing funding

IN THIS SECTION

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

(a) equity and dividends

(b) net debt; and

(c) receivables and payables

C1 RETAINED EARNINGS

		GROUP	
		2021	2020
RETAINED EARNINGS AND DIVIDENDS	NOTE	$'000	$'000
Opening balance at 1 April		2,536	5,111
Total comprehensive income for the year		6,197	2,677
Dividends paid	C4	–	(5,581)
Stock appreciation rights modified	F1	–	329
Restricted share scheme options expired	F1	162	–
CEO incentive plan share options lapsed	F1	42	–
Closing balance at 31 March		**8,937**	**2,536**

C2 SHARE CAPITAL

	GROUP			
	2021	2020	2021	2020
ORDINARY SHARE CAPITAL	No of Shares	No of Shares	$'000	$'000
Issued and fully paid:				
Opening balance at 1 April	34,325,542	33,423,399	30,868	29,165
Issue of shares	–	902,143	–	1,703
Closing balance at 31 March	**34,325,542**	**34,325,542**	**30,868**	**30,868**

The share capital reflected in the following note represents the ordinary share capital of Accordant Group Limited (formerly AWF Madison Group Limited).

All ordinary shares carry rights to dividends and distribution on wind-up.

C3 EARNINGS PER SHARE

EARNINGS PER SHARE	NOTE	GROUP 2021 $'000	GROUP 2020 $'000
Comprehensive income for the year net of tax		6,197	2,677
Number of ordinary shares as at 31 March	C2	34,325,542	34,325,542
Weighted average number of shares for basic earnings per share		34,325,542	33,910,542
Total basic earnings per share (cents per share)		**18.1**	**7.9**
Weighted average number of shares for diluted earnings per share		34,325,542	33,910,542
Total diluted earnings per share (cents per share)		**18.1**	**7.9**

The restricted shares detailed in Note F1 could also potentially dilute earnings per share in the future, but currently are anti-dilutive (2020 were anti-dilutive).

C4 DIVIDENDS

Accounting policy

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

	GROUP 2021		GROUP 2020	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts:				
Prior year final dividend	–	–	8.20	2,806
Interim dividend	–	–	8.00	2,775
		–		5,581
Final dividend declared	8.20	2,886	–	–

Dividends

Prior year final dividend

On 8 June 2020 the directors resolved not to declare a final dividend for the year ended 31 March 2020 due to the economic uncertainty caused by the COVID-19 pandemic.

Current year interim dividend

On 28 October 2020 the directors resolved not to declare an interim dividend for the year ended 31 March 2021 due to the on-going economic uncertainty caused by the COVID-19 pandemic.

Subsequent event

On 27 May 2021 the directors resolved to resume distributions of dividends and approved the payment of a fully imputed final dividend of 8.2 cents per share (total dividend $2,886,116) to be paid on 30 June 2021 to all shareholders registered on 20 June 2021. The dividend reinvestment plan will not participate in this distribution.

C5 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents

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.

Statement of cash flows

The following terms are used in the Group's statement of cash flows:

- 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.

Interest paid and interest received may be classified as operating cash flows because they enter into the determination of profit or loss.

Cash payments for the interest portion of a financial liability or lease liability, have been classified as part of operating activities and cash payments for the principal portion for financial liability or lease liability, have been classified as part of financing activities.

Interest received on cash at bank have been classified as part of operating activities.

CASH AND CASH EQUIVALENTS	GROUP 2021 $'000	GROUP 2020 $'000
Cash at bank	1,795	6,178
Total cash and cash equivalents	**1,795**	**6,178**

RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES	GROUP 2021 $'000	GROUP 2020 $'000
Net profit after income tax	6,197	2,677
Adjustments for operating activities non-cash items:		
Depreciation and amortisation	5,286	6,194
Impairment	7,000	–
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	38	120
Movement in expected credit loss provision	338	255
Movement in deferred tax	(702)	(633)
Equity-settled share-based payments	78	114
Interest on contingent consideration to the vendor of JacksonStone & Partners	16	101
Fair value movement on contingent consideration to the vendor of JacksonStone & Partners	(1,285)	–
Total non-cash items	10,769	6,151
Movements in working capital excluding movements relating to purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables, and contract assets	29,794	(17,997)
Increase/(decrease) in trade and other payables, and contract liabilities	(25,953)	18,626
Increase/(decrease) in provisions	211	(52)
Increase/(decrease) in taxation payable	879	484
Total movement in working capital	4,931	1,061
Cash flow from operating activities	**21,897**	**9,889**

C6 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 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.

