



Appendix 4E

Full year report for the Year Ending 31 March 2018

(the previous corresponding period is the Year Ended 31 March 2017)

Results for announcement to the market

\$A millions				
Revenues from ordinary activities	Up	9.5%	to	1,495.1
Revenues from continuing operations	Up	14.7%	to	1,446.9
Underlying net profit after tax * from continuing operations attributable to members	Up	21.1%	to	142.2
Net profit (loss) from ordinary activities after tax * attributable to equity holders	Down	36.5%	to	51.8
Net profit (loss) for the period * attributable to equity holders	Down	36.5%	to	51.8
Basic underlying * earnings per share from continuing operations attributable to members	Up	21.9%	to	28.4¢
Basic earnings per share	Down	36.4%	to	10.3¢
Total dividend per share for the year (partly franked)	Up	25.9%	at	17.0¢
ALS Limited (ASX Code: ALQ) today announced an underlying net profit after tax from continuing operations of \$142.2million for FY2018 and within the guidance range of \$135 million to \$145 million provided to the market in November 2017. The result was 21.1% higher than the \$117.4 million comparative underlying net profit after tax earned in the previous corresponding period (pcp). This was primarily due to improvements in market conditions for those businesses exposed to mineral commodities markets and expansion in the less cyclical Life Sciences and Industrial operations with food, environmental and tribology acquisitions in mainland Europe and South America. The Group sold the majority of its Oil & Gas technical services business in July 2017 retaining only the laboratory testing component. In March 2018, following a further review of the Group's presence in the sector, Directors decided to exit the Oil & Gas laboratories business. A number of options are currently being considered in this regard. The FY2018 statutory result from all operations was a net profit after tax attributable to equity holders of the Company of \$51.8 million, compared with a net profit of \$81.6 million recorded in FY2017. <i>* Refer to page 8 of the attached Annual Financial Report for a reconciliation of Underlying net profit after tax to Statutory net profit after tax.</i>				

Dividend Disclosures

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	9.0¢	3.6¢
Interim dividend	8.0¢	3.2¢
Date the final dividend (distribution) is payable		2 July 2018
+Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)		7 June 2018
DRP election date		N/A

Dividend - Amount per security

	Amount per security	Amount per security of conduit foreign income
Final dividend: Current year	9.0¢	5.4¢
Previous year	8.0¢	4.8¢
Interim dividend: Current year	8.0¢	4.8¢
Previous year	5.5¢	2.2¢

Total final dividend (distribution) on all securities

	Current period \$A millions	Previous corresponding period - \$A millions
+Ordinary securities (each class separately)	44.0	40.4
Preference +securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
Total	44.0	40.4

The 2018 final dividend will be franked to 40%. Subsequent dividends will be franked at the maximum level possible.

The Company's dividend reinvestment plan has been suspended and will not be in operation for the final 2018 dividend due to the Company's on-market share buyback program.

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.29	\$0.40

Audit

The report is based on the attached accounts which have been audited.

Signature:



Date: 28th May 2018

Print name: **Michael Pearson**
Company Secretary



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ALS Limited
ABN 92 009 657 489

ANNUAL FINANCIAL REPORT

for the Year Ended 31 March 2018

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Directors' report

For the year ended 31 March 2018

The directors present their report together with the financial report of the Group, comprising ALS Limited ("the Company") and its subsidiaries, for the year ended 31 March 2018 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

**BRUCE PHILLIPS B Sc (Hons) (Geology)
Chairman and Independent Non-Executive
Director Age 63**

Bruce Phillips was appointed a non-executive director of the Company on 1 August 2015 and became Chairman on 26 July 2016 following the 2016 Annual General Meeting. Bruce is a qualified geophysicist with more than 35 years of technical, financial and managerial experience in the energy sector.

He founded Australian Worldwide Exploration Limited (ASX: AWE) in 1997 and was its Managing Director until his retirement in 2007. He re-joined as a non-executive director in 2009 and held the position of Chairman until his retirement from the Board in November 2017. He was previously Chairman of Platinum Capital Limited (October 2009 – June 2015) and a non-executive director of AGL Energy Limited (August 2007 – September 2016) and Sunshine Gas Limited.

He is a member of the People Committee.

**RAJ NARAN B Sc (Chemistry), B A
(Mathematics) Managing Director and Chief
Executive Officer Age 56**

Appointed Managing Director and Chief Executive Officer on 20 July 2017.

Raj founded e-LabAnalytical Inc which operated an environmental analytical testing business in Texas and Michigan until it was acquired by ALS in 2007. He was appointed to lead ALS' USA Environmental business at that time and grew his role over the subsequent years to lead the global Life Sciences Division until his appointment to CEO in 2017.

**MEL BRIDGES B AppSc, PhD, FAICD
Independent Non-Executive Director Age 68**

Mel Bridges was appointed a non-executive director of the Company in 2009. He has over 35 years' experience founding and building international life science, diagnostic and medical device companies and commercialising a wide range of Australian technology. He is Chairman of Oventus Medical Limited (appointed October 2015).

Mel was previously Chairman of Alchemia Limited (September 2003 – July 2013) and Anatara Lifesciences Limited (October 2014 – 16 May 2018) and a non-executive director of Tissue Therapies Limited (March 2009 – November 2015), ImpediMed Limited (September 1999 – November 2013) and Benitec Limited (October 2007 – June 2014).

He is a member of the Audit and Risk and Sustainability Committees.

**GRANT MURDOCH M COM (Hons), FAICD, FCA
Independent Non-Executive Director Age 66**

Grant Murdoch was appointed a non-executive director of the Company in 2011. He was formerly a Partner of Ernst & Young and Divisional Director of Ernst & Young Transaction Advisory Services Limited in Queensland. He has more than 37 years of chartered accountancy experience, specialising in mergers, acquisitions, takeovers, corporate restructures and share issues.

Grant is a non-executive director of Redbubble Limited (appointed February 2016), OFX Group Limited (formerly OzForex Limited) (appointed

October 2013) and Lynas Corporation (appointed October 2017). He is Chairman of the Endeavour Foundation Challenge Fund, a senator of the University of Queensland, an Adjunct Professor at the University of Queensland Business School and a director of UQ Holdings Ltd. Grant is a member on the Queensland Council of the Australian Institute of Company Directors. He was previously a non-executive director of Queensland Investment Corporation until his retirement in September 2017 and Cardno Limited (January 2013 – November 2015).

He is Chairman of the Audit and Risk Committee.

JOHN MULCAHY

**PhD, B E (Civil Eng) (Hons), FIE Aust
Independent Non-Executive Director Age 68**

John Mulcahy was appointed a non-executive director of the Company in 2012. He is Chairman of Mirvac Group Limited (appointed November 2009 and Chair September 2013) and Orix Australia Corporation Limited, an unlisted public company (appointed March 2016), and Deputy Chairman of GWA Group Limited (appointed November 2010). In August 2017 he was appointed a non-executive director of Zurich Australia Insurance Limited and Zurich Financial Services Limited. John was previously a director and Chairman of Coffey International Limited (September 2009 – January 2016). He is a former Guardian of the Future Fund of Australia and former Managing Director and Chief Executive Officer of Suncorp-Metway Limited. Prior to Suncorp, John held a number of senior executive roles at the Commonwealth Bank and Lend Lease Corporation.

He is Chairman of the People Committee.

CHARLIE SARTAIN

**B Eng (Hons) (Mining), FAusIMM, FTSE
Independent Non-Executive Director Age 57**

Charlie Sartin was appointed a non-executive director of the Company on 1 February 2015. He spent more than 30 years with MIM Holdings and then Xstrata after it acquired MIM. He led Xstrata's global copper business as Chief Executive of Xstrata Copper for nine years from 2004 and prior to that held senior executive positions with the company in Latin America and Australia.

Charlie is currently a non-executive director of Goldcorp Inc. (appointed January 2017), Chairman of the Advisory Board of the Sustainable Minerals Institute at the University of Queensland and a Board Member of Wesley Medical Research. His previous roles included Chairman of the International Copper Association, a Member of the Department of Foreign Affairs and Trade's Council on Australian Latin American Relations and a Director of Xstrata Schweiz Limited. He also served as a non-

executive director of Austin Engineering Limited between April 2015 and March 2018 and as a Member of the Senate of the University of Queensland from 2010 until December 2017.

He is Chairman of the Sustainability Committee and a member of the Audit and Risk Committee.

TONIANNE DWYER

**B Juris (Hons), LLB (Hons), GAICD
Independent Non-Executive Director Age 55**

Tonianne Dwyer was appointed a non-executive director of the Company on 1 July 2016. She has significant experience as a company director and executive working in finance, corporate strategy and mergers and acquisitions across a variety of sectors and international markets.

She is an internationally experienced independent company director, having had a 25-year executive career in investment banking during which she held roles with Hambros Bank Limited and Societe General in the UK and Europe.

Tonianne currently holds non-executive directorships on ASX-listed companies OZ Minerals Limited (appointed March 2017), Metcash Limited (appointed June 2014), DEXUS Property Group and DEXUS Wholesale Property Fund (appointed August 2011). She is also a non-executive director of Queensland Treasury Corporation and is Deputy Chancellor of the Senate of the University of Queensland. She was previously a non-executive director of Cardno Limited (June 2012 – January 2016).

She is a member of the People and Sustainability Committees.

GREG KILMISTER

**B Sc (Hons), FRACI, MAIG, CCEO
Former Managing Director and Chief Executive Officer**

Retired 20 July 2017.

Company Secretaries

MICHAEL PEARSON

LLB, B A, GAICD, GCIS, Dip Inv Rel (AIRA)

Michael Pearson was appointed Company Secretary & General Counsel of the Company on 1 December 2017.

Michael Pearson is a member of the Governance Institute, Australian Institute of Company Directors and Queensland Law Society. Mr Pearson is an experienced lawyer and corporate governance professional with over 15 years of experience as a Company Secretary and General Counsel with other ASX listed companies such as Cardno Limited and the Aveo Group.

TIM MULLEN**B Bus (Accounting), M Com Law, FCPA, FCIS, FCLA**

Tim Mullen was Company Secretary of the Company from February 2007 until 30 November 2017.

Principal activities

The principal activities of the Group during the course of the financial year were the provision of professional technical services, primarily in the areas of testing, measurement and inspection, supporting:

- environmental monitoring
- food and pharmaceutical quality assurance
- mining and mineral exploration
- commodity certification

- equipment maintenance
- asset care operations and
- oil and gas exploration and production.

During the year the Group expanded and diversified its technical service capabilities through acquisitions in food and environmental testing and oils analysis in mainland Europe and North and South America.

In July 2017 the Group divested the majority of its Oil & Gas technical services business, retaining only the laboratory services component. Following a further review of the Group's presence in the sector, in March 2018 Directors decided to exit the Oil & Gas laboratories business. A number of options are currently being considered in this regard.

Otherwise there were no significant changes in the nature of the activities of the Group during the year.

Review of results and operations

Group business summary

The Group is committed to maintaining the strong and sustainable growth strategies which have made it a successful global company. ALS aims to be a leading provider of services to clients across the broad range of industry sectors nominated in Principal Activities above. We seek to build strong partnerships with our clients by delivering cost-effective solutions backed by the very best in quality, service and technical capabilities.

FY2018 saw continued improvement in market conditions for those businesses exposed to the mineral commodities cycle and a year of further expansion in the less cyclical Life Sciences and Industrial operations with food, environmental and tribology acquisitions in mainland Europe and South America.

The Group made a smooth transition in July 2017 to the new Managing Director / CEO, Raj Naran, who was promoted from within ALS. He is based in Houston, USA where we have established a new operational headquarters while the corporate governance functions have remained in Brisbane, Australia. As part of the transition, the Group's senior management team was restructured – details of this are outlined later in the Remuneration Report.

In June 2017 the Company announced that following the receipt of inbound enquiries it was evaluating strategic options for the Asset Care business stream within the Industrial division. Following this review, which resulted in the Company receiving non-binding expressions of interest from a number of parties, Directors resolved in November 2017 to retain the Asset Care business. The Company remains supportive of the strategic growth plans of the Industrial division, including continued capital investment, geographic expansion and further development of technical and systems capabilities.

As previously announced, the Group sold the majority of its Oil & Gas technical services business in July 2017 retaining only the laboratory testing component. In March 2018, following a further review of the Group's presence in the sector, Directors decided to exit the Oil & Gas laboratories business. A number of options are currently being considered in this regard. Refer financial statements note 1e.

In November 2017 following the divestment of the Oil & Gas business and a review of ongoing capital requirements, Directors announced an on-market share buyback of up to \$175 million. As at 31 March 2018 a total of 15.5 million shares (representing 3.1% of the original base) have been bought back on-market for an overall consideration of \$106.8 million.

The Group is confident that the quality of its assets, its operating model, and its strategic disciplined focus, will see it continue to increase its market share despite the challenges of current conditions. ALS continues to pursue growth opportunities in Life Sciences and Industrial divisions; particularly in the food, pharmaceutical and tribology sectors where it is evaluating a select number of high quality acquisition targets.

The Group's financial performance for the year to 31 March 2018 is summarised as follows:

2018 (\$m)	Underlying results ¹		Restructuring & other one-off items ¹	Amortisation of intangibles	Divestments & Impairment charges	Statutory result
	Continuing operations	Discontinued operations ²				
Revenue	1,446.9	48.2	-	-	-	1,495.1
EBITDA ³	289.3	0.3	(15.1)	-	0.9	275.4
FX losses transferred from FCTR	-	-	-	-	(11.1)	(11.1)
Impairment charges	-	-	-	-	(63.0)	(63.0)
Depreciation & amortisation	(68.0)	(4.9)	-	(2.6)	-	(75.5)
EBIT ³	221.3	(4.6)	(15.1)	(2.6)	(73.2)	125.8
Interest expense	(25.8)	-	-	-	-	(25.8)
Tax expense	(51.7)	1.2	3.9	-	-	(46.6)
	143.8	(3.4)	(11.2)	(2.6)	(73.2)	53.4
Non-controlling interests	(1.6)	-	-	-	-	(1.6)
Net profit / (loss) after tax (NPAT)	142.2	(3.4)	(11.2)	(2.6)	(73.2)	51.8
Basic EPS (cents)	28.4	-	-	-	-	10.3
Diluted EPS (cents)	28.3	-	-	-	-	10.3

Restated 2017 (\$m)	Underlying results ¹		Restructuring & other one-off items ¹	Amortisation of intangibles	Impairment charges	Statutory result
	Continuing operations	Discontinued operations ²				
Revenue	1,261.5	104.1	-	-	-	1,365.6
EBITDA ³	257.6	(7.2)	(19.1)	-	-	231.3
Impairments	-	-	-	-	-	-
Depreciation & amortisation	(65.2)	(13.6)	-	(1.5)	-	(80.3)
EBIT ³	192.4	(20.8)	(19.1)	(1.5)	-	151.0
Interest expense	(27.3)	-	-	-	-	(27.3)
Tax expense	(46.5)	1.8	3.8	-	-	(40.9)
	118.6	(19.0)	(15.3)	(1.5)	-	82.8
Non-controlling interests	(1.2)	-	-	-	-	(1.2)
Net profit / (loss) after tax (NPAT)	117.4	(19.0)	(15.3)	(1.5)	-	81.6
Basic EPS (cents)	23.3	-	-	-	-	16.2
Diluted EPS (cents)	23.2	-	-	-	-	16.1

¹ The terms 'Underlying result' and 'Restructuring & other one-off Items' are non-IFRS disclosures. They have been presented to assist in the assessment of the relative performance of the Group from period to period. The calculations thereof are based on non-IFRS information and are unaudited. Restructuring & Other One-Off Items in 2017 include a foreign exchange loss of \$5.5 million realised on restructuring of intra-group loan balances. Refer note 1a to the financial statements.

² On 31 July 2017 the Group divested the majority of its assets in the Oil & Gas technical services sector. In March 2018, following a further review of the Group's presence in the sector, Directors decided to exit the remaining business - Oil & Gas laboratories. Refer financial statements note 1e - Discontinued Operations.

³ EBITDA = EBIT plus depreciation and amortisation. EBIT = Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures. They have been presented to provide a measure of the Group's performance before the impact of depreciation and amortisation (i.e. non-cash items) as well as that of interest and tax expenses. The calculations thereof are based on non-IFRS information and are unaudited.

The Group achieved underlying net profit after tax from continuing operations (attributable to equity holders of the Company, and excluding all Oil & Gas operations, restructuring and other one-off items, amortisation of acquired intangibles and impairment charges) of \$142.2 million for FY2018. The result was 21.1% higher than the \$117.4 million underlying net profit after tax measured comparably for FY2017. Revenue from continuing operations of \$1,446.9 million was 14.7% up on the \$1,261.5 million recorded from the same businesses in FY2017.

The result was a pleasing performance and was due primarily to improvements delivered by businesses servicing mineral commodities markets as exploration and development continued to recover in many parts of the world. Commodities division set underlying contribution was up 43.5% with higher revenue and EBIT coming across the board from the geochemistry, coal, inspection and metallurgy businesses. Life Sciences revenue increased in all regions during FY2018, however the effects of competition and integration disruptions saw underlying segment contribution for the year remain steady. Industrial division revenue was relatively flat year-on-year as increased sales from the Tribology business were largely offset by softer conditions experienced in Asset Care.

ALS remains focused on being ready to take advantage of future opportunities in Life Sciences and Industrial divisions; particularly in the food, pharmaceutical and tribology sectors where it is evaluating a select number of high quality acquisition targets.

The Group sold the majority of its Oil & Gas technical services business in July 2017 retaining only the laboratory testing component. The divestment resulted in a gain on sale after tax of \$0.9 million and recognition in the profit and loss statement of foreign exchange losses (relating to inter-company balances previously recorded in the foreign currency translation reserve) of \$11.1 million after tax. In March 2018, following a further review of the Group's presence in the sector, Directors decided to exit the Oil & Gas laboratories business. Refer financial statements note 1e – Discontinued Operations.

The FY2018 statutory result from all operations was a net profit after tax attributable to equity holders of the Company (including all Oil & Gas businesses, restructuring and other one-off items, amortisation of acquired intangibles and impairment charges) of \$51.8 million compared with a net profit after tax of \$81.6 million recorded in FY2017. Total revenue from all operations was \$1,495.1 million, up 9.5% on the \$1,365.6 million generated in FY2017. A detailed summary of results is set out on page 8.

In recognition of uncertain market conditions being experienced in the sectors serviced by the Coal and Industrial businesses, goodwill impairment charges amounting to \$63 million have been taken in respect of these cash generating units (refer note 2f): Coal – \$40 million and Industrial – \$23 million.

Directors have declared a final partly franked (40%) dividend for the year of 9.0 cents per share (2017: 8.0 cents, 40% franked). Together with the interim dividend of 8.0 cents per share (40% franked) the total partly franked dividend for the year will be 17.0 cents per share (2017: 13.5 cents). In light of the Company's current on-market share buyback program the dividend reinvestment plan will not operate for the FY2018 final dividend.

The Group has three reportable operating segments as at 31 March 2018: Commodities, Life Sciences and Industrial. Following a decision by Directors in March 2018 to exit the Group's Oil & Gas laboratory business, a fourth segment – Oil & Gas Laboratories – has been re-classified together with the other Oil & Gas services business sold in July 2017 as "discontinued operations". Note that the results of this business for the half-year to September 2017 were reported within the Commodities segment in the interim financial report dated 20 November 2017.

Contributions from business segments are set out below.

Divisional reviews

Commodities

The Commodities division is a leading full-service provider of testing services for the global mining industry in four key service areas – Geochemistry, Metallurgy, Inspection and Coal Quality – with an extensive client base of explorers, miners and traders. Its testing and consulting services cover the entire resource life-cycle from exploration, feasibility, optimisation, production, design, development through to trade, and finally rehabilitation. The integrated field and laboratory services of the Coal business cover exploration,

bore core, testing, consulting, quality management and superintending services

The division's strategy is to ensure all its business streams are equipped with the technical expertise and operational capacity required to provide its clients with a seamless suite of integrated services throughout market cycles. In particular the division is working hard to grow organically in the Commodity Inspection service sector by delivering quality, innovation and value to new and existing clients.

Commodities – Financial performance	2018 (\$m)	2017 (\$m)	Variance
Revenue	518.9	427.2	21.5%
Segment contribution	119.4	84.7	
Restructuring and related costs	4.1	1.4	
Underlying segment contribution	123.5	86.1	43.5%
Margin (underlying segment contribution to revenue)	23.8%	20.2%	
Underlying segment EBITDA	146.3	109.8	33.2%
Margin (underlying segment EBITDA to revenue)	28.2%	25.7%	

Stronger market conditions and scalable business models drove significant improvements the Commodities division's financial results for the year. Geochemistry sample flows increased globally as both established mining clients and junior explorers continued to lift their activity spending levels.

Sample flow into the Geochemistry business stream was 26% higher than FY2017 which translated into a 46% improvement in underlying contribution at an underlying margin of 27%. While cost management remained a focus for the Geochemistry business, equal attention was paid to productivity and the timely injection of human and capital resources to service the increasing workloads. Management remains optimistic about a continued recovery and the likely demand for services and therefore is investing in capacity as required to ensure turnaround times continue to meet or exceed client expectations.

ALS Coal continues to operate well in what has been a constrained environment. Its markets started to show signs of improvement during the second half of the year in most of its geographies and business lines, however competitive pricing continues to be a feature of the operating landscape. Despite the first half being affected by Cyclone Debbie in Queensland the business continued to manage its cost base and productivity well, translating into a 13% improvement in underlying contribution.

While export demand levels are likely to be maintained over the short to medium term, there is significant uncertainty regarding future levels of domestic coal consumption as the emphasis continues to shift towards greater reliance on renewable and sustainable energy sources. In light of the impact of this increasing uncertainty on internal earnings projections, a goodwill impairment charge of \$40 million was taken in September 2017 against the Coal cash generating unit.

