



INTERIM REPORT 2011

Director's Interim Report.

In our summary comments in the Annual Report for 2011 we stated that our view was that AWF was in excellent shape to continue strong performance throughout the 2012 financial year. We are pleased to report that results for the first 6 months of the 2012 year have supported this belief.

Sound business growth in the first half to 30 September 2011 was achieved with revenue for the period 35% higher than for the same 6 months of 2010. Ebitda (earnings before interest, tax, depreciation and amortization) increased to \$3.56m, a 31% improvement on the same period last year.

The six months was an exciting one particularly due to; high production levels and therefore demand from our customers in the build up to the Rugby World Cup; further gains in new business from the FMCG sector; a more than doubling of business demand in Christchurch to service an acute labour shortage; the development of AWF Trades, which opened its first branch in Christchurch to supply trades people to the redevelopment of the city; and lastly the successful opening of the newest AWF branch in Gisborne.

The first half was not without challenges, most particularly a slower business environment due to the Rugby World Cup and a weak construction sector. However we are confident that solid growth will continue into the second half.

As in previous years we continue to manage debtor collection well and as a consequence net cash inflows from operating activities were just under \$4m for the half.

Our Operating Divisions



This division provides temporary staff to construction, roading, infrastructure development and general labouring. Whilst the construction sector has been in decline for most of 2011 and still shows little sign of uplift, roading and infrastructure development has been relatively strong and has balanced the performance of the division. Whilst there are a small number of large infrastructure projects in their early stages there are signs of a slowdown in Government spending in this sector, which cause some concern.



This division, which provides temporary staff to manufacturing, food processing, transport, storage and logistics has continued to thrive in the period. With export prices for commodities at high levels and as a result of peak demands generated from Rugby World Cup, production was ramped up in the period generating strong labour demand.

Both our full time staff and our temporary workforce have demonstrated real commitment to customer service in many industries and we have continued to deliver a very high standard of service to the production sector.



The first half saw the opening of our first AWF Trades branch, in Christchurch and in its first 3 months this business has met with significant success in its early development. There are many challenges in both sourcing skilled and experienced trades people who wish to work in the redevelopment of Christchurch, and also gaining continuity in the work at this early stage of the redevelopment. However we have established a solid foothold and a strong reputation for quality, and are confident of a strong 2012.



Development of our Quin Workforce business in Wellington has seen it focusing on the Trades sector in the Wellington Region. Whilst we are comfortable with its position in the market we are far from comfortable with the construction sector in the region which has always represented Quin's main business stream. We expect slow but steady improvement in this environment over the next 12 months.



Our entry into the Hauraki District and more particularly the provision of labour to the mining industry has been a success and we have witnessed strong growth both within and outside of mining in the region. A rising gold price has encouraged production and talk of further development and we are confident of continued benefits from this region.



The Healthcare business of Panacea, acquired one year ago, has lived up to all expectations in both culture and financial performance. Some challenges have presented in the period as ACC has strived to cut spending by reducing hours paid for in the critical care sector. However we have continued to deliver a high standard of care and are seeing good stability in this business.

Conclusion

We have completed the first half of 2011 achieving good growth and a sound result. There are one or two clouds on the horizon however we are confident that the second half will be as sunny as the first and that AWF will continue to go from strength to strength. We again thank all shareholders for their support.

Dividend

The Board has pleasure in recognizing the strong performance of the half and increasing the fully imputed dividend to 5cps (last year 3.8cps) payable on 25th November 2011 to shareholders on the register on 18th November 2011.