An allowance of $493,000 (2020: $361,000) 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 $2.9 million (2020: $5.6 million) which are overdue at the reporting date. Included in other receivables are debtors with a carrying value of $Nil (2020: $Nil) 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	
	2021	**2020**
TRADE AND OTHER RECEIVABLES	$'000	$'000
Trade receivables	22,961	29,984
Provision for expected credit loss	(493)	(361)
Total trade receivables	**22,468**	**29,623**
Other receivables	803	1,533
Grant income receivable	–	22,286
Total other receivables	**803**	**23,819**
Total trade and other receivables	**23,271**	**53,442**

		GROUP	
		2021	**2020**
PROVISION FOR IMPAIRMENT	NOTE	$'000	$'000
PROVISION FOR EXPECTED CREDIT LOSS FOR TRADE RECEIVABLES			
Balance at 1 April		361	229
Impairment losses recognised		342	301
Write-offs to bad debts during the year	A4	(205)	(123)
Impairment losses reversed		(5)	(46)
Balance at 31 March		**493**	**361**

	GROUP					
EXPECTED LOSS RATES FOR TRADE RECEIVABLES	Current	1 – 30 days	30 – 60 days	60 – 90 days	90+ days	Total
31 March 2021						
Expected loss rate (%)	0.9%	1.0%	22.2%	41.1%	35.4%	2.5%
Gross trade receivables ($'000)	20,044	1,829	275	193	620	22,961
Provision for impairment of trade receivables ($'000)	(164)	(16)	(53)	(69)	(191)	(493)
Net trade receivables	19,880	1,813	222	124	429	22,468
31 March 2020						
Expected loss rate (%)	0.0%	0.1%	6.4%	15.4%	64.9%	1.2%
Gross trade receivables ($'000)	24,359	4,296	592	318	419	29,984
Provision for impairment of trade receivables ($'000)	–	(2)	(38)	(49)	(272)	(361)
Net trade receivables	24,359	4,294	554	269	147	29,623

EXPECTED LOSS FOR OTHER RECEIVABLES

Management has reviewed and assessed other receivables and the provision for impairment $Nil (2020: $Nil) 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. The expected loss rate (%) is calculated on a GST inclusive basis.

Other information about customers

The Group has no customers making up more than 10% of the 2021 Group revenue (2020: 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.

C7 BORROWINGS

	GROUP	
	2021	2020
BORROWINGS	$'000	$'000
Bank loans	15,000	36,000
Total borrowings	**15,000**	**36,000**
Classified as:		
Current	–	–
Non-current	15,000	36,000
Total bank loans	**15,000**	**36,000**

Summary of borrowing arrangements

The Group has a term loan facility of $30.0 million (2020: $36 million) with ASB Bank Limited of which $15.0 million was drawn as at 31 March 2021 (2020: $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 2.21% (2020: 3.13%). The rate is reset every three months. The loan is an interest only loan and is repayable on 1 October 2022 (2020: 1 October 2021). As at 31 March 2021, the Group has an available overdraft facility of $8.0 million (2020: $12.0 million) with ASB Bank Limited, at an interest rate of 4.04% (2020: 4.33%). The balance of the overdraft was $Nil as at 31 March 2021 (2020: $Nil) and cash at bank was $1.795 million at 31 March 2021 (2020: $6.178 million).

Reconciliation of liabilities arising from financing activities

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::

		GROUP			
		Opening balance 1 April	Financing cash flows	Non-cash changes	Closing balance 31 March
	NOTE	$'000	$'000	$'000	$'000
For the year ended 31 March 2021					
Borrowings					
Bank loans – ASB Bank Limited (i)	C7	36,000	(21,000)	–	15,000
Other financial liabilities from financing activities					
Lease liabilities (ii)		11,599	(2,481)	137	9,255
Total		**47,599**	**(23,481)**	**137**	**24,255**
For the year ended 31 March 2020					
Borrowings					
Bank loans – ASB Bank Limited (i)	C7	33,000	3,000	–	36,000
Lease liabilities (ii)		–	(2,439)	14,038	11,599
Total		**33,000**	**561**	**14,038**	**47,599**

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

(ii) Non-cash changes comprise new leases entered into during the year of $125,000 and remeasurement of existing leases during the year of $12,000 (2020: the restated opening balance for lease liabilities of $11.058m, plus new leases entered into during the year of $1.942m, plus lease liabilities arising on the acquisition of JacksonStone & Partners of $0.905m).

