Annual Report

2023

accordant

A flexible, well-functioning employment market is critical to New Zealand's economic and social prosperity and is something that Accordant is deeply committed to.

Jason Cherrington,
Group CEO

Financial Highlights

$227.4m

Revenue
FY2022, $221.5 million

$34.6m

Shareholders' Funds
FY2022, $36.7 million

$2.0m

Net Profit After Tax
FY2022, $3.0 million

$4.7m

Net Operating Cash Flow
FY2022, $10.5 million

$21.5m

Net Bank Debt
FY2022, $13.0 million

Achievements

100+

Automations active in our white collar CRM, improving consultant productivity, database relevance and candidate experience.

9,670

Candidates placed into a temporary, contract or permanent role.

15,200+

Temporary and contract assignments filled across New Zealand.

Two RCSA Industry Awards won (The Work Collective for Excellence in Social Purpose, and AWF for Excellence in Safety and Wellbeing Culture).

895

Training outcomes delivered.

30,000+

Safety engagements with our temporary employees.

16,298

Hours worked by The Work Collective participants, across 77 client partners.

1,395

Organisations partnered with to deliver recruitment services.

12 new Mental Health First Responders trained through CoLiberate.

Chair's Report


Simon Bennett, Chair

When I reflect upon the year that has been, there is much to be pleased about. Whilst I am sad to farewell Wynnis Armour from our Board I am delighted to welcome Richard Stone. Both have made a significant contribution to the industry and the respective businesses they were co-founders of, and they take seriously the role of an independent director.

The Board is working cohesively to deliver in the short term and build for the long term. As for all companies, the playing field over recent years has been changing, at a faster pace in the last few years perhaps than in decades before. We need to be more agile and adaptable to the pace of change in the market and to the needs of our clients and candidates.

This has called for a different approach to our input as a Board and at times closer alignment to our management team. This year has been a significant year for us, with Jason our CEO having his first full financial year at the helm, whilst developing his team against the backdrop of a challenging and volatile market. We are working well with the management team to challenge and refine our strategy and the blueprint for success.

There is no doubt that we feel a personal responsibility for the results we announce for the year. For my part I am disappointed that we have not delivered as strong a financial result as we would have liked. Some of our teams have delivered outstanding results. JacksonStone in fact have had another record year.

AWF have worked hard but we did not get the pace of change to immigration settings that we expected. We were also impacted by unexpected one-off costs, which dulled what would otherwise have been a creditable performance. Most importantly there is a strong setup for the year ahead.

The remainder of our businesses had some success also, but at times were not agile enough to adapt to the changing market. We felt the world was back to normal at the half year, but as we know there have been headwinds, pockets of uncertainty and both winners and losers in the economy.

Some retailers are thriving, others closing up. A construction boom, yet high numbers of liquidations in the last few months. Government spending has continued yet demand for contractors has shifted.

I am happy to conclude that we remain optimistic. We are paying a lower dividend than I expected on the back of softer second half earnings, but expect to be back to pre-COVID levels of dividend in the new year. Our strategy of careful acquisition has been fruitful.

A highlight of the year was the completion of the acquisition of Hobson Leavy. Carrie Hobson and Stephen Leavy have a fantastic reputation and pedigree in the area of executive search. Their work has had significant impact on the leadership of some of New Zealand's biggest and best companies. It has been a pleasure to get to know them better, albeit after a long courtship, and to confirm how aligned we are in driving New Zealand productivity through the identification, nurturing and placement of talent.

Our strategy based on optimisation, expansion and diversity of earnings remains relevant and achievable. Our team are cognisant of the levers which require focus in the current market.

I would like to thank our teams for their tireless dedication to good outcomes for our clients and candidates. We remain committed to growing our impact and making a positive contribution to New Zealand's productivity.

To our shareholders I confirm our commitment to growing your returns.

For the Board,

Simon Bennett
Chair

CEO's Insights

Jason Cherrington, Group CEO

As Aotearoa New Zealand's largest recruitment and resourcing company, we believe in the strength and purpose of people being gainfully employed. People engaged in meaningful work has far-reaching benefits including financial, individual wellbeing, social and community benefits.

A flexible, well-functioning employment market is critical to New Zealand's economic and social prosperity and is something that Accordant is deeply committed to.

As highlighted in our interim report, structural challenges in the labour market have been felt across most sectors, for organisations and individuals alike. As we emerged from the worst of the COVID-19 pandemic, lingering economic impacts including staff shortages, low net migration and ongoing wage pressure continued. These have been further exacerbated with growing interest rates, broader cost of living pressures and several disruptive weather events in the second half of the financial year.

During the first six months of FY23 we were able to successfully capitalise on the opportunities in front of us, where business confidence remained steady and most specifically in the white collar sector where year on year growth was evident. With our border reopening our ability to turn to skilled migrant workers to support client demand created cautious confidence in our blue collar business' ability to grow its profits once again.

Economically, the December 2022 quarter showed some signs of softening, highlighted by the 0.6% fall in GDP and some uncertainty going into the new calendar year. We understandably experienced a more cautious approach to hiring intentions from some of our clients and the final quarter of the financial year proved to be the most challenging. Compounded by the elongated immigration visa and job check processes stalling our migrant workers' arrival, we were unable to fully execute on our plans and the resulting profit performance for the full year was clearly disappointing.

However, with modest revenue growth still realised in the year, demand still outweighing supply across most sectors, a strong result in our executive recruitment business and a full year of our migrant workers contribution to profits expected, we remain confident of the relevance of Accordant's expertise and evolving service proposition in the market and in our ability to deliver an improved financial result for the year ahead.

Necessity has driven a greater acceptance from employers around more lateral approaches to sourcing, hiring, employer branding, recruitment marketing, training, onboarding, performance management, finance, technology, and integration. It is an extensive and challenging list for any organisation to tackle alone. We have therefore continued to build on our current delivery capability, investing in both new tools and growing markets to ensure we are best placed to navigate the current economic challenges faced and pivot our focus as needed.

As reported at our 2022 Annual General Meeting, we have been considered in our approach to growth via acquisition. In this regard, activity increased in the second half of the year, and we were delighted to conclude our acquisition of executive search specialist Hobson Leavy in January 2023. With a strong presence in Auckland and long history of commitment to quality work and excellent outcomes, we have boosted our capability within an area of the market that continues to enjoy consistent growth. Complementary to JacksonStone & Partners in terms of geography and client base, we look forward to working with Carrie, Stephen and the team and supporting their growth plans.

We continue to position our business for growth across the white collar segment, whilst mitigating the risks and uncertainty that has featured over the years within our blue collar business.

JacksonStone & Partners has continued on its growth trajectory, supporting clients with executive search and recruitment across the public, private and not-for-profit sectors. We experienced core permanent staffing growth, along with very strong contracting demand. We have also undertaken a number of key projects works for government agencies that have helped deliver another year of record growth for the business. As part of our strategic growth plans, the opportunity in Māori recruitment is being realised, and we have accelerated our capability, revenues and delivery in this area. With a respectful understanding of Te Ao Māori, we expect to see continued growth in this area for the foreseeable future as we look to further expand our team over the coming year.

Madison Recruitment had a solid start to the financial year and appeared well placed to not only match but improve on its prior year performance. Whilst capacity to deliver on opportunities was sized accordingly, we saw a softening in performance as hiring intentions slowed and remained in that state until the end of the financial year, eventuating in a less than optimal return on capital deployed. Madison has provided a good barometer for general market trends and business confidence. Ambiguity and uncertainty for both employers and individuals has clearly been a contributing factor. The final weeks of the financial year did however indicate a slow ramp up of activity that provides cautious optimism.

We also typically see a lift in temporary placements due to working holiday visas, and an upward trend in permanent placements often follow, although this has not yet fully eventuated despite immigration statistics suggesting estimated net migration of 65,400 for the year ended March 2023, according to Stats NZ.

High demand, acute skills shortages and fierce competition for talent has proved a challenging backdrop for Absolute IT. Digital is a critical enabler for business transformation, and we are seeing strong demand at a senior level to lead these programmes, as well as broader implementation roles. The lack of available talent to meet these demands remains high and continues to be a key factor in achieving growth for the business. Global layoffs related to some of the world's largest technology companies has been well documented this year. Locally, mass redundancies in the technology sector have been more sheltered, meaning it is still unlikely to provide an answer to supply availability in the short term.

Immigration settings have allowed an easier pathway to attract specialist tech talent, although not to the extent we have seen in Australia. We have further invested in capability to engage and advise on digital transformation plans, creating a better outcome for both our clients and our business. This focus, alongside developing our own internal talent pool with more specialist expertise, should place us and our relevance deeper into the tech sector, where contribution to NZ GDP growth is still forecast to accelerate from a current annual contribution of $18.8bn to New Zealand's economy, according to NZ Tech's 2022 Annual Report.

AWF continues to rebuild its position after the prolonged labour shortages as a result of the COVID-19 pandemic but were unable to fully capitalise on the reported change in immigration settings, with the backlog of visa applications and job check processing times hampering efforts. With abnormal one-off cost impact related to the Queen's memorial public holiday in September, a normalised result for AWF indicates a better than reported performance and provides a much healthier outlook for the coming year.

The AWF team is partnering with quality clients in resilient sectors, who share a resolute commitment to health and safety. Margins have been maintained and we see growth in temporary to permanent roles as organisations look to achieve ongoing certainty in some roles. Demand remains strong, but candidate shortages more so. Our worker retention has been high and continues to improve, as does our focus on providing quality and safe working environments for all our field employees placed at client sites.

ChatGPT has clearly brought AI into mainstream focus, and we are active in evaluating the impact on both the labour market and possible applications that exist within our own organisation. In an Accordant first, we have developed our own chatbot designed to process candidate applications faster and drive greater efficiencies. Many candidate applications come in after business hours, or candidates are unable to engage with us during the day. We also receive many applications from offshore where the eligibility to work in New Zealand may not exist.

All candidates are now able to engage with AWF 24 hours a day and after an initial discussion with "Frankie" have the option to either discuss further with a consultant, or they can start the onboarding process online if eligibility is satisfied. Thousands of candidates have been invited to chat so far and we expect this number to keep growing.

The Work Collective continues to scale and is achieving real momentum with more than 80 individuals placed into both temporary and permanent positions with client partners across several industries throughout New Zealand. These individuals faced a variety of challenges accessing work – from youth with little or no work experience, to those returning to the workforce after long periods and others seeking a change in career pathway. The low unemployment rate masks an underutilisation rate of 9.0% for the March 2023 quarter, with a number of people facing difficulties fully accessing the employment market. The Work Collective is addressing this by working closely with clients and government agencies to identify suitable sustainable temporary or permanent work opportunities and providing

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ongoing pastoral care and support to candidates. More and more clients are seeing the value of this initiative in achieving their own purpose and strategic goals.

We were delighted to receive confirmation that JacksonStone, Madison and Absolute IT have been reappointed to the All of Government provider panel for 'Talent Acquisition Services' (formally 'External Recruitment Services'). Given the importance of our public sector client base across these three white collar businesses, we are pleased to continue providing services to participating agencies.

As it is for our clients, our people are the heart and engine of our business and I want to acknowledge everyone's commitment, care, and contribution, more so in the current economic climate. Our staff engagement levels were measured at three percentage points higher than the New Zealand 2022 benchmark for similar-sized organisations. High engagement underpins performance and retention, which benefits candidates and clients alike with continuity and a deep understanding of their needs.

Our business units are drawing on the Group to elevate their unique strengths in order to meet this demand with greater efficiency. Accordant's progress in data literacy, digitisation, and automation has strengthened. Our ability to support our delivery teams and managers with learning and development opportunities to grow capability continues.

We are proud to have a delivery team that is representative of the diverse makeup of New Zealand workers and organisations. Our team has a background representing over 30 different cultures and affiliations with 16 iwi.

The implementation of our employee experience platform has enabled closer collaboration among our business units. One key benefit has meant that while each business unit's culture has been able to thrive, there has still been scope to develop an overarching group-wide identity. Modern business architecture, workflow automation, and talent management tools have also increased efficiency across the Group.

As part of our sustainability initiatives, we have partnered with Toitū Envirocare to accurately audit and measure our greenhouse gas emissions and help put in place strategies to manage and reduce our impacts as we work toward achieving Toitū's carbonreduce certification in December 2023.

We remain an active participant in shaping fit-for-purpose settings for employees and employers. The boundaries of traditional employment continue to be challenged, with workers seeking flexibility of time and place of work, along with type of work. Our Future of Work research, supported by the Westpac NZ Government Innovation Fund, found that the desire for non-permanent work exceeded availability. Demand for increasing flexibility from both employees and employers means we need to evolve our employment frameworks and attitudes to support today's and tomorrow's workforce. There are implications for how businesses lead, plan succession, identify skills, define roles, manage performance, leverage technology, scale, and flex.

Our role in the Government's Future of Work Tripartite Forum continues, where some of the most pressing labour market thematics are tabled and debated, and our unique vantage point is put to good use. We see the decision that the Income Insurance Scheme would not proceed as proposed as a welcome development, especially at a time where business costs are significantly increasing. We had advocated against this given our serious concerns with the proposed model, notably cost increases for employers without clear gains for employees. The process around Fair Pay Agreements has been sub-optimal and we remain firm on our view that it should always be an individual's right to negotiate their own employment terms.

We continue to position our business for growth across the white collar segment, whilst mitigating the risks and uncertainty that has featured over the years within our blue collar business. We remain confident of growing both areas, whilst ensuring the mix of contribution evolves over time in favour of the former.

Having paid a 6.5 cent interim dividend during the year, it is pleasing to be able to pay a further 3.0 cents as a final dividend. Our debt remains low relative to earnings, and we expect to grow our dividends to shareholders in the coming year.

As we look to a challenging year ahead, we thank the Board for their continued support, guidance and leadership with purpose and good heart.

Jason Cherrington
Group Chief Executive

What Drives Us

Our Belief

We believe it is people that drive our country forward.

