ALS Limited

ABN 92 009 657 489

Condensed Interim Financial Report

for the Half Year Ended 30 September 2019

(including additional ASX Appendix 4D disclosures)

ALS Limited and its subsidiaries
Condensed Interim Financial Report for the Half Year Ended 30 September 2019

Contents

The attached Condensed Interim Financial Report for the half year ended 30 September 2019 forms part of this document. This half yearly report is to be read in conjunction with the ALS Limited 2019 Annual Financial Report and the notes contained therein.

ALS Limited and its subsidiaries
Results for announcement to the market
For the half year ended 30 September 2019

Appendix 4D
(Previous corresponding period: half year ended 30 September 2018)

				$M
Revenue from ordinary activities^	Up	11.0%	to	921.0
Underlying net profit after tax from continuing operations * attributable to members	Up	5.3%	to	98.2
Profit from ordinary activities after tax attributable to members	Up	59.7% **	to	135.6
Net profit for the period attributable to members	Up	59.7% **	to	135.6

Dividends

	Amount per ordinary share	Franked amount per ordinary share
Interim dividend	11.5 cents	3.5 cents
Previous corresponding period	11.0 cents	2.2 cents

Record date for determining entitlements to the interim dividend: 28 November 2019

In light of the Company's plans to continue the on-market share buyback program the dividend reinvestment plan will remain suspended.

Additional dividend information:

Details of dividends declared or paid during or subsequent to the half year ended 30 September 2019 are as follows:

Record date	Payment date	Type	Amount per ordinary share	Total dividend	Franked amount per ordinary share	Conduit foreign income per ordinary share
4 June 2019	1 July 2019	Final 2019	11.5 cents	$55.4m	4.0 cents	7.5 cents
28 Nov 2019	16 Dec 2019	Interim 2020	11.5 cents	$55.4m	3.5 cents	8.0 cents

Other financial information:

	Current period	Previous corresponding period (restated)
Basic underlying * earnings per ordinary share	20.3 cents	19.1 cents
Basic earnings per ordinary share	28.1 cents	17.4 cents
Net tangible assets per ordinary share	4.2 cents	16.3 cents

^ Includes revenues from both continuing and discontinued operations
* Refer to page 4 of the attached Interim Financial Report for a reconciliation of Underlying net profit after tax from continuing operations to Statutory net profit after tax.
**Based on restated prior period results

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 30 September 2019 Interim Financial Report. The unqualified review report of the company's auditor, EY, is attached to this document and highlights no areas of dispute.

Sign here: .... Date: 20/11/2019

Company Secretary
Michael Pearson

ALS Limited

ABN 92 009 657 489

Condensed Interim Financial Report
for the Half Year Ended 30 September 2019

ALS Limited and its subsidiaries
Directors' Report
For the half year ended 30 September 2019

The directors present their report together with the condensed consolidated interim financial report for the half year ended 30 September 2019 and the auditor's review report thereon.

Directors

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

BRUCE PHILLIPS B Sc (Hons) (Geology)

Chairman and Independent Non-Executive Director

Appointed a director 2015 and appointed Chairman 2016.

RAJ NARAN B Sc (Chemistry), B A (Mathematics)

Managing Director and Chief Executive Officer

Appointed Managing Director and Chief Executive Officer 2017.

GRANT MURDOCH M Com (Hons), FAICD, FCA

Independent Non-Executive Director

Appointed 2011.

JOHN MULCAHY PhD, BE (Civil Eng) (Hons), FIE Aust

Independent Non-Executive Director

Appointed 2012.

CHARLIE SARTAIN B Eng (Hons) (Mining), FAusIMM, FTSE

Independent Non-Executive Director

Appointed 2015.

TONIANNE DWYER B Juris (Hons), LLB (Hons), GAICD

Independent Non-Executive Director

Appointed 2016.

SIDDHARTHA KADIA PhD, MS (Biomedical Engineering), BE (Electronics)

Independent Non-Executive Director

Appointed 2019.

MEL BRIDGES B AppSc, PhD, FAICD

Independent Non-Executive Director

Appointed 2009. Retired July 2019.

ALS Limited and its subsidiaries
Directors' Report
For the half year ended 30 September 2019

Review and results of operations

Financial performance

The Group recorded underlying NPAT[1] from continued operations of $98.2 million for the half-year, slightly higher than the guidance range from $90.0 to $95.0 million, provided to the market at the Company's Annual General Meeting in July 2019, and up 5.3% over the previous corresponding period (pcp).

The half-year statutory NPAT was $135.6 million, compared to the $84.9 million recorded in the September 2018 half-year. This increase is mainly associated with the net gain generated by the disposal of the Groups' Environmental and analytical testing business in China.

Revenue from continuing operations of $919.1 million was up 11.3% on the $826.1 million recorded in the previous corresponding period. This growth was driven by revenue increase from acquisitions (mainly in the Life Sciences division), strong organic growth in the Life Sciences and Industrial divisions, and favourable currency impact. Despite current headwinds in the market, the Commodities division revenue recorded a slight increase compared to the previous corresponding period, recording a total revenue growth of 1.9%.

The Life Sciences division delivered organic revenue growth of 10.2%, and an underlying contribution margin of 15.8%, up 73 bps over the pcp. All regions in the Life Sciences division had positive organic growth and have maintained or improved margins.

The Industrial division recorded 20.3% organic growth in revenue and an underlying contribution margin of 12.2%, up 38 bps over pcp. These results reflect significant growth in the Australian and US markets, coupled with continuous efforts to improve productivity and margin.

The Commodities division's organic revenue was down 0.7% over pcp, driven primarily by a reduction in sample volume in the Geochemistry business, given the on-going uncertainties in international mining markets. Commodities' underlying contribution margin of 25.4% declined 126 bps over pcp.

The Group is ready to take advantage of future opportunities by targeting organic growth, technological innovation, and operational improvements in all business sectors. The focus on these areas, together with acquisitions predominantly in the Life Sciences division, will be the core of our strategy for the upcoming years.