C8 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	
	2021	2020
TRADE AND OTHER PAYABLES	$'000	$'000
Trade payables	7,054	8,260
Goods and services tax (GST) payable	1,724	3,404
PAYE	3,620	3,025
Other payables and accruals	7,782	9,702
Deferred grant income	–	21,778
Total trade and other payables	**20,180**	**46,169**

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; and
- 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 C6.

Liquidity risk

Liquidity risk is the risk that the 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 C7, cash and cash equivalents (note C5) and equity attributable to equity holders of the Group, comprising retained earnings and issued share capital as disclosed in notes C1 and C2 respectively.

The Directors and Management review the capital structure on a periodic basis. As part of this review the Directors and Management consider the cost of capital and the risks associated with each class of capital. The Directors and Management 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 table details the Group's remaining contractual maturity for its financial assets and liabilities. The table has 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 table includes 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
2021							
Financial assets							
Non-interest bearing	-%	23,451	–	–	–	–	23,451
Floating interest	-%	1,795	–	–	–	–	1,795
Financial liabilities							
Non-interest bearing	-%	(7,925)	(645)	(2,647)	(7,162)	(476)	(18,855)
Floating interest	2.21%	(28)	(55)	(249)	(15,166)	–	(15,498)
		17,293	**(700)**	**(2,896)**	**(22,328)**	**(476)**	**(9,107)**
2020							
Financial assets							
Non-interest bearing	-%	53,529	–	–	–	–	53,529
Floating interest	-%	6,178	–	–	–	–	6,178
Financial liabilities							
Non-interest bearing	-%	(16,746)	(15,992)	(3,639)	(10,659)	(1,377)	(48,413)
Floating interest	3.13%	(138)	(188)	(845)	(36,563)	–	(37,734)
		42,823	**(16,180)**	**(4,484)**	**(47,222)**	**(1,377)**	**(26,440)**

The current year analysis includes all financial assets and liabilities. In relation to the financial liabilities this excludes tax-related balances and employee benefits as these are not financial instruments. The prior year disclosure has been updated to reflect the current year presentation.

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% (2020: 0%).

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	
	2021	**2020**
	$'000	$'000
Impact on profit and equity	75	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.

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

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

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

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

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

NAME OF SUBSIDIARY	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
AWF Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Labour hire
Madison Recruitment Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Recruitment
Madison Force Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Recruitment
Absolute IT Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Recruitment and Payroll Services
Probity NZ Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Probity checks
Accordant Group Services Limited (formerly NZ Employed Limited)	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Group Services
JacksonStone & Partners Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Recruitment
JacksonStone Consulting Limited	New Zealand	100% (2020: 100%)	100% (2020: 100%)	Dormant
The Work Collective Limited	New Zealand	100% (2020: N/A)	100% (2020: N/A)	Social Enterprise

F. Other

IN THIS SECTION

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

F1 EMPLOYEE BENEFITS AND SHARE BASED PAYMENTS

Accounting policies

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

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

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

4 The Group 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.

5 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.

	GROUP	
	2021	restated 2020
EMPLOYEE BENEFITS	$'000	$'000
Employee benefits	89,360	146,709
Employer contribution to Kiwisaver	2,732	2,152
Equity-settled share-based payments	78	114
Total employee benefits expense	**92,170**	**148,975**

Government grants have been offset against employee benefits. Refer Global Pandemic of Coronavirus disease 2019.

	GROUP	
	2021	2020
COMPENSATION OF KEY MANAGEMENT PERSONNEL (Excludes Directors)	$'000	$'000
The remuneration of key management during the year was as follows:		
Salaries and short-term benefits	3,219	3,009
Employer contribution to Kiwisaver	86	76
Equity-settled share-based payments	–	92
Total key management personnel compensation	**3,305**	**3,177**

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

Director fees expensed during the year were $332,000 (2020: $355,000).

Employee share schemes

The Group has an ownership-based compensation scheme for senior employees 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 400,000 restricted shares were issued to senior staff during the year under the terms of the Group share scheme (2020: 52,000 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 (2020: No restricted shares were exercised during the year).

223,000 restricted shares were expired during the year (2020: none) and 36,000 restricted shares were forfeited during the year (2020: 15,000 shares). The corresponding interest free loan provided to staff was also cancelled.