Life Sciences

The Life Sciences division provides analytical testing and sampling services and remote monitoring for the Environmental, Food, Pharmaceutical and Consumer Products markets. It is a leader in global comprehensive analytical testing, demonstrating expertise in microbiological, physical and chemical testing services. The division continued to grow during FY2018, by strengthening its leadership position in existing markets. A strong strategic growth focus (both acquired and organic) continues to be placed on the food, pharmaceutical, and Consumer Products components of Life Sciences. Key building blocks to accommodate these newer businesses are in place ready for future growth.

Life Sciences – Financial performance	2018 (\$m)	2017 (\$m)	Variance
Revenue	734.1	641.6	14.4%
Segment contribution	95.5	93.9	
Restructuring and related costs	6.6	5.9	
Underlying segment contribution	102.1	99.8	2.3%
Margin (underlying segment contribution to revenue)	13.9%	15.6%	
Underlying segment EBITDA	140.7	134.3	4.8%
Margin (underlying segment EBITDA to revenue)	19.2%	20.9%	

While revenue increased in all regions of Life Sciences during FY2018, the effects of competition and integration disruptions saw underlying segment contribution for the year remain steady.

Successful cost management and rationalisation led to improved underlying EBIT contributions from most regions, though competitive pressures in the US resulted in lower earnings for the Americas.

The Australian and Asian regions performed as planned and achieved improved annual revenue and earnings contributions, particularly in their environmental testing operations.

Results for the UK Life Sciences group were impacted by the Alcontrol integration (acquired December 2016). Operational site combinations were completed during the first half and the final cost and process optimisation stages of the integration were completed by March 2018. The related operational disruptions meant that the overall European contribution margin weakened despite revenue increasing 25% during the year.

Both of the key Life Sciences business streams (Environmental and Food and Pharmaceutical) delivered solid revenue gains during the year.

While the Food and Pharmaceutical business recorded an underlying EBIT improvement of 27%, increased price competition in environmental testing markets produced a flat year-on-year underlying contribution for that business stream.

All regions of the Food and Pharmaceutical testing business delivered significant revenue gains. Further food testing acquisitions in Europe and the Americas are planned for FY2019.

The general economic environment continues to be very price-sensitive requiring the business to make the cost adjustments necessary to continue its growth in existing markets. ALS Life Sciences is enhancing its capabilities to provide clients with a broad range of solutions and services, delivered with the superior turnaround time and quality on which ALS has built its reputation.

Industrial

Industrial is a leading provider of diagnostic testing and engineering solutions for the energy, resources, transportation and infrastructure sectors. The division's international client base includes asset owners, operators, constructors and equipment manufacturers in the power, petrochemical, mining, minerals processing, water, infrastructure and transportation industries. It is comprised of two complementary business streams: Asset Care and Tribology.

Industrial – Financial performance	2018 (\$m)	2017 (\$m)	Variance
Revenue	193.9	192.7	0.6%
Segment contribution	25.2	25.4	
Restructuring and related costs	1.0	1.1	
Underlying segment contribution	26.2	26.5	(1.1%)
Margin (underlying segment contribution to revenue)	13.5%	13.8%	
Underlying segment EBITDA	32.1	32.7	(1.8%)
Margin (underlying segment EBITDA to revenue)	16.6%	17.0%	

The Industrial division revenue was relatively flat year-on-year as increased sales from the Tribology business were largely offset by softer conditions experienced in Asset Care.

In June 2017 the Company announced that following the receipt of inbound enquiries it was evaluating strategic options for the Asset Care business stream within the Industrial division. Following this review, which resulted in the Company receiving non-binding expressions of interest from a number of parties, Directors resolved in November 2017 to retain the Asset

Care business. The Company remains supportive of the strategic growth plans of Asset Care and the Industrial division, including continued capital investment, geographic expansion and further development of technical and systems capabilities.

While Asset Care revenue and earnings were both slightly lower than last year, the business performed ahead of budget on both measures. Management responded well in Australia to anticipated pricing pressure and reduced activity levels in LNG construction and power station outage programs. Business development efforts led to these revenue shortfalls being largely replaced by the provision of maintenance-related services to the oil and gas, mining and water sectors. Underlying contribution margin in Australia remained above 10% in FY2018.

An increased focus on cost base discipline in Asset Care USA saw that business return to profitability in FY2018. However, the business continues to be affected by weaker than expected activity levels in the downstream oil and gas sector.

The Tribology business stream continued to yield strong profitability, with underlying contribution margin remaining at 24%. Revenue grew 9% across the global operations as a result of improved conditions in the Australian mining sector and the acquisition of Oilcheck in Brazil. Tribology continues to benefit from joint marketing and tendering efforts with the Asset Care business unit.

In recognition of the softer market conditions being experienced by the division and an increased uncertainty in earnings projections, a goodwill impairment charge of \$23 million was taken in September 2017 against the Industrial cash generating unit.

Discontinued Operations (Oil & Gas)

Oil & Gas delivers quality technical solutions and products to the oil and gas industries. The division provides a comprehensive range of services and tools covering the solids, liquids and gas hydrocarbon markets. With integrated field and laboratory services and an extensive and growing range of specialist tools, Oil & Gas covers exploration, resource characterisation, production enhancement, quality management and trade-related services across the major energy industries.

As noted above the Group divested the majority of its assets in the Oil & Gas technical services sector in July 2017 and in March 2018 decided to exit the remaining laboratory services component. A number of options are currently being considered in this regard.

Oil & Gas Laboratories – Financial performance	2018 (\$m)	2017 (\$m)	Variance
Revenue	8.4	10.8	(22.2%)
Segment contribution	(5.4)	(6.4)	
Restructuring and related costs	0.5	0.1	
Underlying segment contribution	(4.9)	(6.3)	(22.2%)
Margin (underlying segment contribution to revenue)	(58.3%)	(58.3%)	
Underlying segment EBITDA	(3.5)	(4.5)	(22.2%)
Margin (underlying segment EBITDA to revenue)	(41.7%)	(41.7%)	

Oil & Gas (non-laboratories) – Financial performance	2018 (\$m)	2017 (\$m)	Variance
Revenue	39.8	93.3	(57.3%)
Segment contribution	0.3	(16.1)	
Restructuring and related costs	0.0	1.6	
Underlying segment contribution	0.3	(14.5)	(102.1%)
Margin (underlying segment contribution to revenue)	0.8%	(15.5%)	
Underlying segment EBITDA	3.8	(2.7)	(240.7%)
Margin (underlying segment EBITDA to revenue)	9.6%	(2.9%)	

Dividends

Dividends paid or declared by the Company since the end of the previous financial year are:

	Cents per share	Franked amount (cents)	Total \$m
<i>Ordinary dividends declared and paid during the year:</i>			
Final 2017, paid 3 July 2017	8	3.2	40.4
Interim 2018, paid 18 December 2017	8	3.2	40.4
Total amount			80.8
<i>Ordinary dividend declared after the end of the financial year:</i>			
Final 2018, to be paid 2 July 2018	9	3.6	44.0

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2018 and will be recognised in subsequent financial reports. The franked components of all dividends paid or declared since the end of the previous financial year were franked based on a tax rate of 30%.

Debt profile

The Group's policy of ensuring a diversity of funding sources and maturities is a key element of its management of re-financing and liquidity risks and is reflected in the table below:

<i>In millions of AUD</i>			
Source	Maturity	Drawn	Facility Limit
Bank facilities	October 2018	-	52.1
US Private Placement Market	July 2019	246.0	246.0
US Private Placement Market	December 2020	199.6	199.6
US Private Placement Market	July 2022	247.4	247.4
		693.0	745.1

ALS is party to multi-currency, revolving debt facility agreements with three Australian and international banks maturing in October 2018. The total capacity available from bank debt facilities is USD40 million (AUD52.1 million).

The Group has commenced discussions with its current financiers and other parties in relation to the replacement of the upcoming maturities of bank facilities (FY2019) and US PP notes (FY2020) listed above.

Financial position

The major changes in the Group's financial position during the year (refer summarised balance sheet below) were the result of:

- expansion and diversification of technical service capabilities through acquisitions in food, environmental and tribology testing in mainland Europe and North and South America for a total consideration of \$32.9 million which were financed from cash holdings;
- debt repayments of \$38.4 million (USPP);
- impairment charges of \$63.0 million taken against the Coal and Industrial CGUs;
- on-market share buyback activity of \$106.8 million to date; and
- total cash dividend payments to shareholders of \$80.8 million.

The overall effect of these transactions was:

- an increase in net debt of \$21.3 million;
- intangible assets remained virtually unchanged at \$980.6 million; and
- total equity decreased by a net \$63.2 million.

The Group remains committed to its strategy of maintaining a strong balance sheet throughout economic cycles as evidenced by the gearing (31.1%; 2017: 29.0%) and leverage (1.7 times; 2017: 2.1 times) measures noted below.

In millions of AUD

		Consolidated	
	Note*	2018	2017
Trade and other receivables	2a	278.3	250.2
Inventories	2b	75.8	67.2
Other current assets		35.2	33.6
Trade and other payables	2c	(169.8)	(140.1)
Total working capital		219.5	210.9
Cash and cash equivalents	3a	187.2	248.9
Loans and borrowings	3c	(695.6)	(741.1)
Fair value derivatives (non-current)		2.6	7.7
Net debt		(505.8)	(484.5)
Property, plant and equipment	2d	400.0	395.5
Intangible assets	2f	980.6	981.8
Net deferred tax assets	6b	12.5	11.5
Other assets		50.9	34.1
Employee benefits		(53.3)	(49.0)
Other liabilities		(7.0)	(9.9)

Net assets held for sale	24.6	94.8
	1,408.3	1,458.8
Net assets	1,122.0	1,185.2
Total equity	1,122.0	1,185.2
Gearing: Net debt to Net debt + Equity	31.1%	29.0%
Leverage: Net debt to EBITDA**	1.7 times	2.1 times

* References are to Notes to the Financial Statements

** EBITDA = Earnings before interest, tax, depreciation and amortisation, and impairment losses. The calculation of EBITDA is unaudited.

Cashflow

The Group's operating cashflow was characterised by a solid conversion of earnings into cash with working capital being closely monitored and managed. At 94.2% the FY2018 ratio of cash from operations (before interest and tax) to EBITDA* was pleasing in an environment of revenue growth and where clients are seeking to extend payment terms. EBITDA* interest cover was 11.3 times (2017: 8.5 times).

Capital expenditure of \$73.4 million, acquisitions of \$31.8 million, on-market share buyback activity (\$106.8 million) and dividends to shareholders (\$80.8 million) drove investing and financing outflows during FY2018.

In millions of AUD

		Consolidated	
		2018	2017
Net cash from operating activities		185.8	175.3
Net cash from investing activities		(17.1)	(104.4)
Net cash from financing activities		(227.0)	(113.7)
Net movement in cash and cash equivalents		(58.3)	(42.8)
Cash and cash equivalents at 1 April		248.9	297.9
Effect of exchange rate fluctuations on cash held		(3.4)	(6.2)
Cash and cash equivalents at 31 March		187.2	248.9
Cash conversion: Cash from operations to EBITDA*		94.2%	105.3%
Interest cover: EBITDA* to Net finance expense		11.3	8.5

* EBITDA = Earnings before interest, tax, depreciation and amortisation, and impairment losses. The calculation of EBITDA is unaudited.

Material business risks

The Group has an enterprise wide risk management framework that is structured to ensure its material business risks and controls are captured, assessed and regularly reviewed in a consistent manner.

The key material business risks and associated mitigation controls identified include:

- ALS is exposed to financial risks such as liquidity risk, interest rate risk, foreign exchange risk, and credit risk (counterparty exposure). Group treasury and cash management policies are in place to mitigate these risks, and key indicators are monitored monthly including gearing and leverage ratios, interest cover by EBITDA, minimum liquidity reserves, weighted average debt maturity, and earnings at risk.
- The Group's success is dependent upon attracting and retaining staff in key technical and management roles. ALS mitigates this risk by striving to be an employer of choice, implementing its organisational development programs, monitoring and benchmarking its employee benefits, career progression and succession planning, and oversight by the Board People Committee.
- The ALS Commodities business stream operates in a cyclical resources sector with fluctuations in commodity prices and global demand. ALS mitigates this risk by ensuring the Group has a diverse testing and inspection service offering across a range of industry sectors and geographies. Other controls include a business model that allows for scalability of services, a disciplined focus on operational costs, and close monitoring of economic trends.
- ALS has a reliance on IT systems and infrastructure to manage and store its data. ALS mitigates this risk by having back-up systems and redundant servers located at offsite data centres, disaster recovery plans, and information management policies in place.
- The Group operates across a number of industries that have inherent safety risks. ALS mitigates this risk by making "safety as a priority" a core value of the Group. Management have implemented a robust safety management system, employed significant HSE resources, and through their strong leadership are developing a culture of safety within their businesses, overseen by the Board Sustainability Committee.
- ALS is a market leader in testing and inspection services. A loss of reputation due to poor quality service would erode market share. This risk is mitigated by implementing robust quality control policy and procedures,

requiring its businesses to obtain third party accreditation to international quality standards where available, and investing in custom built laboratory information management systems.

State of affairs

Changes in the state of affairs of the Group during the financial year resulted from its continued strategy of business expansion and diversification in Life Sciences and Industrial testing services. Specifically, the Group expanded and diversified its technical service capabilities through acquisitions in food, environmental and tribology testing in mainland Europe and North and South America.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

Remuneration report

Dear Shareholders

On behalf of the Directors at ALS I present the remuneration report for the Group's Key Management Personnel (KMP) including executive management, the Managing Director & CEO (the "Executives") and its Non-Executive Directors (the "Directors").

With a change in company leadership, some restructuring has occurred to key roles this year, to delay and to move the operational head office to Houston, USA. These changes resulted in four new KMP being reported this year and the departure of two KMP, Mr Greg Kilmister and Mr Brian Williams.

I am pleased to report improved overall financial performance again this year from the Group's continuing operations. Underlying Net Profit After Tax (UNPAT), Underlying Earnings Per Share (EPS) and Dividends increased by 21.1%, 21.9% and 25.9% respectively. Vibrant operating conditions in the Commodities division more than offset the challenging business conditions for parts of the Life Sciences and Industrial divisions.

The improved corporate performance both in absolute terms and relative to our industry peers has resulted in an increase over last year in the overall at-risk remuneration earned by executives. The STI Plan was redesigned this financial year to place a stronger emphasis on Financial KPIs (70% this FY) and to provide for up to 50% reduction in payments for poor debtor collection. The plan also allows for outperformance payments to be deferred into equity. From a shareholder perspective, the outcome of the new plan demonstrates the alignment of executives' STI payments to overall financial performance of the Company and the ensuing dividend return to its owners.

The executives' long-term incentive ("LTI") award which will vest on 1st July 2018 was achieved at the overall rate of 75% of the maximum potential as three of the four performance hurdles (TSR relative to industry peers, TSR relative to the ASX100, and EBITDA relative to industry peers) were fully achieved. The EPS performance hurdle was not achieved and no award vested for this portion.

Accordingly, executive pay outcomes for FY2017-18 demonstrate an alignment with shareholders' outcomes and confirm that current remuneration policies along with adjusted at-risk remuneration programs are working properly to ensure there is a correlation to company performance.

The Non-Executive Directors' overall fee pool remained unchanged during the year and for the sixth year running. The minimum shareholding guidelines for non-executive directors, who are now expected to build a minimum shareholding of the equivalent of 50% of one year's fees after tax, were implemented and then reviewed during March 2018. The non-executive directors' holdings currently meet the guidelines.

Examples of the executive KMP's STI Plan KPIs are included in the report to demonstrate the link between company strategy, executive performance and reward, and the outcomes for shareholders.

The LTI Plan Rules continued to include the four hurdles of TSR, EPS, EBITDA and ROCE. The current mix of performance hurdles ensures active capital management and will drive sustainable financial performance over the longer term as well as ensure a fair outcome for shareholders and executives alike.

Finally, the outlook for next year's remuneration is provided at the conclusion of this report.

Yours faithfully

Bruce Phillips
Chairman

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1. OPERATIONAL PERFORMANCE CONTEXT 2017-18 — UNAUDITED

The new five-year strategy was launched by Raj Naran in his new role of Managing Director and CEO. Several key elements of the strategy were progressed, notably the sale of the majority of the Oil & Gas businesses and the purchase of further businesses in the Food and Pharmaceutical industries in Europe and North America.

During the year, the company maintained a focus on cost management and cash/debtor management. With the exception of Oil & Gas, all businesses delivered sound financial performance. The continuing poor performance of the Oil & Gas laboratories business has led to a decision to divest this remaining Oil & Gas asset.

A summary of our financial performance from continuing operations is provided below and in more detail on page 8:

	FY16-17	FY17-18
Revenue (\$m)	1,261.5	1,446.9
Underlying NPAT (\$m)	117.4	142.2
Underlying EBIT (\$m)	192.4	221.3
Underlying EPS	23.3 cents	28.4 cents
Underlying EBIT margin	15.3%	15.3%
Dividends per share	13.5 cents	17.0 cents

Executive remuneration strategy and instruments received some adjustments, in particular the STI Plan. Actual pay outcomes during the year continued to be aligned to shareholder outcomes.

Changes impacting Remuneration

Following the appointment of Mr Naran, an organisational restructure took place to better align the company with its new strategic plan. A number of senior roles moved away from the Brisbane Head Office and a new Operations Head Office was set up in Houston. The organisational

structure was simplified, a layer of management removed and several new senior appointments were made. The KMP listed in this Remuneration Report reflect the restructure.

Fixed remuneration for executive KMPs other than the CEO was increased by an average of 4%. Maximum potential STI increased to reflect a new “Outperformance” element that enables up to 150% of STI quantum to be achieved for exceptional financial performance. LTI components as a percentage of fixed pay were unchanged.

Short term incentives earned by executives for FY2018-19 reflect financial performance and the achievement of key performance indicators (“KPIs”) demonstrating an alignment with outcomes for shareholders.

The executives’ long-term incentive (“LTI”) award which will vest on 1st July 2018 was achieved at the overall rate of 75% of the maximum potential as three of the four performance hurdles were fully achieved.

For the Non-Executive Directors the fee pool which was last increased in the 2012 FY was maintained at the current quantum. Fees were restructured during FY 2016-17, to allow for the addition of a new committee and changed committee memberships. There was no overall increase in fees resulting from these changes.

2. KEY MANAGEMENT PERSONNEL — AUDITED

Name	Position	Term as KMP in 2017-18
Non-executive directors		
Bruce Phillips	Chairman	Full year
	Member of People Committee	
Mel Bridges	Member of Audit and Risk Committee	Full Year
	Member of Sustainability Committee	
Grant Murdoch	Chairman of Audit and Risk Committee	Full Year
John Mulcahy	Chairman of People Committee	Full Year
Charlie Sartain	Chairman of Sustainability Committee	Full Year
	Member of Audit and Risk Committee	
Tonianne Dwyer	Member of People Committee	Full Year
	Member of Sustainability Committee	
Executive KMPs		
Raj Naran	Executive Director	Full Year
	Managing Director and Chief Executive Officer (apptd 20 July 2017) (Deputy CEO and Group GM Life Sciences until 20 July 2017)	
Bruce McDonald	General Manager, Geochemistry	Full Year
Andreas Jonsson	General Manager, Life Sciences Europe	Full Year
Tim Kilmister	General Manager, Life Sciences APAC	Full Year
David Prince	General Manager, Life Sciences Americas	Apptd 2 October 2017
Kristen Walsh	General Manager, Industrial	Full Year
Richard Stephens	Chief Financial Officer	Full Year
Former Executives		
Greg Kilmister	Former Managing Director and Chief Executive Officer (CEO) Retired 20 July 2017	
Brian Williams	Former Group General Manager Commodities (until 3 July 2017)	

Note: references in this remuneration report to "Executives" are references to those executives who are KMPs as listed above, including where relevant, the CEO

Service Contracts

The Group has formal service agreements with its non-executive directors. Non-executive directors are not entitled to any retirement or termination benefits. Executives have continuous service agreements that can be terminated by either party. In the event of termination without cause, the Group is required to pay Executives between three and twelve months of salary.

Unvested equity grants may lapse, remain on foot, or vest on termination, depending on the circumstances, in accordance with the LTI Plan Rules, at the Board's discretion and in accordance with section 200B and section 200E of the Corporations Act. Termination on the basis of redundancy, death or from an age or ill-health retirement allows for proportionate vesting of the grants. Grants do not vest in the event of voluntary termination or termination with cause.