In March 2018, Directors decided to exit the Group's Oil & Gas laboratory business. As of FY2019, most of this business has been disposed of, and all the US operations shut down. The results of the remaining portion of this business have been classified as "discontinued operations" as have prior year comparatives. During the year the Group sold its Life Sciences operations in China and shut down its operation in France. Income and costs associated with these divestments and business closures has also been classified as discontinued operations.

During the first half FY20, the Group continued to execute its external growth strategy in Life Sciences, through the acquisition of the Mexican based Laboratorio de Control ARJ S.A de C.V, a market leading pharmaceutical testing business in Latin America.

Directors have declared an FY2020 interim dividend of 11.5 cents per share, partly franked to 30%, payable on all ordinary shares (2018: 11.0 cents, partly franked to 20%). It will be paid on 16 December 2019 on all shares registered in the Company's register at the close of business on 28 November 2019. Considering the Company's plans to continue the on-market share buy-back program, the dividend reinvestment plan will remain suspended.

In November 2017, Directors announced an on-market share buy-back of up to $175 million. On 20 November 2018, Directors determined to increase the total potential amount of the share buy-back to $225 million, extending the buy-back period for an additional twelve months until December 2019. As of September 2019, a total of 21.8 million shares have been repurchased on-market, for an overall consideration of $153.4 million (representing 68.2% of the increased base).

1 Underlying NPAT = Net profit after tax attributable to equity holders of the Company, excluding discontinued operations, restructuring and other one-off items, divestments and impairment losses and amortization of acquired intangibles.

Review and results of operations (continued)

The Group's financial performance for the half year to 30 September 2019 is summarised as follows:

2019 **$m**	**Underlying results**[1] **Continuing operations**	 **Discontinued operations**[2]	**Restructuring & other one-off items** [(1)]	**Divestments & other business closures**	**Amortisation of intangibles**	**Statutory result**
Revenue	919.1	1.9	-	-	-	**921.0**
EBITDA[3]	218.2	(0.6)	(11.7)	51.7	-	**257.6**
Right-of-use asset amortisation	(20.6)	(0.4)	-	-	-	**(21.0)**
Interest on lease liabilities	(3.6)	(0.1)	-	-	-	**(3.7)**
EBITDA before AASB 16 [(3)]	194.0	(1.1)	(11.7)	51.7	-	**232.9**
Depreciation & amortisation	(39.1)	(0.1)	-	-	(2.6)	**(41.8)**
EBIT before AASB 16 [(3)]	154.9	(1.2)	(11.7)	51.7	(2.6)	**191.1**
Interests	(16.6)	(0.6)	-	-	-	**(17.2)**
Tax expense	(39.3)	0.3	1.5	-	-	**(37.5)**
	99.0	(1.5)	(10.2)	51.7	(2.6)	**136.4**
Non-controlling interests	(0.8)	-	-	-	-	**(0.8)**
Net profit/(loss) after tax (NPAT)	98.2	(1.5)	(10.2)	51.7	(2.6)	**135.6**
Basic EPS (cents)	**20.3**					**28.1**
Diluted EPS (cents)	**20.2**					**27.9**

2018 **$m** *Restated* [(2)]	**Underlying results** [(1)] **Continuing operations**	 **Discontinued operations** [(2)]	**Restructuring & other one-off items** [(1)]	**Divestments**	**Amortisation of intangibles**	**Statutory Result**
Revenue	826.1	4.0	-	-	-	**830.1**
EBITDA [(3)]	178.5	(1.3)	(6.1)	-	-	**171.1**
Depreciation & amortisation	(35.0)	(0.8)	-	-	(1.3)	**(37.1)**
EBIT [(3)]	143.5	(2.1)	(6.1)	-	(1.3)	**134.0**
Interest	(14.9)	(0.6)	-	-	-	**(15.5)**
Tax expense	(35.0)	0.4	1.3	-	-	**(33.3)**
	93.6	(2.3)	(4.8)	-	(1.3)	**85.2**
Non-controlling interests	(0.3)	-	-	-	-	**(0.3)**
Net profit/(loss) after tax (NPAT)	93.3	(2.3)	(4.8)	-	(1.3)	**84.9**
Basic EPS (cents)	**19.1**					**17.4**
Diluted EPS (cents)	**19.1**					**17.4**

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 and other one-off items includes a foreign exchange loss of $2.9m (2018: 2.2m) realised on restructuring of intra-group loan balances, greenfield start up costs of $3.6m (2018: $0.8m), acquisition costs of $1.6m (2018: $0.7m) and other restructuring costs of $3.6m (2018: $2.4m).

2 Refer to note 10. Prior period Underlying results for discontinued operations have been restated for interest.

3 EBITDA = EBIT plus depreciation, amortisation, divestment gains/(losses), and impairments. 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.

Review and results of operations (continued)

The Group has three reportable operating segments as at 30 September 2019: Commodities, Life Sciences and Industrial. Following a decision in March 2018 to exit the Group's Oil & Gas laboratory business, a fourth segment - Oil & Gas Laboratories – has been classified as discontinued operations. During the year the group sold its Life Sciences operations in China and shut down its operation in France. Income and costs associated with these divestments and business closures has also been classified as discontinued operations.

Contributions from business segments are set out below.

Commodities	2019 $M	2018 $M	Variance
Revenue	319.9	313.8	1.9%
Segment contribution	80.9	83.0	
Restructuring and other one-off items[1]	0.5	0.8	
Underlying segment contribution[2] (before AASB 16)	81.4	83.8	(2.9%)
Margin (underlying segment contribution to revenue)	25.4%	26.7%	
Underlying segment EBITDA[3] (before AASB 16)	92.7	94.6	(2.0%)
Margin (underlying segment EBITDA to revenue)	29.0%	30.2%	

Amid the current uncertainty in the global economic environment, headwinds in the commodities market drove global Geochemistry sample flows down 11% over pcp, as junior explorers faced challenges in raising capital for new ventures. This volume impact was partially offset by continuous price management, resulting in a moderate organic revenue reduction of 2.9%.

