

AWFGROUP

Allied Work Force Group Limited

2009 Interim Report.



Interim Director's Report.

The trading conditions in the first 6 months were, to say the least, challenging and the depth of the decline caused by the recession was a little surprising to us. Following the significant decline in the construction sector, particularly in the Auckland Region in the second half of the 2009 financial year, we expected and indeed saw cutbacks across the rest of New Zealand as employers reduced their temporary staff numbers before reducing their permanent team. By the end of the first half, despite a lot of positive comment about green shoots, we have not seen any significant indications that industry is starting to boost numbers again. When they do, we would expect that they will employ temporary staff before they make permanent commitments. Revenue for the 6 months at \$31,872,000 was 20% below that of the same period in 2008. It is important to recognise though that the first quarter of 2008 was a peak for the company, achieved in a very strong climate. Whilst our market position has remained particularly strong, many of our competitors have fought for their very survival and the result has been a reduction in margins achieved from many of our key accounts. Also, having completed much of the rationalisation of the business in the early stages of the recessionary phase, throughout 2008, we were unable to significantly cut further costs from the business. This combination of reduced revenue, lower margin and stable costs resulted in EBITDA weakening by 48% to \$1,047,000. On a positive note, our cashflow remains strong and with no debt and almost \$5m in the bank at the end of the half we are in excellent shape to respond to the challenges presented. In respect of debt management, we continue to fully provide and with continued strong monitoring, completed the first half in good shape and with very low levels of write-off.

Allied Work Force 0800Labour

As we have divisionalised more over recent years, this brand has become synonymous with our Construction, Infrastructure and General Labour operations. It is the heart of the business and one which we clearly lead across New Zealand. It is also the sector most hurt by the economy as Construction turned downwards in most of the country. The positive was the upturn in Infrastructure brought about by government initiatives in moving some large projects forward. Whilst recovery in this division will not be quick, we are very well positioned across the country to benefit from the upturn as it comes.

AWF Manufacturing and Logistics

We established this division of the Group in early 2009 to strengthen our focus and reinforce our position in this sector and to recognise that the needs of manufacturing and the supply chain are quite different from those of construction and infrastructure. We have opened our first dedicated branch under the AWF Manufacturing and Logistics green brand in East Tamaki and will convert further branches in the second half. We are very excited at the impact we have had during the half in gaining additional business from the country's major manufacturers and distributors and we fully expect this division to show substantial growth in the upturn.

Quin Workforce

Our Wellington based provider of predominantly skilled temporary trades staff has continued to perform well supplying skilled people to man a steady construction workload for all of New Zealand's main constructors in the region. Whilst this sector of business is weakening in Wellington, Quin has been concentrating on diversifying and its performance in manufacturing is now enviable.

Allied Technical Training

Our training school has continued with its programme of developing young people, by taking them through training courses in the building sector and on to building apprenticeships with AWF. Whilst the economy has slowed this activity, we expect 2010 to be a big one for ATT as a Modern Apprenticeship Provider.

Our Branch Network

We continually review our presence throughout the country, particularly in challenging times. All branches are operating profitably and we believe we are well positioned for the future.

Our Staff

Our small but very experienced senior management team is as good as it gets in our industry. They continue to work tirelessly to ensure that we are well positioned for the future. Our Branch staff are as well equipped as they have ever been, have spent an enormous amount of time in front of our clients and are up to the future challenges of handling the upturn.

Health, Safety and Training

With thousands of staff placed in work every day, we are continually concentrating significant resources to H&S and Training. This effort has paid off this year with Time Loss at 50% of the level of one year ago and total ACC claims well down on past figures. With higher numbers of good calibre, committed prospective employees available for temporary work positions we have been able to lift the expectations to deliver a higher performance to our clients. This we have done by improved induction and training and increased levels of security screening and drug testing.

Conclusion


Whilst we have experienced a slowdown in our business due to the economy, we have used the time well. We are in great shape for growth in all divisions and our balance sheet presents us with external opportunities which abound in this economy. Whilst we do not expect any dramatic uplift in trading in the second half, we are looking forward to the expansion phase to come. We thank you for your support during the period.

Dividend

Given the slowdown in activity, the Board has determined that a conservative approach was appropriate and has declared a fully imputed dividend of 1.5cps payable on 30th November to shareholders on the register on 23rd November 2009.



Simon Hull
Managing Director



Mike Huddleston
Chief Executive Officer

Financial Statements.