3. EXECUTIVE REMUNERATION STRATEGY — SUMMARY 2017-18 — AUDITED

ALS Group Vision	ALS is committed to maintaining the sound and sustainable growth strategies which have made us a successful global Company. We maintain the rewarding partnerships we share with our clients, business partners, shareholders and communities whilst identifying and developing new opportunities.		
Group Strategy	Translated into Group Strategy and developed into group structure, plans and policies:		
	The Group's five-year Strategic Plan drives all activities in the business. Each year an annual business plan is prepared for each Business Unit which examines the components that will need to be achieved during the year; and longer term goals are recalibrated and adjusted as required.		
Executive Reward Strategy	The Group's five-year Strategic Plan is translated to the remuneration strategy that will assist the Group in achieving its financial and other business goals		
	- Transparent link to individual performance - Adjusted annually in response to external changes - Reasonable, fair and equitable - Provides sustainable platform for growth		
Remuneration Components	Delivered through the remuneration components of Fixed and Variable remuneration (at target):		
		Managing Director	Executive KMP (Average)
	Fixed Remuneration (including cash, pension and benefits)	46%	60%
	Short Term Incentives – cash based, at target	27%	20%
	Long Term Incentives – equity based	27%	20%
Managing Risk	Operational Risk Management is built into the remuneration policies:		
	- STI forfeiture, deferral and clawback provisions - KPIs include safety - Aligns to external peer pay levels for executive attraction and retention - Board discretion for unforeseen conditions - Financial gateways ensure affordability		
Alignment with Shareholders	Remuneration is designed to align executive reward to growth in shareholder value:		
	- STI Financial KPIs require financial growth against last year's performance to pay out at target - Use of four balanced LTI Plan measures: TSR, EBITDA, EPS and ROCE – promotes sustainable performance. - Global and local Peer performance comparisons for fair assessment - Remuneration partly received in equity		
Short Term Incentives	STI KPIs reward improved financial and HSE outcomes:		
	1 Year performance Period Potential value: 150% of the executive's STI quantum 70% of the reward is set against Financial KPIs, including an "outperformance" KPI 10% of the reward is set against Health, Safety & Environment KPIs 20% is reserved for Business Plan milestones and to allow for Board discretion		
Long Term Incentives	The LTI is contingent on multiple performance measures to ensure sustainable performance and aligns key executives' financial outcomes with Shareholder interests:		
	3 Year performance Period - Hurdle 1: EPS Growth - Hurdle 2: TSR – against ASX100 peers - Hurdle 3: Relative EBITDA margin – against industry peers - Hurdle 4: ROCE		
Governance	Strengthened through robust governance:		
	- Independent Directors - Board has ultimate discretion over all reward components - External remuneration advisors are appointed and report to the Board		

Table 2

People Committee

The Board operates a People Committee which consists of three independent non-executive directors. The committee considers all aspects of remuneration strategy, policy and process for executive key management personnel and non-executive directors. The committee also considers broader remuneration strategy and has oversight of key remuneration programs for the Company globally. Remuneration changes for all non-executive directors, the Managing Director and executive KMPs are considered and approved by the Board after receiving recommendations from the committee.

The committee remit also includes performance management for the CEO and oversight of executive management, workplace culture, key talent development and succession planning, diversity and broader human resources risk management.

The committee conducts annual reviews of its charter, the Group remuneration and benefits policies and plans, the structure and details of all Directors' fees, remuneration packages, market and industry sector trends in relation to Director and executive remuneration practices and remuneration levels.

Fixed versus Variable Remuneration

The breakdown of the fixed remuneration and at-risk remuneration for the Managing Director and Executive KMPs, is shown in Table 2 above. The components of variable remuneration show maximum potential outcome for target performance. 40 percent or more of pay is at risk to ensure that executives will benefit from achieving strong company performance but receive less pay if company performance falls below expectations. The costs of executive pay therefore vary directly with shareholder interests and the capacity to pay, ensuring fair pay outcomes.

External Remuneration Consultants

ALS engages with Korn Ferry to provide benchmark data, as well as market practice input to remuneration strategy and mechanisms from time to time.

Korn Ferry also provides job evaluation and global remuneration data for middle manager up to Chief Executive Officer level roles; their PayNet (remuneration) database is used across key geographies. To ensure their independence from executive management, Korn Ferry was engaged directly by the Board for the CEO and KMP remuneration advice.

EY (Australia) provide valuation services in respect of our Long-Term Incentive Plan.

Fees paid for remuneration advice during the financial year were: Korn Ferry – \$152,029 (2017: \$7,150), EY (Australia) – \$56,900 (2017: \$19,000). Fees paid to these providers for other services during the year: Korn Ferry – \$120,803 (2017: Nil), EY (Australia) – \$75,000 (2017: Nil)

4. NON-EXECUTIVE DIRECTOR REMUNERATION — AUDITED

With five new Directors appointed in the last six years, the Company is satisfied that the Board is independent.

Key Components of Non-Executive Director Remuneration

No element of Non-Executive Director remuneration is 'at risk'. Fees are fixed and not based on the performance of the Company or equity-based. Directors' fees are reviewed annually and increased if appropriate. Directors are paid base fees and if applicable, a fee for membership of a committee. The Chairman does not receive committee fees.

The fixed fee pool for Directors has remained unchanged for six years at a maximum of \$1,500,000. The fee structure is set out in Table 3. Fees and the pool are inclusive of mandatory superannuation contributions.

Non-Executive Director – Fee Structure		* Fixed Pool: \$1,500,000 per annum
Base Director Fees		
Chairman	<i>Annual fee compensates for all Board & Committee activities</i>	\$321,000
Non-executive directors	<i>Annual fee</i>	\$165,000
Committee Fees		
Chair of Audit & Risk Committee		\$25,000
Chairs of People Committee and Sustainability Committee		\$12,500
Committee Fees	<i>Flat fee for each Committee membership</i>	\$6,000
* Pool and fees include superannuation benefits		Table 3

5. ACTUAL REMUNERATION — FY 2017-18 — AUDITED

Non-Executive directors

The current remuneration pool, including superannuation, for all non-executive directors is \$1,500,000 per annum as approved by shareholders at the 2012 AGM. Non-executive directors are paid base and committee membership fees only, which are fixed by the Board. The directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of the Company.

During 2016 the Company introduced minimum shareholding guidelines for non-executive directors who are now expected to build a minimum shareholding of the equivalent of 50% of one year's after-tax fees – this may be built up over a three-year period from date of commencement. The quantum of the shareholding will be based on cost outlay made to acquire the shares and the fees quantum will be based on net fees assuming the top marginal PAYG Taxation rate. This requirement is monitored annually.

The levels of Directors' remuneration are set as of 1 July every year, following reviews of publicly available information about fees paid to non-executive directors in comparable companies. Details of the nature and actual amount of each element of remuneration of each non-executive director are set out below.

Directors:	In AUD	Short-term (Salary & fees) \$	Long term (D&O insurance premiums) \$	Post-employment (Superannuation benefits) \$	Total \$
Non-executive directors					
Bruce Phillips <i>(apptd Chair 26 Jul 2016)</i>	2018	293,151	686	27,849	321,686
	2017	251,127	661	23,857	275,645
Mel Bridges	2018	161,644	686	15,356	177,686
	2017	165,734	661	15,745	182,140
Grant Murdoch	2018	173,516	686	16,484	190,686
	2017	173,649	661	16,497	190,807
John Mulcahy	2018	162,100	686	15,399	178,185
	2017	162,224	661	15,411	178,296
Charlie Sartain	2018	167,580	686	15,920	184,186
	2017	165,877	661	15,758	182,296
Tonianne Dwyer <i>(appointed 1 July 2016)</i>	2018	161,644	686	15,356	177,686
	2017	121,233	496	11,517	133,246
Nerolie Withnall <i>(retired 26 July 2016)</i>	2018	-	-	-	-
	2017	96,127	220	9,132	105,479
Total:	2018	1,119,635	4,116	106,364	1,230,115
Non-executive directors	2017	1,135,971	4,021	107,917	1,247,909

Table 4

Executive KMPs

Executives receive fixed remuneration, an STI paid in cash (and from FY2018, share-based compensation deferred for two years for STI outperformance where earned – refer section 6 of the Remuneration Report) and an LTI in the form of performance rights that vest three years later, subject to meeting performance hurdles and continued employment conditions. The Group's practice is to review fixed remuneration for executives as of 1 July every year.

Table 5.1 below lists the remuneration actually received in relation to the financial years ending March 2017 and 2018, comprising fixed remuneration, cash STIs relating to each year and the value of LTI grants that vest during each year. This information differs from that provided in the statutory remuneration Table 5.2 which shows the accounting expense of remuneration in respect of each year, determined in accordance with accounting standards rather than the value of remuneration (including LTI grants that vested) received during the year.

Remuneration actually received:

Directors:	In AUD	Fixed remuneration (Salary, allowances and superannuation / pension benefits) \$	STI (a) \$	Termination benefits \$	Total cash payments received \$	Equity vested during year (b) \$	Total remuneration received \$
Executive director:							
Raj Naran (c)	2018	1,267,418	728,888	-	1,996,306	65,013	2,061,319
(apptd MD & CEO 20 Jul 2017)	2017	1,010,920	-	-	1,010,920	13,835	1,024,755
Executives:							
Bruce McDonald (d)	2018	576,793	231,621	-	808,414	63,631	872,045
	2017	-	-	-	-	-	-
Andreas Jonsson (d)	2018	438,029	50,372	-	488,401	25,179	513,580
	2017	-	-	-	-	-	-
Tim Kilmister (d)	2018	388,615	140,000	-	528,615	29,256	557,871
	2017	-	-	-	-	-	-
David Prince (d)	2018	194,074	6,778	-	200,852	-	200,852
(commc'd 2 Oct 2017)	2017	-	-	-	-	-	-
Kristen Walsh	2018	575,000	116,620	-	691,620	48,758	740,378
	2017	575,000	20,000	-	595,000	9,830	604,830
Richard Stephens	2018	574,998	130,012	-	705,010	40,634	745,644
	2017	566,500	70,716	-	637,216	8,190	645,406
Sub-total: Continuing Executives	2018	4,014,927	1,404,291	-	5,419,218	272,471	5,691,689
	2017	2,152,420	90,716	-	2,243,136	31,855	2,274,991
Former Executive director:							
Greg Kilmister (c)	2018	1,324,904	-	1,576,451	2,901,355	274,677	3,176,032
(retired 20 July 2017)	2017	1,596,500	664,299	-	2,260,799	55,360	2,316,159
Former Executive:							
Brian Williams (e)	2018	374,906	-	552,673	927,579	71,514	999,093
	2017	721,000	203,250	-	924,250	14,415	938,665
Total: All executives	2018	5,714,737	1,404,291	2,129,124	9,248,152	618,662	9,866,814
	2017	4,469,920	958,265	-	5,428,185	101,630	5,529,815

Table 5.1

- (a) Accrued STI cash component which is paid following the end of the financial year to which it relates.
- (b) Performance rights are granted annually under the LTI Plan to executives – refer note 8a for details. The amounts above represent the value of performance rights granted in previous years which vested and were exercised during the year. It is calculated as the number of shares allocated to executives multiplied by the closing market price of ALS shares on the vesting date.
- (c) Raj Naran was appointed Managing Director and CEO on 20 July 2017 replacing Greg Kilmister who retired on that date. He held the positions of Deputy CEO and Group General Manager Life Sciences until 20 July 2017. He is based in the USA and is paid in US dollars. Relevant portions of Mr Naran's salary, STI and pension benefits have been translated into Australian dollars above.
- (d) Following a management restructure Bruce McDonald, Andreas Jonsson and Tim Kilmister were promoted to become executive KMPs effective 1 April 2017. David Prince commenced with the Group on 2 October 2017. Messrs McDonald (Canada) Jonsson (Sweden) and Prince (USA) are employed outside Australia. Relevant portions of their salaries, STIs and pension benefits have been translated into Australian dollars above.
- (e) Brian Williams ceased employment with the Group on 3 July 2017.

Remuneration as determined in accordance with accounting standards (c):

Directors:	In AUD	Short-term			Long-term			Termination benefits \$	Total remuneration received \$
		Salary \$	STI (a) \$	Non-monetary benefits(b) \$	Value of share-based awards(c) \$	D&O insurance premiums \$	Postemployment Superannuation & pension benefits \$		
Executive director:									
Raj Naran (d)	2018	1,244,632	728,888	8,924	266,136	457	13,862	-	2,262,899
(apptd MD & CEO 20 Jul 2017)	2017	996,050	-	-	115,409	316	14,870	-	1,126,645
Executives:									
Bruce McDonald (e)	2018	571,210	231,621	5,583	171,026	341	-	-	979,781
	2017	-	-	-	-	-	-	-	-
Andreas Jonsson (e)	2018	414,373	50,372	12,458	72,657	341	11,198	-	561,399
	2017	-	-	-	-	-	-	-	-
Tim Kilmister (e)	2018	362,269	140,000	-	78,849	341	26,346	-	607,805
	2017	-	-	-	-	-	-	-	-
David Prince (e)	2018	186,200	6,778	7,874	-	341	-	-	201,193
(commc'd 2 Oct 2017)	2017	-	-	-	-	-	-	-	-
Kristen Walsh	2018	553,618	116,620	-	126,854	341	21,382	-	818,815
	2017	550,000	20,000	-	100,790	316	25,000	-	696,106
Richard Stephens	2018	548,248	130,012	-	110,597	341	26,750	-	815,948
	2017	532,000	70,716	-	70,571	316	34,500	-	708,103
Sub-total: Continuing Executives	2018	3,880,550	1,404,291	34,839	826,119	2,503	99,538	-	6,247,840
	2017	2,078,050	90,716	-	286,770	948	74,370	-	2,530,854
Former Executive director:									
Greg Kilmister (d)	2018	1,314,808	-	-	166,044	229	10,096	1,576,451	3,067,628
(retired 20 July 2017)	2017	1,561,500	664,299	-	215,200	661	35,000	-	2,476,660
Former Executive:									
Brian Williams (f)	2018	347,471	-	-	32,000	341	27,435	552,673	959,920
	2017	686,349	203,250	-	57,433	316	34,651	-	981,999
Total: All executives	2018	5,542,829	1,404,291	34,839	1,024,163	3,073	137,069	2,129,124	10,275,388
	2017	4,325,899	958,265	-	559,403	1,925	144,021	-	5,989,513

Table 5.2

- (a) Accrued STI cash component which is paid following the end of the financial year to which it relates.
- (b) Non-monetary benefits include the payment of allowances and provision of motor vehicles.
- (c) Performance rights are granted annually under the LTI Plan to executives – refer financial statements note 8a for details. The fair value of performance rights granted is calculated using Binomial Tree (EPS, EBITDA and ROCE hurdles) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies and allocated to each financial year evenly over the period from grant date to vesting date. **Note that the valuation is not reflective of actual remuneration received by the executive.** For FY2018 the value of share-based awards also includes an accrual to March 2018 of the estimated value of any deferred compensation earned for STI outperformance – refer section 6 of the Remuneration Report and financial statements note 8a for details.
- (d) Raj Naran was appointed Managing Director and CEO on 20 July 2017 replacing Greg Kilmister who retired on that date. He held the positions of Deputy CEO and Group General Manager Life Sciences until 20 July 2017. He is based in the USA and is paid in US dollars. Relevant portions of Mr Naran's salary, STI and pension benefits have been translated into Australian dollars above.

- (e) Following a management restructure Bruce McDonald, Andreas Jonsson and Tim Kilmister were promoted to become executive KMPs effective 1 April 2017. David Prince commenced with the Group on 2 October 2017. Messrs McDonald (Canada) Jonsson (Sweden) and Prince (USA) are employed outside Australia. Relevant portions of their salaries, STIs and pension benefits have been translated into Australian dollars above.
- (f) Brian Williams ceased employment with the Group on 3 July 2017.

6. SHORT TERM INCENTIVE PLAN — AUDITED

The Board sets the maximum amounts which can be earned as an STI for each executive and also approves executive KMPs' STI Plan scorecards annually. KPIs are structured so that they are heavily weighted to financial performance with safety also a mandatory KPI. There is a portion of the total potential payment that is discretionary.

Payments to the CEO, at target are set at 60% of his fixed remuneration and payments for other executive KMP, at target, are between 25% and 40% of their fixed remuneration.

STI payments are contingent on the achievement of specified financial and other performance indicators (KPIs) for the financial year, as follows.

Outperformance and Equity Deferral

During the year, the Company introduced some changes to the program. This year the plan includes a deferred equity component if certain "outperformance" stretch targets are achieved and a service condition is met.

Those who also attain the "outperformance" financial KPIs will have additional STI payments deferred into Service Rights (rights to ALS shares upon maturity). The period of deferral will be two years and the executive must be still employed on 1 April two years hence (2020 in the case of the 2017-18 FY) to receive the shares. Refer financial statements note 8a for further details.

Where the country of assignment has legislation that would prevent allocation of shares, this would be held as deferred cash for the same period.

Executives are able to earn up to 150% of their target STI quantum for outperformance, including the deferred element.

Gateway

In order to ensure that Shareholder reward is aligned to the executives' own reward, the Group overall must have met or exceeded the underlying NPAT achieved the previous FY, before the executive's own KPIs will yield a payment. Exceptions may be made by the Board where an individual executive has achieved an outstanding financial result.

Financial KPIs

For the executive KMP's the financial hurdles worth 70% of the target quantum are set for the business units that are within the executive's sphere of control. The financial KPIs including the outperformance KPIs are NPAT/EBIT growth oriented.

Non-Financial KPIs

Approximately 30% of the potential STI target quantum is dependent on non-financial KPIs. However, if threshold financial performance is not met as noted above, there is no STI payment despite the executive having achieved their non-financial KPIs.

Health, safety, the environment and risk management is a mandatory KPI as in previous years. This KPI, which is set at 10% of the target STI quantum is measured against the Positive Performance Indicator (PPI) Scorecard of health, safety and environmental lead indicators. A minimum score of 90% on the PPI is required to achieve the HSE KPI.

20% of the target STI quantum is at the discretion of the CEO and for the CEO at the discretion of the Board. This portion allocates specific strategic plan KPI(s) that need to be achieved.

In order to better manage cash flow and potential bad debts in the Company, a debtor-days KPI was also included for relevant executive KMPs. Where failed, this may result in a 50% reduction in any STI payment that would have otherwise been earned.

Non-Payment and Clawbacks

Payments are not made to executives found to have misrepresented their financial and non-financial KPI results; misrepresentations discovered after an STI payment has been made will require the executive having to return the payment to the Company.

CEO Key Performance Indicator outcomes

The CEO's 'gateway' NPAT target was fully met as was his HSE and Debtor Management KPI. The second NPAT hurdle was only partially met and the new outperformance hurdle was not met. An STI payment is due at 94.1% of the total potential.

The CEO's other non-financial KPIs are not provided as they contain commercially sensitive information.

2017-18 KMP executives' Key Performance Indicators

STI Plan KPIs and Structure	Applicable to:	Achievements	Outcome for Shareholders
Growth and profitability 70% of STI Payment	Geochemistry	Outperformance level achieved	Market share growth, improved ROS/EBIT.
	Life Sciences (Three regional groups)	1. Threshold achieved, Target partially achieved. 2. Threshold and Target achieved and Outperformance partially achieved. 3. Threshold not achieved. HSE targets exceeded.	Market share growth, improved ROS/EBIT through cost savings.
	Industrial	Threshold achieved, Target partially achieved.	ROS remained steady for the Tribology business.
HSE 10% of STI Payment	All Businesses have set health, safety, environment & risk management Targets.	>90% was achieved overall on ALS' Positive Performance Indicator scorecard for all KMP.	Reduces risk Better Environmental, Social & Governance rating Protection of the ALS Brand.
Strategic Plan Objectives 20% of STI Payment	All Businesses and Functions need to achieve their Annual Business Plan Objectives as measured against their monthly scorecard.	Achieved by all but one executive KMP.	Long term sustainable financial performance and growth of the business.
Cost Base Management Up to 50% reduction in STI Payment earned	All Business Streams Receivables within Company collection parameters.	Achieved by all but one executive KMP	Lower debt required, improved cashflow, ROS and EBIT outcomes.

Table 6

Executive STI Performance vested / forfeited

Below are details of the outcomes of the STI Plan, for 2017-18 and the previous year, awarded as remuneration to each of the named Executives:

		Included in remuneration \$ (a)	% earned	% forfeited (b)
Executives				
Raj Naran	2018	728,888	94.1	5.9
	2017	-	-	100
Bruce McDonald (c)	2018	231,621	100.0	0.0
	2017	n/a	n/a	n/a
Andreas Jonsson (c)	2018	50,372	33.3	66.7
	2017	n/a	n/a	n/a
Tim Kilmister (c)	2018	140,000	100.0	0.0
	2017	n/a	n/a	n/a
David Prince (c)	2018	6,778	10.0	90.0
	2017	n/a	n/a	n/a
Kristen Walsh	2018	116,620	58.3	41.7
	2017	20,000	10	90
Richard Stephens	2018	130,012	90.0	10.0
	2017	70,716	51	49
Greg Kilmister (d)	2018	n/a	n/a	n/a
	2017	664,299	71	29
Brian Williams (d)	2018	n/a	n/a	n/a
	2017	203,250	81	19

Table 7a

- (a) Amounts included in remuneration for the financial year represent the STI cash components which vested in the financial year based on the achievement of personal goals and satisfaction of specified performance criteria. They do not include the values of any deferred compensation earned for STI outperformance. These values are shown in Table 7b below and are included in the values of share-based awards in table 5.2 and the percentages calculated in table 10 – refer section 6 of the Remuneration Report and financial statements note 8a for details.
- (b) The amounts forfeited are due to the performance or service criteria not being met in relation to the financial year.
- (c) Bruce McDonald, Andreas Jonsson, Tim Kilmister and David Prince were not KMPs in FY2017.
- (d) Greg Kilmister and Brian Williams were not participants in the STI Plan during FY2018.

Below are details regarding deferred compensation earned for any STI outperformance. Accruals to March 2018 are included in the values of share-based awards in table 5.2 and the percentages calculated in table 10 – refer section 6 of the Remuneration Report and financial statements note 8a for details.

		Total possible outperformance incentive \$	Outperformance incentive earned \$	Accrual included in share based awards \$
Raj Naran	2018	390,523	-	-
	2017	n/a	n/a	n/a
Bruce McDonald	2018	116,021	116,021	38,674
	2017	n/a	n/a	n/a
Andreas Jonsson	2018	75,894	-	-
	2017	n/a	n/a	n/a
Tim Kilmister	2018	70,000	18,668	6,223
	2017	n/a	n/a	n/a
David Prince	2018	34,171	-	-
	2017	n/a	n/a	n/a
Kristen Walsh	2018	100,000	-	-
	2017	n/a	n/a	n/a
Richard Stephens	2018	72,229	65,006	21,669
	2017	n/a	n/a	n/a

Table 7b

7. LONG TERM INCENTIVE PLAN — AUDITED

Long Term Incentive Plan Hurdles

Following review of the feedback from Shareholder groups and a review of current best practice, the Board undertook to review and overhaul the LTI Plan. From the 2016 awards, LTI Plan hurdles added a Return on Capital Employed (ROCE) hurdle worth 25% of the total award, replacing the Total Shareholder Return (TSR) hurdle that used an industry peer group as a comparator for company performance. The other hurdles are TSR relative to the ASX100 Index, relative EBITDA, and underlying earnings per share (EPS) growth.