Our Vision

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

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 Customers

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

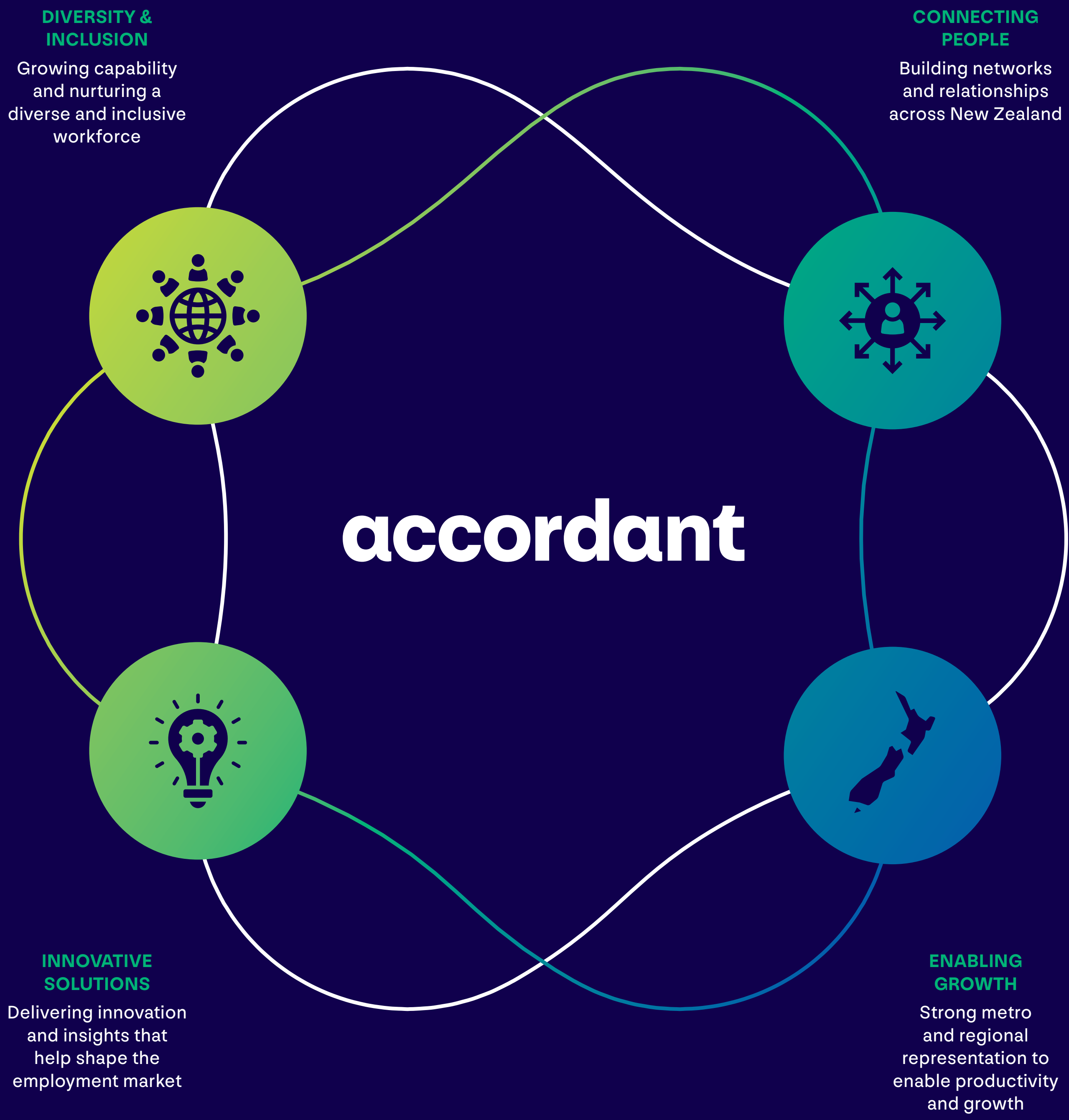
Our Finances

We will drive strong dividend and earnings 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

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 Auckland, Hamilton, Wellington 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.

Founded in 2006, Hobson Leavy is a retained executive search firm operating exclusively in the 'C Suite', successfully leading hundreds of executive searches and appointing some of the country's most senior leaders at Board, CEO and Executive level. With an extensive track record in both the public and private sectors Hobson Leavy has built a substantial network of clients and contacts. They are also a founding member of Panorama, a global network of independent executive search firms. Hobson Leavy joined the Accordant Group on 31 January 2023.

Madison Recruitment was established in 1998 and has become the recruitment partner to a wide variety of organisations across the private, public, and not-for-profit sectors. Madison's services span 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 the country.

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 is an executive search and recruitment consultancy, specialising in permanent and interim professional placements. 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.

The Work Collective is an employment initiative that delivers social impact through connecting employers, employment support organisations and Accordant's businesses with candidates who face barriers to employment, providing them access to meaningful work opportunities. Launched in mid-2019, The Work Collective offers organisations a way to achieve social impact through their staffing supply chain.

Our Locations

Our national presence, coupled with our local knowledge, allows us to deliver more for both our candidates and clients.

Our Evolving World of Work

Even as the economic environment gets tougher, employment remains high – with talk of a possible "job full" recession. Throughout the past 12 months, our focus has been on supporting employers through the challenges this has brought, with unemployment holding steady at 3.4%, underutilisation down slightly at 9% and skills shortages ongoing.

We will continue to draw on our experience and deep connections across the market to navigate any changes for our people, employers and jobseekers and build on our existing work to create social impact for the good of New Zealand.

In FY24 we anticipate the arrival of greater numbers of international candidates with Skilled Migrant visas, along with an uplift in Working Holiday Visa holders, although this anticipated uplift is yet to have a significant impact on candidate activity. We have worked hard, especially in the blue collar space, to support employers with employer accreditation for migrant workers, as well as continuing our mahi with The Work Collective to bring more people who face barriers to employment into the New Zealand workforce.

While record numbers of Kiwis came off Jobseeker benefits in the year to June 2022, thousands remain underemployed owing to various barriers such as disabilities, long periods of unemployment or difficulty accessing training. Providing better access to jobs for those who have traditionally been restricted in accessing employment opportunities is vital to address longstanding inequities in the jobs market, lift more New Zealanders out of poverty and help fill skills gaps in the long term.

We are proud that through The Work Collective programme offered via AWF, Madison and Absolute IT this year, we have placed 83 participants into roles, including Māori and Pasifika, refugees and students, across 77 client partners. This kind of social procurement really is a win-win for employers and our society – delivering impact that goes well beyond just the employment figures, and we look forward to doing even more in this space in FY24.

We also remain strongly committed to supporting the growth of Māori leaders and the fast-growing Māori economy, which is expected to reach $100 billion in assets within the next 10 years. Across the Group we now have more than 20 years' experience finding talent for Māori-focused roles. Led by Rachelle Russell at JacksonStone & Partners, our specialist team ensures our recruitment process for Māori is inclusive, candidates are supported and manaakitanga is shown. Māori businesses still represent just 8% of all enterprises in Aotearoa, showing real scope for growth as well as opportunities to upskill and grow talent.

While the coming election represents further uncertainty on the horizon, we will continue to draw on our experience and deep connections across the market to navigate any changes for our people, employers and jobseekers and build on our existing work to create social impact for the good of New Zealand.

The future of non-permanent work and income security

Over the next 12 months, we may also see demand across the temporary and contractor markets accelerate as employers fill existing skills and capacity gaps without committing to permanent hires in an economic downturn. Core to Accordant's offering, our contingent and contractor workforce solutions provide significant value and flexibility during times of change, helping employers across both white and blue collar sectors.

Last year's Accordant report, *Shaping the Future of Non-Permanent Work in Aotearoa New Zealand*, dove deep into attitudes around temporary workers, their experiences and how to grow the impact of the temporary workforce. A key insight was that temporary work represents a valuable pathway for more workers to upskill quickly. The report showed 72% of those in temporary roles had recommended non-permanent work to family or friends, valuing opportunities for greater flexibility, to learn new skills or advance their careers.

The other important outtake was the need to amplify the conversation around having a reliable, stable income even without a permanent job. This makes a case for the government and industry to invest in reshaping the narrative, shaking off the historic notion of the preferred working option for all being a full time, permanent role. While the government has shelved the income insurance scheme, more thought can be given to co-designing an approach focusing more on opportunities to support income security over job security.

The gig economy is firmly established around the globe, and as employees become more directive in their choices about when, where, and why they work, the future of work in Aotearoa New Zealand will continue to evolve.

The prediction is that generative AI will supersede cloud technologies that enable remote or hybrid working as the next major disrupter and enabler of modern work – including in the recruitment space.

As employees become more directive in their choices about when, where, and why they work, the future of work in Aotearoa New Zealand will continue to evolve.

We recognise diversity alone is not the same as being an inclusive workplace, and that embedding a truly inclusive culture that makes the most of everyone's unique perspectives and attributes takes real thought and effort.

Investing in digital

This time last year, few people had heard of ChatGPT, yet it is now dominating conversations across the workforce, turning AI from a hypothetical future consideration into something that is changing the way businesses work here and now. The prediction is that generative AI will supersede cloud technologies that enable remote or hybrid working as the next major disrupter and enabler of modern work – including in the recruitment space.

At Accordant, we are continuing on our own broad digital transformation journey in a way that focuses on striking the right balance of technology and human touchpoints. Our business is people, and every investment we make is aimed at putting people first, supporting them with the tools to help them succeed better. We have invested in our CRM capability across our white collar businesses to improve the candidate experience and realise a raft of efficiency gains, alongside the introduction of our first chatbot "Frankie" to support AWF's recruitment processes.

To complement this, we have implemented a new Human Resources Information System (HRIS) that will support us in achieving a number of our own people-centric goals. The platform is built with a modern "employee first" focus, and our goals for implementation were established directly from employee feedback following our inaugural Group-wide engagement and culture survey. They include efficiency gains, more opportunity to foster connection and belonging amongst our employees through shared values and recognition, and overall, improving both the employee and manager experience for Accordant's people.

In terms of Accordant's digital offering for our clients, we are leveraging technology to drive deeper conversations with clients and our own team. As more and more companies look to digital transformation to stay competitive, one of the major challenges they face is finding the right talent and experience to execute these projects successfully.

Accordant provides innovative talent solutions that include expert guidance on strategy, IT and organisational challenges, as well as diverse and unparalleled access to talent across multiple industries, to help organisations prepare for the future.

Growing diversity, inclusion and belonging

With an annual net migration gain of 65,400 for the year ended March 2023, and an increasing focus on attracting more minorities, women and people with disabilities to the workforce to boost equality, innovation and productivity, our workforces are set to become more diverse than ever. Add to this an ageing population and cost of living crisis that could see more older workers returning to employment to supplement stretched incomes, and on the other hand, more Generation Z workers bringing different expectations of the workplace.

All this makes it even more important to help employers understand the interrelationship between diversity and inclusion, and the importance of belonging. We are fortunate to be a very diverse organisation, with our people across the Accordant Group being representative of the diverse makeup of New Zealand workers and organisations. However, we recognise diversity alone is not the same as being an inclusive workplace, and that embedding a truly inclusive culture that makes the most of everyone's unique perspectives and attributes takes real thought and effort.

The challenge for employers keen to move their organisation forward will be understanding how they can develop business practices and strategies that are clear on the steps they will take to ensure everyone feels comfortable asking questions, challenging norms, and sharing views and ideas.

That includes senior leaders role-modelling the kinds of behaviours they want to see in their people, undergoing training to build their capability in creating inclusive environments, establishing avenues at work to safely call out non-inclusive behaviours and regularly checking in with team members about their experiences. From job ads to training programmes and internal communication, every interaction with employees now needs to be looked at with an inclusivity lens to build a sense of engagement and belonging regardless of anyone's background, and this is a message we will be sharing with our clients.

While the World Health Organisation has declared that the COVID-19 pandemic is no longer a global health emergency, the change and uncertainty that have characterised the years since 2020 look set to continue in FY24. However, despite new challenges such as the rising cost of living and doing business, an anticipated increase in unemployment and a general election on the horizon, we have demonstrated a strong ability to adapt. We will continue to work towards greater access to training, jobs and opportunities for advancement, and to supporting clients and jobseekers through all of the coming changes.

Board of Directors

Simon Bennett

Simon is an experienced business leader and director. He has a keen interest in the labour market's role in a successful economy and the growth of New Zealand's productivity. Simon has been a director of several businesses and is on the Board of Trustees for the Ice Foundation (a charitable trust which owns business incubator The Icehouse) and is also a Director of The Icehouse. Simon joined the Board in June 2021 and was appointed Chair in January 2022.

Simon Hull

Simon founded the Allied Work Force business in 1988. He was AWF Managing Director for 27 years and is Accordant Group's 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 retired from the Board in November 2022. On retirement she was an independent Director, having joined the Board almost eight years earlier in January 2015. 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 has contributed a wealth of business experience and commercial acumen and a particular understanding of the Group's businesses.

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. Nick brings deep industry expertise in recruiting, outsourcing, consulting 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.

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. Laurissa is a Chartered Member of the Institute of Directors and a member of the Chapter Zero steering committee.

Richard Stone

Richard joined the human resources consulting industry in 1987, and went on to co-found three successful firms, the most recent of which was JacksonStone & Partners where he was Executive Chair. Richard has held a number of governance roles. He has been Chair of UNICEF NZ, President of the Wellington Chamber of Commerce, a Council member of Business NZ and a Director of Wellington NZ. Presently, he is the Chair of LifeFlight, Chair of Commerce Building Limited and a Director of Cape Horn Land Company Limited. Richard is now an independent Director.

Financial Commentary

REVENUE

Group Revenue of $227.4m is up 2.7% on prior year Revenue of $221.5m. AWF Revenue is down $3.9m (4.9%) on prior year. Revenue sourced from the provision of services to Commerce (Madison Recruitment, Absolute IT, JacksonStone & Partners and Hobson Leavy) was up $9.6m (6.8%). The slow processing of visa applications for migrant workers and working holiday visa travellers during FY23 constrained the temporary candidate pool and contracted the size of the temporary job market, however we have seen recent improvements in visa processing.