Simon Hull
MANAGING DIRECTOR

Mike Huddleston
CHIEF EXECUTIVE OFFICER

Financial Statements

AWF Group Limited

Statement of Comprehensive Income

for the period ended 30 September 2011

	30/09/11 \$'000	30/09/10 \$'000
Revenue	54,875	40,710
Direct costs	(1,061)	(588)
Employee benefits expense	(46,885)	(34,692)
Depreciation and amortisation expense	(835)	(166)
Other operating expenses	(3,242)	(2,708)
Finance costs	(101)	(21)
Acquisition related costs	(131)	-
Profit before tax	2,620	2,535
Income tax expense	(889)	(793)
Profit for the year	1,731	1,742
Other comprehensive income		
Total comprehensive income for the period, net of tax	1,731	1,742
Profit for the year is attributable to:		
Equity holders of the parent	1,723	1,742
Non controlling interests	8	-
	1,731	1,742
Total comprehensive income is attributable to:		
Equity holders of the parent	1,723	1,742
Non controlling interests	8	-
	1,731	1,742
Earnings per share		
Total basic and diluted earnings per share	6.6	6.7

AWF Group Limited

Statement of Financial Position

as at 30 September 2011

	30/09/11 \$'000	30/09/10 \$'000	31/03/11 \$'000
Assets			
Non-current assets			
Property, plant and equipment	1,581	1,336	1,353
Goodwill	11,218	8,767	11,218
Other intangible assets	3,220		3,828
Deferred tax assets		407	
	16,019	10,510	16,399
Current assets			
Trade and other receivables	11,223	8,689	14,048
Cash and cash equivalents	4,552	5,736	3,309
Other current assets	294	250	282
	16,069	14,675	17,639
Total assets	32,088	25,185	34,038
Equity and liabilities			
Capital and reserves			
Share capital	14,545	14,545	14,545
Treasury account	(1)	(101)	(1)
Retained earnings	5,124	4,609	5,073
Equity attributable to equity holders of the parent	5,124	4,609	5,073
Non-controlling interest	288		296
Total equity	19,956	19,053	19,913
Non-current liabilities			
Deferred tax liabilities	401		494
Borrowings	1,500		2,000
	1,901	-	2,494
Current liabilities			
Trade and other payables	8,813	5,672	9,797
Other current liabilities	925	7	876
Taxation payable	167	341	858
Provisions	326	112	100
	10,231	6,132	11,631
Total liabilities	12,132	6,132	14,125
Total equity and liabilities	32,088	25,185	34,038

AWF Group Limited

Consolidated cash flow statement

for the period ended 30 September 2011

	30/09/11 \$'000	30/09/10 \$'000
Cash flows from operating activities		
Receipts from customers	57,700	43,222
Interest Received	-	18
Payments to suppliers and employees	(52,037)	(38,710)
Net cash generated from operations	5,663	4,530
Income taxes paid	(1,673)	(1,079)
Interest paid	(101)	(21)
Net cash from operating activities	3,889	3,430
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	40	40
Payments for property, plant and equipment	(488)	(253)
Deposit on business acquisition		(250)
Net cash used in investing activities	(448)	(463)
Cash flows from financing activities		
Dividends paid to:		
Equity holders of the parent	(1,672)	(1,176)
Non controlling interest	(26)	
Purchase of treasury stock		(101)
Repayment of borrowings	(500)	
Repayment of obligations under finance lease		(9)
Net cash from financing activities	(2,198)	(1,286)
Net increase in cash and cash equivalents	1,243	1,681
Cash and cash equivalents at the beginning of the year	3,309	4,055
Cash & cash equivalents at the end of the year	4,552	5,736
Bank balances and cash	4,552	5,736