The structure and substance of hurdles for the 2015, 2016 and 2017 awards are set out on the following pages.

The LTI Plan is designed to reward and motivate our senior executives for superior company performance over a three-year performance period.

The principal goals of the LTI Plan are to:

- (a) Focus executives on long term outcomes required by the Board;

- (b) Minimise risk by ensuring performance was measured across multiple factors important to shareholder value, rather than a single measure, and provide a counter balance for any tendency to focus on short term outcomes;
- (c) Retain key, high performing executives;
- (d) Align executives' reward with shareholders' interests by payment in equity;
- (e) Encourage share ownership in ALS; and
- (f) Encourage teamwork through company performance hurdles.

Remuneration under the LTI Plan is in the form of equity-settled performance rights; and in jurisdictions where securities legislation does not permit this, the rights are cash-settled.

The number of performance rights granted to an executive is calculated by dividing the amount of the executive's LTI maximum potential payment by the volume weighted average price (VWAP) of the Company's shares over the 10 trading days following the date of announcement of the final full year results for the financial year preceding the period to which the grant of performance rights relate.

Performance Hurdles

Performance hurdles are assessed at the end of the performance period and the performance rights become exercisable, in whole or in part, or lapse from 1 July following the end of the performance period.

Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at nil exercise price; the amount payable per each vested cash-settled performance right is the VWAP of the Company's shares over the 20 trading days following the release of the Company's full year results for the final year of the performance period.

The LTI plan rules prohibit those who are granted performance rights from entering into arrangements that limit their exposure to share price decreases and the executive must be employed in the Group on the vesting date to be eligible for issue of the shares (equity-settled rights) or receipt of payment (cash-settled rights).

Compound annual underlying EPS growth on a fully diluted basis was chosen because it provides a good indicator of the shareholder value derived from earnings growth and can be directly influenced by management.

Relative TSR provides a good indicator of the value derived from capital growth and distributions to shareholders. Two peer groups are used. One peer group comprises ALS' direct global competitors, and so reflects how well ALS management does in

a very competitive environment (noting however that this hurdle has been discontinued from the 2016 awards). The other peer group comprises the ASX100 index companies. These companies represent the alternative investment choices for many of our investors.

The relative EBITDA margin hurdle was chosen because it is focused on driving cash earnings and productivity. The EBITDA hurdle measures ALS' relative EBITDA margin against the EBITDA margins of its key global competitors. It is a measure over which management has direct influence and provides for a fair assessment of performance against our global competitors.

A ROCE hurdle was introduced from 2016 as it is a relevant measure to use when assessing the Company's success or otherwise in increasing its net worth – i.e. it needs to generate returns in excess of its cost of capital in order to add to its value. In order to provide an incentive for superior performance, the respective ROCE hurdles are set each year at 2% and 7% above the weighted average cost of capital (WACC) as at 31 March with straight line vesting in between the lower and upper hurdles.

The performance hurdles and vesting proportions for the awards granted in 2015, 2016 and 2017 are as follows:

2015 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2015 to March 2018)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 5% per annum	0%
Between 5% and 9% per annum	Straight line vesting between 12.5% and 25% of total grant
9% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2015 to March 2018)	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50th percentile	0%
50th percentile or higher	25% of total grant
Comparator peer companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Exova (UK).	

TSR of ALS relative to TSR of companies in ASX 100 Index over the period April 2015 to March 2018	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0%
Between 50th percentile and 75th percentile	Straight line vesting between 12.5% and 25% of total grant
75th percentile or higher	25% of total grant

TSR of ALS relative to TSR of comparator peer companies over the period April 2015 to March 2018	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0%
Between 50th percentile and 75th percentile	Straight line vesting between 12.5% and 25% of total grant
75th percentile or higher	25% of total grant
Comparator peer companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Exova (UK).	

2016 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2016 to March 2019)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 5% per annum	0%
Between 5% and 9% per annum	Straight line vesting between 12.5% and 25% of total grant
9% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2016 to March 2019)	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50th percentile	0%
50th percentile or higher	25% of total grant
Comparator peer companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Exova (UK).	

TSR of ALS relative to TSR of companies in ASX 100 Index over the period April 2016 to March 2019	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0%
Between 50th percentile and 75th percentile	Straight line vesting between 12.5% and 25% of total grant
75th percentile or higher	25% of total grant

ROCE Performance (3 year average over the period April 2016 to March 2019)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11.2%	0%
Between 11.2% and 16.2%	Straight line vesting between 0% and 25% of total grant
At or above 16.2%	25% of total grant

* Based on ALS' March 2016 pre-tax Nominal WACC (midpoint)

2017 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2017 to March 2020)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 5% per annum	0%
Between 5% and 9% per annum	Straight line vesting between 12.5% and 25% of total grant
9% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2017 to March 2020)	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50th percentile	0%
Between the 50th and 75th percentile	Straight line vesting between 12.5% and 25% of total grant
75th percentile or higher	25% of total grant
Comparator peer companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France), Intertek (UK), SGS (Switzerland), Mistras (USA) and Applus (Spain).	

TSR of ALS relative to TSR of companies in ASX 100 Index over the period April 2017 to March 2020	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0%
Between 50th percentile and 75th percentile	Straight line vesting between 12.5% and 25% of total grant
75th percentile or higher	25% of total grant

ROCE Performance (3 year average over the period April 2017 to March 2020)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 12.2%	0%
Between 12.2% and 17.2%	Straight line vesting between 0% and 25% of total grant
At or above 17.2%	25% of total grant

* Based on ALS' March 2017 pre-tax Nominal WACC (midpoint)

Measurement of the LTI Plan Hurdles

Underlying Earnings per Share (EPS)

The growth in earnings per share is calculated by comparing the diluted underlying EPS from continuing operations achieved by the Group in the base year (e.g. year to March 2017) with that achieved in the final year of the performance period (e.g. year to March 2020).

Diluted EPS is calculated by dividing the underlying net profit after tax attributable to shareholders of ALS Limited by the weighted average number of ordinary shares on issue for the year being measured (diluted for outstanding equity-settled performance rights).

Following finalisation of ALS' financial results for FY2017-18 the compound annual growth rate (CAGR) in the Company's diluted underlying EPS over the three-year period to March 2018 was negative 4% (from 31.9 cents to 28.3 cents) which is below the minimum threshold of a 5% increase. Thus, no rights subject to the EPS hurdle will vest on 1 July 2018.

Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA margin measurement is contingent upon performance of the Company against a group of comparator peer companies that are comprised of our key global competitors. It is calculated on the following basis:

Cumulative Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is calculated as a percentage of Revenue over the three-year performance period. This is compared with the cumulative EBITDA margins reported by each of the peer companies for the three financial years ending on or before 31 March of the year of vesting.

Following finalisation of ALS' financial results for FY2017-18 the underlying EBITDA margin achieved by the Company over the three-year period to March 2018 was 19.0%. As shown below this placed ALS at the 50th percentile when ranked within the group of industry peer companies. Thus, all the rights subject to the EBITDA hurdle (25% of the total number possible) will vest on 1 July 2018.

Company	Currency	Cumulative underlying EBITDA (m)	Cumulative Revenue (m)	EBITDA Margin %	Rank	Percentile
Core Laboratories	USD	439	2052	21.4%	1	100.0%
SGS	CHF	3,636	18,046	20.1%	2	87.5%
Intertek	GBP	1,490	7,502	19.9%	3	75.0%
Exova	GBP	124	625	19.8%	4	62.5%
ALS	AUD	804	4,226	19.0%	5	50.0%
Bureau Veritas	EUR	2,626	13,873	18.9%	6	37.5%
Eurofins	EUR	1,339	7,458	18.0%	7	25.0%
Applus	EUR	587	4,871	12.1%	8	12.5%
Mistras	USD	242	2,536	9.6%	9	9.5%

Table 8

Total Shareholder Return (TSR)

TSR measures the growth over the performance period in the price of shares plus dividends notionally reinvested in shares.

In order for any of the TSR Hurdle Rights to vest under the TSR performance hurdle, ALS' TSR for the Performance Period must be at the 50th percentile or higher against the TSRs of the nominated groups of comparator companies for the same period. The comparator groups may be adjusted from time to time by the Board in its discretion (for example, if one of those companies is delisted in the future or it's TSR is no longer ascertainable).

The Company's performance over the three-year period to March 2018 relative to the ASX100 comparator group was at the 80th percentile, therefore all the rights subject to the ASX100 TSR hurdle (25% of the total number possible) will vest on 1 July 2018. ALS' performance over the three-year period to March 2018 relative to the industry peer group was at the 75th percentile, therefore all the rights relating to this peer group TSR hurdle (25% of the total number possible) will vest on 1 July 2018.

2015 TSR grant performance: international peers

Rank	Entity name	TSR	Percentile	Potential level of vesting	
1	Interek Group Public Limited Company	101.79%	100.0%	100.0%	
2	Eurofins Scientific AG	89.41%	87.5%	100.0%	
3	ALS Limited	63.65%	75.0%	100.0%	75th percentile
4	Exova Group Limited Company	53.06%	62.5%	75.0%	
5	SGS SA	36.07%	50.0%	50.0%	Median
6	Bureau Veritas International	12.77%	37.5%	0.0%	
7	Core Laboratories	9.97%	25.0%	0.0%	25th percentile
8	Mistras Group Incorporated	7.41%	12.5%	0.0%	
9	Applus Services SA	3.96%	0.0%	0.0%	

Table 9

Therefore, performance against the two TSR hurdles will result in vesting of 50% of the total award on 1 July 2018. Together with the 25% vesting achieved for the relative EBITDA hurdle, a total of 75% of available rights will vest on 1 July 2018.

Return on Capital Employed (ROCE) – 2016 Awards Onwards

A ROCE hurdle was used for the 2016 and 2017 awards. It provides a useful measure to assess the Company's success or otherwise in increasing its net worth – i.e. it needs to generate returns in excess of its cost of capital in order to add to its value. In order to provide an incentive for superior performance, the respective ROCE hurdles were set at 2% and 7% above the previous March weighted average cost of capital (WACC) with straight line vesting in between the lower and upper hurdles.

ROCE is calculated as Underlying Earnings before Interest and Tax ("EBIT") over the three-year performance period divided by Capital Employed expressed as a percentage. Capital Employed is defined as Total Shareholders' Equity plus Net Debt and is calculated as the sum of the simple averages of the balances at the beginning and end of each year during the performance period. If material funding transactions (for example, significant additional borrowings, equity issuances or asset impairments) occur such that the simple average for any year during the performance period is not representative of capital actually employed, the average capital employed for the year may be adjusted for the effect of these transactions.

8. COMPANY PERFORMANCE AND LINK TO SHAREHOLDER WEALTH – AUDITED***Proportion of performance related and equity based remuneration***

Details of each of the named Executives' performance related and equity based remuneration as a proportion of their total remuneration is detailed below.

		Proportion of all at risk remuneration (STI & LTI) as a percentage of total remuneration		Proportion of share-based awards (LTI and deferred STI) as a percentage of total remuneration (a)	
		Calculated on remuneration actually received	Per accounting standards	Calculated on remuneration actually received	Per accounting standards
		(table 5.1) %	(table 5.2) %	(table 5.1) %	(table 5.2) %
Executives					
Raj Naran	2018	38.5	44.0	3.2	11.8
	2017	1.4	10.2	1.4	10.2
Bruce McDonald (b)	2018	33.9	41.1	7.3	17.5
	2017	n/a	n/a	n/a	n/a
Andreas Jonsson (b)	2018	14.7	21.9	4.9	12.9
	2017	n/a	n/a	n/a	n/a
Tim Kilmister (b)	2018	30.3	36.0	5.2	13.0
	2017	n/a	n/a	n/a	n/a
David Prince (b)	2018	3.4	3.4	0.0	0.0
	2017	n/a	n/a	n/a	n/a
Kristen Walsh	2018	22.3	29.7	6.6	15.5
	2017	4.9	17.4	1.6	14.5
Richard Stephens	2018	22.9	29.5	5.4	13.6
	2017	12.2	20	1.3	10
Greg Kilmister (c)	2018	8.6	5.4	8.6	5.4
	2017	31.1	35.5	2.4	8.7
Brian Williams (c)	2018	7.2	3.3	7.2	3.3
	2017	23.2	26.5	1.5	5.8

Table 10

- (a) Amounts related to deferred compensation earned for STI outperformance are included in the values of share-based awards used to calculate the above percentages – refer section 6 of the Remuneration Report and financial statements note 8a for details.
- (b) Bruce McDonald, Andreas Jonsson, Tim Kilmister and David Prince were not KMPs in FY2017.
- (c) Greg Kilmister and Brian Williams were not participants in the STI Plan during FY2018.

Consequences of performance on shareholders' wealth

The Board considers that the previous and current remuneration strategy including adjustments to the STI Plan KPI structure and the LTI Plan EBITDA hurdle revision results in executive pay that aligns with performance. The financial data in respect of the current and previous four financial years, and its relationship to executive pay, is set out below:

Measure of financial performance	Fluctuation in financial performance is reflected in executives' pay via:	2018 \$m	2017 \$m	2016 \$m	2015 \$m	2014 \$m
Underlying profit * attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	142.2	117.4	108.4	135.4	171.9
Profit / (loss) attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	51.8	81.6	(240.7)	(174.5)	154.4
Dividends paid or payable	LTI TSR measures	TBD	68.0	60.8	84.5	152.0
Share price at balance date)	LTI TSR measures	\$7.42	\$6.14	\$3.99	\$4.96	\$7.33

*Underlying profit is a non-IFRS disclosure and is unaudited.

Table 11

9. KMP EQUITY INSTRUMENTS AND TRANSACTIONS — AUDITED**Ordinary shares**

The movement during the year in the number of ordinary shares in ALS Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Opening Balance	Purchases ⁽¹⁾	Acquired due to vesting of performance rights	Sales ⁽¹⁾	Other	Closing Balance
Directors						
Bruce Phillips	31,000	29,160	-	-	-	60,160
Mel Bridges	51,793	5,649	-	-	-	57,442
Grant Murdoch	72,242	829	-	-	-	73,071
John Mulcahy	54,027	-	-	-	-	54,027
Charlie Sartain	122,524	15,000	-	(37,524)	-	100,000
Tonianne Dwyer	12,948	4,200	-	-	-	17,148
Raj Naran	44,632	39,300	8,611	-	-	92,543
Greg Kilmister ⁽²⁾	974,625	8,408	36,381	0	(1,019,414)	-
Executives						
Bruce McDonald	16,147	-	8,428	(13,259)	-	11,316
Andreas Jonsson	-	-	3,335	-	-	3,335
Tim Kilmister	126,957	35	3,875	(123,810)	-	7,057
David Prince	-	-	-	-	-	-
Kristen Walsh	4,435	44	6,458	-	-	10,937
Richard Stephens	49,164	277	5,382	(7,000)	-	47,823
Brian Williams ⁽²⁾	140,775	-	9,472	-	(150,247)	-

Table 12.1

(1) Includes shares acquired via the dividend reinvestment plan. All purchases and sales complied with the Board's Securities Trading Policy which permits trading by directors and executives during certain periods in the absence of knowledge of price-sensitive information.

(2) Greg Kilmister and Brian Williams ceased employment with the Group in July 2017.

Performance rights over ordinary shares granted as remuneration

The movement during the year in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties:

	Opening Balance	Granted as compensation	Vested and exercised	Lapsed ^(a)	Closing Balance
Directors					
Raj Naran	112,478	117,010	(8,611)	(14,351)	206,526
Greg Kilmister ^(b)	271,418	-	(36,381)	(60,634)	174,403
Executives					
Bruce McDonald	103,260	32,046	(8,428)	(14,046)	112,832
Andreas Jonsson	49,395	20,587	(3,335)	(5,558)	61,089
Tim Kilmister	50,801	18,778	(3,875)	(6,458)	59,246
Kristen Walsh	96,791	29,806	(6,458)	(10,764)	109,375
Richard Stephens	69,054	21,107	(5,382)	(8,969)	75,810
Brian Williams ^(b)	72,140	-	(9,472)	(20,804)	41,864

Table 12.2

(a) The number of rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment.

(b) Greg Kilmister and Brian Williams ceased employment with the Group in July 2017. In accordance with the LTI Plan Rules the rights attaching to some of their performance rights remain available for vesting on the pre-existing vesting dates subject to the achievement of performance hurdles.

Details of vested and outstanding performance rights over ordinary shares in the Company that were granted as remuneration to each KMP under the LTI Plan are presented in the table below:

Directors / Executives	Grant date	Number of rights granted (a)	Fair value per right at grant date (b)	Issue price used to determine no. of rights granted (b)	Vesting date	Number of rights vested & exercised	Number of rights lapsed	% of rights lapsed
Raj Naran (Director)	20-Jul-17	117,010	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	52,448	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	37,068	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	22,962	\$5.40	\$8.71	1-Jul-17	(8,611)	(14,351)	62%
Greg Kilmister (c) (Former Director)	26-Jul-16	216,783	\$4.30	\$4.29	1-Jul-19	-	(144,522)	66%
	30-Jul-15	153,213	\$4.04	\$6.07	1-Jul-18	-	(51,071)	33%
	29-Jul-14	97,015	\$5.40	\$8.71	1-Jul-17	(36,381)	(60,634)	62%
Bruce McDonald	20-Jul-17	32,046	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	46,765	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	34,021	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	22,474	\$5.40	\$8.71	1-Jul-17	(8,428)	(14,046)	62%
Andreas Jonsson	20-Jul-17	20,587	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	24,219	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	16,283	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	8,893	\$5.40	\$8.71	1-Jul-17	(3,335)	(5,558)	62%
Tim Kilmister	20-Jul-17	18,778	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	25,641	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	14,827	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	10,333	\$5.40	\$8.71	1-Jul-17	(3,875)	(6,458)	62%
Kristen Walsh	20-Jul-17	29,806	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	46,620	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	32,949	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	17,222	\$5.40	\$8.71	1-Jul-17	(6,458)	(10,764)	63%
Richard Stephens	20-Jul-17	21,107	\$6.21	\$6.71	1-Jul-20	-	-	-
	26-Jul-16	32,051	\$4.30	\$4.29	1-Jul-19	-	-	-
	30-Jul-15	22,652	\$4.04	\$6.07	1-Jul-18	-	-	-
	29-Jul-14	14,351	\$5.40	\$8.71	1-Jul-17	(5,382)	(8,969)	62%
Brian Williams (c)	26-Jul-16	58,275	\$4.30	\$4.29	1-Jul-19	-	(43,868)	75%
	30-Jul-15	41,186	\$4.04	\$6.07	1-Jul-18	-	(13,729)	33%
	29-Jul-14	25,258	\$5.40	\$8.71	1-Jul-17	(9,472)	(15,786)	62%

(a) All performance rights granted to the executives named above are equity-settled rights.

(b) The number of rights issued to participants in July 2017 was determined using the volume weighted average price of the Company's shares during the ten trading days following the announcement of the Group's annual financial results (July 2015: twenty days). The calculation for those rights awarded in July 2016 differed because of the approach received on 1 June 2016 from Advent/Bain to acquire the Company for \$5.30 per share. The Board exercised its discretion under the LTI Plan to review the trading period used to determine the number of performance rights to be issued and adopted the 20 trading days VWAP for the period up to and including 31 May 2016 (being the day before trading was halted at \$4.05 per share just before the approach was announced to the market).

The grant dates and corresponding fair values per right in the above table have been determined in accordance with Australian Accounting Standards and are dependent on the dates on which individual executives are deemed to have received their offers to participate in the Plan. Fair values have been calculated using Binomial Tree (EPS, EBITDA and ROCE hurdles) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies.

(c) Greg Kilmister and Brian Williams ceased employment with the Group in July 2017. In accordance with the LTI Plan Rules the rights attaching to some of their performance rights remain available for vesting on the pre-existing vesting dates subject to the achievement of performance hurdles.

Property leases

The Group had previously entered into property lease agreements in the USA with a company in which Raj Naran (Managing Director and CEO) holds a controlling interest. The property was sold by that company in January 2018; such transaction having been approved in advance by the ALS Limited Board. Lease rental expense in AUD during the year to the date of disposal was \$590,844 (2017: \$808,436) and the amount outstanding at the end of the year was Nil (2017: Nil).

10. OUTLOOK FOR 2018-19 FY REMUNERATION — UNAUDITED

The remuneration instruments of STI and LTI were only slightly adjusted this year, following the 2016-17 overhaul. With adjustments over the last two financial years, the FY2018-19 remuneration strategy and instruments will be delivered under the structure used for the FY2017-18.

The LTI Plan hurdles, comprising EPS, Relative TSR, Relative EBITDA and ROCE, will continue for the 2018 awards.

The STI Plan for KMPs and other senior executives will continue. Those who also attain the “outperformance” stretch financial KPIs will continue to have additional STI payments deferred into Service Rights (rights to ALS shares upon maturity) for a period of two years.

The STI Plan KPIs are as follows and will continue for the FY2018-19:

Financial KPIs – at least 70% of the STI payment will be dependent on the financial performance of the Company or Business Stream results relevant to the executive's role.

In addition to Financial KPIs, to achieve their full STI payment executives will need to achieve:

- a) A Health Safety & Environmental KPI, worth 10% of the STI payment.
- b) Discretionary KPIs – 20% of the STI payment will be discretionary to allocate reward against specific KPIs or projects and to allow for unforeseen circumstances. Within this 20% portion, a Debtors KPI worth 10%, may be allocated, if required.

Following the experience of using this structure for the 2017-18 year, the 2018-19 STI plan will continue to reward only when there is an acceptable financial result for shareholders.

With the organisational restructure undertaken, and some roles redesigned it has been necessary to closely examine remuneration packages to ensure that they reflect market practise and so that internal parity may be established. Korn Ferry were engaged by the Board to conduct job sizing for the KMP roles and they provided updated remuneration benchmarks. External competitor remuneration was also reviewed and used as an input. Total fixed remuneration for Executive KMPs including the CEO for the 2018-19 FY will be adjusted on average by 6% as a consequence.

