



NZX RELEASE

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AWF MADISON GROUP LIMITED: MARKET UPDATE

As a result of one-off costs associated with the failure of three construction industry customers in Auckland and Christchurch, AWF Madison Group advises that its financial result for the six months to September 2018, will be lower than anticipated. As a whole our turnover is in line with prior year and we have had earnings growth in our white collar sector (Absolute IT and Madison). However, we are expecting a significant drop in earnings in the blue collar (AWF) segment of the business.

Two debtors with operations in Christchurch, and one in Auckland, have been placed into liquidation (claims have been lodged with the liquidator). As a result we have recently determined to provide approximately \$800,000 in extra provision for doubtful debts.

There has been a flow-on effect as these clients were utilising our migrant workers who we then had to redeploy elsewhere. This was disappointing following a great deal of effort to deploy all of our migrant workers following delays in arrivals and a subsequent mismatch of skills to client workflow. The costs associated with repositioning these workers and those not immediately deployed in the first 6 months, was approximately \$1.0 million dollars.

We expect the impact on the AWF Madison Group business will mean half year profit will be \$1.0 to \$1.5 million lower than the first half of the prior year.

Despite this, we report strong cash-flow from operations, which has allowed us to repay \$3.0 million of core debt, and we ended the half year with cash of \$5.7 million. This, coupled with proceeds from our recently established Dividend Reinvestment Plan; has allowed us to make an opportunistic acquisition during the period while reducing net debt. We purchased Select, an established and reputable temp and permanent recruitment business in Dunedin.

We expect to finalise and announce our half year result and dividend payment amount by the end of the month.

For further information contact:

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