At 31 March 2021, there were 937,000 (2020: 796,000) shares held by staff members and corresponding loans to the value of $1,664,020 (2020: $1,704,920).

The following share-based payment arrangements were in existence at 31 March 2021:

RESTRICTED SHARE SERIES	Number	Grant date	Vesting date	Expiry date	Issue price $	Fair value at grant date of the option $
F Shares 2017 Grant	21,000	23/11/2016	1/01/2022	1/01/2023	2.57	0.79
F Shares 2018 Grant	42,000	2/08/2017	1/01/2022	1/01/2023	2.64	0.82
F Shares 2019 Grant	39,000	6/06/2018	1/01/2022	1/01/2023	1.93	0.51
G Shares 2019 Grant	145,200	1/11/2018	1/07/2021	1/07/2022	1.90	0.38
H Shares 2019 Grant	237,800	1/11/2018	1/01/2024	1/01/2025	1.90	0.55
G Shares 2020 Grant	20,800	18/06/2019	1/07/2021	1/07/2022	1.85	0.33
H Shares 2020 Grant	31,200	18/06/2019	1/01/2024	1/01/2025	1.85	0.46
I Shares 2021 Grant	150,000	18/09/2020	1/07/2023	1/07/2024	1.50	0.37
J Shares 2021 Grant	250,000	18/09/2020	1/07/2025	1/07/2026	1.50	0.41
Total	937,000					

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 $	Term to vesting (Days)	Expected life (Years)	Risk Free Rate %	Annualised Volatility %	Option Value $
F Shares 2017 Grant	23/11/2016	1/01/2022	$2.55	$2.57	1,865	5.10	2.40%	26.50%	$0.79
F Shares 2018 Grant	2/08/2017	1/01/2022	$2.70	$2.64	1,613	4.40	2.50%	26.20%	$0.82
F Shares 2019 Grant	6/06/2018	1/01/2022	$1.94	$1.93	1,305	3.60	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
G Shares 2020 Grant	18/06/2019	1/07/2021	$1.83	$1.85	744	2.00	1.20%	24.90%	$0.33
H Shares 2020 Grant	18/06/2019	1/01/2024	$1.83	$1.85	1,658	4.50	1.30%	24.70%	$0.46
I Shares 2021 Grant	18/09/2020	1/07/2023	$1.47	$1.50	1,016	2.80	0.27%	33.60%	$0.37
J Shares 2021 Grant	18/09/2020	1/07/2025	$1.47	$1.50	1,566	4.30	0.37%	31.20%	$0.41

The weighted average fair value of the restricted shares granted under the restricted share scheme during the year was $0.47 (2020: $0.58)

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

	GROUP			
	2021		2020	
	Option Number	Weighted average exercise price $	Option Number	Weighted average exercise price $
Balance at 1 April	796,000	$2.14	759,000	$2.17
Granted during the year	400,000	$1.50	52,000	$1.85
Exercised during the year	–	–	–	–
Expired during the year	(223,000)	$2.50	–	–
Forfeited during the year	(36,000)	$2.29	(15,000)	$2.57
Balance at 31 March	**937,000**	**$1.78**	**796,000**	**$2.14**

The number of restricted share options exercisable at 31 March 2021 is Nil (2020: Nil).

The restricted shares outstanding at 31 March 2021 had a weighted average remaining contractual life of 1,498 days (2020: 1,476 days).

During the year ended 31 March 2021 the share based payments expense recognised by the Group was a charge of $78,914 (2020: charge of $114,225).

There were no restricted share options exercised during the year (2020: none).

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	
	2021	**2020**
PROVISION FOR MEDICAL COSTS	$'000	$'000
Balance at 1 April	189	241
Revaluation of provision	211	(52)
Balance at 31 March	**400**	**189**
Current	400	189
Non-current	–	–
Balance at 31 March	**400**	**189**

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 it's 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 18,194,598 (2020: 18,194,598) shares is the ultimate controlling entity of the Group, having a 53.01% (2020: 53.01%) 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	
	2021	**2020**
RELATED PARTY TRANSACTIONS	$'000	$'000
Multihull Ventures Limited – Recruitment services	**9**	–

Simon Hull (Director) is a shareholder of Multihull Ventures Limited.

At 31 March 2021, Group entities do not have any amounts owed or owing to a related party that is not a member of the Group (2020: $ Nil).