Total fees for Directors have remain unchanged since 2012. With the improved performance coupled with the increased size and complexity of the business, it is planned to ask the Shareholders for a 10% increase in the Directors' Fee Pool. This increase will be used to provide moderate fee increases for the current non-executive directors and Chairman and will provide the headroom required to recruit new non-executive directors to fulfil succession requirements.

The Directors believe that these future adjustments will continue to deliver a fair outcome for executives with a strong link to shareholder value and long term sustainable growth. Consultation with shareholder advisory groups and use of external specialist consultants will continue to be a feature of our remuneration strategy and process to ensure that fair and affordable remuneration continues into the future.

End of remuneration report

Environmental regulation

The Group is committed to complying with environmental legislation, standards, and codes of practice relevant to the particular business in the areas in which it operates. A number of hub laboratories are regulated under State and local government legislation predominately for their hazardous waste generation and disposal. Each hub laboratory holds a current licence and or consent from the relevant environment protection authority or local council where required.

Environmental management

As part of the Group's compliance program, environmental matters are reported on monthly by all divisional managers. In addition, internal sign-offs are completed by all managers on a yearly basis, reporting on performance against relevant environmental legislation and key environmental risks in their area of operations. Apart from complying with local legal requirements each site location across the world operates under the corporate health safety and environment minimum standard which sets out 17 key standards including identification and management of key environmental risks, emergency planning, reporting environmental incidents, and conducting regular audits.

Initiatives

There were a number of environmental initiatives implemented during the year across the Group. These are summarised under the sustainability section of the annual report and explained in detail in the Sustainability Report for 2018.

Performance against environmental compliance requirements

There were no material breaches of environmental statutory requirements and no fines, penalties or prosecutions launched against the Group during the reporting period.

Internal and external audits and internal reporting and monitoring have indicated a high level of compliance with site licence conditions, relevant legislation and corporate minimum standards.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

The Group's objective during the next financial year will be to maximise earnings and investment returns across all the business units in its diversified portfolio. For comments on divisional outlooks refer to the review of results and operations in this report.

Directors' interests

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001 as at the date of this report is:

	<u>No. of Ordinary shares</u>
Bruce Phillips	60,160
Raj Naran	92,543
Mel Bridges	57,442
Grant Murdoch	73,071
John Mulcahy	54,027
Charlie Sartain	100,000
Tonianne Dwyer	<u>17,148</u>

Refer to the Remuneration Report above for details of performance rights held by Mr Naran.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit and Risk Committee Meetings (1)		People Committee Meetings (1)		Sustainability Committee Meetings (1)	
	A	B	A	B	A	B	A	B
Bruce Phillips	9	9	-	-	4	4	-	-
Raj Naran (2)	6	6	-	-	-	-	-	-
Mel Bridges	9	9	4	4	-	-	2	2
Grant Murdoch	9	9	4	4	-	-	-	-
John Mulcahy	9	9	-	-	4	4	-	-
Charlie Sartain	9	9	4	4	-	-	2	2
Tonianne Dwyer	9	9	-	-	4	3	2	2
Greg Kilmister (3)	3	3	-	-	-	-	-	-

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

(1) – All non-member directors are permitted by the Committee Charters to attend meetings on a standing invitation basis.

(2) – appointed Managing Director and CEO effective 20 July 2017.

(3) – Greg Kilmister retired as Managing Director and CEO on 20 July 2017.

Indemnification and insurance of directors and officers

Indemnification

Under its Constitution, and by resolution of the Board, the Company has agreed to indemnify to the extent permitted by law and the Corporations Act 2001:

- every person and employee who is or has been an officer of the Company or of a Group entity where requested to do so, including a director or secretary, against any liability (other than for legal costs) incurred by that person or employee as an officer of the Company or of a Group entity (including liabilities incurred by that person or employee as an officer of the Company or of a Group entity where the Company requested that person or employee to accept that appointment).

- every person and employee who is or has been an officer of the Company or of a Group entity where requested to do so, including a director or secretary, against reasonable legal costs incurred in defending an action for a liability incurred by that person or employee as an officer of the Company or of a Group entity (including such legal costs incurred by that person or employee as an officer of the Company or of a Group entity where the Company requested that person or employee to accept that appointment).

Insurance premiums

During the financial year, the Company paid insurance premiums in respect of directors' and officers' liability and personal accident insurance contracts, for current and former directors and senior executives, including senior executives of its controlled entities. The current directors are listed elsewhere in this report. The insurance relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

It is a condition of the policies that premiums paid and terms and conditions of the policies are not to be disclosed.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to

auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 7d.

In thousands of AUD

Services other than audit and review of financial statements:

Other assurance and investigation services
Taxation services

2018

394.9

548.3

943.2

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 84 and forms part of the directors' report for the financial year ended 31 March 2018.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Bruce Phillips
Chairman
Brisbane
28 May 2018



Raj Naran
Managing Director
Brisbane
28 May 2018

Financial statements

For the year ended 31 March 2018

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Consolidated statement of Profit and Loss and Other Comprehensive Income

		Restated *	
In millions of AUD	Note	2018	2017
Continuing operations			
Revenue	1c	1,446.9	1,261.5
Expenses	1d	(1,236.7)	(1,023.5)
Share of profit of equity-accounted investees, net of tax		1.6	2.1
Profit before financing costs, depreciation and amortisation (EBITDA)		211.8	240.1
Amortisation and depreciation		(70.6)	(66.7)
Profit before net financing costs (EBIT)		141.2	173.4
Finance income		3.9	3.6
Finance cost		(29.7)	(30.9)
Net financing costs		(25.8)	(27.3)
Profit before tax		115.4	146.1
Income tax expense	6a	(48.0)	(42.6)
Profit from continuing operations		67.4	103.5
Discontinued operations			
Loss of discontinued operations, net of tax	1e	(14.0)	(20.7)
Profit for the year		53.4	82.8
Profit attributable to:			
Equity holders of the company		51.8	81.6
Non-controlling interest		1.6	1.2
Profit for the year	3b	53.4	82.8
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to the profit and loss (net of tax)</i>			
Foreign exchange translation		70.2	(29.0)
Gain/(Loss) on hedge of net investments in foreign subsidiaries, net of tax		(1.1)	0.9
Gain on cash flow hedges taken to equity, net of tax		(0.3)	0.1
Other comprehensive income for the year, net of tax		68.8	(28.0)
Total comprehensive income for the year		122.2	54.8
Total comprehensive income attributable to:			
Equity holders of the company		120.6	53.6
Non-controlling interest		1.6	1.2
Total comprehensive income for the year		122.2	54.8
Earnings per share			
Basic earnings per share attributable to equity holders	1b	10.34c	16.18c
Diluted earnings per share attributable to equity holders	1b	10.30c	16.13c
Basic earnings per share attributable to equity holders from continuing operations	1b	13.13c	20.29c
Diluted earnings per share attributable to equity holders from continuing operations	1b	13.09c	20.22c

* See discontinued operations note 1e

The notes on pages 44 to 77 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March 2018

<i>In millions of AUD</i>	<i>Note</i>	2018	2017
Current assets			
Cash and cash equivalents	3a	187.6	249.3
Trade and other receivables	2a	278.3	250.2
Inventories	2b	75.8	67.2
Other assets		35.2	33.6
Assets held for sale	1e	25.3	109.7
Total current assets		602.2	710.0
Non-current assets			
Investment property	2e	10.2	10.4
Deferred tax assets	6b	22.0	20.5
Property, plant and equipment	2d	400.0	395.5
Intangible assets	2f	980.6	981.8
Other assets		43.3	31.4
Total non-current assets		1,456.1	1,439.6
Total assets		2,058.3	2,149.6
Current liabilities			
Bank overdraft	3a	0.4	0.4
Trade and other payables	2c	169.8	140.1
Loans and borrowings	3c	–	40.2
Employee benefits		44.7	41.0
Other liabilities		0.6	–
Liabilities held for sale	1e	0.7	14.9
Total current liabilities		216.2	236.6
Non-current liabilities			
Loans and borrowings	3c	695.6	700.9
Deferred tax liabilities	6b	9.5	9.0
Employee benefits		8.6	8.0
Other		6.4	9.9
Total non-current liabilities		720.1	727.8
Total liabilities		936.3	964.4
Net assets		1,122.0	1,185.2
Equity			
Share capital	4b	1,348.1	1,453.4
Reserves		(8.9)	(77.6)
Retained earnings		(229.1)	(200.2)
Total equity attributable to equity holders of the company		1,110.1	1,175.6
Non-controlling interest		11.9	9.6
Total equity		1,122.0	1,185.2

The notes on pages 44 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In millions of AUD

	Note	Share Capital	Foreign Currency Translation	Other reserves	Employee share-based awards	Retained earnings	Total	Non-controlling interest	Total Equity
Balance 1 April 2016		1,452.7	(57.4)	3.6	2.4	(224.3)	1,177.0	8.6	1,185.6
Profit for the year		-	-	-	-	81.6	81.6	1.2	82.8
Other comprehensive income		-	(28.0)	0.1	-	-	(27.9)	-	(27.9)
Total comprehensive income for the period		-	(28.0)	0.1	-	81.6	53.7	1.2	54.9
Transactions with owners in their capacity as owners:		-	-	-	-	-	-	-	-
Dividends provided for or paid	4b	-	-	-	-	(58.0)	(58.0)	(0.3)	(58.3)
Issue of ordinary shares	4b	-	-	-	-	-	-	-	-
Fair value movement in reserve		-	-	-	-	-	-	-	-
Equity-settled performance rights awarded and vested	4b, 8a	0.7	-	-	1.7	0.3	2.7	-	2.7
Total contributions and distributions to owners		0.7	-	-	1.7	(57.7)	(55.3)	(0.3)	(55.6)
Changes in ownership interests		-	-	-	-	-	-	-	-
Wound up of non-controlling interest		-	-	-	-	0.1	0.1	0.1	0.2
Non-controlling interest ownership of subsidiary acquired		-	-	-	-	-	-	-	-
Total changes in ownership interests		-	-	-	-	0.1	0.1	0.1	0.2
Total transactions with owners		0.7	-	-	1.7	(57.6)	(55.2)	(0.2)	(55.4)
Balance at 31 March 2017		1,453.4	(85.4)	3.7	4.1	(200.2)	1,175.6	9.6	1,185.2
Profit for the year		-	-	-	-	51.8	51.8	1.6	53.4
Other comprehensive income		-	69.1	(0.3)	-	-	68.8	-	68.8
Total comprehensive income for the period		-	69.1	(0.3)	-	51.8	120.6	1.6	122.2
Transactions with owners in their capacity as owners:		-	-	-	-	-	-	-	-
Dividends to equity holders	4b	-	-	-	-	(80.8)	(80.8)	-	(80.8)
Share buyback		(106.8)	-	-	-	-	(106.8)	-	(106.8)
Equity-settled performance rights awarded and vested	4b, 8a	1.5	-	-	(0.1)	0.1	1.5	-	1.5
Total contributions and distributions to owners		(105.3)	-	-	(0.1)	(80.7)	(186.1)	-	(186.1)
Changes in ownership interests		-	-	-	-	-	-	-	-
Acquisition of non-controlling interest without change in control		-	-	-	-	-	-	-	-
Non-controlling interest ownership of subsidiary acquired		-	-	-	-	-	-	0.7	0.7
Total changes in ownership interests		-	-	-	-	-	-	0.7	0.7
Total transactions with owners		(105.3)	-	-	(0.1)	(80.7)	(186.1)	0.7	(185.4)
Balance at 31 March 2018		1,348.1	(16.3)	3.4	4.0	(229.1)	1,110.1	11.9	1,122.0

The notes on pages 44 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

<i>In millions of AUD</i>	Note	2018	2017
Cash flows from operating activities			
Cash receipts from customers		1,652.0	1,520.3
Cash paid to suppliers and employees		(1,392.7)	(1,276.7)
Cash generated from operations		259.3	243.6
Interest paid		(29.7)	(30.9)
Interest received		3.5	3.6
Income taxes paid		(47.3)	(41.0)
Net cash from operating activities	3b	185.8	175.3
Cash flows from investing activities			
Payments for property, plant and equipment		(73.4)	(58.7)
Loans to associate entities		(0.1)	-
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)		(31.8)	(30.4)
Acquisition of minority interest equity		-	(20.9)
Net proceeds from sale of Oil & Gas operations		79.5	-
Dividend from associate		2.6	2.1
Proceeds from sale of other non-current assets		6.1	3.5
Net cash (used in) investing activities		(17.1)	(104.4)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(38.4)	(55.1)
Issued capital bought back on-market		(106.8)	-
Lease payments		(1.0)	(0.6)
Dividends paid		(80.8)	(58.0)
Net cash (used in)/from financing activities		(227.0)	(113.7)
Net movement in cash and cash equivalents		(58.3)	(42.8)
Cash and cash equivalents at 1 April		248.9	297.9
Effect of exchange rate fluctuations on cash held		(3.4)	(6.2)
Cash and cash equivalents at 31 March	3a	187.2	248.9

The notes on pages 44 to 77 are an integral part of these consolidated financial statements.

Notes to the financial statements

About this report

ALS Limited (the “Company”) is a for-profit company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 March 2018 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

Throughout this document, non-International Financial Reporting Standards (IFRS) financial indicators are included to assist with understanding the Group’s performance. The primary non-IFRS information is Underlying earnings before income tax, depreciation and amortisation (EBITDA), Underlying earnings before interest and tax (EBIT) and Underlying net profit after tax (NPAT).

Management believes Underlying EBITDA, Underlying EBIT and Underlying NPAT are appropriate indicators of the ongoing operational earnings of the business and its segments because these measures do not include significant one-off items (both positive and negative) that relate to disposed or discontinued operations, pre-acquisition legal settlement costs and cost incurred to restructure the business in the current period. A reconciliation of non-IFRS to IFRS information is included in the Directors’ Report on page 5.

1. FINANCIAL OVERVIEW

This section provides information that is most relevant to explaining the group’s performance during the year, and where relevant includes the accounting policies that have been applied and significant estimates and judgements made.

- 1a. Operating segments
- 1b. Earnings per share
- 1c. Revenue and other income
- 1d. Expenses
- 1e. Discontinued operations

1a. Operating segments

The Group has three reportable segments, as described below, representing three distinct strategic business units each of which is managed separately and offers different products and services. For each of the strategic business units, the CEO reviews internal management reports on at least a monthly basis. Following a decision by Directors in March 2018 to exit the Group’s Oil & Gas Laboratory business, a fourth segment – Oil & Gas Laboratories – has been re-classified together with the other Oil & Gas services business sold in July 2017 as “discontinued operations”. The following summary describes the operations in each of the Group’s reportable segments:

- **Commodities** – provides assaying and analytical testing services and metallurgical services for mining and mineral exploration companies and provides specialist services to the coal industry such as coal sampling, analysis and certification, formation evaluation services, and related analytical testing.
- **Life Sciences** – provides analytical testing data to assist consulting and engineering firms, industry, and governments around the world in making informed decisions about environmental, food and pharmaceutical, electronics, and animal health testing matters.
- **Industrial** – provides the energy, resources and infrastructure sectors with asset care and tribology testing services.

2018 <i>In millions of AUD</i>	Commodities	Life Sciences	Industrial	Other (1)	Total Continuing Operations	Discontinued operations	Consolidated
Revenue	518.9	734.1	193.9	-	1,446.9	48.2	1,495.1
Underlying EBITDA (2)	146.3	140.7	32.1	(29.8)	289.3	0.3	289.6
Depreciation and amortisation	(22.8)	(38.6)	(5.9)	(0.7)	(68.0)	(4.9)	(72.9)
Underlying EBIT (2)	123.5	102.1	26.2	(30.5)	221.3	(4.6)	216.7
Impairment	(40.0)	-	(23.0)	-	(63.0)	-	(63.0)
Restructuring & other one-off items	(4.1)	(6.6)	(1.0)	(2.9)	(14.6)	(10.7)	(25.3)
Amortisation of intangibles				(2.6)	(2.6)		(2.6)
Net financing costs				(25.7)	(25.7)		(25.7)
Statutory profit before income tax	79.4	95.5	2.2	(61.7)	115.4	(15.3)	100.1
<i>Underlying EBIT margin (2)</i>	23.8%	13.9%	13.5%	-	15.3%	-9.5%	14.5%
<i>Underlying EBITDA margin (2)</i>	28.2%	19.2%	16.6%	-	20.0%	0.7%	19.4%
Segment assets	717.4	841.4	222.4	43.5	1,824.7	22.1	1,846.8
Cash and cash equivalents							187.6
Tax Assets							23.9
Total assets per the balance sheet							2,058.3
Segment liabilities	(74.8)	(101.6)	(33.6)	(19.6)	(229.6)	(0.6)	(230.2)
Loans and borrowings							(696.0)
Deferred tax liabilities							(10.1)
Total liabilities per the balance sheet							(936.3)

1 Represents unallocated corporate costs. Net expenses of \$30.5 million in 2018 comprise net foreign exchange losses of \$4.0 million and other corporate costs of \$26.5 million.

2 Underlying EBITDA = Underlying EBIT plus depreciation and amortisation. Underlying EBIT = Underlying Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures.

2017 (restated)							
<i>In millions of AUD</i>	Commodities	Life Sciences	Industrial	Other (1)	Total Continuing Operations	Discontinued operations	Consolidated
Revenue	427.2	641.6	192.7	-	1,261.5	104.1	1,365.6
Underlying EBITDA (2)	109.8	134.3	32.7	(19.2)	257.6	(7.2)	250.4
Depreciation and amortisation	(23.7)	(34.5)	(6.2)	(0.8)	(65.2)	(13.6)	(78.8)
Underlying EBIT (2)	86.1	99.8	26.5	(20.0)	192.4	(20.8)	171.6
Restructuring & other one-off Items	(1.4)	(5.9)	(1.1)	(3.5)	(11.9)	(1.7)	(13.6)
Intra-group FX gain (3)				(5.5)	(5.5)		(5.5)
Amortisation of intangibles				(1.5)	(1.5)		(1.5)
Net financing costs				(27.3)	(27.3)		(27.3)
Statutory profit before income tax	84.7	93.9	25.4	(57.8)	146.2	(22.5)	123.7
Underlying EBIT margin (2)	16.7%	17.4%	13.5%	-	15.3%	(20.0%)	12.6%
Underlying EBITDA margin (2)	25.7%	20.9%	17.0%	-	20.4%	(6.9%)	18.3%
Segment assets	723.6	752.1	241.4	29.1	1,746.2	123.6	1,869.8
Cash and cash equivalents							249.3
Tax Assets							30.5
Total assets per the balance sheet							2,149.6
Segment liabilities	(62.7)	(85.2)	(26.5)	(22.7)	(197.1)	(17.1)	(214.2)
Loans and borrowings							(742.7)
Deferred tax liabilities							(7.5)
Total liabilities per the balance sheet							(964.4)

- 1 Represents unallocated corporate costs. Net expenses of \$20.0 million in 2017 comprise net foreign exchange gains of \$1.2 million and other corporate costs of \$21.2 million.
- 2 Underlying EBITDA = Underlying EBIT plus depreciation and amortisation. Underlying EBIT = Underlying Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures.
- 3 Foreign exchange gains of \$5.5 million realised on restructuring of intra-group loan balances.

Geographical segments

In presenting information on a geographical basis segment revenue from external customers is by geographical location of customers. Segment assets are attributed based on geographic location of the business unit.

In millions of AUD

	Consolidated			
	2018		2017	
	Reve- nues	Non- current assets	Reve- nues	Non- current assets
Australia	466.1	493.5	443.5	570.7
Canada	188.3	172.3	177.8	174.4
USA	220.5	225.4	216.4	271.4
Other countries	620.2	584.9	527.9	462.3
Total	1,495.1	1,476.1	1,365.6	1,478.8

Accounting policy – Operating segments

The Group determines and presents operating segments based on information that is reported internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributed to the segment as well as those that can be allocated on a reasonable basis. Underlying EBIT is calculated as earnings before interest, foreign currency gains and losses, and income tax.

Items not allocated to segments comprise corporate costs, foreign currency gains or losses, amortisation of intangibles and net financing costs before income tax. Inter-segment pricing is determined on an arm's length basis.

1b. Earnings per share

Cents per share

	Consolidated	
	2018	Restated 2017
Basic earnings per share	10.34c	16.18c
Diluted earnings per share	10.30c	16.13c

Basic earnings per share from continuing operations	13.13c	20.29c
Diluted earnings per share from continuing operations	13.09c	20.22c
Basic earnings per share from discontinued operations	(2.79)c	(4.11)c
Diluted earnings per share from discontinued operations	(2.79)c	(4.11)c

Basic and diluted earnings per share

The calculations of both basic and diluted earnings per share were based on the profit/(loss) attributable to equity holders of the Company of \$51.8m profit (2017: \$81.6m profit).

Basic and diluted earnings per share from continuing operations

The calculations of both basic and diluted earnings per share from continuing operations were based on the profit/(loss) attributable to equity holders of the Company from continuing operations of \$65.8m profit (2017: \$102.3m profit).

Basic and diluted earnings per share from discontinued operations

The calculations of both basic and diluted earnings per share from discontinued operations were based on the loss attributable to equity holders of the Company from discontinued operations of \$14.0m (2017: \$20.7m loss).