AWF Group Limited

Statement of changes in equity

for the period ended 30 September 2011

	Share capital \$'000	Retained earnings \$'000	Treasury account \$'000
Balance at 1 April 2011	14,545	5,073	(1)
Total comprehensive income for the period		1,723	
Payment of dividends		(1,672)	
Adjustment to acquisition cost			
Balance at 30 September 2011	14,545	5,124	(1)
Balance at 1 April 2010	14,545	4,043	
Total comprehensive income for the period		1,742	
Payment of dividends		(1,176)	
Purchase of treasury stock			(101)
Balance at 30 September 2010	14,545	4,609	(101)
	Attributable to equity holders of the parent \$'000	Non controlling interest \$'000	Total \$'000
Balance at 1 April 2011	19,617	296	19,913
Total comprehensive income for the period	1,723	8	1,731
Payment of dividends	(1,672)	(26)	(1,698)
Adjustment to acquisition cost		10	10
Balance at 30 September 2011	19,668	288	19,956
Balance at 1 April 2010	18,588		18,588
Total comprehensive income for the period	1,742		1,742
Payment of dividends	(1,176)		(1,176)
Purchase of treasury stock	(101)		(101)
Balance at 30 September 2010	19,053	-	19,053

AWF Group Limited

Notes to the financial statements

for the period ended 30 September 2011

1. STATEMENT OF ACCOUNTING POLICIES

The accounting policies used in preparation of these half yearly financial statements are consistent with those used in the March 2011 annual report.

These financial statements comply with International Accounting Standard 34.

2. SEGMENT INFORMATION**2.1 SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES**

The basis of segmentation is consistent with the annual report and the Group's reportable segments under NZ IFRS 8 are as follows:

- On-hire labour services
- Healthcare labour supply

2.2 SEGMENT REVENUE AND RESULTS

	SEGMENT REVENUE SEGMENT PROFIT			
	30/9/11 \$'000	30/9/10 \$'000	30/9/11 \$'000	30/9/10 \$'000
On-hire labour services	47,872	40,710	3,056	2,682
Healthcare labour supply	7,003	-	(109)	-
Total	54,875	40,710	2,947	2,682
Central administration costs and directors' salaries			(226)	(126)
Finance costs			(101)	(21)
Profit before tax			2,620	2,535
Income tax expense			(889)	(793)
Total revenue (excluding investment revenue) and profit	54,875	40,710	1,731	1,742

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2010: \$Nil).

Profit represents operating profit after accounting for depreciation and amortisation.

2.3 GEOGRAPHICAL INFORMATION

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

2.4 INFORMATION ABOUT MAJOR CUSTOMERS

The Group has no customers individually making up 10% of its revenue and therefore does not have a large reliance on its major customers.

3. CONTINGENT LIABILITIES

There are no contingent liabilities at the balance date.

4. RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Six Months to	
	30/09/11 \$'000	30/09/10 \$'000
Reported surplus after tax	1,731	1,742
Non cash items		
Depreciation and amortisation	835	166
(Profit)/loss on disposal of property, plant and equipment	(8)	(7)
Increase/(decrease) in provisions	226	65
Increase in bad debt provision	96	
Movement in deferred tax assets	(93)	20
Under accrual of purchase consideration of AWF Mourant Limited	49	
	2,836	1,986
Movements in working capital:		
Decrease in trade and other receivables	2,728	2,530
Decrease in trade and other payables	(984)	(780)
Decrease in taxation payable	(691)	(306)
	1,053	1,444
Net cash inflows from operating activities	3,889	3,430

5. DIVIDENDS PAID

During the six months ended 30 September 2011, the group paid dividends of \$1.672 million (six months ended 30 September 2010: \$1.176 million).

6. EVENTS SUBSEQUENT TO BALANCE DATE

AWF Mourant Limited

Effective 1 October 2010, Allied Work Force Limited (AWF), a wholly owned subsidiary of Allied Work Force Group Limited, acquired 75 per cent of the ordinary shares of AWF Mourant Limited (AWF Mourant). AWF Mourant is a company incorporated to acquire the labour hire business of Mourant Direct Limited. On 1 October 2011, Allied Work Force Limited purchased the remaining 25% of AWF Mourant Limited for \$25.

Interim Dividend

On 31 October 2011 the directors approved the payment of a fully imputed interim dividend of \$1,306,275 (5.0 cents per share) to be paid on 25 November 2011.



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