Allied Work Force Group Limited

Consolidated Income Statement.

for the six months ended 30 September 2009 (Unaudited)

	Six Months to 30/09/2009 \$'000	Six Months to 30/09/2008 \$'000
Revenue	31,872	39,842
Direct costs	761	1,158
Employee benefits expense	27,205	33,240
Depreciation expense	218	267
Other operating expenses	2,859	3,442
	31,043	38,107
Operating profit	829	1,735
Finance costs	7	18
Profit before tax	822	1,717
Income tax expense	249	519
Profit for the period	573	1,198
Earnings per share		
Basic and diluted earnings per share	2.2	4.6

Allied Work Force Group Limited

Consolidated Statement of Changes in Equity.

for the six months ended 30 September 2009 (Unaudited)

30/09/2009			
	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April	14,545	3,217	17,762
Profit for the period		573	573
Dividends paid		(784)	(784)
Balance at 30 September	14,545	3,006	17,551

30/09/2008			
	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April	14,545	2,768	17,313
Profit for the period		1,198	1,198
Dividends paid		(784)	(784)
Balance at 30 September	14,545	3,182	17,727

Allied Work Force Group Limited

Consolidated Balance Sheet.

at 30 September 2009 (Unaudited)

	30/09/2009 \$'000	30/09/2008 \$'000	31/03/2009 \$'000
Assets			
Non-current assets			
Property, plant and equipment	1,393	1,778	1,535
Goodwill	8,767	8,767	8,767
Deferred tax assets	223	515	382
	10,383	11,060	10,684
Current assets			
Trade and other receivables	6,901	7,951	9,316
Taxation receivable	243	-	-
Cash and cash equivalents	4,931	4,629	4,532
	12,075	12,580	13,848
Total assets	22,458	23,640	24,532
Equity and liabilities			
Capital and reserves			
Share capital	14,545	14,545	14,545
Retained earnings	3,006	3,182	3,217
Total equity	17,551	17,727	17,762
Non-current liabilities			
Obligations under finance leases	5	28	16
	5	28	16
Current liabilities			
Trade and other payables	4,814	5,370	6,153
Obligations under finance leases	24	35	29
Taxation payable	-	360	436
Provisions	64	120	136
	4,902	5,885	6,754
Total liabilities	4,907	5,913	6,770
Total equity and liabilities	22,458	23,640	24,532

Allied Work Force Group Limited

Consolidated Cash Flow Statement.

for the six months ended 30 September 2009 (Unaudited)

	Notes	Six Months to 30/09/2009 \$'000	Six Months to 30/09/2008 \$'000
Operating activities			
Cash receipts from customers		34,287	43,732
Cash paid to suppliers/employees		(32,218)	(39,245)
Income taxes paid		(770)	(325)
Interest paid		(7)	(18)
Net cash from operating activities	3	1,292	4,144
Investing activities			
Proceeds on disposal of property, plant and equipment		32	30
Purchase of property, plant and equipment		(125)	(143)
Net cash used in investing activities		(93)	(113)
Financing activities			
Dividends paid		(784)	(784)
Repayment of obligations under finance lease		(16)	(26)
Net cash from financing activities		(800)	(810)
Net increase in cash and cash equivalents		399	3,221
Cash and cash equivalents at the beginning of the year		4,532	1,408
Cash and cash equivalents at the end of the year			
Bank balances and cash		4,931	4,629

Allied Work Force Group Limited

Notes to the Financial Statements.

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 2009 annual report. These financial statements comply with International Accounting Standard 34.

2. Contingent liabilities

There are no contingent liabilities at the balance date.

3. Reconciliation of surplus after taxation with cash flows from operating activities

	Six Months to 30/09/2009 \$'000	Six Months to 30/09/2008 \$'000
Reported surplus after tax	573	1,198
Non cash items		
Depreciation	218	267
Loss on disposal of property, plant and equipment	17	54
(Decrease)/increase in provisions	(72)	65
Movement in deferred tax assets	159	(160)
	322	226
Movements in working capital:		
Decrease in trade and other receivables	2,415	3,890
Decrease in trade and other payables	(1,339)	(1,523)
Increase/(decrease) in taxation payable	(679)	353
	397	2,720
Net cash inflows from operating activities	1,292	4,144

4. Dividends paid

During the six months ended 30 September 2009, the group paid dividends of \$0.784 million (six months ended 30 September 2008: \$0.784 million).

5. Events subsequent to balance date

On 16 November 2009 the directors approved the payment of a fully imputed interim dividend of \$391,883 (1.5 cents per share) to be paid on 30 November 2009.

AWFGROUP

Directory

Directors

R Keenan (Chairman)
S Hull (Managing Director)
T Van Arkel

Registered Office

41 Station Road,
Penrose, Auckland
PO Box 12832,
Penrose, Auckland 1642

Bankers

National Bank
Auckland

Share Registrars

Link Market Services Limited
PO Box 384, Ashburton

Auditors

Deloitte
Auckland