Weighted average number of ordinary shares (Basic and diluted)

In millions of shares	Note	Consolidated	
		2018	2017
Issued ordinary shares at 1 April	4b	504.2	504.2
Effect of shares bought back on-market		(3.1)	-
Weighted average number of ordinary shares at 31 March (Basic)		501.1	504.2
Effect of potential shares relating to performance rights granted to employees as compensation, but not yet vested		1.6	1.7
Weighted average number of ordinary shares at 31 March (Diluted)		502.7	505.9

Accounting policy – Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

1c. Revenue and other income

<i>In millions of AUD</i>	Consolidated	
	2018	2017
Revenue from rendering of services	1,446.9	1,261.5
Total revenue	1,446.9	1,261.5

Accounting policy – Revenue and other income**Services rendered and goods sold**

Revenue from services rendered is recognised in the profit and loss statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. Revenue from the sale of goods is recognised in the profit and loss statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Transfers of risk and rewards vary depending on the individual terms of the contract of sale. For the majority of the Group's sale of goods, transfer usually occurs when the product is delivered.

Dividend Income

Dividend income is recognised in profit and loss on the date that the Group's right to receive payment is established.

1d. Expenses (Continuing operations)

Profit before income tax include the following specific expenses:

<i>In millions of AUD</i>	Note	Consolidated	
		2018	2017
Employee expenses		685.9	617.5
Raw materials and consumables		161.2	128.0
Occupancy costs		109.5	96.9
External service costs		39.2	36.3
Equity-settled share-based payment transactions	8a	2.2	2.0
Contributions to defined contribution post-employment plans – included in employee expenses above		28.4	26.1
Impairment charges		63.0	-
Loss/(gain) on sale of property plant and equipment		0.6	(0.2)
Net (gain) on foreign exchange		4.0	(1.2)

Net foreign exchange loss/(gain) realised on restructuring of intra-group loans

- 5.5

Accounting policy – Expenses**Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and finance expense

Finance income comprises interest income on funds invested and is recognised in the profit and loss statement as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings calculated using the effective interest method and gains and losses on hedging instruments that are recognised in the profit and loss statement (see note 4a). The interest expense component of finance lease payments is recognised in the profit and loss statement using the effective interest method.

Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit and loss statement as incurred.

Short-term service benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the profit or loss in the period in which they arise.

Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of

awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of cash-settled share-based awards is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured to fair value at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee expenses in profit or loss.

1e. Discontinued operations

In July 2017, the Group divested the majority of its assets in the Oil & Gas technical services sector (Non Labs). In March 2018, a decision was made to also divest the laboratory services component (Labs).

Information attributable to discontinued operations is as follows:

<i>In millions of AUD</i>	Consolidated	
Discontinued operations	2018	2017
<i>Oil & Gas Non Labs</i>		
Revenue	39.8	93.3
Amortisation and depreciation	(3.5)	(11.8)
Other Expenses	(36.0)	(97.6)
Results from operating activities	0.3	(16.1)
Income tax benefit	(0.1)	0.2
Results from operating activities, net of income tax	0.2	(15.9)
Gain on sale of discontinued operations	0.9	-
Foreign exchange losses on inter-company balances, transferred from the foreign currency translation reserve on divestment of Oil & Gas Non Labs subsidiaries	(11.1)	-
Loss of discontinued operations	(10.0)	(15.9)
Diluted earnings per share from discontinued operations	(2.00)c	(3.15)c
<i>Oil & Gas Labs</i>		
Revenue	8.4	10.8
Amortisation and depreciation	(1.4)	(1.8)
Other Expenses	(12.4)	(15.4)
Results from operating activities	(5.4)	(6.4)
Income tax benefit	1.4	1.6

Loss of discontinued operations net of tax	(4.0)	(4.8)
Diluted earnings per share from discontinued operations	(0.79)c	(0.96)c
Cash flows from discontinued operations (restated)	-	-
Net cash from operating activities	(2.9)	(7.7)
Net cash from investing activities	(5.5)	(5.8)
Net cash from financing activities	-	-
Net cash from discontinued operations	(8.4)	(13.5)
Assets held for sale	-	-
Trade and other receivables	3.0	36.4
Inventories	0.7	19.3
Property, plant and equipment	16.0	40.7
Intangible assets	2.0	1.3
Deferred tax assets	1.9	4.2
Other assets	1.7	7.8
	25.3	109.7
Liabilities held for sale	-	-
Trade and other liabilities	0.4	14.2
Loans and borrowings	-	0.4
Employee benefits	0.3	0.3
	0.7	14.9

Accounting policy – Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has ceased or been disposed of or is held for sale. When an operation is classified as a discontinued operation, the comparative profit and loss and other comprehensive income statement is restated as if the operation had been discontinued from the start of the comparative period.

Accounting policy – Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent

gains and losses on remeasurement are recognised in profit or loss.

2. CAPITAL EMPLOYED: WORKING CAPITAL AND OTHER INSTRUMENTS

This section provides information about the working capital of the Group and key balance sheet items. Where relevant the accounting policies that have been applied and significant estimates and judgements made is included with each note.

2a. Trade and other receivables

2b. Inventories

2c. Trade and other payables

2d. Property, plant and equipment

2e. Investment property

2f. Intangible assets

2a. Trade and other receivables

In millions of AUD

	Consolidated	
	2018	2017
Current		
Trade receivables	251.4	228.6
Other receivables	26.9	21.6
	<u>278.3</u>	<u>250.2</u>

Aging of trade receivables

In millions of AUD

	2018	2017
Current	159.7	139.6
30 days	57.9	44.5
60 days	18.7	16.5
90 days and over	19.6	34.2
Total	<u>255.9</u>	<u>234.8</u>

Allowance for impairment of trade receivables

	2018	2017
Opening balance	6.2	9.1
Write off	(6.4)	(8.1)
Movement in provision	4.7	5.2
Closing balance	<u>4.5</u>	<u>6.2</u>

Based on historical rates of default, the Group believes that no impairment allowance is necessary in respect of trade receivables not overdue or past due not more than two months. The allowance for impairment of trade receivables is in respect of trade receivables past due for more than two months.

Exposures to currency risks related to trade and other receivables are disclosed in note 4c.

Accounting policy – Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Calculation of recoverable amounts

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

2b. Inventories

In millions of AUD

	Consolidated	
	2018	2017
Raw materials and consumables	41.6	34.6
Work in progress	34.2	32.4
Finished goods	0.0	0.2
	<u>75.8</u>	<u>67.2</u>

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Costs for sample testing commenced but not yet completed in the analytical laboratories and incomplete field services works are recognised as work in progress and measured at the lower of cost to date and net realisable value.

2c. Trade and other payables

In millions of AUD

	Consolidated	
	2018	2017
Trade payables	52.7	48.7
Other payables and accrued expenses	117.1	91.4
	<u>169.8</u>	<u>140.1</u>

Accounting policy

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits that can be estimated reliably will be required to settle the obligation. If the effect is material, provisions are determined by

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the

liability. The unwinding of the discount is recognised as a finance cost.

2d. Property, plant & equipment

In millions of AUD

	Freehold land and buildings	Plant and equipment	Leasehold improvements	Leased plant and equipment	Capital works in progress	Total
Opening balance at 1 April 2016						
At cost	199.0	782.5	138.9	12.5	18.3	1,151.2
Accumulated depreciation	(36.0)	(572.4)	(80.0)	(5.5)	-	(693.9)
Net book amount at 1 April 2016	163.0	210.1	58.9	7.0	18.3	457.3
Additions	5.9	54.8	4.7	0.2	0.8	66.4
Disposals	-	(5.9)	(0.4)	-	-	(6.3)
Transfers	0.6	7.7	-	(4.7)	(3.6)	-
Depreciation expense	(5.9)	(59.6)	(9.3)	(0.3)	-	(75.1)
Impairment	(2.7)	(36.0)	(0.7)	-	(1.3)	(40.7)
Exchange differences	(1.7)	(3.4)	(1.2)	-	0.2	(6.1)
Net book amount at 31 March 2017	159.2	167.7	52.0	2.2	14.4	395.5
Opening balance at 1 April 2017						
At cost	202.8	692.3	130.6	5.9	14.4	1,046.0
Accumulated depreciation	(43.6)	(524.6)	(78.6)	(3.7)	-	(650.5)
Net book amount at 1 April 2017	159.2	167.7	52.0	2.2	14.4	395.5
Additions	11.2	59.4	8.4	-	1.4	80.4
Disposals	(3.2)	-	(0.1)	(0.3)	(0.3)	(3.9)
Transfers	1.3	(0.5)	(0.2)	0.3	(0.5)	0.4
Depreciation expense	(6.7)	(55.2)	(9.7)	(0.3)	-	(71.9)
Assets held for sale	(4.0)	(4.5)	(7.3)	-	(0.1)	(15.9)
Exchange differences	6.8	6.6	1.9	-	0.1	15.4
Net book amount at 31 March 2018	164.6	173.5	45.0	1.9	15.0	400.0
At 31 March 2018						
At cost	214.2	732.4	132.7	5.9	15.0	1,100.2
Accumulated depreciation	(49.6)	(558.9)	(87.7)	(4.0)	-	(700.2)
Net book amount at 31 March 2018	164.6	173.5	45.0	1.9	15.0	400.0

Accounting policy – Property, plant & equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include

transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment

and are recognised net within "Other expenses" in the profit and loss statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised in the profit and loss using the effective interest method.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is held at cost and reclassified as investment property.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit and loss statement as an expense as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is charged to the profit and loss statement on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• Buildings	20-40 Years
• Plant and equipment	3-10 Years
• Leasehold improvements	3-20 Years
• Leased plant and equipment	4-5 Years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually and adjusted if appropriate.

2e. Investment property

In millions of AUD

	Consolidated	
	2018	2017
Carrying amount at the beginning of the year	10.4	10.5
Depreciation	(0.2)	(0.1)
Carrying amount at end of year	10.2	10.4

Investment property comprises a commercial property leased to a third party. The current lease expires in September 2022. See note 4f (Operating leases) for further information.

Fair value of the property is estimated to be \$19.0m (2017: \$19.0m) based on a capitalisation rate of 8.75%.

Accounting policy – Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost and is depreciated on a straight-line basis over the estimated useful life.

2f. Intangible assets

<i>In millions of AUD</i>	Consolidated					
	Goodwill	Purchased trademarks and brandnames	Customer Relationships	Technology	Software	Total
Balance at 1 April 2016	908.7	–	5.1	–	9.9	923.7
Additions through business combinations	77.2	–	1.5	–	–	78.7
Additions	–	–	–	–	2.3	2.3
Transfer	–	–	–	–	(1.2)	(1.2)
Disposal	–	–	–	–	(1.3)	(1.3)
Amortisation	–	–	(1.5)	–	(2.0)	(3.5)
Effect of movements in foreign exchange	(16.9)	–	–	–	–	(16.9)
Balance at 31 March 2017	969.0	–	5.1	–	7.7	981.8
Additions through business combinations	27.2	–	–	–	–	27.2
Impairment ⁽¹⁾	(63.0)	–	–	–	–	(63.0)
Additions	–	0.5	5.4	0.1	5.0	11.0
Transfer	–	–	–	–	(0.4)	(0.4)
Disposal	–	–	–	–	(0.1)	(0.1)
Held for sale	–	–	–	–	(2.0)	(2.0)
Amortisation	–	–	(2.6)	–	(2.3)	(4.9)
Effect of movements in foreign exchange	30.7	–	0.2	–	0.1	31.0
Balance at 31 March 2018	963.9	0.5	8.1	0.1	8.0	980.6

- (1) In recognition of uncertain market conditions being experienced in the sectors serviced by the Coal and Industrial businesses, goodwill impairment charges amounting to \$63 million have been taken in respect of these cash generating units: Coal – \$40 million and Industrial – \$23 million. Refer to Divisional Reviews in the Director's report (page 9).

Impairment tests for cash generating units containing goodwill

Calculation of recoverable amounts

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The following cash generating units have significant carrying amounts of goodwill:

<i>In millions of AUD</i>	Consolidated	
	2018	2017
ALS Minerals	359.6	347.7
ALS Life Sciences – Australia	48.5	48.4
ALS Life Sciences – North America	111.1	109.9
ALS Life Sciences – South America	50.8	46.7
ALS Life Sciences – Europe	124.1	97.2
ALS Food Pharma – Europe	64.3	57.4
ALS Life Sciences – Asia	20.1	18.3
ALS Coal	38.0	77.6
ALS Industrial	146.9	165.4
Other cash generating units	0.5	0.4
	963.9	969.0

The value in use calculations performed for all cash generating units use cash flow projections based on actual operating results, the Board approved budget for FY2019, and forecasts drawn from FY2020 through to FY2023 which are based on management's estimates of underlying economic conditions, past financial results, and other factors anticipated to impact the cash generating units' performance. A discounted terminal cash flow value is calculated post FY2023 using a nominal growth rate of 2.75%. Growth rates are consistent with the prior year. Directors believe these terminal growth rates are an appropriate estimate of the long-term average growth rates achievable in the industries in which the Group participates.

The following nominal pre-tax discount rates have been used in discounting the projected cash flows.

In millions of AUD	Pre-tax (nominal) discount rate	
	2018	2017
ALS Minerals	12.5%	12.8%
ALS Life Sciences – Australia	11.8%	12.3%
ALS Life Sciences – North America	10.4%	9.3%
ALS Life Sciences – South America	16.5%	18.1%
ALS Life Sciences – Europe	8.4%	9.8%
ALS Food Pharma – Europe	10.4%	10.7%
ALS Life Sciences – Asia	13.2%	14.4%
ALS Coal	13.0%	12.2%
ALS Industrial	13.1%	13.2%

The determination of the recoverable amounts of the Group's cash generating units involves significant estimates and judgements and the results are subject to the risk of adverse and sustained changes in the key markets and/or geographies in which the Group operates. With the exception of the ALS Coal, ALS Industrial and ALS Life Sciences South America CGU's, sensitivity analyses performed indicate a reasonably possible change in any of the key assumptions for the Group's CGU's would not result in impairment.

ALS Coal CGU

The estimated recoverable amount of the ALS Coal CGU exceeded its carrying value by approximately \$15.0 million. The Company has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (whilst holding all other assumptions constant):

- (a) the pre-tax discount rate would need to increase by 2.0 per cent to 15.0 per cent; or
- (b) the compound average growth rate across the forecast period would need to decrease by 0.4 percentage points to 3.0 per cent.

ALS Industrial CGU

The estimated recoverable amount of the ALS Industrial CGU exceeded its carrying value by approximately \$20.1 million. The Company has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (whilst holding all other assumptions constant):

- (a) the pre-tax discount rate would need to increase by 1.1 per cent to 14.2 per cent; or
- (b) the compound average growth rate across the forecast period would need to decrease by 0.2 percentage points to 2.5 per cent.

ALS Life Sciences – South America CGU

The estimated recoverable amount of the ALS Life Sciences – South America CGU exceeded its carrying value by approximately \$8.1 million. The Company has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (whilst holding all other assumptions constant):

- (a) the pre-tax discount rate would need to increase by 1.3 per cent to 17.8 per cent; or
- (b) the compound average growth rate across the forecast period would need to decrease by 0.2 percentage points to 5.0 per cent.

Accounting policy – Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary or business is included in intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the profit and loss statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is calculated on the cost of an asset less its residual value. Amortisation is charged to the profit and loss statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• Capitalised computer software	3-10 Years
• Trademarks and Brand-named	3-5 Years
• Customer Relationships	5-6 Years
• Technology	4 Years

The residual value, the useful life and the amortisation method applied to an asset are reassessed at least annually and adjusted if appropriate.

3. NET DEBT

This section provides information about the overall debt of the company. Where relevant the accounting policies that have been applied and significant estimates and judgements made is included with each note.

3a. Cash and cash equivalents

3b. Reconciliation of operating profit to net cash

3c. Loans and borrowings

3a. Cash and cash equivalents

In millions of AUD

	Consolidated	
	2018	2017
Bank balances	187.6	199.3
Bank fixed rate deposits	-	50.0
Cash and cash equivalents in the balance sheet	187.6	249.3
Bank overdrafts repayable on demand	(0.4)	(0.4)
Cash and cash equivalents in the statement of cash flows	187.2	248.9

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 4.

Accounting policy – Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3b. Reconciliation of operating profit to net cash

In millions of AUD

	Consolidated	
	2018	2017
Profit/(loss) for the period	53.4	82.8
Adjustments for:		
Amortisation and depreciation	75.5	80.3
(Profit)/loss on sale of property plant and equipment	(0.3)	(0.2)
Share-settled performance rights amounts recognised during the year	0.5	1.0
Share of associates and joint venture net profit	(1.6)	(2.1)
Gain on sale of discontinued operations	(0.9)	-
FX retranslation loss transferred from foreign currency translation reserve for Oil & Gas Non Labs subsidiaries	11.1	-
Impairment charges	63.0	-
Net non-cash expenses	4.5	8.9
Operating cashflow before changes in working capital and provisions	205.2	170.7
(Increase)/decrease in trade and other receivables	(27.2)	(8.4)
(Increase)/decrease in inventories	(2.3)	(7.0)
(Decrease)/increase in trade and other payables	10.7	20.0
(Decrease)/increase in taxation provisions	(0.6)	-
Net cash from operating activities	185.8	175.3

3c. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 4a.

In millions of AUD

	Consolidated	
	2018	2017
Current Liabilities	-	39.7
Long term notes	-	0.5
Finance lease liabilities	-	40.2

Non-current liabilities		
Bank loans	-	-
Long term notes	695.6	700.9
	<u>695.6</u>	<u>700.9</u>

Bank loans

Current bank loans comprise the portion of the Group's bank loans repayable within one year. Funding available to the Group from undrawn facilities at 31 March 2018 amounted to \$52.1m (2017: \$104.7m).

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans at balance date is nil (2017: nil).

The Company and six of its subsidiaries, namely Australian Laboratory Services Pty Ltd, ALS Canada Limited, ALS Group General Partnership, ALS Technichem (Singapore) Pte Ltd, ALS Inspection UK Ltd, and ALS Testing Services Group, Inc are parties to multi-currency term loan facility agreements as borrowers with a number of banks.

Under the terms of the agreements, the Company and a number of its wholly-owned subsidiaries jointly and severally guarantee and indemnify the banks in relation to each borrower's obligations.

Long term notes

In previous periods the Company's controlled entities ALS Group General Partnership and ALS Canada Ltd have issued long term, fixed rate notes to investors in the US Private Placement market. These issuances occurred in December 2010, July 2011, and again in September 2013. The notes are denominated in US dollars and Canadian dollars and mature as follows – due July 2019: \$246.0m; due December 2020: \$199.6m; and due July 2022: \$247.4m.

Certain of the long term notes are designated as part of a fair value hedge in relation to the interest rate risk (refer note 4c), their carrying value includes a fair value adjustment uplift of \$2.6m (2017: 7.7m) being the revaluation of the debt for the risk being hedged. This fair value loss in the carrying value of the notes is offset by gains on interest rate swap instruments which are designated as an effective fair value hedge and recognised as a fair value derivative receivable (refer note 4c).

Interest is payable semi-annually to noteholders. The weighted average interest rate (incorporating the effect of interest rate contracts) for all long term notes at balance date is 4.0% (2017: 3.8%).

Under the terms of the note agreements, the Company and a number of its wholly-owned subsidiaries jointly and severally guarantee and indemnify the noteholders in relation to the issuer's obligations.

Accounting policy – Loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss statement over the period of the borrowings on an effective interest basis.

4. RISK & CAPITAL MANAGEMENT

This section provides information about the Group's risk and capital management. Where relevant the accounting policies that have been applied and significant estimates and judgements made is included with each note.

- 4a. Financial & capital risk management
- 4b. Capital & Reserves
- 4c. Financial instruments
- 4d. Contingencies
- 4e. Capital commitments
- 4f. Operating leases

4a. Financial & Capital risk management

Risk management framework

Identification, measurement and management of risk is a strategic priority for the Group. The provision of goods and services carries a number of diverse risks which may have a material impact on the Group's financial position and performance. Consequently, the Board has established a comprehensive framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management throughout the Group.

The Group allocates specific roles in the management of risk to executives and senior managers and to the Board. This is undertaken within an overall framework and strategy established by the Board.

The Audit and Risk Committee obtains assurance about the internal control and risk management environment through regular reports from the Risk and Compliance team.

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Credit risk

The Group has an established credit policy and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. There is no single customer making up a material percentage of the Group's revenue. Geographic concentrations of trade receivables are – Australia 30% (2017: 28%), Canada 9% (2017: 9%), USA 14% (2017: 18%), UK 13% (2017: 14%), and other countries 34% (2017: 31%). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

Counterparties to transactions involving derivative financial instruments are large Australian and international banks with whom the Group has a signed netting agreement. Management does not expect any counterparty to fail to meet its obligations.

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of the Deed of Cross Guarantee are provided in note 5c.

Liquidity risk

The liquidity position of the Group is continuously managed using cash flow forecasts to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner. The Group is party to a number of bilateral debt facility and long term note agreements which provide funding for acquisitions and working capital (refer note 3c).

Note 4c details the repayment obligations in respect of the amount of the facilities and derivatives utilised.

Market risk**Interest rate risk**

Interest rate risk is the risk that the Group's financial position and performance will be adversely affected by movements in interest rates. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The Group's interest rate risk arises from long-term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. Interest rate risk is managed by maintaining an appropriate mix of fixed and floating rate debt. The Group enters into interest rate swaps to manage the ratio of fixed rate debt to floating rate

debt. Hedging is undertaken against specific rate exposures only, as disclosed in note 4c.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future purchase and sales commitments and assets and liabilities that are denominated in a currency that is not the functional currency of the respective Group entities. Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position.

The Group may enter into forward foreign exchange contracts (FECs) to hedge certain forecast purchase commitments denominated in foreign currencies (principally US dollars). The terms of these commitments are generally less than three months. The amount of forecast purchases is estimated based on current conditions in foreign markets, customer orders, commitments to suppliers and experience.

The Group borrows funds in foreign currencies to hedge its net investments in foreign operations. The Group's Canadian dollar denominated borrowings are designated as hedges of the Group's net investments in subsidiaries with this functional currency.

The Group has also entered into cross currency interest rate swaps which have been designated as hedges of net investments in foreign operations whose functional currencies are Canadian dollars, Czech koruna, and Euros.

Capital management

Capital comprises equity attributable to equity holders, loans and borrowings and cash and cash equivalents.