NET PROFIT AFTER TAX

After-tax profit of $2.0m was down on the prior year result of $3.0m. This year's result includes the cost of the additional statutory holiday (Monday 26 September 2022) to commemorate the life and passing of Queen Elizabeth II, in addition to high claim costs incurred by AWF associated with work related injuries incurred in prior years. AWF participates in the ACC Partnership Discount Plan. Under this plan AWF Limited, as the employer, undertakes injury management and accepts financial responsibility for employees who incur work-related injuries. The high claim costs incurred in FY23 are associated with the ACC Full Self Cover plan, which AWF exited as at 31 March 2021. Under the ACC Full Self Cover plan AWF undertakes injury management for claims registered to 31 March 2021 for a 48-month term through until 31 March 2025, with financial liability for the life of the claim. In order to de-risk the business, AWF changed to the Partnership Discount Plan with 12 months' claims management post-year end, with financial liability terminating at the conclusion of the claims management period.

DIVIDEND

A fully imputed Final Dividend for FY23 of 3.0 cps (2022: 5.6 cps) has been approved for payment on 30 June 2023. The interim Dividend paid 1 December 2022 was 6.5 cps (2022: 6.5 cps).

CASH FLOW

Cash flow from operating activities of $4.7m was down on the prior year $10.5m due to a decrease in the carrying value of Debtors, reduction in Creditors and increased taxation payable. The Group utilises tax pooling provided by Tax Management NZ with Tax Management financing the provisional tax instalments and the group settling the tax liability in May the following year.

NET BANK DEBT

Net Bank Debt at $21.5m was up $8.5m on the prior year $13.0m. The acquisition of Hobson Leavy accounted for $5.75m, purchase of plant and equipment $0.7m, with the balance due to increased net working capital usage.

Corporate Governance Statement

At Accordant Group Limited (NZSX:AGL) we believe that good corporate governance is essential to protect the interests of investors, creating and enhancing value over the short and long term. We are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations. The Board has adopted corporate policies and procedures that reflect good practice, and we follow the principles and recommendations of the NZX Corporate Governance Code (the Code).

The following pages summarise our corporate governance practices and progress in FY23. Accordant takes a continuous improvement approach to corporate governance with policies reviewed on a regular basis in line with good business practice. Key governance policies and charters can be viewed on the Company's website at www.accordant.nz/corporate-governance.
This governance statement is current as at 29 May 2023 and was approved by the Board on 29 May 2023.

VARIANCE TO NZX CORPORATE GOVERNANCE CODE

We believe that the Company's corporate governance practices for the financial year ended 31 March 2023 are materially in line with the Code, with further work being undertaken in some areas to ensure full compliance. Those areas of variance from the Code are set out in the table below.

NZX Code principle	NZX Code recommendation	Key difference	Status
Board composition and performance	2.5: The Board should set measurable objectives for achieving diversity	The Board has not set measurable objectives under the Policy for achieving diversity	Whilst the Board considers authentic diversity outcomes can be achieved without measurable objectives, the small size of the Board is limiting when seeking to label individual diversity
Board composition and performance	2.9: The Chair of the Board should be an independent director	Simon Bennett as Chair of the Board is not independent due to Simon having been employed as the CEO of the Company within the last three years	The Board and ARC maintain an independent composition majority. This enables a non-independent Chair, who brings deep industry, sector and organisational knowledge

ETHICAL BEHAVIOUR

Accordant expects its directors and employees to act with integrity and professionalism and undertake their duties in the best interests of the Company. The Accordant Group's Code of Ethics is available on the Company website and is available to all team members and covers all subsidiary companies.

Accordant encourages employees to speak out if they have concerns about any area of the Company. The avenues for doing so are detailed in the Company's Protected Disclosure (Whistle-blower) Policy which is on the Company website.
The Share Transaction Policy, along with the Financial Markets Conduct Act 2013, imposes limitations and requirements on Directors and employees in dealing in the Company's shares. These limitations prohibit dealing in shares while in possession of inside information and impose requirements for seeking consent to trade.

The Company does not donate to political parties.

THE BOARD

The roles and responsibilities of the Board are detailed in the Board Charter, which is reviewed at least every two years and is available on the Company's website. The Board 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. The Company's Constitution and the Board Charter set out the guidelines for the operation of the Board.

BOARD COMPOSITION AND INDEPENDENCE

As at 29 May 2023 the Board comprised five non-executive directors, a majority of whom are independent directors.
The Board has determined that Laurissa Cooney, Richard Stone and Nick Simcock are independent directors, and that Simon Hull and Simon Bennett (Chairperson) are non-independent directors.

Simon Hull is not an independent director because he is a substantial shareholder in the Company and has been a director for more than 12 years (appointed 4 February 2005). Simon Bennett is not an independent director because within the last three years, he was the Chief Executive Officer of the Company. Each Director has experience, skills and expertise that are of value to the Company. Profiles of Directors are available in the Company's Annual Report.

APPOINTMENT OF DIRECTORS

The Board is elected by the shareholders of the Company. The number of elected Directors and the procedure for their retirement and election at Annual Meetings is determined in accordance with the Company's Constitution and NZX Listing Rules. Directors will retire and may stand for re-election by shareholders at least every three years. A Director appointed by the Board since the previous annual meeting holds office only until the next annual meeting but is eligible for election by shareholders at that meeting.

All Directors are involved in the consideration of Board composition and nominations and consider a number of factors including qualifications, capability, experience, judgement and skills, and the ability to work with other Directors.

Shareholders may also nominate candidates for election to the Board, in accordance with the constitution of the Company and the NZX Listing Rules. Reference checks are carried out on all candidates and key information about candidates is provided to shareholders to assist their decision as to whether to elect or re-elect a candidate.

The Board believes that the current Directors as at 29 May 2023 offer valuable and complementary skill sets.

BOARD REMUNERATION

During FY23 the Board adopted a Remuneration Policy for the remuneration of directors and officers. A copy of this policy is available on the Company's website.

Directors' fees for the year ended 31 March 2023 totalled $395,000. The Director fee pool is $450,000. The last increase in the director pool was approved by shareholders at the 26 July 2017 Annual Shareholders meeting. The Chairperson is paid a fee of $115,000 per annum and all other Directors are paid $60,000 per annum. No additional fees are paid in respect of committee membership. Details of Board and CEO Remuneration during FY23 are set out in the Company's Annual Report. Director fees are currently being reviewed within the current approved Director pool.

The Company has arranged a policy of Directors' and Officers' liability insurance. This policy covers the Directors and Officers so that any monetary loss suffered by them, as a result of actions undertaken by them as Directors or Officers, is insured to specific limits (and subject to legal requirements and/or restrictions).

The Board Charter states that no retirement allowances are payable to Directors.

DIRECTOR TRAINING AND EDUCATION

Directors are encouraged to undertake appropriate training and education to ensure they remain current on how to best perform their duties. In addition, management provide regular updates on relevant industry and Company issues, including briefings from senior executives.

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate.

All Directors are offered paid membership to the Institute of Directors New Zealand.

BOARD PERFORMANCE AND REVIEW

The Board monitors its own performance and may from time-to-time commission an external review to assess the performance of individual Directors and the Board's effectiveness. The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

DIVERSITY

The Company has a Diversity and Inclusion Policy, 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.

The Board has not currently set measurable objectives under the Policy for achieving diversity, as the Board considers diversity outcomes can be achieved without measurable objectives. The Board is satisfied with the initiatives being implemented by the Group and its performance with respect to the Diversity Policy.

The gender breakdown of Accordant Group Limited's Board of Directors and Officers as at 31 March 2023 is:

Directors	31 Mar 2023	31 Mar 2022
Female	1 (20%)	2 (33%)
Male	4 (80%)	4 (67%)
Gender Diverse	-	-
Total	5	6

Officers*	31 Mar 2023	31 Mar 2022
Female	6 (50%)	5 (50%)
Male	6 (50%)	5 (50%)
Gender Diverse	-	-
Total	12	10

*Officers for these purposes means any leader who is concerned with or takes part in the management of the Company and who also reports to the Board or the CEO.

BOARD COMMITTEES

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board's responsibilities. The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board.

During FY23 the Board rationalised its Committee structure, bringing together each of the Remuneration, Nominations and Organisation Committees under a single committee – the Remuneration and Nominations Committee. The Board considers that the roles of these three separate committees were such that their roles could be more efficiently achieved by bringing them together as a single committee. A copy of the Remuneration and Nominations Committee Charter is available on the Company's website.

However, the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities. The Committees meet as required and have terms of reference (Charters), which are approved and reviewed by the Board. Minutes of each Committee meeting are available to all members of the Board, who are all entitled to attend any Committee meeting. The membership and performance of each Committee is reviewed annually. Management attendance at Committee meetings is by invitation only. Special purpose Committees may be formed to review and monitor specific projects with senior management.

In the case of a takeover offer, Accordant would engage expert legal and financial advisors to provide advice on procedure. Formal Takeover protocols have been developed and formally adopted by the Board in compliance with Recommendation 3.6 of the NZX Corporate Governance Code.

The Board Committees as at 31 March 2023 were as set out on the following page.

Committee	Role	Members at 31 March 2023
Audit and Risk Committee	Provides 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.	Laurissa Cooney (Chairperson), Simon Bennett and Nick Simcock.
Remuneration and Nominations Committee	Overseeing and regulating compensation and organisation matters affecting the Company, including remuneration and benefits structures, policies, performance and remuneration of the Company's directors and senior executives, management development and succession planning for the Chief Executive Officer and direct reports to the Chief Executive Officer, and major organisation changes. Identifying and recommending individuals for appointment as directors of the Company.	Nick Simcock (Chairperson), Simon Bennett and Richard Stone.
Health and Safety Committee	The role of this Committee is to assist the Board to fulfill 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 Committee members participate in monthly meetings and review reports presented by the Group Operations Health and Safety Committee.	All Directors are members of this Committee. The Chairperson is Simon Hull.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING FY23

DIRECTOR	BOARD	AUDIT & RISK COMMITTEE	REMUNERATION & NOMINATIONS*	HEALTH & SAFETY
TOTAL MEETINGS HELD	8	6	2	8
MEETINGS ATTENDED:				
SIMON BENNETT	8	5	2	7
SIMON HULL	8	2		8
LAURISSA COONEY	8	6		7
NICK SIMCOCK	8	6	2	8
RICHARD STONE	7	3		7
WYNNIS ARMOUR	6	4	2	6

Wynnis Armour, retired as a Director on 30 November 2022.

Remuneration and Nominations* – during the financial year, the Remuneration committee, the Nominations committee, and the Organisational Committee were amalgamated into a single committee, called the Remuneration and Nominations committee.

REPORTING AND DISCLOSURE

Accordant is committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. In addition to all information required by law, the Company also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed. The Company's Continuous Disclosure Policy sets out the principles and requirements of this commitment to timely and balanced disclosures. Key corporate governance policies, including the Code of Ethics, Board and Committee Charters and other key governance documents recommended by the Code are available on the Company's website: www.accordant.nz/corporate-governance.

FINANCIAL REPORTING

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements, estimates and for ensuring all relevant financial reporting and accounting standards have been followed.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Accordant's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards and other regulatory requirements and the results of the external audit.

For the financial year ended 31 March 2023, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

In all accounting matters, the Board ensures that the Chief Executive Officer and Chief Financial Officer's reports are objective. The Chief Executive Officer and Chief Financial Officer have unfettered access to the Board Chair and the Audit and Risk Committee.

NON-FINANCIAL REPORTING

Accordant has initiatives supporting its focus on the environment, people and communities and a formal Environmental, Social and Corporate Governance (ESG) framework is being developed.

Accordant has joined the Toitū carbon programme. As part of the Group's sustainability initiatives, we have committed to working closely with Toitū Envirocare to accurately audit and measure our greenhouse gas emissions, helping us put in place strategies to manage and reduce our impacts as we work towards achieving certification.

We are aware of and will conform with NZX Code principle 4.4 which requires that the company 'provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices'. To explain how operational or non-financial targets are measured, including forward looking assessments, and alignment with key strategies and metrics to be monitored by the Board.

RISK MANAGEMENT

Accordant has continued to strengthen its risk management capabilities under the direction of the Audit and Risk Committee (ARC), the Board and the Executive Team.

The ARC ensures Accordant has appropriate risk management policies in place and provides the Board with assurance that key risks relevant to Accordant have been appropriately identified, managed and reported to the Board.

It is also responsible for overseeing and monitoring that the Company's management implements and operates adequate risk assurance, internal control and audit systems within Accordant.

The Audit & Risk Committee carries out a review of the effectiveness of the Company's risk management and internal control systems at least annually. The Company's risk management policy provides clarity on roles and responsibilities in order to minimise the impact of financial, operational and sustainability risk on its business.

A Risk sub-committee comprising the CEO, CFO and GM Corporate Services are collectively responsible for the group risk management program with the Executive Leadership Team having day to day operational responsibility for risk management. The Executive Leadership Team comprises personnel who report directly to the CEO.

The Executive Leadership Team has prime responsibility for maintaining a strong risk awareness culture and focus in all activities, for identifying and managing risk in the areas under their control, and being aware of external risk factors faced. They undertake this by:

- following Company Policies, Protocols and Guidelines
- ensuring risks are identified and evaluated
- developing effective responses to these risks
- owning, managing and reporting identified risks
- operating within an appropriate level of risk, but always within Delegated Authority parameters
- reporting changes in the business environment which impact the existing risk strategies.

Foundational governance and risk documents are regularly reviewed and updated to ensure that the Company continues to find the best ways of working to achieve its business goals while remaining within risk appetite and adhering to its regulatory obligations. Accordant's risk management framework has been created to ensure there is clear ownership and delegation of responsibility for the management and oversight of risks and to support the appropriate flow of information throughout the Group. The Company assesses its risks by understanding the likelihood of occurrence and the potential consequences using the following categories:

- Financial
- Customer / Reputational / Shareholder Outcomes
- People / Health, Safety & Wellbeing
- Legal (Compliance) / Contractual
- Environment
- Operations

The Company obtains external advice and support from an independent third party expert in relation to corporate governance, compliance and company secretarial matters.