F4 COMMITMENTS

	GROUP	
	2021	**2020**
CAPITAL EXPENDITURE COMMITMENTS	$'000	$'000
Property, plant and equipment	300	–
Intangible assets – computer software	–	551
Total capital expenditure commitments	300	551

F5 CONTINGENT ASSETS AND LIABILITIES

ASB Bank Limited has issued five guarantees on behalf of the Group totalling $534,000 in support of property leases (4) and a surety bond to the NZX.

The Group has no other contingent assets or liabilities at 31 March 2021 (2020: $Nil).

F6 EVENTS AFTER THE REPORTING DATE

Share repurchase

On 6 April 2021, the market was notified on the Board's intention to acquire up to 1,000,000 Ordinary Share Capital of Accordant Group Limited, to be held as Treasury Shares.

Leadership Transition

On 20 May 2021 the market was notified of:

i) the appointment of Mr J Cherrington as CEO of Accordant Group , effective 21 June 2021 and;

ii) the appointment of Mr S Bennett to the Board of Accordant Group, effective 21 June 2021 as Executive Director.

Other

No other subsequent events have occurred since reporting date that would materially impact the Group's financial statements as at 31 March 2021.

F7 BUSINESS COMBINATIONS JACKSONSTONE & PARTNERS CONTINGENT CONSIDERATION

Accounting policy

Business combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group (if any) in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

At the acquisition date, the identifiable assets acquired and the liabilities (including contingent liabilities) assumed 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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Effective 1 June 2019, Accordant Group Limited (formerly AWF Madison Group Limited) acquired the shares of JacksonStone & Partners Limited ('JacksonStone & Partners').

As at acquisition date

As part of the purchase agreement, a contingent consideration arrangement was agreed.

Under the contingent consideration arrangement, there were additional cash payments to the previous owners of JacksonStone & Partners, where the Group is required to pay:

- an initial capped earn out ('Earnout tranche 1') of $1.5m subject to achievement of a specified value of Net Disposable Revenue, agreed by both parties This earn-out was achieved and paid on 30 November 2020; and
- a second uncapped earn out ('Earnout tranche 2') which is also subject to achievement of a specified value of Net Disposable Revenue, agreed by both parties, for the amended 12month period to 31 October 2021 (previously 30 September 2021), payable in November 2021.

At acquisition date, the potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement was assessed at $1.5m (Paid 30 November 2020) for Earnout tranche 1 and $1.958m for Earnout tranche 2. The fair value of Earnout tranche 2 of $1.785m, was estimated by applying a discount factor of 3.715% to the uncapped earn out amount of $1.958m.

As at 31 March 2021

There has been a material change in the Group's estimate of the Net Disposable Revenue to the previous owners of JacksonStone & Partners under the contingent consideration arrangement for Earn-out tranche 2.

The potential undiscounted future amount that the Group could be required to make under the contingent consideration arrangement has been revised down to $0.549m (2020: $1.958m). The liability has decreased by a total of $1.409m with a fair value gain of $1.285m and reduced discount interest of $49,000 applying a consistent discount factor of 3.715% to the uncapped revised earn out amount of $0.549m.

The future value range has been assessed at +/- $0.050m.

Fair value measurement

Contingent consideration is the Group's only item measured at fair value. Contingent consideration is categorised within Level 3 of the fair value hierarchy. The following is information about how the fair value of contingent consideration is determined (in particular, the valuation technique(s) and inputs used).

• Valuation technique and key inputs:	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration.
• Significant unobservable inputs:	Discount rate
• Relationship and sensitivity of unobservable inputs to fair value:	The higher the discount rate, the lower the fair value. If the discount rate was 1% higher/lower while all other variables were held constant, the carrying amount would decrease/increase by $50,000 (2020: decrease/increase by $28,000).

Companies Act 1993 disclosures

The Directors of Accordant Group Limited (formerly AWF Madison Group Limited) submit herewith the annual financial report of the company for the financial year ended 31 March 2021. 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	Audit, Finance and Risk Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee	Organisation Committee
Ross Keenan	Chairman and Independent Director. Joined the board in 2005.	✓	✓	✓	✓	✓
Simon Hull	Non-independent Director. Founding shareholder.	✓	✓	✓	Chairperson	✓
Wynnis Armour	Independent Director. Joined the board in 2015. Founding shareholder of Madison Recruitment Limited.	✓	Chairperson	✓	✓	Chairperson
Nicholas Simcock	Independent Director. Joined the board in 2018.	✓	✓	✓	✓	✓
Laurissa Cooney	Independent Director. Joined the board on 1 August 2020.	Chairperson	✓	✓	✓	✓
Julia Hoare	Retired from the board 30 June 2020.					