Capital management involves the use of corporate forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The Group monitors gearing and treasury policy breaches and exceptions. The gearing ratio (net debt to net debt plus equity) as at balance date is 31% (2017: 29%).

The Group maintains a stable capital base from which it can pursue its growth aspirations, whilst maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital.

4b. Capital & reserves

Reconciliation of movement in capital

In millions of AUD

	Consolidated	
	2018	2017
Issued and paid up share capital		
488,764,376 ordinary shares fully paid (2017: 504,221,143)	1,348.1	1,453.4
Movements in ordinary share capital		
Balance at beginning of year	1,453.4	1,452.7
15,456,767 shares buyback	(106.8)	-
183,384 Treasury shares vested and issued to employees (2017: 75,233)	1.5	0.7
Balance at end of year	1,348.1	1,453.4

As at the end of year, the total number of treasury shares held by the ALS Limited LTI Plan Trust was 312,425 (2017: 495,809). These treasury shares are held by the Trust to meet the Company's future anticipated equity-settled performance rights obligations in respect of the LTI Plan.

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to the net proceeds of liquidation.

Reserves

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities or changes in fair value of derivatives that hedge the Company's net investment in a foreign subsidiary.

The employee share-based awards reserve comprises the cumulative amount, recognised as an employee expense to date, of the fair value at grant date of share-based, share-settled awards granted to employees. Refer to notes 1d and 8a.

Other reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In the prior year, it also included amounts arising from the accounting for a put and call option arrangement entered with a non-controlling interest of a controlled entity.

Dividends

Dividends recognised in the current year by the Company are:

In millions of AUD	Cents per share	Franked amount (cents)	Total amount	Date of payment
2018				
Interim 2018 ordinary	8.0	3.2	40.4	18 Dec 17
Final 2017 ordinary	8.0	3.2	40.4	03 Jul 17
			<u>80.8</u>	
2017				
Interim 2017 ordinary	5.5	3.3	27.7	21 Dec 16
Final 2016 ordinary	6.0	2.4	30.3	01 Jul 16
			<u>58.0</u>	
Dividend declared after the end of the financial year:				
Final 2018 ordinary	9.0	3.6	44.0	02 Jul 18

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2018 and will be recognised in subsequent financial reports.

The franked components of all dividends paid or declared since the end of the previous financial year were franked based on a tax rate of 30%.

In millions of AUD	Consolidated	
Dividend franking account	2018	2017
30% franking credits available to shareholders of ALS Limited for subsequent financial years	3.1	1.6

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits/debits that will arise from the payment/receipt of current tax liabilities/assets;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The final FY18 dividend declared after balance date will be franked to 40% using franking credits in existence at balance date and arising from the Company's tax instalments to be paid during the year ending 31 March 2019.

Accounting policy

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

4c. Financial Instruments

Liquidity risk

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

CONSOLIDATED

As at 31 March 2018

In millions of AUD

	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank overdraft	0.4	-	-	-	-	0.4
Trade and other payables	169.8	-	-	-	-	169.8
Finance lease liabilities	-	-	-	-	-	0.0
Long term notes	14.9	14.8	269.2	479.4	-	778.3
Bank loans	0.1	-	-	-	-	0.1
Derivative financial instruments	(1.0)	(0.6)	(0.7)	(0.5)	-	(2.8)
Total	184.2	14.2	268.5	478.9	0.0	945.8

CONSOLIDATED

As at 31 March 2017

In millions of AUD

	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank overdraft	0.4	-	-	-	-	0.4
Trade and other payables	140.1	-	-	-	-	140.1
Finance lease liabilities	0.3	0.3	-	-	-	0.6
Long term notes	15.6	54.3	29.7	497.1	252.1	848.8
Bank loans	0.2	-	-	-	-	0.2
Derivative financial instruments	(1.5)	(1.4)	(2.1)	(3.0)	-	(8.0)
Total	155.1	53.2	27.6	494.1	252.1	982.1

The gross outflows/(inflows) disclosed in the tables above for derivative financial liabilities represent the contractual undiscounted cash flows of derivative financial instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled.

Currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

CONSOLIDATED

In millions of AUD

	2018					
	USD	CAD	NOK	EUR	PLN	GBP
Trade and other receivables	14.1	-	-	2.7	0.2	-
Cash at bank	48.4	-	0.7	3.6	0.1	0.6
Bank loan	-	-	-	-	-	-
Long term notes	-	(65.6)	-	-	-	-
Trade and other payables	(3.1)	-	-	(0.3)	-	-
Net balance sheet exposure	59.4	(65.6)	0.7	6.0	0.3	0.6

The following exchange rates against the Australian dollar applied at 31 March:

CONSOLIDATED

In millions of AUD

	2017					
	USD	CAD	NOK	EUR	PLN	GBP
Trade and other receivables	23.6	-	-	2.0	0.2	0.3
Cash at bank	70.4	-	0.4	3.2	-	1.5
Bank loan	-	-	-	-	-	-
Long term notes	-	(64.0)	-	-	-	-
Trade and other payables	(4.7)	-	-	(0.3)	-	(0.1)
Net balance sheet exposure	89.3	(64.0)	0.4	4.9	0.2	1.7

31 March spot rate

	2018	2017
USD	0.7682	0.7642
CAD	0.9912	1.0158
NOK	6.0278	6.561
EUR	0.6235	0.7161
PLN	2.6244	3.031
GBP	0.5482	0.6078

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the above balances at 31 March would have increased (decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

<i>In millions of AUD</i>	Consolidated		<i>In millions of AUD</i>	Consolidated	
As at 31 March 2018	Profit	Equity	As at 31 March 2017	Profit	Equity
USD	(5.4)	-	USD	(8.1)	-
CAD	-	6.0	CAD	-	5.8
EUR	(0.5)	-	EUR	(0.5)	-
GBP	(0.1)	-	GBP	(0.1)	-
	<u>(6.0)</u>	<u>6.0</u>		<u>(8.7)</u>	<u>5.8</u>

A 10 percent weakening of the Australian dollar against the above balances at 31 March would have increased (decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

<i>In millions of AUD</i>	Consolidated		<i>In millions of AUD</i>	Consolidated	
As at 31 March 2018	Profit	Equity	As at 31 March 2017	Profit	Equity
USD	6.6	-	USD	9.9	-
CAD	-	(7.3)	CAD	-	(7.1)
EUR	0.7	-	EUR	0.6	-
GBP	0.1	-	GBP	0.2	-
	<u>7.4</u>	<u>(7.3)</u>		<u>10.7</u>	<u>(7.1)</u>

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Consolidated	2018	2017	2018	2017
<i>In millions of AUD</i>	Fixed rate instruments		Variable rate instruments	
Financial assets	-	50.0	187.6	199.3
Financial liabilities	(695.6)	(741.1)	(0.4)	(0.4)
Effect of interest rate contracts*	137.2	175.2	(137.2)	(175.2)
	<u>(558.4)</u>	<u>(515.9)</u>	<u>50.0</u>	<u>23.7</u>

* Represents the net notional amount of interest rate swaps used for hedging.

Sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments**

The Group has designated interest rate contracts as hedging instruments under a fair value hedge accounting model in relation to its fixed rate long term notes. The interest rate contracts swap the fixed interest payable on a portion of the loan notes to variable interest rates for the term of the debt. In accordance with the Group's accounting policy (refer note 3c) changes in fair value of the interest rate contracts together with the change in fair value of the debt arising from changes in interest rates are recognised in the profit and loss (to the extent the fair value hedge is effective). In 2018, the change in fair value of interest rate contracts was (\$5.1) million (2017: (\$6.2) million) and was offset in the Group's profit and loss statement by an equal amount relating to the change in fair value of the hedged risk. A change of

50 basis points in interest rates at the reporting date would not materially impact the Group's profit and loss before income tax or equity (2017: Nil).

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

Consolidated <i>In millions of AUD</i>	As at 31 March 2018				As at 31 March 2017			
	Profit		Equity		Profit		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Variable rate instruments	0.9	(0.9)	-	-	1.0	(1.0)	-	-
Interest rate contracts	(0.7)	0.7	-	-	(0.9)	0.9	-	-
Cash flow sensitivity (net)	0.2	(0.2)	-	-	0.1	(0.1)	-	-

Fair values of financial instruments

The Group's financial assets and liabilities are included in the balance sheet at amounts that approximate fair values with the exception of fixed rate debt which has a fair value of \$706.3m (2017: \$775.2m). The basis for determining fair values is disclosed in note 7c. The fair value at 31 March 2018 of derivative assets (2017: asset) held for risk management, which are the Group's only financial instruments carried at fair value, was a net loss of \$5.6m (2017: \$6.1m loss) measured using Level 2 valuation techniques as defined in the fair value hierarchy shown in note 7c. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

4d. Contingencies

The directors are of the opinion that there are no material contingent liabilities at 31 March 2018.

4e. Capital commitments

<i>In millions of AUD</i>	Consolidated	
	2018	2017
Capital expenditure commitments		
Plant and equipment contracted but not provided for and payable within one year	24.8	18.8

4f. Operating leases

Leases as lessee

<i>In millions of AUD</i>	Consolidated	
	2018	2017
Less than one year	35.4	39.6
Between one and five years	64.8	49.2
More than five years	37.9	14.2
	138.1	103.0

The Group leases property, plant and equipment under operating leases expiring over terms of up to six years. Leases generally provide the Group with a right of renewal at which time all terms are

renegotiated. Some leases provide for additional rent payments that are based on a local price index.

During the year ended 31 March 2018 \$49.9m was recognised as an expense in the profit and loss statement in respect of operating leases (2017 restated: \$48.6m).

Accounting policy

Operating lease payments

Payments made under operating leases are recognised in the profit and loss statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss statement as an integral part of the total lease expenses and spread over the lease term.

The Group leases out its investment property held under operating lease (see note 2e). The future minimum lease payments receivable under non-cancellable leases are as follows:

<i>In millions of AUD</i>	Consolidated	
	2018	2017
Less than one year	2.1	2.0
Between one and five years	7.8	8.7
	9.9	10.7

During the year ended 31 March 2018 \$1.9m was recognised as rental income in the profit and loss statement (2017: \$1.8m).

5. GROUP STRUCTURE

This section provides information about the Group's structure. Where relevant the accounting policies that have been applied and significant estimates and judgements made is included with each note.

- 5a. Acquisition of subsidiaries and non-controlling interest
- 5b. Consolidated entities
- 5c. Deed of cross guarantee
- 5d. Parent entity

5a. Acquisition of Subsidiaries and Non-controlling interest

Business Combinations

In millions of AUD

2018	Interest Acquired	Date acquired	Consideration
ALS Marshfield LLC	100%	Jun-17	12.6
Mikrolab Group	100%	Oct-17	14.2
Other acquisitions during the year			6.1
			<u>32.9</u>

If the acquisitions had occurred on 1 April 2017, management estimates that Group revenue from continuing operations would have been \$1,454.4m and net profit after tax from continuing operations would have been \$56.2m.

In millions of AUD

2017	Interest Acquired	Date acquired	Consideration
ALcontrol UK	100%	Nov-16	13
Other acquisitions during the year			19.7
			<u>32.7</u>

If the acquisitions had occurred on 1 April 2016, management estimates that Group revenue would have been \$1,308.3m and net profit after tax would have been \$94.0m.

ALS Marshfield LLC net assets at acquisition date

In millions of AUD

	Fair Value 2018
Property, plant and equipment	5.8
Inventories	0.3
Identifiable intangible assets	-
Trade and other receivables	5.8
Cash and cash equivalents	0.8
Trade and other payables	(0.8)
Interest bearing loans and borrowings	-

Employee benefits	(0.1)
Net identifiable assets and liabilities	11.8
Goodwill on acquisition	0.8
Consideration paid, satisfied in cash	12.6
Cash (acquired)	(0.8)
Net cash outflow	<u>11.8</u>

No directly attributable transaction costs were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2018, ALS Marshfield LLC contributed revenue of \$19.6m and a net profit after tax of \$0.6m to the consolidated net profit after tax for the year.

ALS Marshfield was acquired for the purpose of enhancing the global service reach of the Group's existing Food Pharma operations. The goodwill recognised on acquisition is attributable mainly to skills and technical talent of ALS Marshfield LLC's workforce and the synergies expected to be achieved from integrating the acquired operations into the Group's existing business. The goodwill is not expected to be deductible for income tax purposes.

Mikrolab Group net assets at acquisition date

In millions of AUD

	Fair Value 2018
Property, plant and equipment	0.4
Inventories	0.3
Tax assets	0.1
Trade and other receivables	1.4
Cash and cash equivalents	0.3
Trade and other payables	(0.5)
Interest bearing loans and borrowings	(1.4)
Employee benefits	(0.1)
Net identifiable assets and liabilities	0.5
Goodwill on acquisition	13.7
Consideration paid, satisfied in cash	14.2
Cash (acquired)	(0.3)
Net cash outflow	<u>13.9</u>

No directly attributable transaction costs were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2018, The Mikrolab group contributed revenue of \$2.9m and a net profit after tax of \$0.5m to the consolidated net profit after tax for the year.

The Mikrolab group was acquired for the purpose of enhancing the global service reach of the Group's existing Food Pharma operations. The goodwill recognised on acquisition is attributable mainly to skills and technical talent of the Mikrolab group's workforce and the synergies expected to be achieved from integrating the acquired operations into the Group's existing business. The goodwill is not expected to be deductible for income tax purposes.

Other acquirees' net assets at acquisition dates

<i>In millions of AUD</i>	Fair Value **	Fair Value *
	2018	2017
Property, plant and equipment	0.8	7.9
Inventories	0.1	1.6
Identifiable intangible assets	0.9	1.7
Trade and other receivables	0.4	13.0
Other current assets	0.2	0.5
Cash and cash equivalents	-	2.3
Interest-bearing loans and borrowings	(1.2)	(56.2)
Employee benefits	(0.3)	(0.1)
Trade and other payables	(0.5)	(6.6)
Current tax liabilities	-	(0.1)
Net identifiable assets and liabilities	0.4	(36.0)
Goodwill on acquisition	5.7	68.7
Consideration paid, satisfied in cash	6.1	32.7
Cash (acquired)	-	(2.3)
Net cash outflow	6.1	30.4

* The comparatives disclose all 2017 acquisitions.

** These acquisitions have been recognised on a provisional basis.

No directly attributable transaction costs (2017: \$6,000) relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2018 the other acquirees contributed revenue of \$4.4m and a net profit after tax of \$0.6m to the consolidated net profit after tax for the year.

The goodwill recognised on acquisition is attributable mainly to skills and technical talent of the acquired business's workforce and the synergies expected to be achieved from integrating the company into the Group's existing business. The goodwill is not expected to be deductible for income tax purposes.

Accounting policy – Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit and loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

In determining the fair value of identifiable net assets acquired, the Group considers the existence of identifiable intangible assets such as brand-named, trademarks, customer contracts and relationships and in process research and development intangible assets. Where material, these items are recognised separately from goodwill.

5b. Consolidated entities

The Group's significant controlled entities are listed below:

Parent entity	Country of Incorporation
ALS Limited	Australia
Subsidiaries	
Australian Laboratory Services Pty Ltd	Australia
ACIRL Proprietary Ltd	Australia
ACIRL Quality Testing Services Pty Ltd	Australia
Ecowise Australia Pty Ltd	Australia
ALS Industrial Pty Ltd	Australia
ALS Metallurgy Pty Ltd	Australia
ALS South American Holdings Pty Ltd	Australia
ALS Canada Ltd	Canada
ALS Testing Services Group, Inc	USA
ALS Group General Partnership	USA

ALS Group USA, Corp	USA
ALS USA, Inc	USA
ALS Services USA, Corp	USA
ALS Technichem (Singapore) Pte Ltd	Singapore
ALS Chemex South Africa (Proprietary) Ltd	South Africa
ALS Burkina SARL	Burkina Faso
Group de Laboratoire ALS MALI SARL	Mali
ALS Scandinavia AB	Sweden
ALS Inspection UK Limited	United Kingdom
ALS Chemex de Mexico S.A. de C.V.	Mexico
ALS Patagonia S.A.	Chile
ALS Peru S.A.	Peru

The above entities were wholly owned at the end of the current year and the comparative year.

Accounting policy – Consolidated entities

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their

capacity as owners. Adjustments to non-controlling interest are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity with adjustments made to the "Investments accounted for using the equity method" and "Share of net profit of associates and joint ventures accounted for using the equity method" accounts.

5c. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016 (replacing ASIC Class order 98/1418 dated 13 August 1998), the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- ACIRL Proprietary Limited
- ACIRL Quality Testing Services Pty Ltd
- ALS Metallurgy Holdings Pty Ltd
- ALS Metallurgy Pty Ltd
- ALS Metallurgy Pty Ltd atf Ammtec Unit Trust
- ALS Industrial Holdings Pty Ltd
- ALS Industrial Pty Ltd
- Australian Laboratory Services Pty Ltd
- Ecowise Australia Pty Ltd
- ALS South American Holdings Pty Ltd

A consolidated profit and loss statement, consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the

Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 March 2018 is set out below.

Summary profit and loss statement and retained profits

In millions of AUD

	Consolidated	
	2018	2017
Profit before tax	20.3	58.8
Income tax expense	(17.3)	(12.8)
Profit after tax	3.0	46.0
Retained profits at beginning of year	4.5	16.2
Retained earnings adjustment*	0.7	0.3
Dividends recognised during the year	(80.8)	(58.0)
Retained profits at end of year	(72.6)	4.5

* Represents applicable amounts taken directly to retained earnings, together with adjustments for changes in the composition of the cross-guarantee group.

Statement of comprehensive income

In millions of AUD

	Consolidated	
	2018	2017
Profit for the period	3.0	46.0
Total comprehensive income for the period	3.0	46.0

Balance Sheet

In millions of AUD

	Consolidated	
	2018	2017
Assets		
Cash and cash equivalents	41.5	88.8
Trade and other receivables	84.3	85.8
Inventories	16.8	16.8
Other	3.3	3.2
Total current assets	145.9	194.6
Receivables	150.9	116.7
Investments accounted for using the equity method	14.8	13.9
Investment property	10.2	10.4
Deferred tax assets	20.9	21.2
Property, plant and equipment	139.0	139.6
Intangible assets	332.7	368.5
Other investments	725.9	776.5
Total non-current assets	1,394.4	1,446.8
Total assets	1,540.3	1,641.4
Liabilities		
Trade and other payables	54.4	42.5
Loans and borrowings	-	0.5
Income tax payable	3.1	2.2
Employee benefits	30.1	29.3
Total current liabilities	87.6	74.5
Loans and borrowings	161.9	93.2

Employee benefits	7.3	7.0
Other	7.6	8.0
Total non-current liabilities	176.8	108.2
Total liabilities	264.4	182.7
Net assets	1,275.9	1,458.7
Equity		
Share capital	1,348.1	1,453.4
Reserves	0.4	0.8
Retained earnings	(72.6)	4.5
Total equity	1,275.9	1,458.7

5d. Parent entity disclosures

Result of parent entity

In millions of AUD

	2018	2017
Profit for the period	40.5	42.7
Total comprehensive income for the period	40.5	42.7

Financial position of parent entity at year end

In millions of AUD

	2018	2017
Current assets	44.8	92.3
Total assets	1,756.5	1,814.8
Current liabilities	12.5	10.6
Total liabilities	446.1	358.6
Net assets	1,310.4	1,456.2
Share capital	1,348.1	1,453.4
Reserves	4.6	4.6
Retained earnings	(42.3)	(1.8)
Total equity	1,310.4	1,456.2

Parent entity capital commitments

In millions of AUD

	2018	2017
Plant and equipment contracted but not provided for and payable within one year	0.7	-
	0.7	-

Parent entity guarantees in respect of the debts of its subsidiaries

The Company is party to a number of financing facilities and a Deed of Cross Guarantee under which it guarantees the debts of a number of its subsidiaries. Refer to notes 3c and 5c for details.

6. TAXATION

This section provides information about the Group's income tax expense (including a reconciliation of income tax expense to accounting profit), deferred tax balances and income tax recognised directly in equity. Where relevant the accounting policies that have been applied and significant estimates and judgements made is included with each note.

6a. Income taxes

6b. Deferred tax assets and liabilities

6a. Income taxes

In millions of AUD

	Consolidated	
	2018	2017
Recognised in the profit and loss statement		
Current tax expense from continuing operations		
Current year	44.7	37.4
Adjustments for prior years	1.9	3.5
	46.6	40.9
Deferred tax expense		
Origination and reversal of temporary differences	1.4	1.7
	1.4	1.7
Total income tax expense in profit and loss statement	48.0	42.6
Reconciliation between tax expense and pre-tax net profit/(loss)		
Profit/(loss) before tax from continuing operations	115.4	146.1
Income tax using the domestic corporation tax rate of 30% (2017: 30%)	34.6	43.8
Difference resulting from different tax rates in overseas countries	(4.0)	(4.0)
Increase in income tax expense due to:		
Non-deductible expenses	0.8	2.9
Non-deductible new market expansion and acquisition related costs	0.1	0.5
Tax losses of subsidiaries not recognised	0.6	0.3
Non resident withholding tax paid upon receipt of distributions from foreign related parties	1.4	1.2
Non-deductible goodwill impairment losses	18.9	-
Non-deductible amortisation of intangibles	0.8	0.5
	22.6	5.4
Decrease in income tax expense due to:		
Previously unrecognised tax losses utilised during the year	(0.6)	(0.5)
Share of associate entities net profit	(0.5)	(0.6)
Foreign statutory tax exemptions granted	(1.4)	(0.1)
Tax exempt revenues	(1.2)	(0.3)
Deductible financing costs	(1.9)	(4.0)
Other deductible items	(1.5)	(0.6)
Under / (over) provided in prior years	1.9	3.5
Income tax expense on pre-tax net profit/(loss)	48.0	42.6
Deferred tax recognised directly in equity		
Relating to foreign currency translation reserve	-	-
Relating to share capital	-	-
Relating to hedging reserve	0.1	(0.1)
	0.1	(0.1)

6b. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
<i>In millions of AUD</i>	2018	2017	2018	2017	2018	2017
Property, plant and equipment	5.8	6.6	7.0	7.8	(1.2)	(1.2)
Land and buildings	-	-	-	0.2	-	(0.2)
Unrealised FX losses/(gains)	8.6	7.0	6.0	6.1	2.6	0.9
Provisions and other payables	16.8	17.0	-	-	16.8	17.0
Undeducted equity raising costs	0.9	1.2	-	-	0.9	1.2
Undeducted capital expenditure	-	-	-	-	-	-
Fair value derivatives	-	-	1.4	1.6	(1.4)	(1.6)
Intangible assets	-	-	-	-	-	-
Inventories	-	-	4.8	5.2	(4.8)	(5.2)
Other items	1.7	2.0	2.1	1.4	(0.4)	0.6
Tax value of loss carry-forwards recognised	-	-	-	-	-	-
Tax assets / liabilities	33.8	33.8	21.3	22.3	12.5	11.5
Set off of tax	(11.8)	(13.3)	(11.8)	(13.3)	-	-
Net tax assets / liabilities	22.0	20.5	9.5	9.0	12.5	11.5

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

<i>In millions of AUD</i>	Consolidated		Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.
	2018	2017	
Tax losses	34.8	19.3	

Accounting policy

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 April 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is ALS Limited.

