



2008 INTERIM REPORT



2008

INTERIM DIRECTORS' REPORT

Performance

The Group is pleased to announce an increase in net profit after tax of 30.5% to \$1,198,000 for the six month period to 30 September 2008.

This result was achieved on revenue of \$39,842,000, a 5.2% reduction on the same period last year. Revenue was achieved despite the difficult environment of fluctuating business confidence, a very wet winter and a much reduced construction sector.

The Group continues to focus on cost control, especially in the area of employee costs. We have managed to achieve significant savings in this area, whilst continuing to improve service levels and added value for our clients. Rationalisation within our vehicle fleet has also produced significant savings, despite rampant fuel prices over the period.

Under the current environment of tightening credit availability, we continue our focus on debt management. Whilst there is no doubt that debt collection has become tougher, we are satisfied that our collection processes are well managed and that all known doubtful debts are fully provided for.

The Group's cash position remains strong, with \$4 million cash on hand at the end of the period and no long term debt. As a result, the Group's balance sheet remains in a strong position for future growth.

Trading Conditions

As stated this result has been achieved amid very uncertain market conditions, which have caused some sectors to see significant reduction in activities.

The Construction sector is the most pronounced of these, where, with the exception of a handful of larger projects, we saw reductions in most regions. We have also seen some slowing in both transport and logistics as a result of the slowing retail sector sales.

The period was another which generally saw regional activity across our 28 branch network hold up well as the agricultural commodities remained strong, and development committed to in this sector continued.

As the scale of the world economic issues became apparent, the Group made a number of changes in response. We saw the positive effect of these cost reductions generally implemented during the latter half of last year, flowing through in this first half result.

Health & Safety

Our focus in the Health and Safety area continues as do the good results. We have seen a reduction in both the total number of accidents and in the total time lost over the period. While this is a path with no end, we thank our staff and clients equally for their hard work and commitment to this most important part of any business.

Our NZQA certified training arm has also made good progress this year by successfully gaining approval to offer full Construction apprenticeships in the Auckland area which have been in place in the Wellington area for some time. We also continue the identification of additional training into new sectors of value to our ever broadening client base, and most importantly have had great success with impressively high completion and pass rates for the young Kiwis who in the main, go on to join our team.

DIRECTORY

Directors

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

Registered Office

41 Station Road
Penrose
Auckland

PO Box 12 832
Penrose
Auckland

Bankers

National Bank
Auckland

Share Registrars

Link Market Services Limited
PO Box 384
Ashburton

Auditors

Deloitte
Auckland

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 2008 annual report.

2. Contingent liabilities

There are no contingent liabilities at the balance date.

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

	6 Months to 30/09/2008	6 Months to 30/09/2007
	\$'000	\$'000
Reported surplus after tax	1,198	918
Non cash items		
Depreciation	267	257
Loss on disposal of property, plant and equipment	54	21
Movement in deferred tax assets	(160)	33
	161	311
Movements in working capital:		
Decrease in trade and other receivables	3,890	1,912
Decrease in trade and other payables	(1,523)	(778)
Decrease in amount due under indemnity		696
Increase in provisions	65	2
Increase/(decrease) in taxation payable	353	(1,053)
	2,785	779
Net cash inflows from operating activities	4,144	2,008

4. Dividends paid

During the six months ended 30 September 2008, the group paid dividends of \$0.784 million (six months ended 30 September 2007: \$0.783 million).

5. Seasonality of business

Traditionally sales have been greater during the second half of the financial year as the holiday shopping period increases warehousing and manufacturing activity and the summer brings longer hours for both civil and building construction.

6. Events subsequent to balance date

On 20 October 2008 the directors approved the payment of a fully imputed interim dividend of \$914,393 (3.5 cents per share) to be paid on 28 November 2008.

The Way Forward

There remains widespread uncertainty in the market and most businesses expect economic headwinds in the second half and beyond. Most of our clients are running sinking lid staffing policy, if not actually making staff reductions, which is meaning we are currently not seeing any significant growth.

We would expect as these reductions take effect, and as the economy starts to lift, clients would increase their utilisation of the "outsourcing" option to gain production capacity without longer term cost commitment in these uncertain times.

While some sectors are slower, equally we have sectors both showing and planning even further strong demand. Infrastructure particularly, and to some extent Food Processing have solid outlooks and remain sectors in which the Group has a strong and well respected supply position.