Geochemistry management's focus on the continued improvement of service delivery, productivity, and sample turn-around time was vital in the delivery of a 28% underlying margin, with a limited reduction of 300 bps over pcp. We remain optimistic about the recovery of the Geochemistry business and the likely demand for services. We are continuing to invest in our workforce and in technology (method development) to keep delivering superior services to our clients.

ALS Coal continues to perform well, delivering 9.5% organic revenue growth and 17% underlying margin, stable compared to the previous corresponding period. The business continues to successfully implement its strategy of diversification of services and operational improvement. Currently, the superintending and mine sites services (fewer cyclical activities than exploration related services) represent 70% of the total revenue.

The Metallurgy business stream (4.8% organic revenue growth and 25% underlying margin) and the Inspection business (1.6% organic revenue growth and 26% underlying margin) continue to perform well. It is important to note that the current organic revenue growth in both businesses followed a strong growth in the first half of FY2019, with inspection growing revenue organically by 25% and Metallurgy 62%.

1 The term 'Restructuring and Other One-off Items' is a non-IFRS disclosure. It has been presented to assist in the assessment of the relative performance of the Group from period to period. The calculation thereof is based on non-IFRS information and is unaudited.

2 The term 'Underlying segment contribution' is a non-IFRS disclosure. It has been presented to assist in the assessment of the relative performance of the Group from period to period. The calculation thereof is based on non-IFRS information and is unaudited.

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ALS Limited and its subsidiaries
Directors' Report
For the half year ended 30 September 2019

Review and results of operations (continued)

Life Sciences	2019 $M	2018 $M	Variance
Revenue	468.6	406.0	15.4%
Segment contribution	70.1	60.3	
Restructuring and other one-off items[1]	3.9	0.9	
Underlying segment contribution[2] (before AASB 16)	74.0	61.2	20.9%
Margin (underlying segment contribution to revenue)	15.8%	15.1%	
Underlying segment EBITDA[3] (before AASB 16)	97.4	81.7	19.2%
Margin (underlying segment EBITDA to revenue)	20.8%	20.1%	

The Life Sciences division delivered a total revenue growth of 15.4%, of which 10.2% was organic and 2.1% due to scope change (net of acquisition and disposals). All regions delivered positive organic growth over pcp.

This organic growth was driven by accelerated investment in greenfield operations, focus on business development efforts, a strong commitment to productivity, and service level improvements leading to market share gain in key markets.

As part of the external growth strategy, the Group acquired Laboratorio de Control ARJ S.A de C.V (ARJ) in August 2019, the largest pharmaceutical testing laboratory in Latin America with revenues of over $30 million and more than 500 employees. ARJ is a strategic acquisition for the Life Sciences business, complementing the existing ALS Life Sciences Latin America operations, and it is expected to benefit from the Group's regional and global presence to further expand its offering to clients.

The Life Sciences division has a strong pipeline of acquisition opportunities in food and pharmaceutical testing and will continue to look for companies to complement its portfolio of services.

The underlying EBIT margin increased 73 bps, from 15.1% to 15.8%, with all regions maintaining or improving margins. The global initiative across Life Sciences business, based on productivity improvement through process optimisation, sample miniaturisation, and elimination of waste, is delivering good results.

More specifically, the reinforced management team, new business development strategy, focus on productivity, and improved service levels have led the US Life Sciences business to deliver underlying margin improvement of 700 bps over pcp.

Pleasingly, we can also report material improvement in the profitability of the Latin America business, due to recent contract wins and geographic expansion within the region.

The global economic environment continues to be very price-sensitive, requiring the business to make the cost adjustments and materialise productivity improvements 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.

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Review and results of operations (continued)

Industrial	2019 $M	2018 $M	Variance
Revenue	130.7	106.3	23.0%
Segment contribution	15.4	11.3	
Restructuring and other one-off items[1]	0.6	1.3	
Underlying segment contribution[2] (before AASB 16)	16.0	12.6	27.0%
Margin (underlying segment contribution to revenue)	12.2%	11.9%	
Underlying segment EBITDA[3] (before AASB 16)	19.6	15.7	24.8%
Margin (underlying segment EBITDA to revenue)	15.0%	14.7%	

The Industrial division revenue grew 23.0% in the first part of the year and delivered margin improvements in both Asset Care and Tribology businesses.

Asset Care recorded organic revenue growth of 23.3% driven by the focus on maintenance related contracts, particularly in Australia, within the power, mining, and oil and gas markets. The business also achieved significant growth in the USA, following greenfield investments generating new contract-wins.

The growth in revenue, coupled with the continuous focus on productivity, led to an improvement in underlying margin, despite the higher proportion of maintenance related contracts, which typically demand lower margins when compared to capital projects.

The Tribology business stream grew global revenue by 16.9% during the half-year, of which 12.5% was organic, with all regions delivering high single-digit or double-digit organic growth. The business also delivered strong profitability, with 260 bps margin improvement over pcp.

Discontinued operations:

	2019 $M	2018 $M
Revenue	1.9	4.0
Segment contribution	(3.2)	(2.1)
Restructuring and other one-off items (1)	2.0	-
Underlying segment contribution (2)	(1.2)	(2.1)
Underlying segment EBITDA (3)	(1.1)	(1.3)

Refer to note 10.

1 The term 'Restructuring and Other One-off Items' is a non-IFRS disclosure. It has been presented to assist in the assessment of the relative performance of the Group from period to period. The calculation thereof is based on non-IFRS information and is unaudited.

2 The term 'Underlying segment contribution' is a non-IFRS disclosure. It has been presented to assist in the assessment of the relative performance of the Group from period to period. The calculation thereof is based on non-IFRS information and is unaudited.

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Events subsequent to balance date

There has not arisen in the interval between the end of the half 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 subsequent financial periods.

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

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' Report for the half year ended 30 September 2019.