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 personal interest in shares of the company as at the date of this report.

Director	Ordinary shares
Ross B Keenan	250,000
Wynnis Armour	354,703
Nicholas Simcock	10,000

Disclosure of interests by Directors

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

ROSS B. KEENAN

Accordant Group Limited	Chairperson
Touchdown Limited	Director
Indemnity from the Company under the D&O Insurance policy	

SIMON HULL

Accordant Group Limited	Director
AWF Limited	Director
Hull Properties Limited	Director
Nano Imports Limited	Director
Multihull Ventures Limited	Director
Marlborough Developments Limited (2007)	Director
Zhik Pty Limited	Director
Indemnity from the Company under the D&O Insurance policy	

WYNNIS ARMOUR

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

NICHOLAS SIMCOCK

Accordant Group Limited	Director
Simcorp Limited	Director
Just Property Management Limited	Director
Wellington Creative Capital Arts Trust	Trustee
Indemnity from the Company under the D&O Insurance policy	

LAURISSA COONEY (appointed 1/07/2020)

Accordant Group Limited	Director
Tourism Bay of Plenty	Chairperson
Air New Zealand Limited	Director
Audit & Risk Committee of Nga Tangata Tiaki	Committee Member
Goodman (NZ) Limited	Director
Goodman Property Aggregated Limited	Director
GMT Bond Issuer Limited	Director
GMT Wholesale Bond Issuer Limited	Director
Le Rissa Limited	Director
Ngai Tai ki Tamaki Commercial Investment Trust	Trustee
The Aotearoa Circle	Guardian
Indemnity from the Company under the D&O Insurance policy	

JULIA HOARE (retired 30/06/2020)

Directors interests at 30 June 2020

Auckland International Airport Limited	Director
AWF Madison Group Limited	Director (the name changed to Accordant Group Limited on 19 October 2020)
Meridian Energy Limited	Director
The a2 Milk Company Limited	Deputy Chairperson
Watercare Services Limited	Deputy Chairperson
Port of Tauranga Limited	Director
External Reporting Advisory Panel	Member
The Institute of Directors in New Zealand – National Council	Vice President
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 $'000	Fees paid in year $'000	Salary and Bonus $'000	Share-based payments $'000	Total $'000
Ross B Keenan	115	109	–	–	109
Simon Hull	60	57	–	–	57
Julia Hoare (retired 30/06/2020)	–	12	–	–	12
Wynnis Armour	60	57	–	–	57
Nicholas Simcock	60	57	–	–	57
Laurissa Cooney (appointed 1/08/2020)	60	40	–	–	40
	355	332	–	–	332

CEO Remuneration

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

Fixed Remuneration

Over the course of the 2021 Financial year, the CEO, Simon Bennett, earned fixed remuneration of $545,000 (2020 financial year $572,000).

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%).

The STI for the 2021 financial year has yet to be determined. For the 2020 financial year, the CEO earned an STI payment of $54,538 paid in the 2021 financial year. For the 2019 financial year, the CEO earned an STI payment of $46,000 paid in the 2020 financial year.

Short-Term Incentive

The CEO short-term incentive plan (established 9 May 2019) lapsed as of 31 December 2020. The CEO was awarded a discretionary incentive of $80,000 during the year.

Long-Term Incentive

The Group operated equity-settled share based incentive scheme, refer note F1 of the financial statements.

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.

  The participant has 12 months from vesting date to exercise the option. The Restricted D Share options expired during the year.
- 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.
- 18 September 2020, 150,000 Restricted I Shares at a price of $1.50 per share with a vesting date of 1 July 2023.
- 18 September 2020, 250,000 Restricted J Shares at a price of $1.50 per share with a vesting date of 1 July 2025.

Superannuation

The CEO is eligible to contribute and receive a matching Company contribution up to 3.0% of gross taxable earnings (including STI).