Nature of tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payables (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

7. OTHER INFORMATION

This section provides information on items that are not considered to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the Corporation Act 2001 or the Corporations Regulations.

- 7a. Basis of preparation
- 7b. Significant accounting policies
- 7c. Determination of fair value
- 7d. Auditors' remuneration
- 7e. Events subsequent to balance date

7a. Basis of preparation**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 28 May 2018.

Basis of measurement

The financial report is prepared on the historical cost basis except that derivative financial instruments and liabilities for cash-settled share based payments are measured at fair value.

Functional and presentation currency

The financial report is presented in Australian dollars which is the Company's functional currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of a financial report requires judgements, estimates and assumptions to be made, affecting the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the most significant uses of estimates and judgements are described in note 2f – Intangible assets and note 5a – Acquisitions of subsidiaries and non-controlling interests.

7b. Significant accounting policies

The accounting policies applied by the Group in this financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2017.

Accounting policies that apply to specific content in the financial statements have been included within the relevant notes.

Accounting policies that apply across a number of contents in the financial statements are listed below.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit and loss statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 2b) and deferred tax assets (see note 6b), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss statement, unless an asset has previously been revalued, in which case the impairment loss is

recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in equity accounted investees is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is transferred from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. In other cases the amount recognised in other comprehensive income is transferred to the profit and loss statement in the same period that the hedged item affects profit or loss.

The ineffective portion of any change in fair value is recognised immediately in the profit and loss statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the profit and loss statement.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the

hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Economic hedges

Where a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in fair value are recognised in the profit and loss statement

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss statement, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income and presented in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

Hedge of net investment in foreign operations

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency regardless of whether the net investments are held directly or through an intermediate parent. Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income, in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the profit and loss statement. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to the profit and loss statement as an adjustment to the gain or loss on disposal.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value and changes therein are recognised immediately in the profit and loss statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017 and early application is permitted. These have not been applied in preparing these consolidated financial statements.

AASB 9 will become mandatory for the Group's 2019 consolidated financial statements and could change the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. The Group does not plan to adopt this standard early.

AASB 15 will become mandatory for the Group's 2019 consolidated financial statements. It establishes a comprehensive framework for determining whether, how much, and when revenue is recognised, and replaces existing revenue recognition guidance. The Group does not plan to adopt the standard early.

AASB 16 will become mandatory for the Group's 2020 consolidated financial statements (however may be early adopted to align concurrently with the adoption of AASB 15). The new standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. The Group does not plan to adopt the standard early and the Group's in the process of assessing the potential impact.

A. Estimated impact of the adoption of AASB 9 and AASB 15

The Group is required to adopt AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 April 2018. The Group has assessed the estimated impact that the initial application of AASB 9 and AASB 15 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 April 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 April 2018 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Estimated impact of adoption of AASB 9 and AASB 15

<i>In millions of AUD</i>	As reported at 31 March 2018	Estimated adjustments due to adoption of AASB 9	Estimated adjustments due to adoption of AASB 15	Estimated adjusted opening balance at 1 April 2018
Trade and other receivables (net)	278.3	(1.9)	-	276.4
Inventories	75.8	-	(19.6)	56.2
Assets held for sale	25.3	-	(0.5)	24.8
Deferred Tax Assets	22.0	0.5	7.9	30.4
Trade and other payables	(169.8)	-	(9.2)	(179.0)
Retained earnings	229.1	1.4	21.4	251.9

The total estimated adjustment (net of tax) to the opening balance of the Group's equity at 1 April 2018 is \$22.8 million. The principal components of the estimated adjustment are as follows.

A decrease of \$14.7million in retained earnings (net of tax) due to changes in recognition of accrued revenues for non-project related works in progress, reducing inventories by \$19.6million and Assets held for sale by \$0.5million respectively.

A decrease of \$6.7million in retained earnings (net of tax) due to a deferral in recognition of revenues attaching to the Company's Tribology operations increasing Trade and other payables as unearned revenues by \$9.2million.

A decrease of \$1.4million in retained earnings (net of tax) due to impairment losses on financial assets, including additional loss allowances in respect of trade receivables. Trade and other receivables (net) will decrease by \$1.9million due to increased provisions recognised on the initial application of AASB 15.

B. AASB 16 Leases

AASB 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This standard will become effective for the Company for annual periods beginning on or after 1 April 2019.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease

liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 April 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

7c. Determination of fair value

The following summarises the major methods and assumptions used in estimating the fair values for measurement and disclosure purposes:

Fair value hierarchy

In determining fair value measurement for disclosure purposes, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Derivatives

Forward exchange contracts are marked to market using publicly available forward rates. Interest rate contracts are marked to market using discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Finance leases

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements. The estimated fair value reflects changes in interest rates.

Share-based payment transactions

The fair value of share-based awards to employees is measured using Binomial Tree (Earnings per Share and EBITDA hurdles and service condition) and Monte-Carlo Simulation (Total Shareholder Return hurdle) valuation methodologies.

Measurement inputs include the Company's share price on measurement date, expected volatility thereof, expected life of the awards, the Company's expected dividend yield and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Refer note 8a for details.

Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

7d. Auditors' remuneration

In thousands of AUD

	Consolidated	
	2018	2017
Audit services		
<i>Auditors of the Company</i>		
KPMG Australia:		
Audit and review of consolidated and company financial reports	615.9	604.0
Other regulatory services	73.0	-
Other KPMG member firms:		
Audit and review of financial reports	1,073.3	1,475.0
Other auditors		
Audit and review of financial reports	-	100.0
	1,762.2	2,179.0
Other services		
<i>Auditors of the Company</i>		
KPMG Australia		
Other assurance and investigation services	263.3	194.0
Taxation services	53.3	23.0
Other KPMG member firms:		
Other assurance and investigation services	131.6	79.0
Taxation services	495.0	485.0
	943.2	781.0

7e. Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. EMPLOYMENT MATTERS

This section provides information on items relating to share based payments and key management personnel.

- 8a. Share based payments
- 8b. Key management personnel

8a. Share-based payments

The Group operates a Long-Term Incentive Plan (LTIP) designed as a retention and reward tool for high performing personnel. Under the Plan key employees may be granted conditional rights to receive ordinary shares in the Company at no cost to the employees (or in limited cases to receive cash-settled awards).

During the year, the Group granted performance-hurdle rights. The concept of service-based rights (introduced under the LTIP during a previous financial year) was discontinued and no such rights were issued in FY2018. The only condition attaching to service-based rights is that an employee must remain employed by the Group until vesting date. As no performance hurdles attach to these rights, the number of rights issued to an individual employee is significantly less than the number of performance-hurdle rights that would otherwise be issued to an employee of similar standing.

Service based rights will be issued during FY2019 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY2018. An estimated accrual for the fair value of services received in return for these deferred STI service rights has been made at 31 March 2018 and included in the value of share-based awards for KMPs shown in table 5.2 of the Remuneration Report.

All of the rights carry an exercise price of nil. The terms and conditions of rights in existence during the year are set out below together with details of rights vested, lapsed and forfeited:

Equity-settled performance rights

All equity-settled rights refer to rights over ordinary shares in the Company and entitle an executive to ordinary shares on the vesting date subject to the achievement of performance hurdles and or a service condition. The rights expire on termination of an executive's employment prior to the vesting date and or upon the failure of achievement of performance hurdles.

Performance-hurdle rights granted year ended 31 March:	2018	2017	2016	2015
Date of grant	20-Jul-17	26-Jul-16	30-Jul-15	29-Jul-14
Testing date for performance hurdles	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
Vesting date and testing date for service condition	1-Jul-20	1-Jul-19	1-Jul-18	1-Jul-17
Number of rights:				
Opening balance 1 April	-	803,680	480,280	345,848
Granted	569,032	-	-	-
Vested & exercised	-	(2,855)	(4,036)	(103,920)
Lapsed ^(a)	(12,088)	(79,900)	(19,169)	(241,928)
Closing balance 31 March	556,944	720,925	457,075	-

(a) Performance-hurdle rights lapsed due to hurdles not being met or on cessation of employment.

No service-based rights were issued in FY2018:

Service-based rights granted year ended 31 March:	2018	2017	2016	2016	2016
Date of grant	-	-	1-Dec-15	1-Nov-15	30-Jul-15
Vesting date and testing date for service condition	-	-	1-Dec-18	1-Nov-18	1-Jul-18
Number of rights:					
Opening balance 1 April	-	-	10,000	135,514	48,062
Granted	-	-	-	-	-
Lapsed ^(a)	-	(10,000)	(67,757)	(37,214)	-
Closing balance 31 March	-	-	-	67,757	10,848

(a) Service-based rights lapsed due to cessation of employment.

Cash-settled performance rights

All cash-settled performance rights expire on termination of an executive's employment prior to the vesting date and or upon the failure of achievement of performance hurdles. The amount of cash payment is determined based on the volume weighted average price of the Company's shares over the 20 trading days following the release of the Group's full year results for the final year of each performance period.

Performance-hurdle rights granted year ended 31 March:	2018	2017	2016	2015
Date of grant	27-Jul-16	27-Jul-16	30-Jul-15	29-Jul-14
Testing date for performance hurdles	31-Mar-19	31-Mar-19	31-Mar-18	31-Mar-17
Vesting date and testing date for service condition	1-Jul-19	1-Jul-19	1-Jul-18	1-Jul-17
Number of rights:				
Opening balance 1 April	-	36,190	72,540	45,174
Granted	40,974	-	-	-
Vested & exercised	-	-	-	(39,555)
Lapsed (a)	-	(6,994)	-	(5,619)
Closing balance 31 March	40,974	29,196	72,540	-

(a) Performance-hurdle rights lapsed due to hurdles not being met or on cessation of employment.

No service-based rights were issued in FY2018:

Service-based rights granted year ended 31 March:	2018	2017	2016
Date of grant	-	-	30-Jul-15
Vesting date and testing date for service condition	-	-	1-Jul-18
Number of rights:			
Opening balance 1 April	-	-	10,436
Granted	-	-	-
Lapsed (a)	-	-	(10,436)
Closing balance 31 March	-	-	-

Vesting conditions – performance hurdle rights

Vesting conditions in relation to the performance-hurdle rights granted in July 2017 are set out below:

Employees must be employed by the Group on the vesting date (1 July 2020). The rights vest only if Earnings Per Share (“EPS”), relative Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”), relative Total Shareholder Return (“TSR”) or Return on Capital Employed (“ROCE”) hurdles are achieved by the Company over the specified performance period. 25 percent of employees’ rights are subject to each of these hurdles. The performance hurdles and vesting proportions for each measure are as follows:

Compound annual diluted Underlying EPS growth	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 5% per annum	0%
Between 5% and 9% per annum	Straight line vesting between 12.5% and 25% of total grant
9% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50 th percentile	0%
Between the 50 th and 75 th percentile	Straight line vesting between 12.5% and 25% of total grant
75 th percentile or higher	25% of total grant

The Underlying EBITDA margin measurement is contingent upon performance of the Company against a group of comparator peer companies, which include:

Bureau Veritas (France), Core Laboratories (USA), Eurofins (France), Intertek (UK), SGS (Switzerland), Mistras (USA) and Applus (Spain).

TSR of ALS relative to TSR of companies in ASX 100 Index over the performance period	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50 th percentile	0%
Between 50 th percentile and 75 th percentile	Straight line vesting between 12.5% and 25% of total grant
75 th percentile or higher	25% of total grant

The TSR measurement is contingent upon performance of the Company against companies comprising the ASX 100 Index at the start of the performance period.

ROCE Performance (3 year average)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 12.2%	0%
Between 12.2% and 17.2%	Straight line vesting between 0% and 25% of total grant
At or above 17.2%	25% of total grant

ROCE is calculated as Underlying Earnings before Interest and Tax (EBIT) over the three (3) year performance period divided by Capital Employed expressed as a percentage.

Capital Employed = Total Shareholders’ Equity + Net Debt (the sum of the simple averages of the balances at the beginning and end of each year during the performance period).

The cumulative performance hurdles are assessed at the testing date and the “at risk” LTI component becomes exercisable or is forfeited by the executive at this time. New offers of participation are ratified by the Board after recommendation by the People Committee.

Expenses recognised as employee costs in relation to share-based payments

The fair value of services received in return for LTIP rights granted during the year ended 31 March 2018 is based on the fair value of the rights granted measured using Binomial Tree (EPS, EBITDA and ROCE hurdles and service condition) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies with the following inputs:

	Granted 2018	Granted 2017
Equity-settled rights		
Date of grant	20 July 2017	26 July 2016
Weighted average fair value at date of grant of performance-hurdle rights	\$6.21	\$4.30
Share price at date of grant	\$7.18	\$5.09
Expected volatility	40%	45%
Expected life	3.0 years	2.9 years
Risk-free interest rate	2.01%	1.49%
Dividend yield	2.40%	3.00%

	Granted 2018	Granted 2017
Cash-settled rights		
Date of grant	20 July 2017	26 July 2016
Weighted average fair value at date of grant of performance-hurdle rights	\$6.21	\$4.30
Share price at date of grant	\$7.18	\$5.09
Expected volatility	40%	45%
Expected life	3.0 years	2.9 years
Risk-free interest rate	2.01%	1.49%
Dividend yield	2.40%	3.00%

The fair value of the liability for cash-settled rights, for which performance hurdle testing dates remain in the future, is remeasured at each reporting date.

Service based rights will be issued during FY2019 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY2018. An estimated accrual for the fair value of services received in return for these deferred STI service rights has been made at 31 March 2018 and included in the value of share-based awards for KMPs shown in table 5.2 of the Remuneration Report. As these service rights are yet to be issued, their value has been estimated using the volume weighted average price (VWAP) of ALS shares over the five trading days which followed 31 March 2018 (\$7.31).

Expenses recognised in relation to share-based payments during the year were:

<i>In millions of AUD</i>	<i>Note</i>	Consolidated	
		2018	2017
Equity-settled rights	<i>1d</i>	2.2	2.0
Cash-settled rights		0.5	0.2
Total expenses recognised as employee costs		2.7	2.2
Carrying amount of liabilities for cash-settled rights		0.2	0.4

8b. Key management personnel disclosures

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Bruce Phillips (Chairman)

Mel Bridges

Grant Murdoch

John Mulcahy

Charlie Sartain

Tonianne Dwyer

Executive Directors

Raj Naran (appointed Managing Director & CEO 20 July 2017; previously Deputy CEO and Group GM Life Sciences)

Greg Kilmister (retired as Managing Director and CEO 20 July 2017)

Executives

Bruce McDonald (GM Geochemistry)

Andreas Jonsson (GM Life Sciences, Europe)

Tim Kilmister (GM Life Sciences, APAC)

David Prince (GM Life Sciences, Americas)

Kristen Walsh (GM Industrial)

Richard Stephens (Chief Financial Officer)

Former Executive

Brian Williams (Group GM Commodities Division until 3 July 2017)

The key management personnel compensation included in employee expenses are as follows:

<i>In AUD</i>	Consolidated	
	2018	2017
Short term employee benefits	8,101,594	6,420,135
Post-employment benefits	243,433	251,938
Value of share-based awards	1,024,163	559,403
Termination benefits	2,129,124	-
Other long-term benefits	7,189	5,946
	11,505,503	7,237,422

Related party transaction

The Group had previously entered into property lease agreements in the USA with a company in which Raj Naran (Managing Director and CEO) holds a controlling interest. The property was sold by that company in January 2018; such transaction having been approved in advance by the ALS Limited Board. Lease rental expense in AUD during the year to the date of disposal was \$590,844 (2017: \$808,436) and the amount outstanding at the end of the year was Nil (2017: Nil).

Directors' declaration

In the opinion of the directors of ALS Limited ("the Company"):

1. The consolidated financial statements and notes numbered 1a to 8b, and the remuneration report contained in the Directors' report, are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the Group's financial position as at 31 March 2018 and of its performance for the year ended on that date: and
 - b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. the financial report also complies with the International Financial Reporting Standards as disclosed in note 7a;
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the subsidiaries identified in note 5c will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee between the Company and those entities, pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 28 September 2016 (replacing ASIC Class Order 98/1418 dated 13 August 1998).

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2018.

Signed in accordance with a resolution of the directors:



Bruce Phillips
Chairman
Brisbane
28 May 2018



Raj Naran
Managing Director
Brisbane
28 May 2018



Independent Auditor's Report

To the shareholders of ALS Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of ALS Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 March 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated balance sheet as at 31 March 2018;
- Consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation of goodwill
- Decentralised operations

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill

Refer to Note 2f to the Financial Report

The key audit matter	How the matter was addressed in our audit
The assessment of impairment of the Group's goodwill is a key audit matter due to the significance of the amount to the Group's balance sheet (47% of total assets) and the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability. Management's impairment assessment incorporated significant judgment in respect of factors such as working capital, discount rates, foreign exchange rates and growth rates, which necessitated significant involvement from senior audit team members and specialists to challenge management's assumptions. Judgment was also applied in the identification of cash-generating units (CGUs) due to the geographical diversity of the Group's operations. During the half-year an impairment was recorded by the ALS Industrial and ALS Coal CGUs. Given they were written down to recoverable amount, these CGUs are sensitive to changes in assumptions which has been disclosed in the Financial Report.	Our procedures across all CGUs included: • We assessed management's identification of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which they operate. We also analysed the monthly management reports of the Group to assess how operating results of the business are aggregated and monitored by management and the Board; • Using our valuation specialists, we challenged the Group's key assumptions, including those relating to forecast cashflows, working capital, discount rates, foreign exchange rates and growth rates by comparing to external data, such as peer group forecasts, as well as our own assessments based on industry experience and knowledge of the Group; • We assessed the historical accuracy of forecasting of the Group by comparing actual past performance against previous forecasts and assumptions; • We performed sensitivity analysis on the discount rate and terminal growth assumptions. We also performed break-even analysis on these assumptions to inform our procedures to identify management bias; • Where a reasonable possible change in these assumptions could result in an impairment, we checked the disclosure in the financial statements.

Decentralised operations	
The key audit matter	How the matter was addressed in our audit
The Group comprises more than 150 subsidiaries and associates (components) whose operations are spread across the world. The Group's business is analytical testing and the individual components are wide ranging in size, customer base and type of service provided. The decentralised and varied nature of these operations require significant oversight by ALS management to monitor the activities, review component financial reporting and undertake the Group consolidation. This is an extensive process due to the high number of accounting systems used in the Group. This was a key audit matter for us given the large number of subsidiaries and associates, and the large number of accounting systems. We focused on: • Understanding the components and identifying the significant risks of material misstatement within them; • The scoping of relevant audit procedures consistent with the risk identified so as to enable coverage of significant aggregated balances; • The assessment of the components' compliance with Group accounting policies; and • The consolidation process and aggregating results from component procedures.	Our procedures included: • We instructed selected component audit teams to perform procedures on the financial information prepared for consolidation purposes. The selected components were those of most significance to the audit of the Group, either by individual size or by risk to the Group. A small number of components were also included on a rotational basis i.e. we include smaller components on a rotational basis to achieve an appropriate coverage based on professional judgment. The objective of this approach was to gather evidence on significant balances that aggregate to form the Group's financial reporting. • The component audit teams performed audit procedures on the financial information prepared for consolidation purposes. We worked with the component audit teams to understand the components, to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audits as they progressed to identify and address any issues, working with the component audit teams as appropriate. We read their audit reports to us and the underlying memos explaining component results. We evaluated the work performed by the component audit teams for sufficiency and for our overall audit purpose. We also assessed the component auditors' reporting about the components' compliance with the Group's accounting policies by reading their audit reporting to us. • We tested the financial data used in the consolidation process for consistency with the financial data audited by component audit teams. We also assessed the consolidation process for compliance with accounting standards. • For the other components not within the above scope, our procedures included testing the Group's key monitoring controls and performance of analytical procedures to deepen our understanding of these components. In our analytical procedures we compared actual financial performance to the prior year results, we enquired of management and considered these results against our expectations.

Other Information

Other Information is financial and non-financial information in ALS Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report (including Remuneration Report).

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of ALS Limited for the year ended 31 March 2018, complies with *Section 300A* of the *Corporations Act 2001*.



KPMG



Simon Crane
Partner

Brisbane
28 May 2018

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited Sections 2 to 9 of the Remuneration Report which is included in the Directors' Report for the year ended 31 March 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Scott Guse
Partner

Brisbane
28 May 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of ALS Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of ALS Limited for the financial year ended 31 March 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane'.

Simon Crane
Partner

Brisbane
28 May 2018