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
20 November 2019

Raj Naran
Managing Director

Brisbane
20 November 2019

ALS Limited and its subsidiaries
Consolidated interim statement of profit and loss and Other Comprehensive Income
For the half year ended 30 September 2019

In millions of AUD	Note	30 September 2019	30 September 2018 *Restated**
Continuing operations			
Revenue	*6*	919.1	826.1
Expenses		(712.3)	(654.3)
Share of profit of equity-accounted investees, net of tax		1.7	0.6
Profit before financing cost, depreciation and amortisation		208.5	172.4
Amortisation on right-of-use assets		(20.6)	-
Amortisation and depreciation		(41.7)	(36.3)
Profit before net financing costs (EBIT)		146.2	136.1
Finance income		1.2	0.9
Finance cost on loans and borrowings		(17.8)	(15.8)
Finance cost on lease liabilities		(3.6)	-
Net financing costs		(20.2)	(14.9)
Profit before tax		126.0	121.2
Income tax expense		(37.8)	(33.7)
Profit from continuing operations		88.2	87.5
Discontinued operations			
Profit/(Loss) of discontinued operations, net of tax	*10*	48.2	(2.3)
Profit for the period		136.4	85.2
Profit attributable to:			
Equity holders of the Company		135.6	84.9
Non-controlling interest		0.8	0.3
Profit for the period		136.4	85.2
Other comprehensive income			
Items that are or may be reclassified subsequently to the profit and loss (net of tax)			
Foreign exchange translation		8.5	(25.7)
Gain on cash flow hedges taken to equity, net of tax		0.4	0.3
Other comprehensive income for the period, net of tax		8.9	(25.4)
Total comprehensive income for the period		145.3	59.8
Total comprehensive income attributable to:			
Equity holders of the company		144.5	59.5
Non-controlling interest		0.8	0.3
Total comprehensive income for the period		145.3	59.8
Basic earnings per share attributable to equity holders		28.05c	17.40c
Diluted earnings per share attributable to equity holders		27.92c	17.35c
Basic earnings per share attributable to equity holders from continuing operations		18.08c	17.87c
Diluted earnings per share attributable to equity holders from continuing operations		17.99c	17.82c

**Refer note 10.*

The interim profit and loss statement is to be read in conjunction with the notes to the interim financial report set out on pages 14 to 24.

ALS Limited and its subsidiaries
Consolidated interim balance sheet
As at 30 September 2019

In millions of AUD	Note	30 September 2019	31 March 2019 *Restated **
Current Assets			
Cash and cash equivalents		138.9	148.3
Trade and other receivables		367.3	314.1
Inventories		84.4	71.8
Other assets		48.7	43.1
Assets held for sale		30.7	34.6
Total current assets		**670.0**	**611.9**
Non-current assets			
Investment property		10.0	10.1
Deferred tax assets		21.0	21.7
Property, plant and equipment		467.3	438.4
Right of use assets		220.1	-
Intangible assets		1,129.6	1,046.0
Other assets		53.6	50.6
Total non-current assets		**1,901.6**	**1,566.8**
Total assets		**2,571.6**	**2,178.7**
Current Liabilities			
Bank overdraft		0.3	0.1
Trade and other payables		208.4	200.4
Loans and borrowings	*8*	37.4	266.6
Employee benefits		57.4	51.3
Other liabilities		24.4	27.7
Liabilities held for sale		17.0	14.3
Total current liabilities		**344.9**	**560.4**
Non-current liabilities			
Loans and borrowings	*8*	1,029.2	513.5
Deferred tax liabilities		9.3	6.1
Employee benefits		8.1	8.4
Other		30.2	6.1
Total non-current liabilities		**1,076.8**	**534.1**
Total liabilities		**1,421.7**	**1,094.5**
Net assets		**1,149.9**	**1,084.2**
Equity			
Share capital		1,303.9	1,325.9
Reserves		(23.6)	(32.7)
Retained earnings		(140.5)	(218.8)
Total equity attributable to equity holders of the company		**1,139.8**	**1,074.4**
Non-controlling interest		10.1	9.8
Total equity		**1,149.9**	**1,084.2**

The interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 24.

** Refer note 10*

ALS Limited and its subsidiaries
Consolidated interim statement of changes in equity
For the half year ended 30 September 2019

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 as reported 31 March 2019		**1,325.9**	**(42.9)**	**4.4**	**5.8**	**(199.8)**	**1,093.4**	**9.8**	**1,103.2**
Restatement of prior period balance	*10*	-	-	-	-	(19.0)	(19.0)	-	(19.0)
Restated Balance 1 April 2019		**1,325.9**	**(42.9)**	**4.4**	**5.8**	**(218.8)**	**1,074.4**	**9.8**	**1,084.2**
Profit/(loss) for the period		-	-	-	-	135.6	135.6	0.8	136.4
Other comprehensive income		-	8.5	0.4	-	-	8.9	-	8.9
Total comprehensive income for the period		-	8.5	0.4	-	135.6	144.5	0.8	145.3
Transactions with owners in their capacity as owners:									
Dividends provided for or paid		-	-	-	-	(55.4)	(55.4)	(0.5)	(55.9)
Buy back of ordinary shares		(22.0)	-	-	-	-	(22.0)	-	(22.0)
Equity-settled performance rights awarded and vested		-	-	-	0.2	(1.9)	(1.7)	-	(1.7)
Total transactions with owners		(22.0)	-	-	0.2	(57.3)	(79.1)	(0.5)	(79.6)
Balance at 30 September 2019		**1,303.9**	**(34.4)**	**4.8**	**6.0**	**(140.5)**	**1,139.8**	**10.1**	**1,149.9**

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 24.