HEALTH AND SAFETY

Staying safe, keeping others safe, and being corporately responsible are fundamental to what Accordant is as an organisation. Operating the business in this way helps deliver on Accordant's vision of "No Harm to People, the Environment or Assets".

Paying close attention to safety, wellbeing, sustainability, ethics and integrity go hand in hand with that vision. The Board is committed to ensuring a high quality, safe and healthy environment for all people, visitors, partners and those in the community.

People safety is a key priority, one of Accordant's core values and an essential component across the business. Accordant is committed to developing, improving and reinforcing its safety culture, including by improving leadership capacity and simplifying tools and systems. Safety performance is tracked to identify patterns to help prevent incidents.

"Health, Safety and Sustainability" results and reported data are reviewed at each Health & Safety Committee Meeting. In addition, the Board receives monthly reports on the health and safety performance across the Group, including performance against plan, near miss reporting, progress with safety related initiatives and reviewing lead and lag indicators of performance.

AUDITORS

For the year ended 31 March 2023, Deloitte was the external auditor of Accordant Group Limited. Deloitte was first appointed as auditor in 2006. The most recent Audit Partner rotation occurred in FY20, with the next rotation due no later than FY25.

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors and audit partner rotation. The Committee pre-approves any non-audit work undertaken by Deloitte.

The non-audit services in the year ended 31 March 2023 are set out in the notes to the annual accounts. Those services were provided in accordance with the company's External Auditor Independence Policy. In FY23 the Company paid Deloitte $334,000 for audited services. Deloitte provided no non-audit services in FY23.

The external auditors attend the Annual Shareholders Meeting.

INTERNAL AUDIT

The Group does not consider that there is a requirement for an Internal Audit function. This function is administered by the selection of suitably qualified Finance Managers (preferably CA qualified) to ensure that monthly management reporting (Financial and Operational) is timely and accurate. It is the responsibility of company Finance Managers to consistently adhere to Group Policies and procedures. The Chief Executive Officer and Chief Financial Officer review monthly company performance against Budget, the prior year and periodic forecasts. In addition the Chief Financial Officer regularly reviews Balance Sheet reconciliations.

SHAREHOLDER RIGHTS AND RELATIONS

The Board is committed to open and regular dialogue and engagement with shareholders. Accordant has developed an investor relations programme which includes regular dialogue with investors, analysts and investor meetings, and earnings announcements. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions. Easy access to financial, operational and governance information is available through the Investor Centre on the company's website at www.accordant.nz/corporate-governance.

Shareholders are actively encouraged to attend the Annual General Meeting and may raise matters for discussion at this event, and vote on major decisions which affect the Company. Voting is by poll, upholding the 'one share, one vote' philosophy. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings. Shareholders are encouraged to communicate with the Company and its share registry electronically. In addition to shareholders, Accordant has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its employees, contractors, suppliers and customers.

Deloitte.

Independent Auditor's Report

To the Shareholders of Accordant 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 2023, 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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 32 to 75, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, 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.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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 for AWF and Madison Recruitment Goodwill of $42.6 million (2022: $38.1 million) and other indefinite life intangible assets (brand names) of $12.1 million (2022: $10.5 million) are recognised in the consolidated financial statements at 31 March 2023, 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). The AWF and Madison CGUs are more sensitive to changes in the financial performance assumptions and judgements involved in determining their recoverable amounts. The AWF and Madison Recruitment CGUs include goodwill and indefinite life intangibles of $11.2 million and $20.7 million respectively. The key judgements underpinning their future cashflows include sales and terminal growth rates, discount rates applied as well as increases in temporary staff per day specifically for AWF. We have included the impairment considerations of goodwill and other indefinite life intangibles for AWF and Madison Recruitment as a key audit matter because as noted above these CGUs are more sensitive to changes in the performance assumptions.	We have audited the value in use calculations for these cash-generating units (CGU). Our procedures included, amongst others: • Testing the value in use calculations for arithmetic accuracy; • Comparing the forecast performance with the approved 2023 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, discount rates and terminal growth rates to determine the extent to which any changes in these inputs would result in impairment to AWF and Madison Recruitment CGUs; • Involving our internal valuation specialists in assessing the discount and terminal growth 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.

Acquisition of Hobson Leavy Limited The Group acquired the Hobson Leavy Limited ('Hobson Leavy') business on 31 January 2023 as disclosed in note G1. The acquisition of the Hobson Leavy business was significant to our audit due to the size of the acquisition, and the subjectivity and complexity inherent in this business acquisition and the requirements of NZ IFRS 3 Business Combinations. The process involved complex and subjective estimation and judgement by Management on the following: • The accounting treatment of the acquisition; • The valuation of the consideration transferred including contingent consideration; • Identification and valuation of the assets acquired; and the liabilities assumed as at acquisition date; and • Assessment of the useful lives of the acquired finite life intangible assets which is a key input in determining the fair values. Management engaged an external expert to assist them in the identification of acquired assets and the determination of their fair values at acquisition date.	Our procedures, amongst others included: • Reading the sale and purchase agreement relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management; • Assessing Management's evaluation of terms and conditions within the sale and purchase agreement to determine the associated accounting treatment by comparing those terms and conditions against the requirements of NZ IFRS 3 Business Combinations and other relevant guidance; • Evaluating the measurement of the consideration transferred including contingent consideration by testing the mathematical accuracy of the underlying calculation, agreeing the financial projection prepared to the specific financial period specified in the agreement and analysing the key assumptions adopted by Management; • Considering the completeness of the identified assets and liabilities by evaluating the terms of the sale and purchase agreement; • Recomputing the resulting goodwill to be recognised on acquisition; • For the measurement of the identified assets and liabilities, evaluating: – The valuation methodologies in determining the fair values of the identified assets and liabilities at acquisition date; – The cash flow forecasts used in the measurement of the identifiable intangible assets, which included assessing the appropriateness of the future cash flow forecasts and discount rates applied; – Management's assessment of the attributed useful life of the identified finite life assets when recalculating fair value; and – The competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of their work as audit evidence for the relevant assertions. • Engaging our own internal valuation expert to assist in understanding and evaluating the work and findings of Management's expert; and • Evaluating the related disclosures about the acquisition.

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
29 May 2023

Accordant Group Limited

Statement of comprehensive income
For the year ended 31 March 2023

		GROUP	
		2023	**2022**
	NOTE	$'000	$'000
Revenue from contracts with customers	A2	227,371	221,509
Investment revenue	A3	65	7
Fair value (loss)/gain on contingent consideration		–	(845)
Direct costs		(2,186)	(2,376)
Employee benefits expense	A1, F1	(119,883)	(117,757)
Contractor costs	A1	(86,503)	(81,354)
Depreciation and amortisation expense	A4, B1, B2, B3	(4,628)	(4,941)
Impairment of right of use assets	A1, B2	(109)	–
Other operating expenses		(8,988)	(8,443)
Finance costs	A4	(1,683)	(1,095)
Business acquisition expenses		(379)	–
Profit before tax		**3,077**	**4,705**
Income tax expense	A5	(1,100)	(1,706)
Profit for the year		**1,977**	**2,999**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**1,977**	**2,999**
Earnings per share			
Total basic earnings per share (cents/share)	C4	5.8	8.9
Total diluted earnings per share (cents/share)	C4	5.8	8.9

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

Accordant Group Limited

Statement of financial position
As at 31 March 2023

	NOTE	GROUP 2023 $'000	GROUP 2022 $'000
Assets			
Non-current assets			
Property, plant and equipment	B1	2,730	2,907
Right of use assets	B2	7,038	7,020
Intangible assets – goodwill	B4	42,553	38,068
Intangible assets – other	B3	16,612	12,487
Total non-current assets		**68,933**	**60,482**
Current assets			
Cash and cash equivalents	C6	1,954	4,972
Trade and other receivables	C7	23,771	25,868
Contract assets	A2	221	97
Total current assets		**25,946**	**30,937**
Total assets		**94,879**	**91,419**
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	A5	2,929	1,651
Borrowings	C8	23,500	18,000
Lease liabilities	B2	5,374	5,525
Contingent consideration	G1	2,648	–
Total non-current liabilities		**34,451**	**25,176**
Current liabilities			
Trade and other payables	C9	21,399	24,382
Contract liabilities	A2	314	285
Taxation payable	A5	1,108	2,250
Provisions	F2	582	400
Lease liabilities	B2	2,439	2,231
Total current liabilities		**25,842**	**29,548**
Total liabilities		**60,293**	**54,724**
Net assets		**34,586**	**36,695**
Capital and reserves			
Share capital	C2	30,868	30,868
Treasury shares	C3	(804)	(804)
Group share scheme reserve		448	282
Retained earnings	C1	4,074	6,349
Total equity		**34,586**	**36,695**

For and on behalf of the Board who authorise the issue of the financial statements on 29 May 2023:

SIMON BENNETT, Chair

LAURISSA COONEY, Chair, Audit & Risk Committee

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

Accordant Group Limited

Statement of changes in equity
For the year ended 31 March 2023

		GROUP				
	NOTE	Share capital $'000	Treasury shares $'000	Group share scheme reserve $'000	Retained earnings $'000	Total equity $'000
2022						
Balance at 31 March 2021		30,868	–	204	8,465	39,537
Comprehensive income						
Profit for the year		–	–	–	2,999	2,999
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	2,999	2,999
Transactions with shareholders						
Dividends paid	C1, C5	–	–	–	(5,171)	(5,171)
Restricted shares lapsed	C1, F1	–	–	(56)	56	–
Treasury shares acquired	C3	–	(804)	–	–	(804)
Share based payments	F1	–	–	134	–	134
Total transactions with shareholders		–	(804)	78	(5,115)	(5,841)
Balance at 31 March 2022		**30,868**	**(804)**	**282**	**6,349**	**36,695**
2023						
Balance at 31 March 2022		30,868	(804)	282	6,349	36,695
Comprehensive income						
Profit for the year		–	–	–	1,977	1,977
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	1,977	1,977
Transactions with shareholders						
Dividends paid	C1, C5	–	–	–	(4,309)	(4,309)
Restricted shares lapsed	C1, F1	–	–	(57)	57	–
Share based payments	F1	–	–	223	–	223
Total transactions with shareholders		–	–	166	(4,252)	(4,086)
Balance at 31 March 2023		**30,868**	**(804)**	**448**	**4,074**	**34,586**

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

Accordant Group Limited

Statement of cashflows
For the year ended 31 March 2023

	NOTE	GROUP 2023 $'000	GROUP 2022 $'000
Cashflows from operating activities			
Receipts from customers		230,322	219,120
Payments to suppliers, contractors and employees		(222,193)	(207,979)
Net cash (used in)/generated from operations		8,129	11,141
Net receipts from government grants		614	2,283
Interest paid on bank overdraft and loans		(1,277)	(665)
Interest paid on lease liabilities	B2	(318)	(410)
Income taxes paid		(2,433)	(1,870)
Net cash from operating activities	C6	**4,715**	**10,479**
Cashflows from investing activities			
Proceeds from disposal of property, plant and equipment		44	36
Purchase of property, plant and equipment	B1	(733)	(619)
Net cash paid on acquisition of Hobson Leavy	G1	(5,750)	–
Repayment of deferred consideration to the vendor of JacksonStone & Partners		–	(1,393)
Net cash (used in)/from investing activities		**(6,439)**	**(1,976)**
Cashflows from financing activities			
Repurchase of issued share capital	C3	–	(804)
Dividends paid to share holders of the parent	C5	(4,309)	(5,171)
Proceeds from borrowings	C8	8,500	3,000
Repayment of borrowings	C8	(3,000)	–
Payment of principal on lease liabilities	B2	(2,485)	(2,351)
Net cash from/(used in) financing activities		**(1,294)**	**(5,326)**
Net increase/(decrease) in cash held		**(3,018)**	**3,177**
Cash and cash equivalents at start of the year		4,972	1,795
Net cash and cash equivalents at end of the year	C6	**1,954**	**4,972**

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 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 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.

BASIS OF PREPARATION

These financial statements are for Accordant 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 29 May 2023.

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 the new and amendments to standards and interpretations 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 2023.

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 and B4) 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 C7), are classified as financial assets at amortised cost.

The Group's trade and other payables (note C9) and deferred consideration (note G1) arising from business combinations are classified as financial liabilities at amortised cost.

The Group's contingent consideration amounts arising from business combinations (note G1) 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.

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 – B2
Estimate of the future right of use assets and lease liabilities.

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 – G1
Identification and valuation of intangible assets arising in a business combination and the estimation of the earn-out contingent consideration in a business combination.

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 and The Work Collective (TWC)** – Contingent Blue Collar Labour Hire associated with infrastructure, logistics, manufacturing, technical and construction. TWC is Accordant's social initiative that provides opportunities for those who face barriers to employment.
- **Madison Recruitment, Absolute IT, JacksonStone & Partners, and Hobson Leavy** – White Collar Contingent temporary employees and contractors together with Permanent Recruitment and Executive Search associated with professional and managerial positions including technology and digital business sectors.

Within the White-Collar Reporting Segment are four (4) operating segments:

- Madison Recruitment
- Absolute IT
- JacksonStone & Partners
- Hobson Leavy

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 four brands.

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

- AWF and TWC
- Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy

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 and The Work Collective

The 'Blue Collar' 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. The Work Collective leverages off AWF's infrastructure and network.

Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy

The 'White Collar' segment operates branches under the brand names Madison Recruitment, Madison Force, Absolute IT, JacksonStone & Partners and Hobson Leavy in major cities throughout New Zealand. These brands derive their revenues from staffing services across temporary, contract, permanent and executive search, principally in the commerce sector.