Summary of CEO remuneration	2021	2020
Remuneration event		
Base salary	$545,385	$545,385
Short-term incentive	$80,000	$54,538
Superannuation	$20,384	$16,632
At risk – long-term incentives:		
Restricted D Shares	–	90,000 at $2.57
Restricted G Shares	40,000 at $1.90	40,000 at $1.90
Restricted H Shares	60,000 at $1.90	60,000 at $1.90
Restricted I Shares	150,000 at $1.50	–
Restricted J Shares	250,000 at $1.50	–

Employee Remuneration

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

	Number of Employees	
Remuneration	**2021**	**2020**
$100,000 – 109,999	12	16
$110,000 – 119,999	10	13
$120,000 – 129,999	10	7
$130,000 – 139,999	3	8
$140,000 – 149,999	6	10
$150,000 – 159,999	4	5
$160,000 – 169,999	6	1
$170,000 – 179,999	1	3
$180,000 – 189,999	1	2
$190,000 – 199,999	–	1
$200,000 – 209,999	2	4
$210,000 – 219,999	3	4
$220,000 – 229,999	1	–
$230,000 – 239,999	–	2
$240,000 – 249,999	2	1
$250,000 – 259,999	3	1
$260,000 – 269,999	3	2
$270,000 – 279,999	–	1
$280,000 – 289,999	–	2
$290,000 – 299,999	–	1
$300,000 – 309,999	1	2
$330,000 – 339,999	–	1
$360,000 – 369,999	–	1
$380,000 – 389,999	1	–
$490,000 – 499,999	–	1
$660,000 – 669,999	–	1
$690,000 – 699,999	1	–
	70	90

Distribution of holders of quoted shares

Size of holding	Number of fully paid ordinary shareholders	Percentage	Number of fully paid shares	Percentage
1 – 1000	103	14.15%	55,309	0.16%
1001 – 5000	276	37.91%	818,286	2.38%
5001 – 10000	142	19.51%	1,114,155	3.25%
10001 – 50000	173	23.76%	3,846,015	11.20%
50001 – 100000	16	2.20%	1,162,138	3.39%
100001 and over	18	2.47%	27,329,639	79.62%
	728	100.00%	34,325,542	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:

	Fully paid shares in which relevant interest is held		
Substantial product holder	Number	Percentage	Date of notice
Simon Alexander Hull & David John Graeme Cox	18,194,598	53.01%	5/02/2018
Masfen Securities Limited	2,085,501	6.08%	5/12/2018

Twenty largest holders of quoted equity securities

Investor	Total Units	Percentage
Simon Alexander Hull & David John Graeme Cox	18,194,598	53.01%
Masfen Securities Limited	2,085,501	6.08%
New Zealand Central Securities Depository Limited	1,432,334	4.17%
Russell John Field & Anthony James Palmer	1,125,000	3.28%
Ma Janssen Limited	1,117,018	3.25%
Susanne Rhoda Webster	426,750	1.24%
Peter Abe Hull & Antoinette Ngaire Edmonds	372,696	1.09%
Wynnis Ann Armour & Jocelyn Patricia Dutton	354,703	1.03%
Ian Harold Holland	302,574	0.88%
Philip John Talacek & Brenda Ann Talacek	300,000	0.87%
New Zealand Depository Nominee	293,313	0.85%
Simon James Bennett	280,007	0.82%
Ross Barry Keenan	250,000	0.73%
Hickman Family Trustees Limited	245,170	0.71%
Kevin James Hickman & Joanna Hickman	200,000	0.58%
Lay Dodd Trustee Services Limited & Patricia Anne Neal	129,380	0.38%
Forsyth Barr Custodians Limited	115,333	0.34%
Blair Richard Watson Tallott	105,262	0.31%
Elizabeth Mary Keenan	100,000	0.29%
Rex Charles Mincher	100,000	0.29%

Directory

Registered Office

Level 6, 51 Shortland Street
PO Box 105 675
Auckland 1143
Ph: +64 9 526 8770

Directors

Ross Keenan (Chairman and Independent Director)
Simon Hull (Non-independent Director)
Julia Hoare (Independent Director) – retired 30 June 2020
Wynnis Armour (Independent Director)
Nicholas Simcock (Independent Director)
Laurissa Cooney (Independent Director) – appointed 1 August 2020

Auditor

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

Solicitors

MinterEllisonRuddWatts
PwC Tower
15 Customs Street West
PO Box 105 249
Auckland 1143
New Zealand
DX CP24061
Phone: +64 9 353 9700
Fax: +64 9 353 9701

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
Accordant Group Limited

Level 6, 51 Shortland St
PO Box 105 675
Auckland 1143
Ph: 09 526 8770

accordant.nz