ALS Limited and its subsidiaries
Consolidated interim statement of changes in equity
For the half year ended 30 September 2019

Restated 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 31 March 2018		**1,348.1**	**(16.3)**	**3.4**	**4.0**	**(229.1)**	**1,110.1**	**11.9**	**1,122.0**
Adjustment on initial application of AASB 15 (net of tax)						(21.3)	(21.3)		(21.3)
Adjustment on initial application of AASB 9 (net of tax)						(3.4)	(3.4)		(3.4)
Adjusted balance 1 April 2018*		**1,348.1**	**(16.3)**	**3.4**	**4.0**	**(253.8)**	**1,085.4**	**11.9**	**1,097.3**
Restatement of prior period balance	*10*	-	-	-	-	(19.0)	(19.0)	-	(19.0)
Restated balance 1 April 2018		**1,348.1**	**(16.3)**	**3.4**	**4.0**	**(272.8)**	**1,066.4**	**11.9**	**1,078.3**
Profit/(loss) for the period		-	-	-	-	84.8	84.8	0.3	85.1
Other comprehensive income		-	(25.7)	0.3	-	-	(25.4)	-	(25.4)
Total comprehensive income for the period		-	(25.7)	0.3	-	84.8	59.4	0.3	59.7
Transactions with owners in their capacity as owners:									
Dividends provided for or paid		-	-	-	-	(44.0)	(44.0)	(0.5)	(44.5)
Buy back of ordinary shares		(14.9)	-	-	-	-	(14.9)	-	(14.9)
Equity-settled performance rights awarded and vested		2.6	-	-	0.4	(1.9)	1.1	-	1.1
Total transactions with owners		(12.3)	-	-	0.4	(45.9)	(57.8)	(0.5)	(58.3)
Balance at 30 September 2018		**1,335.8**	**(42.0)**	**3.7**	**4.4**	**(233.9)**	**1,068.0**	**11.7**	**1,079.7**

**The Group has initially applied AASB 9 and AASB 15 at 1 April 2018.*

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 24.

ALS Limited and its subsidiaries
Consolidated interim statement of cash flows
For the half year ended 30 September 2019

In millions of AUD	30 September 2019	30 September 2018
Cash flows from operating activities		
Cash receipts from customers	993.1	882.5
Cash paid to suppliers and employees	(842.8)	(755.1)
Cash generated from operations	150.3	127.4
Interest paid	(20.9)	(15.8)
Interest received	1.2	0.9
Income taxes paid	(40.2)	(24.9)
Net cash from operating activities	90.4	87.6
Cash flows from investing activities		
Payments for property, plant and equipment	(51.7)	(45.8)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)	(55.7)	(17.1)
Deferred payments for acquisitions of controlled entities	(2.5)	-
Acquisition of minority interest equity	(0.6)	-
Net proceeds from the sale of the China Life Sciences business	66.9	-
Loan repayments/(advances) from/(to) associates	(0.3)	(0.8)
Dividend from associate	0.7	0.6
Proceeds from sale of other non-current assets	0.5	0.5
Net cash used in investing activities	(42.7)	(62.6)
Cash flows from financing activities		
Proceeds from borrowings	414.4	-
Repayment of borrowings	(376.7)	(0.4)
Right-of-use asset lease payments	(19.9)	-
Issued capital bought back on-market	(22.0)	(14.9)
Dividends paid	(55.9)	(44.5)
Net cash from (used in)/from financing activities	(60.1)	(59.8)
Net movement in cash and cash equivalents	(12.4)	(34.8)
Cash and cash equivalents at 1 April	148.2	187.2
Effect of exchange rate fluctuations on cash held	2.8	0.5
Cash and cash equivalents at 30 September	138.6	152.9

The interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 24.

1. Reporting entity

ALS Limited (the "Company") is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 30 September 2019 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 31 March 2019 is available upon request from the Company's registered office at 32 Shand Street, Stafford, QLD, 4053 or at www.alsglobal.com.

2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 March 2019.

This condensed consolidated interim financial report was approved by the Board of Directors on 19 November 2019.

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 the Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statement as at and for the year ended 31 March 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2020.

New Standard adopted by the Group

AASB 16
The Group has initially adopted AASB 16 *Leases* from 1 April 2019.

AASB 16 replaced prior leases guidance, including AASB 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*.

Under AASB 16, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under AASB 17, a lease was either a finance lease (on balance sheet) or an operating lease (off balance sheet). AASB 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' if the recognition requirements of a lease are met. The consolidated statement of profit and loss no longer includes operating lease expenditure but is impacted by the recognition of interest on the lease liability and amortisation expenses for the right-of-use assets.

Lessor accounting under AASB16 is substantially unchanged. Lessors will continue to classify leases as either finance or operating leases using similar principles as in AASB 17, therefore AASB16 did not have an impact for leases where the Group is the lessor.

The Group adopted AASB16 using the modified retrospective method on the 1st of April 2019 by using the accounting choice to equal the lease liability to the right-of-use asset adjusted for any related prepaid and accrued lease payments for all leases. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, with no restatement of comparatives. The Group has applied the practical expedient whereby AASB 16 has been applied to contracts that were previously identified as leases when applying AASB 17 and IFRIC4 without reassessing whether the contract is or contains a lease.

3. Significant accounting policies (continued)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the data of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the data of initial application, and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Effect of adoption of AASB 16
The Group has lease contracts for various items of equipment, vehicles and premises.

For leases previously classified as operating leases under AASB 117, the adoption of IFRS16 resulted in the recognition of a lease liability at the date of initial application by measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and the recognition of a right-to-use asset at the date of initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Group disclosed operating lease commitments as at 31 March 2019 of $182.4 million and commitments of $0.3 million related to finance leases. A lease liability of $202.5 million was recognised on 1 April 2019, corrected by payments in optional extension periods not disclosed as at 31 March 2019 by applying a weighted average incremental borrowing rate of 3.7%.

For leases previously classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before the date measured applying AASB 117.

Future lease payments are discounted using incremental borrowing rates calculated using all-in interest rate yield curve data for corporate entities with a similar credit profile to the Group, noting different rates for the five major currencies (AUD, USD, GBP, CAD, EUR), over various lease terms. The Group makes no distinction between the various classes of assets (property, equipment and vehicles) as its access to capital funding is not dependant on the category of lease asset being financed.

The adoption of AASB16 does impact the consolidated statement of profit and loss from 1 April 2019 onwards as follows:

- the elimination of operating rental expenses, except for low-value and short-term leases;
- an increase in depreciation and amortisation expenses; and
- an increase in finance cost (interest expense).