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	
	2023	**2022**	**2023**	**2022**
SEGMENT REVENUE AND RESULTS	$'000	$'000	$'000	$'000
Continuing operations				
AWF and The Work Collective	75,825	79,600	321	904
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	151,541	141,894	7,726	7,789
Total for continuing operations	**227,366**	**221,494**	**8,047**	**8,693**
Other income	–	–	65	7
Central administration costs and directors fees	5	15	(2,973)	(2,900)
Finance costs	–	–	(1,683)	(1,095)
Business acquisition expenses	–	–	(379)	–
Profit/(loss) before tax	**227,371**	**221,509**	**3,077**	**4,705**
Income tax expense	–	–	(1,100)	(1,706)
Profit for the year	**227,371**	**221,509**	**1,977**	**2,999**

Revenue reported above represents revenue generated from external customers. Inter-segment sales in the year were $107,002 (2022: $127,233) 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 (2022: 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.

	2023	2022
SEGMENT ASSETS	$'000	$'000
AWF and The Work Collective	24,831	25,947
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	68,419	62,511
Total segment assets	93,250	88,458
Unallocated assets	1,629	2,961
Total assets	**94,879**	**91,419**

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.

	2023	2022
SEGMENT LIABILITIES	$'000	$'000
AWF and The Work Collective	8,192	8,859
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	21,780	23,504
Total segment liabilities	29,972	32,363
Unallocated liabilities	30,321	22,361
Total liabilities	**60,293**	**54,724**

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	
		2023	**2022**	**2023**	**2022**
	NOTE	$'000	$'000	$'000	$'000
AWF and The Work Collective		1,505	1,720	109	–
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy		3,123	3,221	–	–
Unallocated		–	–	–	–
Total		**4,628**	**4,941**	**109**	–

		Non-current assets		Net additions to non-current assets	
		2023	**2022**	**2023**	**2022**
		$'000	$'000	$'000	$'000
AWF and The Work Collective		15,385	15,535	1,361	1,318
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy		53,548	44,947	638	180
Business combinations	G1	–	–	11,081	–
Unallocated		–	–	–	–
Total		**68,933**	**60,482**	**13,080**	**1,498**

	Employee benefits		Contractor costs	
	2023	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000
AWF and The Work Collective	67,802	71,466	197	18
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	49,308	43,412	86,306	81,336
Unallocated	2,773	2,879	–	–
Total	**119,883**	**117,757**	**86,503**	**81,354**

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

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	
	2023	**2022**
REVENUE FROM CONTRACTS WITH CUSTOMERS	$'000	$'000
Revenue earned on temporary placements		
– AWF and The Work Collective	73,285	78,148
– Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	115,441	105,397
Total revenue earned on temporary placements	188,726	183,545
Revenue earned on permanent placements		
– AWF and The Work Collective	1,504	1,233
– Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	13,545	11,899
Total revenue earned on permanent placements	15,049	13,132
Revenue earned on a retained basis		
– Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	3,279	5,618
Total revenue earned on a retained basis	3,279	5,618
Other service revenue		
– AWF and The Work Collective	1,036	219
– Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy	19,281	18,995
Total other service revenue	20,317	19,214
Total revenue	**227,371**	**221,509**

KEY JUDGMENTS 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	
	2023	**2022**
REVENUE FROM CONTRACTS WITH CUSTOMERS BY CLIENT INDUSTRY CATEGORY	$'000	$'000
AWF and The Work Collective revenue from contracts with customers		
– Construction & civil	29,287	34,317
– Engineering & technical	13,713	9,482
– Manufacturing & logistics	32,825	35,801
Total AWF and The Work Collective revenue from contracts with customers	75,825	79,600
Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy revenue from contracts with customers		
– Administration & other services	828	658
– Arts & recreation services	1,891	160
– Construction and trades	2,138	1,633
– Education and training	6,588	1,189
– Financial and insurance services	16,627	23,676
– Government, defence and public safety	76,261	83,450
– Healthcare and social assistance	14,643	5,241
– Information technology	6,504	5,206
– Logistics (transport, postal & warehousing)	3,314	870
– Manufacturing	1,694	1,731
– Media & telecommunications	538	777
– Primary (agriculture, forestry, fishing, mining)	4,930	1,898
– Professional, scientific and technical services	4,706	4,159
– Property/rental and hiring services	670	489
– Retail trade & hospitality	3,065	3,762
– Utilities (electricity, gas, water, waste)	3,547	3,862
– Wholesale trade	3,597	3,133
Total Madison, Absolute IT, JacksonStone & Partners and Hobson Leavy revenue from contracts with customers	151,541	141,894
Other administration revenue	5	15
Total revenue from contracts with customers	**227,371**	**221,509**

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 C7.

	GROUP	
	2023	**2022**
CONTRACT ASSETS	$'000	$'000
Customers yet to be invoiced for services rendered	221	97
Total contract assets	**221**	**97**
Classified as:		
Current	221	97
Non-current	–	–
Total contract assets	**221**	**97**

EXPECTED LOSS FOR CONTRACT ASSETS

Management has reviewed and assessed contracts and the provision for impairment $Nil (2022: $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	
	2023	**2022**
CONTRACT LIABILITIES	$'000	$'000
Rebate liabilities	176	133
Guarantee refund liabilities	122	152
Revenue in advance	16	–
Total contract liabilities	**314**	**285**
Classified as:		
Current	314	285
Non-current	–	–
Total contract liabilities	**314**	**285**

KEY JUDGEMENTS AND ESTIMATES – GUARANTEE AND REBATE LIABILITIES

Guarantee refund liabilities
Management has reviewed and assessed the historical experience rate for refund guarantees that represent 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.

A3 INVESTMENT REVENUE

Accounting Policy

Dividend and interest revenue is presented as investment revenue in the statement of comprehensive income.

Interest revenue

Interest revenue is accrued on a time basis using the effective interest method.

Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

	GROUP	
	2023	**2022**
INVESTMENT REVENUE	$'000	$'000
Interest received	65	7
Total investment revenue	**65**	**7**

A4 EXPENSES

EXPECTED CREDIT LOSS	NOTE	GROUP 2023 $'000	GROUP 2022 $'000
Impairment losses recognised		(35)	78
Impairment losses recovered		1	(29)
Changes in the expected credit loss provision	C7	(247)	(112)
Total expected credit losses		**(281)**	**(63)**

DEPRECIATION AND AMORTISATION EXPENSE	NOTE	GROUP 2023 $'000	GROUP 2022 $'000
Depreciation of property, plant and equipment	B1	1,046	1,146
Depreciation of right of use assets	B2	2,443	2,429
Amortisation of intangible assets	B3	1,139	1,366
Total depreciation and amortisation expense		**4,628**	**4,941**

FINANCE COSTS	GROUP 2023 $'000	GROUP 2022 $'000
Financial liabilities measured at amortised cost		
Interest on bank overdrafts and loans	1,343	671
	1,343	671
Financial liabilities measured at fair value through profit or loss		
Interest on contingent consideration	22	13
	22	13
Lease liabilities		
Interest on lease liabilities	318	411
	318	411
Total finance costs	**1,683**	**1,095**

AUDITOR'S REMUNERATION TO DELOITTE FOR:	GROUP 2023 $'000	GROUP 2022 $'000
Audit of the financial statements		
Audit of the financial statements	334	252
Total auditor's remuneration to Deloitte	**334**	**252**

The Group's Audit and Risk Committee monitor the independence of Deloitte Limited and ensure Audit Partner rotation occurs after 5 years. These financial statements are the Deloitte Audit Partner's fourth year.

OTHER ITEMS

Political donations

There have been no donations to any political party during the financial year (2022: $Nil).

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% (2022: 28%) for New Zealand.

	GROUP	
	2023	**2022**
INCOME TAX EXPENSE	$'000	$'000
Current tax		
In respect of current year	1,071	2,251
In respect of prior year	187	40
	1,258	2,291
Deferred tax		
In respect of current year	7	(569)
In respect of prior year	(165)	(16)
	(158)	(585)
Total tax expense	**1,100**	**1,706**
Reconciliation to profit before tax		
Profit before income tax	3,077	4,705
Income tax at 28%	862	1,317
Tax effect of expenses that are not deductible in determining taxable profit	238	389
Income tax expense	**1,100**	**1,706**
Effective tax rate for the year	35.7%	36.3%

	GROUP	
	2023	**2022**
CURRENT TAX ASSETS AND LIABILITIES	$'000	$'000
Current tax liabilities		
Income tax payable	1,070	2,250
Business combinations	38	–
Total current tax liabilities	**1,108**	**2,250**

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					
	Lease liabilities $'000	Right of use assets $'000	Employee benefits $'000	Other provisions $'000	Intangible assets (Restated) $'000	Total $'000
At 1 April 2021	2,565	(2,403)	1,071	227	(3,695)	(2,235)
Prior period adjustment	–	–	–	16	–	16
Charge (credit to profit or loss for the year)	(397)	419	74	274	198	568
As at 31 March 2022	**2,168**	**(1,984)**	**1,145**	**517**	**(3,497)**	**(1,651)**
As at 1 April 2022	2,168	(1,984)	1,145	517	(3,497)	(1,651)
Prior period adjustment	–	–	166	(1)	–	165
Business combination	–	–	–	–	(1,436)	(1,436)
Charge (credit to profit or loss for the year)	5	14	(237)	(71)	282	(7)
As at 31 March 2023	**2,173**	**(1,970)**	**1,074**	**445**	**(4,651)**	**(2,929)**

	GROUP	
	2023	**2022**
IMPUTATION BALANCES	$'000	$'000
Imputation credits available for subsequent reporting periods at 28%	**13,474**	**13,893**

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
	$'000	$'000	$'000	$'000
Cost	1,538	4,629	1,950	8,117
Less accumulated depreciation	(277)	(3,435)	(956)	(4,668)
Net book value at 1 April 2021	1,261	1,194	994	3,449
Additions	306	230	83	619
Disposals – cost	(40)	(52)	(14)	(106)
Depreciation expense	(452)	(380)	(314)	(1,146)
Eliminations on disposal – depreciation	32	45	14	91
Net book value at 31 March 2022	**1,107**	**1,037**	**763**	**2,907**
Additions	125	375	233	733
Business combinations	–	64	101	165
Disposals – cost	(97)	(33)	(44)	(174)
Depreciation expense	(338)	(379)	(329)	(1,046)
Eliminations on disposal – depreciation	75	22	48	145
Net book value at 31 March 2023	**872**	**1,086**	**772**	**2,730**
Cost	1,834	4,858	2,343	9,035
Less accumulated depreciation	(962)	(3,772)	(1,571)	(6,305)
Net book value at 31 March 2023	**872**	**1,086**	**772**	**2,730**

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 remeasurements 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 or 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.

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		12,926	460	23	13,409
Less accumulated depreciation		(4,450)	(375)	(14)	(4,839)
Net book value at 1 April 2021		**8,476**	**85**	**9**	**8,570**
Additions/lease liability remeasurements		869	10	–	879
Disposals – cost		(477)	(336)	–	(813)
Depreciation expense	A4	(2,336)	(85)	(8)	(2,429)
Eliminations on disposal – depreciation		477	336	–	813
Net book value at 31 March 2022		**7,009**	**10**	**1**	**7,020**
Additions/lease liability remeasurements		1,851	24	43	1,918
Business combinations	G1	1,167	–	–	1,167
Disposals – cost		(1,387)	(39)	(23)	(1,449)
Depreciation expense	A4	(2,419)	(17)	(7)	(2,443)
Eliminations on disposal – depreciation		764	38	23	825
Net book value at 31 March 2023		**6,985**	**16**	**37**	**7,038**
Cost		15,285	24	42	15,351
Less accumulated depreciation		(8,300)	(8)	(5)	(8,313)
Net book value at 31 March 2023		**6,985**	**16**	**37**	**7,038**

	GROUP	
	2023	**2022**
LEASE LIABILITIES	$'000	$'000
Property	7,760	7,744
Motor vehicle	16	11
Computer equipment	37	1
Total lease liabilities	**7,813**	**7,756**
Classified as:		
Current	2,439	2,231
Non-current	5,374	5,525
Total lease liabilities	**7,813**	**7,756**
Maturity analysis – contractual undiscounted cashflows:		
Less than 1 year	2,781	2,539
Later than 1 year and not later than 5 years inclusive	5,268	5,490
More than 5 years	964	439
Total undiscounted lease liabilities 31 March	**9,013**	**8,468**
Amounts recognised in Statement of Comprehensive Income:		
Interest on lease liabilities	(318)	(411)
Expenses relating to short term leases	(578)	(601)
Impairment of right of use assets	(109)	–
Total amounts recognised in Statement of Comprehensive Income	**(1,005)**	**(1,012)**
Cash outflows recognised in the Statement of Cashflows:		
Recognised within cash flows from operating activities		
Interest elements of lease payments	(318)	(410)
Total recognised within cash flows from operating activities	**(318)**	**(410)**
Recognised within cash flows from financing activities		
Principal elements of lease payments	(2,485)	(2,351)
Total recognised within cash flows from financing activities	**(2,485)**	**(2,351)**
Total cash outflows recognised in the Statement of Cashflows	**(2,803)**	**(2,761)**

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			
	NOTE	Customer Relationships $'000	Brand Name $'000	Restraint of Trade $'000	Total $'000
Cost		15,750	10,474	2,710	28,934
Less accumulated amortisation		(13,366)	–	(1,715)	(15,081)
Net book value at 1 April 2021		**2,384**	**10,474**	**995**	**13,853**
Additions		–	–	–	–
Amortisation expense	A4	(874)	–	(492)	(1,366)
Eliminations on disposal – amortisation		–	–	–	–
Net book value at 31 March 2022		**1,510**	**10,474**	**503**	**12,487**
Additions		–	–	–	–
Business combinations		1,072	1,607	2,585	5,264
Amortisation expense	A4	(704)	–	(435)	(1,139)
Eliminations on disposal – amortisation		–	–	–	–
Net book value at 31 March 2023		**1,878**	**12,081**	**2,653**	**16,612**
Cost		16,822	12,081	5,295	34,198
Less accumulated amortisation		(14,944)	–	(2,642)	(17,586)
Net book value at 31 March 2023		**1,878**	**12,081**	**2,653**	**16,612**

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.
- $1.029 million identified and recognised from the JacksonStone & Partners acquisition are allocated to the JacksonStone & Partners cash generating unit.
- $1.607 million identified and recognised from the Hobson Leavy acquisition are allocated to the Hobson Leavy 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	
		2023	**2022**
	NOTE	$'000	$'000
Balance at 1 April		38,068	38,068
Business combinations – Hobson Leavy	G1	4,485	–
Balance as at 31 March		**42,553**	**38,068**
Allocation to cash generating units			
• AWF		11,212	11,212
• Madison Recruitment		13,223	13,223
• Absolute IT		7,836	7,836
• JacksonStone & Partners		5,797	5,797
• Hobson Leavy		4,485	–
Total goodwill		**42,553**	**38,068**

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 judgements 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 FY24 financial budgets prepared by management and approved by the Board.