The Group continues its success in securing preferred supply agreements as the value and quality of our services in these and other sectors gains recognition.

The Group welcomed Mike Huddleston in as our new CEO over the period. Mike's range of experience and background, having worked with our industry in the past, means he has a good understanding of the business already, and we look forward to his taking over the day to day leadership of the Group.

While the current economic climate offers challenges, difficulties and uncertainty in the short term, both the increased supply of quality motivated crew available and the desire of New Zealand business to have workforce flexibility without limiting production, give me subdued confidence for the future.

Thank you for your support.

Dividend

The Board declared a dividend of 3.5 cents per share a 25% lift over the 2.8 cents per share last year. This is a fully imputed dividend and will be payable on 28th November to shareholders on the register as at 21st November 2008.



Simon Hull

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2008 (Unaudited)

Notes	6 Months to 30/09/2008	6 Months to 30/09/2007
	\$'000	\$'000
Revenue	39,842	42,033
Direct costs	1,158	1,013
Employee benefits expense	33,240	35,905
Depreciation expense	267	257
Other operating expenses	3,442	3,427
	38,107	40,602
Operating profit	1,735	1,431
Finance costs	18	43
Profit before tax	1,717	1,388
Income tax expense	519	470
Profit for the period	1,198	918
Earnings per share		
Basic and diluted earnings per share	4.6	3.5

CONSOLIDATED BALANCE SHEET

at 30 September 2008 (Unaudited)

Notes	30/09/2008	30/09/2007	31/03/2008
	\$'000	\$'000	\$'000
Assets			
Non-current assets			
Property, plant and equipment	1,778	1,967	1,986
Goodwill	8,767	8,767	8,767
Deferred tax assets	515	292	355
	11,060	11,026	11,108
Current assets			
Trade and other receivables	7,951	9,767	11,841
Taxation receivable	-	231	-
Cash and cash equivalents	4,629	1,390	1408
	12,580	11,388	13,249
Total assets	23,640	22,414	24,357



ALLIED WORK FORCE

CONSOLIDATED BALANCE SHEET (cont.)

at 30 September 2008 (Unaudited)

Notes	30/09/2008	30/09/2007	31/03/2008
Equity and liabilities			
Capital and reserves			
Share capital	14,545	14,545	14,545
Retained earnings	3,182	2,528	2,768
Total equity	17,727	17,073	17,313
Non-current liabilities			
Obligations under finance leases	28	25	45
	28	25	45
Current liabilities			
Trade and other payables	5,370	5,218	6,893
Obligations under finance leases	35	51	44
Taxation payable	360	-	7
Provisions	120	47	55
	5,885	5,316	6,999
Total liabilities	5,913	5,341	7,044
Total equity and liabilities	23,640	22,414	24,357

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2008 (Unaudited)

Notes	6 Months to 30/09/2008	6 Months to 30/09/2007
	\$'000	\$'000
Operating activities		
Receipts from customers	43,732	43,944
Receipt under indemnity agreement	-	696
Paid to suppliers and employees	(39,245)	(41,099)
Income taxes paid	(325)	(1,490)
Interest paid	(18)	(43)
Net cash from operating activities	3	2,008
Investing activities		
Proceeds on disposal of property, plant and equipment	30	87
Purchase of property, plant and equipment	(143)	(298)
Net cash used in investing activities	(113)	(211)



ALLIED WORK FORCE

CONSOLIDATED CASH FLOW STATEMENT (cont.)

for the six months ended 30 September 2008 (Unaudited)

Notes	6 Months to 30/09/2008	6 Months to 30/09/2007
Financing activities		
Dividends paid	(784)	(783)
Repayment of obligations under finance lease	(26)	(44)
New finance lease obligations		18
Cash advanced to Spring Creek Investments Ltd		(415)
Net cash from financing activities	(810)	(1,224)
Net increase in cash and cash equivalents	3,221	573
Cash and cash equivalents at the beginning of the year	1,408	817
Cash and cash equivalents at the end of the year	4,629	1,390
Bank balances and cash	4,629	1,390

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2008 (Unaudited)

	30/09/2008		
	Share capital	Retained earnings	Total
	\$'000	\$'000	\$'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

	30/09/2007		
	Share capital	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 April	14,545	2,393	16,938
Profit for the period		918	918
Dividends paid		(783)	(783)
Balance at 30 September	14,545	2,528	17,073



ALLIED WORK FORCE