The impact on the adoption of AASB 16 was material to the consolidated balance sheet:

- recognition of right of use assets; and
- recognition of additional current and non-current lease liabilities;

The adoption of AASB 16 does impact the consolidated cash flow statement from 1 April 2019 onwards as follows:

- a decrease in cash paid to suppliers and employees;
- an increase in payments for Right-of-use asset lease payments; and
- an increase in finance costs.

3. Significant accounting policies (continued)

Impact of adoption of AASB16

The following table summarises the impact of transition to AASB 16 on 1 April 2019:

In millions of AUD	**As reported at 31 March 2019**	**Adjustments due to adoption of AASB 16**	**Adjusted opening balances at 1 April 2019**
Right of use assets	-	202.8	202.8
Assets under finance lease	0.3	(0.3)	-
Lease liabilities	(0.3)	(202.5)	(202.8)
	-	-	-

The above has no cash effect to the Group and the changes are for financial reporting purposes only.

Summary of new accounting policy

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

The contract involves the right to use of an identified asset – this may be specified explicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lessee, the Group does not separate non-lease components and account for these lease and non-lease components as a single lease component.

Right-of-Use Assets

The Group recognises right-of-use assets at the commencement date of the lease i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprises of the initial lease liability amount, initial direct costs incurred when entering in the lease less lease incentives received and an estimate of the costs to be incurred in dismantling and removing the underlying asset and restoring the site on which it is located, to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term.

An impairment review is undertaken for any right of use assets that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired.

3. Significant accounting policies (continued)

Lease Liabilities

The lease liability is measured at the present value of the fixed and variable lease payments made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Lease payments are apportioned between the finance charged and reduction of the lease liability using the incremental borrowing rate at lease commencement date.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than $7,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Key Judgement and Estimates

Amortisation of leased assets is calculated using the straight-line method to allocate their cost, net of their residual value, over the remaining lease term.

The incremental borrowing rate is the estimated rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease term is the non-cancellable period for which the lessee has the right to use an underlying asset, including option periods, when a lessee is reasonably certain to exercise an option to extend (or not to terminate) a lease.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 March 2019.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 March 2019.

Fair values of financial instruments

The Group's financial assets and liabilities are included in the balance sheet at amounts that approximate fair values. The fair value at 30 September 2019 of derivative assets held for risk management purposes, which are the Group's only financial instruments carried at fair value, was an asset of $9.2m (March 2019: $8.4m) measured using Level 2 valuation techniques as defined in the fair value hierarchy. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy apart from the contingent consideration disclosed in note 10.

Fair value hierarchy

In valuing financial instruments, 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.

6. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements (see also Note 10 for operations that were discontinued during the reporting period). The Group's revenue is derived from contracts with customers.

Disaggregation of revenue

Revenue is disaggregated by geographical location of customers.

In millions of AUD	**30 September 2019**	**30 September 2018**
Continuing operations		
Africa	26.3	30.8
Asia/Pacific	336.5	304.9
EMENA (Europe, Middle East, North Africa)	202.2	194.2
Americas	354.1	296.2
	919.1	826.1
Discontinuing operations		
EMENA (Europe, Middle East, North Africa)	1.3	1.4
Americas	0.6	2.6
	1.9	4.0
Total operations	921.0	830.1

7. Segment reporting

The Group has three reportable segments, as described below, representing three distinct strategic divisions 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 as "discontinued operations". During the year the group sold its Life Sciences operations in China and shut down its operation in France. Income and costs associated with these divestments and business closures has also been classified 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 asset care and tribology testing services to the energy, resources and infrastructure sectors.

7. Segment reporting (continued)

2019 *In millions of AUD*	Commodities	Life Sciences	Industrial	Other [1]	Total Continuing Operations	Discontinued operations[2]	Consolidated
Revenue	319.9	468.6	130.7	-	919.1	1.9	921.0
Africa	26.3	-	-	-	26.3	-	26.3
Asia/Pacific	115.3	134.0	87.2	-	336.5	-	336.5
EMENA (Europe, Middle East, North Africa)	55.1	146.7	0.5	-	202.2	1.3	203.5
Americas	123.2	187.9	43.0	-	354.1	0.6	354.7
Underlying EBITDA[3]	100.3	111.0	22.6	(15.7)	218.2	(0.6)	217.6
Right-of-use asset amortisation	(6.6)	(11.3)	(2.7)	-	(20.6)	(0.4)	(21.0)
Interest on lease liabilities	(1.0)	(2.3)	(0.3)	-	(3.6)	(0.1)	(3.7)
Underlying EBITDA[3] (before AASB 16)	92.7	97.4	19.6	(15.7)	194.0	(1.1)	192.9
Depreciation and amortisation	(11.3)	(23.5)	(3.6)	(0.7)	(39.1)	(0.1)	(39.2)
Underlying EBIT[3] (before AASB 16)	81.4	74.0	16.0	(16.4)	154.9	(1.2)	153.7
Restructuring & other one-off items	(0.5)	(3.9)	(0.6)	(4.7)	(9.7)	49.7	40.0
Amortisation of intangibles	-	-	-	(2.6)	(2.6)	-	(2.6)
Net interest on loans and borrowings	-	-	-	(16.6)	(16.6)	(0.6)	(17.2)
Segment profit before income tax	80.9	70.1	15.4	(40.3)	126.0	47.9	173.9
Underlying EBIT margin[3] (before AASB 16)	*25.4%*	*15.8%*	*12.2%*		*16.9%*		*16.7%*
Underlying EBITDA margin[3] (before AASB 16)	*29.0%*	*20.8%*	*15.0%*		*21.1%*		*20.9%*
Segment assets	831.9	1,210.4	296.1	42.5	2,380.9	30.7	2,411.6
Cash and cash equivalents							138.9
Tax Assets							21.1
Total assets per the balance sheet							2,571.6
Segment liabilities	(150.0)	(274.5)	(84.9)	(14.0)	(523.4)	(17.0)	(540.3)
Loans, borrowings & bank overdraft							(847.8)
Tax liabilities							(33.6)
Total liabilities per the balance sheet							(1,421.7)

1 Represents unallocated corporate costs. Net expenses of $16.4 million in 2019 comprise net foreign exchange gain of $3.3 million and other corporate costs of $19.7 million.
2 Refer to note 10.
3 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 and are unaudited.