Madison Recruitment, Absolute IT and JacksonStone & Partners, Hobson Leavy

Key assumptions used for the value in use calculations included:

- Sales growth – 2.5% (2022: 1.5%) Average annual growth over financial years 2025 – 2028 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 2028 the impairment models assume a constant growth rate of 2.5% (2022: 1.5%).
- The discount rate used to discount the forecast cash flows is 10.09% (2022: 9.48%).

AWF

The AWF CGU is sensitive to changes in financial performance assumptions. AWF was again candidate constrained in FY23 due to the slow processing of visa applications for migrant workers, in addition to a number of abnormal costs relating to ACC and the Queen's memorial public holiday incurred in FY23. AWF has forecast an increase in temporary staff per day of 5% for FY25 and FY26 to return to pre-COVID levels, and thereafter annual EBITDA growth of 2.5%. The terminal year sales growth starting FY29 assumes a constant growth rate of 2.5% (2022: 1.5%). The discount rate used to discount the forecast cash flows is 10.09% (2022: 9.48%).

Sensitivity Analysis

As noted, AWF is sensitive to changes in its financial performance assumptions, specifically the growth rate of temps per day. Based on the growth rates and assumptions disclosed, the recoverable amount exceeds the aggregated carrying value by approximately $4.0m. In the event the annualised growth rate achieved in temps per day for FY25 and FY26 is 3.75%, the recoverable amount will approximate its carrying value.

The sensitivity assumptions across all the other CGUs 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.

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	
		2023	**2022**
RETAINED EARNINGS AND DIVIDENDS	NOTE	$'000	$'000
Opening balance at 1 April		6,349	8,465
Total comprehensive income for the year		1,977	2,999
Dividends paid	C5	(4,309)	(5,171)
Restricted share scheme options lapsed	F1	57	56
Closing balance at 31 March		**4,074**	**6,349**

C2 SHARE CAPITAL

	GROUP			
	2023	**2022**	**2023**	**2022**
ORDINARY SHARE CAPITAL	No of Shares	No of Shares	$'000	$'000
Issued and fully paid:				
Opening balance at 1 April	34,325,542	34,325,542	30,868	30,868
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.

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

C3 TREASURY SHARES

	GROUP			
	2023	**2022**	**2023**	**2022**
TREASURY SHARES	No of Shares	No of Shares	$'000	$'000
Issued and fully paid:				
Opening balance at 1 April	517,289	–	804	–
Purchase of treasury shares	–	517,289	–	804
Closing balance at 31 March	517,289	517,289	804	804

Treasury shares were acquired to provide flexibility under the equity-settled share based incentive scheme.

517,289 Treasury shares were acquired progressively over the period 28 May 2021 to 7 July 2021 at a weighted average cost of $1.5545 per share at a cost of $804k.

C4 EARNINGS PER SHARE

		GROUP	
		2023	**2022**
EARNINGS PER SHARE	NOTE	$'000	$'000
Comprehensive income for the year net of tax		1,977	2,999
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		33,808,253	33,808,253
Total basic earnings per share (cents per share)		**5.8**	**8.9**
Weighted average number of shares for diluted earnings per share		33,808,253	33,808,253
Total diluted earnings per share (cents per share)		**5.8**	**8.9**

The restricted shares detailed in Note F1 could also potentially dilute earnings per share in the future, but currently are anti-dilutive (2022 were anti-dilutive).

C5 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			
		2023		**2022**
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts:				
Prior year final dividend	5.60	1,987	8.20	2,865
Interim dividend	6.50	2,322	6.50	2,306
		4,309		**5,171**
Final dividend declared	3.00	1,071	5.60	1,987

Dividends

Prior year final dividend

On 25 May 2022 the directors approved the payment of a fully imputed final dividend of 5.6 cents per share (total dividend of $1,987,062) to be paid on 30 June 2022 to all shareholders registered on 17 June 2022. The dividend reinvestment plan was not offered on this distribution.

Current year interim dividend

On 26 October 2022 the directors approved the payment of a fully imputed interim dividend of $2,322m (6.5 cents per share) paid on 1 December 2022.

Subsequent event

On 29 May 2023 the directors resolved to approve the payment of a fully imputed final dividend of 3.0 cents pre share (total dividend of $1,071,248) to be paid on 30 June 2023 to all shareholders registered on 16 June 2023. The dividend reinvestment plan will not be offered on this distribution.

C6 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.

	GROUP	
	2023	**2022**
CASH AND CASH EQUIVALENTS	$'000	$'000
Cash at bank	1,954	4,972
Total cash and cash equivalents	**1,954**	**4,972**

	GROUP	
	2023	**2022**
RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES	$'000	$'000
Net profit after income tax	1,977	2,999
Adjustments for operating activities non-cash items:		
Depreciation and amortisation	4,628	4,941
Impairment	109	–
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	(16)	(24)
Movement in expected credit loss provision	(281)	(63)
Movement in deferred tax	(158)	(585)
Equity-settled share-based payments	223	134
Interest on contingent consideration to the vendor of Hobson Leavy	22	–
Interest on contingent consideration to the vendor of JacksonStone & Partners	–	13
Fair value movement on contingent consideration to the vendor of JacksonStone & Partners	–	845
Total non-cash items	4,527	5,261
Movements in working capital excluding movements relating to purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables, and contract assets	2,666	(2,451)
Increase/(decrease) in trade and other payables, and contract liabilities	(3,236)	4,249
Increase/(decrease) in taxation payable	(1,219)	421
Total movement in working capital	(1,789)	2,219
Cash flow from operating activities	**4,715**	**10,479**

C7 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 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 $100,000 (2022: $381,000) 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 $2.6 million (2022: $4.6 million) which are overdue at the reporting date. Included in other receivables are debtors with a carrying value of $Nil (2022: $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	
	2023	**2022**
TRADE AND OTHER RECEIVABLES	$'000	$'000
Trade receivables	23,008	25,253
Provision for expected credit loss	(100)	(381)
Total trade receivables	**22,908**	**24,872**
Other receivables	863	996
Total other receivables	**863**	**996**
Total trade and other receivables	**23,771**	**25,868**

PROVISION FOR IMPAIRMENT	NOTE	GROUP 2023 $'000	GROUP 2022 $'000
PROVISION FOR EXPECTED CREDIT LOSS FOR TRADE RECEIVABLES			
Balance at 1 April		381	493
Impairment losses reversed	A4	(247)	(112)
Impairment losses recognised	A4	(34)	–
Balance at 31 March		**100**	**381**

EXPECTED LOSS RATES FOR TRADE RECEIVABLES	GROUP Current	1 – 30 days	30 – 60 days	60 – 90 days	90+ days	Total
31 March 2023						
Expected loss rate (%)	0.0%	0.0%	5.1%	51.4%	98.4%	0.5%
Gross trade receivables ($'000)	20,393	2,132	325	122	36	23,008
Provision for impairment of trade receivables ($'000)	–	–	(15)	(54)	(31)	(100)
Net trade receivables	20,393	2,132	310	68	5	22,908
31 March 2022						
Expected loss rate (%)	0.0%	0.0%	19.5%	51.9%	49.4%	1.7%
Gross trade receivables ($'000)	20,697	3,341	572	352	291	25,253
Provision for impairment of trade receivables ($'000)	–	–	(97)	(159)	(125)	(381)
Net trade receivables	20,697	3,341	475	193	166	24,872

EXPECTED LOSS FOR OTHER RECEIVABLES

Management has reviewed and assessed other receivables and the provision for impairment $Nil (2022: $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 2023 Group revenue (2022: 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.

C8 BORROWINGS

	GROUP	
	2023	**2022**
BORROWINGS	$'000	$'000
Bank loans	23,500	18,000
Total borrowings	**23,500**	**18,000**
Classified as:		
Current	–	–
Non-current	23,500	18,000
Total bank loans	**23,500**	**18,000**

Summary of borrowing arrangements

During the financial year the Group changed the composition of the ASB Bank Facilities and extended the facilities to 1 October 2024.

Total Facility limit remained constant at $38.0m. The Revolving Credit Facility was reduced to $23.0m from $30.0m, the Group Overdraft Facility was withdrawn, previously $8.0m and a Trade Finance Facility was introduced, with a limit of $15.0m.

Facility usage at 31 March 2023 was: Revolving Credit $18.0m (2022: $15.0m) and Trade Finance $5.5m (2022: $Nil).

Cash at Bank at 31 March 2023 was $1.954m (2022: $4.972m).

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.

The revolving loan is drawn in tranches which are financed for 90 days. The trade finance loan is drawn in tranches which are financed for 30 days, repayable during the interest term without penalty at the company's election.

The weighted average cost of interest including bank margin and line fee (excluding bank facility fee) was 5.18% (2022: 2.57%).

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 2023					
Borrowings					
Bank loans - ASB Bank Limited (i)		18,000	5,500	–	23,500
Other financial liabilities from financing activities					
Lease liabilities (ii)	B2	7,756	(2,803)	2,860	7,813
Hobson Leavy contingent consideration	G1	–	–	2,648	2,648
Total		**25,756**	**2,697**	**5,508**	**33,961**
For the year ended 31 March 2022					
Borrowings					
Bank loans - ASB Bank Limited (i)		15,000	3,000	–	18,000
Lease liabilities (ii)	B2	9,255	(2,351)	852	7,756
Total		**24,255**	**649**	**852**	**25,756**

(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 $1,599,000 (2022: $859,000) and remeasurement of existing leases during the year of $894,000 (2022: -$7,000).

C9 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	
	2023	**2022**
TRADE AND OTHER PAYABLES	$'000	$'000
Trade payables	8,431	8,442
Goods and services tax (GST) payable	1,980	1,921
PAYE	2,450	3,723
Other payables and accruals	8,538	10,296
Total trade and other payables	**21,399**	**24,382**

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 C7.

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.

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 C8, cash and cash equivalents (note C6) 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
2023							
Financial assets							
Non-interest bearing	-%	23,992	–	–	–	–	23,992
Floating interest	2.13%	1,954	–	–	–	–	1,954
Financial liabilities							
Non-interest bearing	-%	(9,376)	(2,409)	(2,262)	(7,916)	(964)	(22,927)
Floating interest	5.18%	(101)	(203)	(913)	(24,109)	–	(25,326)
		16,469	**(2,612)**	**(3,175)**	**(32,025)**	**(964)**	**(22,307)**
2022							
Financial assets							
Non-interest bearing	-%	25,965	–	–	–	–	25,965
Floating interest	0.00%	4,972	–	–	–	–	4,972
Financial liabilities							
Non-interest bearing	-%	(10,018)	(2,461)	(2,137)	(5,490)	(439)	(20,545)
Floating interest	3.17%	(48)	(95)	(428)	(18,285)	–	(18,856)
		20,871	**(2,556)**	**(2,565)**	**(23,775)**	**(439)**	**(8,464)**

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.

Sensitivity analysis

The sensitivity analysis has been based on the exposure to interest rates for borrowings and cash and cash equivalents at 31 March.

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	
	2023	**2022**
	$'000	$'000
Impact on profit and equity	117	90

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 and the subsidiaries listed below. Subsidiaries are entities controlled, directly or indirectly, by Accordant 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% (2022: 100%)	100% (2022: 100%)	Labour hire
Madison Recruitment Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Recruitment
Absolute IT Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Recruitment and Payroll Services
Probity NZ Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Probity checks
Accordant Group Services Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Group Services
JacksonStone & Partners Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Recruitment
JacksonStone Consulting Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Dormant
The Work Collective Limited	New Zealand	100% (2022: 100%)	100% (2022: 100%)	Social Initiative
Hobson Leavy Limited	New Zealand	100% (2022: N/A)	100% (2022: N/A)	Executive Search

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.

6 The Group is not party to any Golden parachute clauses.

	GROUP	
	2023	**2022**
EMPLOYEE BENEFITS	$'000	$'000
Employee benefits	116,866	115,198
Employer contribution to Kiwisaver	2,794	2,425
Equity-settled share-based payments	223	134
Total employee benefits expense	**119,883**	**117,757**

	GROUP	
	2023	**2022**
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	3,144	2,990
Employer contribution to Kiwisaver	94	89
Equity-settled share-based payments	74	217
Total key management personnel compensation	**3,312**	**3,296**

The remuneration of directors and key executives is determined by the Remuneration and Nomination Committee having regard to the performance of individuals and market trends. Directors fees expensed during the year was $395,000 (2022: $375,000).

Gross dividends paid during the year to key management who hold restricted shares was $103,000 (2022: $301,000).

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 490,000 restricted shares were issued to senior staff during the year under the terms of the Group share scheme (2022: 885,000). 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 (2022: No restricted shares were exercised during the year).

150,000 restricted shares were expired during the year (2022: 81,000) and 105,000 restricted shares were forfeited during the year (2022: 66,000). The corresponding interest free loan provided to staff was also cancelled.

At 31 March 2023, there were 1,910,000 (2022: 1,675,000) shares held by staff members and corresponding loans to the value of $3,418,440 (2022: $3,019,000).