7. Segment reporting (continued)

***2018** Restated* *In millions of AUD*	Commodities	Life Sciences	Industrial	Other[1]	Total Continuing Operations	Discontinued Operations	Consolidated
Revenue	313.8	406.0	106.3	-	826.1	4.0	830.1
Africa	30.8	-	-	-	30.8	-	30.8
Asia/Pacific	108.2	118.1	78.5	-	304.9	-	304.9
EMENA (Europe, Middle East, North Africa)	53.3	140.6	0.3	-	194.2	1.4	195.6
Americas	121.5	147.3	27.4	-	296.2	2.6	298.8
Underlying EBITDA[2]	94.6	81.7	15.7	(13.5)	178.5	(1.3)	177.2
Depreciation and amortisation	(10.8)	(20.5)	(3.1)	(0.6)	(35.0)	(0.8)	(35.8)
Underlying EBIT[2]	83.8	61.2	12.6	(14.1)	143.5	(2.1)	141.4
Restructuring & other one-off items	(0.8)	(0.9)	(1.3)	(3.1)	(6.1)	-	(6.1)
Amortisation of intangibles	-	-	-	(1.3)	(1.3)	-	(1.3)
Net financing costs				(14.9)	(14.9)	(0.6)	(15.5)
Segment profit before income tax	83.0	60.3	11.3	(33.4)	121.2	(2.7)	118.5
Underlying EBIT margin[2]	*26.7%*	*15.1%*	*11.9%*		*17.4%*		*17.0%*
Underlying EBITDA margin[2]	*30.2%*	*20.1%*	*14.7%*		*21.6%*		*21.3%*
Segment assets	755.4	891.3	237.3	42.5	1,926.5	21.2	1,947.7
Cash and cash equivalents							153.4
Tax Assets							37.9
Total assets per the balance sheet							2,139.0
Segment liabilities	(82.1)	(111.7)	(48.4)	(14.3)	(256.5)	(9.4)	(265.9)
Loans, borrowings & bank overdraft							(740.3)
Tax liabilities							(33.4)
Total liabilities per the balance sheet							(1,039.6)

1 Represents unallocated corporate costs. Net expenses of $14.1 million in 2019 comprise net foreign exchange gain of $4.1 million and other corporate costs of $18.2 million. Restructuring & other one-off items includes a foreign exchange loss of $2.2 million realised on restructuring of intra-group loan balances and acquisition costs of $0.7million.
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 and are unaudited.

8. Loans and borrowings

In millions of AUD	30 September 2019	31 March 2019
Current Liabilities		
Long term notes	-	266.3
Lease liabilities	37.4	0.3
	37.4	266.6
Non-current liabilities		
Long term notes	761.5	482.5
Bank loans	87.0	31.0
Lease liabilities	180.7	-
	1,029.2	513.5

Bank loans

Funding available to the Group from undrawn facilities at 30 September 2019 amounted to $359.4 million (March 2019: $392.7 million). The Group maintains bi-lateral, multi-currency debt facility agreements with five Australian and international banks with the quantum of total available facilities being up to USD300 million (AUD$444.4 million). These bank facilities are due to mature in November 2021.

Long term notes

In July 2019 the Company's controlled entity Australian Laboratory Services Pty Ltd issued new 15 year long term notes in three tranches denominated AUD$125m, EUR40m and GBP35m. These new long term notes were issued to refinance maturing long term notes previously issued by ALS Group General Partnership.

The Company's controlled entities have previously issued long term, fixed rate notes to investors in the US Private Placement market which remain unpaid at balance date. All loan notes on issue have total fixed interest coupons ranging between 1.94% - 4.79% and bullet maturity dates repayable at various intervals between December 2020 and July 2034.

The Company's undrawn bank debt facilities will provide the Group with funding flexibility to cover the upcoming maturity of US Private Placement notes, as well as for acquisitions and general corporate purposes.

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans and long term notes at balance date is 3.8% (March 2019: 4.1%).

9. Dividends

The following dividend was declared and paid by the Company during the half year:

In millions of AUD	2019	2018
Final 2019 dividend paid 1 July 2019 (2 July 2018)	55.4	44.0

Since 30 September 2019, directors have declared an interim dividend of 11.5 cents per share (partly franked to 30% or 3.5 cents) amounting to $55.4 million payable on 16 December 2019. The dividend is payable on all ordinary shares registered in the Company's register at the close of business on 28 November 2019. The financial effect of this dividend has not been brought to account in the financial report for the period ended 30 September 2019.

10. Discontinued operations

In March 2018, a decision was made to divest the Oil & Gas Laboratory services business. During the year the group sold its Life Sciences operations in China and shut down its operation in France.

Information attributable to discontinued operations is as follows:

In millions of AUD	30 September 2019	30 September 2018 *Restated*
Discontinued operations		
Revenue	1.9	4.0
Amortisation and depreciation	(0.5)	(0.8)
Other expenses	(4.5)	(5.3)
Results from operating activities	(3.1)	(2.1)
Gain on divestment	51.7	-
Interest	(0.7)	(0.6)
Profit of discontinued operations	47.9	(2.7)
Income tax expense	0.3	0.4
Profit of discontinued operations, net of income tax	48.2	(2.3)
Basic earnings per share from discontinued operations	10.0c	(0.5)c
Diluted earnings per share from discontinued operations	9.9c	(0.5)c

Prior Period Tax Liability relating to discontinued operations
The Group has received a taxation assessment from the Canadian Revenue Authority for CAD$13.8m, which together with accrued interest totals $20.7m to 30 September 2019. The taxation assessment relates to transactions undertaken in the 2014 financial year. In relation to this, an amount of $14.1m should have been recorded in the 2014 financial year. The amount was not recorded, and an error has now been recognised and corrected in the period ended 30 September 2019 by:

1) Recognising accumulated tax payable and interest as a liability, against retained earnings at 1 April 2018 of $19.0m.
2) Recognising additional interest expenses in the 12-month period to 31 March 2019 of $1.2m and $0.6m in the 6-month period to 30 September 2019.

No amounts have been recorded for recoveries which are currently being claimed against third parties in relation to these liabilities.

On 29 April 2019 the Group disposed of its operations in the Life Sciences division in China. Proceeds was $86.3million with a gain on sale of $54.5 million.

In September 2019 the Group decided to exit its operation in France and direct costs associated with this closure amounted to $2.8 million.

The net cash flows generated/(incurred) by the discontinued operations are as follows:

In millions of AUD	30 September 2019	30 September 2018
Operating	1.1	1.3
Investing (includes an inflow of $86.3m from China disposal)	66.0	(1.6)
Financing	(0.4)	-
Net cash inflow/(outflow)	66.7	(0.3)

11. Business acquisitions

On 1 August 2019 the group acquired 100% of the issued capital of Laboratorio de Control ARJ, S.A de C.V. The purchase consideration was $85 million of which $59.5 million was settled in cash in the period. The balance is recorded as contingent consideration. The contingent consideration will be payable should certain earnings targets be met by the business in the three years post acquisition. The acquired net tangible assets were $14.1 million. In addition to the acquired net tangible assets, goodwill (non-deductible for tax) of $60.5 million and customer relationships of $10.4 million were recognised.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Laboratorio de Control ARJ, S.A de C.V for the two-month period from the acquisition date. All acquired amounts and contingent consideration was recorded on a provisional basis at 30 September 2019.

From the date of acquisition, Laboratorio de Control ARJ, S.A de C.V has contributed $4.6 million of revenue and $1.3 million to the net profit after tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been $930.2 million, and the profit from continuing operations for the period would have been $138.2 million. Transaction costs of $1.4 million have been expensed and are included in Administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

12. Share-based payments

Performance-hurdle rights granted

During the period the Group granted performance-hurdle rights under its Long Term Incentive (LTI) plan which is designed as a reward and retention 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).

The terms and conditions of LTI rights granted during the current and prior periods are set out below:

	Half year ended 30 Sept 2019	Half year ended 30 Sept 2018
Equity-settled		
Date of grant	31 July 2019	1 August 2018
Number of performance-hurdle rights	690,678	562,687
Weighted average fair value at date of grant of performance-hurdle rights	$5.88	$6.98
Testing date for performance hurdles	31 March 2022	31 March 2021
Vesting date and testing date for service condition	1 July 2022	1 July 2021
Cash-settled		
Date of grant	31 July 2019	1 August 2018
Number of performance-hurdle rights	39,148	32,742
Weighted average fair value at date of grant of performance-hurdle rights	$5.88	$6.98
Testing date for performance hurdles	31 March 2022	31 March 2021
Vesting date and testing date for service condition	1 July 2022	1 July 2021

The fair value of services received in return for performance rights issued in the current period is based on the fair value of the rights granted measured using Binomial Tree (EPS, EBITDA and RoCE hurdles) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies.

12. Share-based payments (continued)

Vesting conditions in relation to performance-hurdle rights issued in current period:

Employees must remain employed by the Group until vesting date. The rights vest only if underlying Earnings Per Share ("EPS"), relative underlying EBITDA margin, underlying Return on Capital Employed ("RoCE") or relative Total Shareholder Return ("TSR") hurdles are achieved by the Company over the specified performance period. Each employee's rights are subject to EPS, EBITDA, RoCE and TSR hurdles in equal measure.

Service based rights granted (deferred STI compensation)

During the period the Group granted service based rights under its Short Term Incentive (STI) plan being deferred STI compensation. Employees achieving "outperformance" stretch targets during the year ended March 2019 were granted rights to ALS shares in July 2019 as deferred compensation for the "outperformance" component of their incentives. A total of 159,925 service based rights were granted during the half year (2018: 132,491). An estimated accrual for the fair value of services received in return for these rights has been made at 30 September 2019.

Service based rights granted (share rights equity plan)

During the period the Group granted service based rights under its Share Rights Equity Plan. Certain non-KMP employees whom represent key organisational talent were granted rights to ALS shares in July 2019 as deferred compensation which will vest at the end of a minimum 2-year vesting period. A total of 263,525 service based rights were granted during the half year. An estimated accrual for the fair value of services received in return for these rights has been made at 30 September 2019.

As at 30 September 2019 there was a total of 563,222 service rights on issue to employees of the Company.

Vesting conditions in relation to service based rights issued in current period:

Employees must remain employed by the Group until a vesting date (minimum 2 years from grant date). There are no other vesting conditions attached to the rights.

13. Events subsequent to balance date

Capital management

In November 2018 directors announced an extension to the existing on-market share buyback program for a further twelve months until December 2019 and increased the program quantum to up to $225 million. As at 30 September 2019 a total of 21.8 million shares (representing 4.3% of the original base) have been bought back on-market for an overall consideration of $153.4 million.

On 20 November 2019, the directors announced an increase in the total potential amount of the share buyback to $250 million (an increase of $25 million) and extended the buyback period for an additional twelve months to December 2020.

Other than the matters discussed above, there has not arisen in the interval between the end of the half 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 subsequent financial periods.

ALS Limited and its subsidiaries
Directors' declaration

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

1. The financial statements and notes set out on pages 9 to 24, are in accordance with the *Corporations Act 2001* including:

   a) giving a true and fair view of the Group's financial position as at 30 September 2019 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date: and

   b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Bruce Phillips
Chairman

Brisbane
20 November 2019

Raj Naran
Managing Director

Brisbane
20 November 2019

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Building a better working world

Independent Auditor's Review Report to the Members of ALS Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of ALS Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 September 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 September 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 September 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Bradly Tozer

Brad Tozer
Partner
Brisbane
20 November 2019

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Auditor's Independence Declaration to the Directors of ALS Limited

As the lead auditor for the review of the financial report of ALS Limited for the half-year ended 30 September 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ALS Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
20 November 2019