The following share-based payment arrangements were in existence at 31 March 2023:

	Number	Grant date	Vesting date	Expiry date	Issue price	Fair value at grant date of the option
RESTRICTED SHARE SERIES					$	$
H Shares 2019 Grant	188,800	1/11/2018	1/01/2024	1/01/2025	1.90	0.55
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
K Shares 2022 Grant	384,000	1/10/2021	1/01/2024	1/01/2025	1.90	0.43
L Shares 2022 Grant	416,000	1/10/2021	1/01/2025	1/01/2026	1.90	0.48
M Shares 2023 Grant	245,000	14/10/2022	1/10/2025	1/10/2026	1.80	0.50
N Shares 2023 Grant	245,000	14/10/2022	1/10/2026	1/10/2027	1.80	0.56
Total	**1,910,000**					

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	Expected life	Risk Free Rate	Annualised Volatility	Option Value
			$	$	(Days)	(Years)	%	%	$
H Shares 2019 Grant	1/11/2018	1/01/2024	$1.84	$1.90	1,887	5.20	2.20%	26.70%	$0.55
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
K Shares 2022 Grant	1/10/2021	1/01/2024	$1.75	$1.90	822	2.30	1.22%	36.80%	$0.43
L Shares 2022 Grant	1/10/2021	1/01/2025	$1.75	$1.90	1,188	3.30	1.40%	35.20%	$0.48
M Shares 2023 Grant	14/10/2022	1/10/2025	$1.61	$1.80	1,083	3.00	4.44%	37.10%	$0.50
N Shares 2023 Grant	14/10/2022	1/10/2026	$1.61	$1.80	1,448	4.00	4.45%	35.80%	$0.56

The weighted average fair value of the restricted shares granted under the restricted share scheme during the year was $0.47 (2022: $0.45).

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

	GROUP			
	2023		2022	
	Option	Weighted average exercise price	Option	Weighted average exercise price
	Number	$	Number	$
Balance at 1 April	1,675,000	$1.80	937,000	$1.78
Granted during the year	490,000	$1.80	885,000	$1.90
Exercised during the year	–	$-	–	$-
Expired during the year	(150,000)	$1.89	(81,000)	$2.46
Forfeited during the year	(105,000)	$1.90	(66,000)	$1.91
Balance at 31 March	1,910,000	$1.79	1,675,000	$1.80

The number of restricted share options exercisable at 31 March 2023 is Nil (2022: Nil).

The restricted shares outstanding at 31 March 2023 had a weighted average contractual life from inception of 1,251 days (2022: 1,129 days).

During the year ended 31 March 2023 the share based payments expense recognised by the Group was a charge of $222,215 (2022: charge of $134,028).

There were no restricted share options exercised during the year (2022: 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	
	2023	**2022**
PROVISION FOR WAGES, MEDICAL AND REHABILITATION COSTS	$'000	$'000
Balance at 1 April	400	400
Payments made during the year	(653)	(223)
Estimated change in the claims provision	655	(19)
Estimated Provision relating to prior year(s) claims	402	158
Estimated provision relating to current year claims	180	242
Balance at 31 March	**582**	**400**
Current	582	400
Non-current	–	–
Balance at 31 March	**582**	**400**

AWF Limited continues to participates in the ACC Partnership Discount Plan. Under this plan AWF Limited, as employer undertakes injury management with the assistance of its appointed agent and acepts financial responsibility for employees who incur work-related injuries for a 12 month management period.

KEY JUDGEMENTS AND ESTIMATES – REHABILITATION UNDER THE ACC PARTNERSHIP PROGRAMME

Provisions represent management's best estimate of the Group's liability for ongoing wages, 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 (2022: 18,194,598) shares is the ultimate controlling entity of the Group, having a 53.01% (2022: 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	
	2023	**2022**
RELATED PARTY TRANSACTIONS	$'000	$'000
Mr Simon Bennett – Consultancy services	120	30
Mr Richard Stone – Consultancy services	–	50

Accordant Group Services Limited has entered a consultancy arrangement with Mr Simon Bennett (Chairman and Director) commencing 1 January 2022 at the rate of $120,000 per annum for a defined scope of work.

JacksonStone & Partners Limited entered into a consultancy arrangement commencing 1 April 2021 with Mr Richard Stone (Director) at the rate of $50,000 per annum for a defined scope of work. This consultancy arrangement concluded at 31 March 2022.

At 31 March 2023, Group entities do not have any amounts owed or owing to a related party that is not a member of the Group (2022: $ Nil).

F4 COMMITMENTS

	GROUP	
	2023	**2022**
CAPITAL EXPENDITURE COMMITMENTS	$'000	$'000
Property, plant and equipment	79	39
Total capital expenditure commitments	79	39

F5 CONTINGENT ASSETS AND LIABILITIES

ASB Bank Limited has issued seven guarantees on behalf of the Group totaling $888,000 in support of property leases (6) and a surety bond to the NZX (2022: $534,000).

The Group has no other contingent assets or liabilities at 31 March 2023 (2022: $Nil).

F6 EVENTS AFTER THE REPORTING DATE

Other

No other subsequent events have occurred since reporting date that would materially impact the Group's financial statements as at 31 March 2023.

G. Significant matters in the financial year

IN THIS SECTION

Significant matters which have impacted the Group's financial performance.

G1 BUSINESS COMBINATIONS

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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The Group's goodwill policy is set out in note B4.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Purchase of Hobson Leavy

Effective 31 January 2023, Accordant Group Limited acquired the shares of Hobson Leavy Limited ('Hobson Leavy'). Hobson Leavy is one of New Zealand's market leaders in retained executive search, operating exclusively in the "C" suite market and across both the public and private sectors. The acquisition accelerates the group's capability in the search market, and especially in Auckland.

The goodwill and identifiable intangible assets are not deductible for income tax purposes.

The initial accounting for the Hobson Leavy business combination has been completed (i.e. the amounts reported below are not provisional).

Name	Principal activity	Date of acquisition	Proportion acquired	Cost of acquisition
			%	$'000
Hobson Leavy	Retained executive "C suite" search	31/1/2023	100%	8,795

Analysis of assets and liabilities acquired	Fair value on acquisition $'000
Non-current assets	
Plant and equipment	165
Intangible assets	
• Hobson Leavy brand	1,607
• Customer relationships	1,072
• Restraint of trade	2,585
Right of use assets	1,167
Current assets	
Trade receivables	372
Other receivables	28
Cash and cash equivalents	397
Non-current liabilities	
Deferred tax	(1,431)
Lease liabilities	(909)
Current liabilities	
Trade and other payables	(447)
Taxation payable	(38)
Lease liabilities	(258)
Net identifiable assets and liabilities	4,310
Goodwill on acquisition	4,485
Cost of acquisition	8,795

The Group engaged an external valuation specialist to assist in determining the market value for the identifiable intangible assets.

The intangible assets acquired comprise assets that have both finite and indefinite life spans. The Hobson leavy brand is considered to have an indefinite life span and the customer relationships and non-compete have a finite life span. Intangible assets with a finite life span are amortised over their estimated useful lives.

Trade receivables of $372,000 were subsequently collected and therefore represent fair value at acquisition date.

Cost of acquisition

The cost of acquisition was made up as follows:	$'000
Paid in cash on completion date (31 January 2023)	6,097
Working capital adjustment (3 March 2023)	50
Earn out tranche 1 (Payable May 2024)	1,196
Earn out tranche 2 (Payable May 2025)	1,452
	8,795

Contingent consideration

As at acquisition date

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

Under the contingent consideration arrangement, there will be additional cash payments to the previous owners of Hobson Leavy, where the Group is required to pay:

- Two Earn-outs based on performance in FY24 ('Earn-out tranche 1') and FY25 ('Earn-out tranche 2') above a specified and defined calculation of Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA'); and

At acquisition date, the potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is $1.284m for Earn-out tranche 1 and $1.628m for Earn-out tranche 2.

- The fair value of Earn-out tranche 1 of $1.196m, was estimated by applying a discount factor of 5.30% to the earn out amount of $1.284m. Management determined the amount based on a 100% probability of meeting an EBITDA value in excess of the agreed minimum EBITDA threshold.
- The fair value of Earn-out tranche 2 of $1.452m, was estimated by applying a discount factor of 4.91% to the earn out amount of $1.628m. Management determined this value based on a range of probabilities and weighting of EBITDA in excess of the agreed minimum EBITDA threshold.

As at 31 March 2023

There have been no material changes in the Group's estimate of the probable cashflows to the previous owners of Hobson Leavy under the contingent consideration arrangement.

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 $48,000

Acquisition related costs amounting to $379,000 have been excluded from the consideration transferred and have been recognised as an expense in the Statement of Comprehensive Income in the year ended 31 March 2023.

Net cash outflow on acquisition	$'000
Total purchase consideration	8,795
Less non cash consideration	
Contingent consideration	(2,648)
Consideration paid in cash	6,147
Less: cash & cash equivalents acquired	(397)
Net cash paid	5,750

Goodwill on acquisition

Goodwill arose on the acquisition of Hobson Leavy as the consideration paid included amounts in relation to the benefit of future market development and the assembled client base, candidate data base and workforce. The portion of these benefits that relates to contracts with major clients, the Hobson Leavy brand, and the restraint of trade agreements imposed on the vendors have been valued separately as intangible asset. The remaining benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

KEY JUDGEMENTS AND ESTIMATES

IDENTIFICATION AND VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS ARISING FROM A BUSINESS COMBINATION

The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. The Group uses the skills and experience of valuation specialists in establishing an initial range within which fair value is to be recognised. Judgement is then applied in selecting the value to be recognised on the Statement of Financial Position. Judgement is also applied in determining the useful life of the intangible assets which impacts directly on the amortisation charges to be incurred following an acquisition.

In determining the values for identified intangible assets, being Brand names, Customer relationships and Restraint of trade, valuations were performed by an external valuation specialist. The fair values were determined as follows:

- Brand name was valued using the relief from royalty method under the income approach. This method essentially looks at the theoretical royalty costs that are saved by owning the brand name instead of leasing it. The key inputs are royalty rate, discount rate and forecast revenue.
- Customer relationships were valued using the multi-period excess earnings method. This method uses an indirect approach to determining the value of an intangible asset by deducting an estimate of the after tax contribution to earnings of all other assets and deriving a residual or excess earnings that is then attributed to asset being valued and capitalised at an appropriate required rate of return for that asset. The forecast EBIT is then discounted. It is often used to value intangible assets that are a core part of the business where it is difficult to observe a direct contribution or economic benefit from ownership of the asset. Key inputs are forecast EBIT, discount rate and implied return on other identified assets.
- Restraint of trade was valued using the comparative income differential method. This method involves comparing and assessing the difference in future earnings with or without the benefit of future access to or use of the intangible asset being valued. Key inputs are forecast EBIT and discount rate.

VALUATION OF CONTINGENT CONSIDERATION RESULTING IN A BUSINESS COMBINATION

The measurement of contingent consideration resulting in a business combination is highly subjective and there are a range of possible values that could be attributed to its fair value on initial recognition and subsequent measurement. The determination of its fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. In establishing the probability of meeting each performance target, the Group applies judgement based on the historical and forecasted performance of the acquired CGU, to which the contingent consideration is attributable. Judgement is also applied in determining discount factor, which impacts directly on the interest charges to be incurred following an acquisition.

Impact of acquisition on the results of the Group

For the period 1 February 2023 to 31 March 2023, included in Group profit after tax is $139k and in Group revenue $752k attributable to Hobson Leavy.

Had this business combination been in effect at 1 April 2022, the revenue of the Group from continuing operations would have increased by approximately $4.6m, and the net profit after tax for the year from continuing operations would have increased by approximately $0.5m (net of intangible asset amortisation). The directors consider these estimated numbers to represent an approximate measure of the performance of the combined group on an annualised basis and provide a reference point for comparison in future periods.

In determining the estimated revenue and profit of the Group had Hobson Leavy been acquired at the beginning of the current year, Management have:

- Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- Calculated amortisation of identifiable intangible assets acquired based on the value of these assets at date of acquisition.

Companies Act 1993 disclosures

Directors

The following persons were non-executive Directors of Accordant Group Limited as at 31 March 2023:

NAME OF DIRECTOR	Nature of directorship	Date appointed
Simon Bennett	Non-independent Chair	21 June 2021
Simon Hull	Non-independent Director	4 February 2005
Nicholas Simcock	Independent Director	1 January 2018
Laurissa Cooney	Independent Director	1 August 2020
Richard Stone	Independent Director	25 January 2022

Simon Hull is not an independent director because he is a substantial shareholder in the Company and has been a director for more than twelve years, while Simon Bennett is not an independent director because within the last three years, he was the Chief Executive Officer of the Company.

None of the Directors has been appointed pursuant to listing rule 2.4.

Wynnis Armour resigned as a Director on 30 November 2022.

Subsidiary Company Directors

The following were directors of subsidiary companies as at 31 March 2023. Employee directors of subsidiary companies do not receive directors' fees, remuneration, or other benefits in their capacity as directors. The remuneration and other benefits of such employees, received as employees, are included in the relevant bands for remuneration disclosed elsewhere in this Additional Information section.

NAME OF SUBSIDIARY COMPANY	Directors
Hobson Leavy Limited	Simon Bennett, Jason Cherrington, Carrie Hobson, Stephen Leavy
Accordant Group Services Limited	Jason Cherrington, Tony Staub, Shereen Low
AWF Limited	Jason Cherrington, Tony Staub, Shereen Low
Madison Recruitment Limited	Jason Cherrington, Tony Staub, Shereen Low
Absolute IT Limited	Jason Cherrington, Tony Staub, Shereen Low
JacksonStone & Partners Limited	Jason Cherrington, Tony Staub, Shereen Low
JacksonStone Consulting Limited	Jason Cherrington, Tony Staub, Shereen Low
The Work Collective Limited	Jason Cherrington, Tony Staub, Shereen Low
Probity NZ Limited	Jason Cherrington, Tony Staub, Shereen Low

Entries recorded in the Interests Register

In accordance with section 140(2) of the Companies Act 1993 the Company maintains an interests register in which Directors' interests are recorded. The table below sets out the particulars of general disclosures of interest made by Directors holding office as at 31 March 2023. The director will be regarded as interested in all transactions between Accordant and the disclosed entity.

DIRECTOR	Name of business and nature of interest
Simon Bennett	Trustee – Ice Foundation
	Director – The Icehouse Limited
	Director – Peak Partners Limited
Simon Hull	Trustee – S.A. Hull Family Trust
	Trustee – S.A. Hull Family Trust No. 2
	Director – Hull Properties Limited
	Director – Nano Imports Limited
	Director – Multihull Ventures Limited
	Director – Marlborough Developments (2007) Limited
	Director – Zhik Pty Limited
	Director – The Garage Club Limited
Nicholas Simcock	Trustee – Wellington Creative Capital Arts Trust
	Director – Simcorp Limited
	Director – Just Property Management Limited
Laurissa Cooney	Trustee – Ngai Tai ki Tamaki Commercial Investment
	Director – Tourism Bay of Plenty
	Director – Air New Zealand Limited
	Director – Goodman (NZ) Limited
	Director – Goodman Property Aggregated Limited
	Director – GMT Bond Issuer Limited
	Director – Le Rissa Limited
	Guardian – The Aotearoa Circle
	Steering Committee Member – Institute of Directors Chapter Zero
	Co-Chairperson – Tourism ITP for the Environment (MBIE)
Richard Stone	Chair – Life Flight Trust Limited
	Chair – Commerce Building Limited
	Director – Bolton Holdings Limited
	Director – Cape Horn Land Company Limited
	Director – Central Air Ambulance Rescue Services Limited

Information used by Directors

During the financial year ended 31 March 2023 there were no notices from Directors of the Company requesting to disclose or use Company Information received in their capacity as Directors.

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Accordant has continued to indemnify and provide Director's and Officer's liability insurance covering, executives and employees acting on behalf of the Company, against potential liability or costs incurred in any proceeding, except to the extent prohibited by law. The insurance does not cover liabilities arising from criminal actions.

Directors' Shareholding Interests

As at 31 March 2023 the Directors of the Company had the following relevant interests in the Company's shares.

NAME OF DIRECTOR	Ordinary shares	Restricted shares held under the Company's long term incentive scheme*
Simon Bennett	280,007	960,000
Simon Hull	18,194,598	-
Nicholas Simcock	10,000	-
Laurissa Cooney	-	-
Richard Stone	-	-

*These Restricted Shares were issued to Simon Bennett during his tenure as CEO. Further information about the terms of the long-term incentive scheme that governs these Restricted Shares is set out in note F to the financial statements.

Directors and Senior Manager share dealings

In accordance with the Companies Act 1993, between 1 April 2022 and 31 March 2023 the Board received the following disclosures from Directors and Senior Managers of acquisitions and dispositions of shares in the Company, with such particulars having been duly entered in the Company's interests register.

Director/Senior Manager	Transaction	Number of securities	Price per security	Date
Jason Cherrington	Purchase of shares	7,083	$1.80	1-2 November 2022
Jason Cherrington	Purchase of shares	7,917	$1.80	18 November 2022
Jason Cherrington	Purchase of shares	1,214	$1.80	21 November 2022

Diversity and inclusion

The gender breakdown of Accordant Group Limited's Board of Directors and Officers as at 31 March 2023 is set out in the table below:

Directors	31 Mar 2023	31 Mar 2022
Female	1 (20%)	2 (33%)
Male	4 (80%)	4 (67%)
Gender Diverse	-	-
Total	5	6

Officers*	31 Mar 2023	31 Mar 2022
Female	6 (50%)	5 (50%)
Male	6 (50%)	5 (50%)
Gender Diverse	-	-
Total	12	10

*Officers for these purposes means any leader who is concerned with or takes part in the management of the Company and who also reports to the Board or the CEO.

The Board is satisfied with the initiatives being implemented with respect to the Group's diversity policy.

Remuneration of Directors

The total pool of Directors Fees available to Non-Executive Directors for the year ended 31 March 2023 was $450,000, as approved by shareholders in July 2017. The table below sets out the total remuneration and the value of other benefits received by each Director during the financial year ended 31 March 2023. The Board Charter provides that no sum is paid to a director on retirement from or cessation of office.

Director	Annual $'000	Fees paid in year $'000
Simon Bennett*	115	115
Simon Hull	60	60
Wynnis Armour	60	40
Nicholas Simcock	60	60
Laurissas Conney	60	60
Richard Stone	60	60
	415	395

*In addition to the above Simon Bennett was paid $120,000 for a consultancy services provided to the Company for specific work undertaken over and above and separate from his role as a Director and Chair. He also received gross dividends of $164,000 in respect of the Restricted Shares held under the Company's long-term incentive scheme.

Directors are eligible to participate in the Group's equity-settled share-based incentive scheme.

CEO remuneration FY23 – Jason Cherrington

Salary and fees	Taxable benefits	Subtotal – fixed remuneration	Short Term Incentive STI	LTI – Gross Dividends on Restricted Shares	Subtotal – pay for performance	Total remuneration
$528,653*	$15,860	$544,513	$56,135	$22,569	$78,704	$623,217

The Short-Term Incentive paid in FY23 relates to FY22.

CEO remuneration FY22

Salary and fees	Taxable benefits	Subtotal – fixed remuneration	Short Term Incentive STI	LTI – Gross Dividends on Restricted Shares	Subtotal – pay for performance	Total remuneration
$389,423*	$11,683	$401,106	Paid FY23	$Nil	-	$401,106
$380,523**	$11,416	$391,939	$144,061	$147,222	$291,283	$683,222

* Jason Cherrington
** Simon Bennett

The Short-Term incentive paid to Simon Bennett in FY22 relates to FY21.

Short-Term incentives are determined after year end and are paid in the subsequent financial year. The following five-year summary aligns the Short-Term incentive to the year in which it relates to.

Five-year summary – CEO remuneration

Financial Year	CEO	Single figure remuneration
2023	Jason Cherrington	$544,513
2022	Jason Cherrington	$457,241
2022	Simon Bennett	$485,564
2021	Simon Bennett	$784,103
2020	Simon Bennett	$645,542
2019	Simon Bennett	$602,592

Explanation of the above items

1. Taxable benefits comprise a matching superannuation contribution of 3% of gross taxable earnings.
2. Short Term Incentive includes a matching superannuation contribution of 3%.
3. On 21 June 2021 the Company appointed Jason Cherrington to take over from Simon Bennett as the Chief Executive Officer.

Breakdown of pay for performance FY23

Description	Performance measures
STI – 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 Company financial performance 60%, individual leadership targets 20% and Strategic initiatives 20%.	The STI performance for the 2023 financial year has yet to be determined.
LTI – The CEO is eligible for a grant of Restricted Shares under the Company's long-term incentive scheme.	250,000 Restricted Shares were issued to the CEO in the FY23 financial year. Further information about the terms of the Restricted Shares, including the performance measures, is set out in note F to the financial statements. The CEO did not exercise any Restricted Share options during the financial year.

Restricted Share Scheme interests awarded to the CEO in the 2023 financial year.

Table A below sets out Options to acquire restricted shares issued under the Company's long term incentive scheme to the Company's CEO Jason Cherrington during the FY23 financial year.

Table B below sets out Options to acquire restricted shares previously issued under the Company's long-term incentive scheme to the Company's former CEO Simon Bennett.

Note F1 to the financial statements contains an explanation of how the long-term incentive scheme operates as well as further information regarding, in respect of each series of Restricted Shares issued under that Scheme, the term to vesting, expected life, the risk-free rate (%), annualised volatility and option value (and basis of calculation). The CEO did not exercise any restricted share options during FY23.

Table A – interests awarded during the 2023 financial year.
Jason Cherrington

Date of award	Type of Scheme interest	Number	Exercise price	Vesting date (May be exercised within 12 months of the vesting date)
14 October 2022	Options to acquire restricted M shares	125,000	$1.80	1 October 2025
14 October 2022	Options to acquire restricted N shares	125,000	$1.80	1 October 2026

Table B – interests awarded to the former CEO.
Simon Bennett

Date of award	Type of Scheme interest	Number	Exercise price	Vesting date (May be exercised within 12 months of the vesting date)
1 November 2018	Options to acquire restricted H shares	60,000	$1.90	1 July 2024
18 September 2020	Options to acquire restricted I shares	150,000	$1.50	1 July 2023
18 September 2020	Options to acquire restricted J shares	250,000	$1.50	1 January 2025
1 October 2021	Options to acquire restricted K shares	250,000	$1.90	1 January 2024
1 October 2021	Options to acquire restricted L shares	250,000	$1.90	1 January 2025

Employee Remuneration

The table below sets out the number of employees (not being directors of the Company) who, during the financial year ended 31 March 2023, received remuneration and other benefits in their capacity as employees that exceeded a value of $100,000 per annum. The remuneration amounts include all monetary amounts and benefits actually paid during the year, including the face value of any incentives that vested during the year including the Gross Taxable value of Dividends paid on Restricted Shares.

	Number of Employees	
Remuneration	**2023**	**2022**
$100,000 – 109,999	18	14
$110,000 – 119,999	16	9
$120,000 – 129,999	9	10
$130,000 – 139,999	3	5
$140,000 – 149,999	8	8
$150,000 – 159,999	6	5
$160,000 – 169,999	4	1
$170,000 – 179,999	3	4
$180,000 – 189,999	1	3
$190,000 – 199,999	5	3
$200,000 – 209,999	3	1
$220,000 – 229,999	–	4
$230,000 – 239,999	–	2
$240,000 – 249,999	3	–
$250,000 – 259,999	1	–
$260,000 – 269,999	1	–
$270,000 – 279,999	–	2
$280,000 – 289,999	1	1
$290,000 – 299,999	1	1
$310,000 – 319,999	3	–
$320,000 – 329,999	–	1
$340,000 – 349,999	1	2
$350,000 – 359,999	–	2
$360,000 – 369,999	1	2
$390,000 – 399,999	2	–
$400,000 – 409,999	–	1
$410,000 – 419,999	1	–
$430,000 – 439,999	1	–
$440,000 – 449,999	1	–
$470,000 – 479,999	–	1
$500,000 – 509,999	–	2
$510,000 – 519,999	–	1
$550,000 – 559,999	1	–
$580,000 – 589,999	1	–
$620,000 – 629,999	1	–
$770,000 – 779,999	–	1
	96	86

Long term incentive Scheme

The Group operates a long-term incentive scheme for senior employees and directors that is settled in ordinary shares. A detailed explanation of the scheme is set out in Note F to financial statements in this Annual Report.

Distribution of holders of quoted shares

The table below sets out the spread of the Company's shareholders as at 31 March 2023.

Size of holding	Number of fully paid ordinary shareholders	Percentage	Number of fully paid shares	Percentage
1 – 1000	122	16.44%	61,911	0.18%
1001 – 5000	274	36.93%	796,607	2.32%
5001 – 10000	136	18.33%	1,061,603	3.09%
10001 – 50000	170	22.91%	3,614,142	10.53%
50001 – 100000	21	2.83%	1,479,175	4.31%
100001 and Over	19	2.56%	27,312,104	79.57%
	742	100.00%	34,325,542	100.00%

Substantial product holders

According to the Company's records, and disclosures made pursuant to section 280(1)(b) of the Financial Markets Conduct Act 2013 the persons set out in the table below were substantial product holders as at 31 March 2023. The total number of voting securities (fully paid ordinary shares) of the Company as at 31 March 2023 was 34,325,542. The total number of Restricted Shares of the Company as at 31 March 2023 was 1,910,000. Accordingly, for the purposes of section 293(1)(c) of the Financial Markets Conduct Act 2013, the total number of 'voting products' of the Company on issues as at 31 March 2023 was 36,235,542.

	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	2,410,240	7.03%	1/06/2021

Twenty largest holders of quoted equity securities

The table below sets out the names and holdings of the twenty largest registered shareholders in the Company as at 30 April 2023.

Investor	Total Units	Percentage
Simon Alexander Hull & David John Graeme Cox	18,194,598	53.01%
Masfen Securities Limited	2,404,592	7.01%
Russell John Field & Anthony James Palmer	1,125,000	3.28%
Ma Janssen Limited	1,117,018	3.25%
Accordant Group Limited	517,289	1.51%
Accident Compensation Corporation	500,720	1.46%
Susanne Rhoda Webster	426,750	1.24%
Peter Abe Hull & Antoinette Ngaire Edmonds	372,696	1.09%
New Zealand Depository Nominee	369,086	1.08%
Wynnis Ann Armour & Jocelyn Patricia Dutton	354,703	1.03%
Philip John Talacek & Brenda Ann Talacek	300,000	0.87%
Ross Barry Keenan	300,000	0.87%
Simon James Bennett	280,007	0.82%
Hickman Family Trustees Limited	222,981	0.65%
Kevin James Hickman & Joanna Hickman	200,000	0.58%
Elizabeth Mary Keenan	150,000	0.44%
Lay Dodd Trustee Services Limited & Patricia Anne Neal	129,380	0.38%
FNZ Custodians Limited	122,574	0.36%
Forsyth Barr Custodians Limited	105,795	0.31%
James Michael Robert Syme	100,000	0.29%
Rex Charles Mincher	99,785	0.29%

Auditor fees

The amount of fees paid by the Company and its subsidiaries to the Group's independent auditor, Deloitte Limited, in the last two financial years is set out in the table below.

Services provided $000's	Financial year ended 31 March 2023	Financial year ended 31 March 2022
Audit of the full year financial statements	334	252
Other services	$Nil	$Nil

Donations

The Company does not donate to political parties.

NZX waivers and exercise of powers

There were no waivers granted by NZX or relied on by Accordant in the 12 months preceding 31 March 2023.

NZX has not taken any disciplinary action against Accordant during the financial year ended 31 March 2023, and there was no exercise of powers by NZX under listing rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Accordant during the reporting period.

Credit rating

The Company does not currently hold a credit rating from an accredited rating agency.

Directory

Registered Office

Level 6, 51 Shortland Street
Auckland 1010
Ph: 09 526 8770

Mailing address
PO Box 105 675
Auckland 1143

Directors

Simon Bennett (Chairman and Non-independent Director)
Simon Hull (Non-independent Director)
Wynnis Armour (Independent Director), retired 30 November 2022
Nicholas Simcock (Independent Director)
Laurissa Cooney (Independent Director)
Richard Stone (Independent Director)

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