Appendix 4E

Full year report for the Year Ending 31 March 2020

(the previous corresponding period is the Year Ended 31 March 2019)

Results for announcement to the market

				$A millions
Revenues from ordinary activities	Up	9.8%	to	1,836.1
Revenues from continuing operations	Up	10.0%	to	1,831.9
Underlying net profit after tax * from continuing operations attributable to members	Up	4.3%	to	188.8
Net profit (loss) from ordinary activities after tax * attributable to equity holders	Down	16.3%	to	127.8
Net profit (loss) for the period * attributable to equity holders	Down	16.3%	to	127.8
Basic underlying * earnings per share from continuing operations attributable to members	Up	5.4%	to	39.1¢
Basic earnings per share	Down	15.3%	to	26.5¢
Total dividend per share for the year (partly franked)	Down	21.8%	at	17.6¢

ALS Limited (ASX Code: ALQ) today announced an underlying net profit after tax from continuing operations of $188.8 million for FY2020, within the previous guidance range of $185 million to $195 million provided to the market.

The result was 4.3% higher than the $181.0 million comparative underlying net profit after tax earned in the previous corresponding period (pcp).

The FY2020 statutory result from all operations was a net profit after tax attributable to equity holders of the Company of $127.8 million, compared with a net profit of $152.6 million recorded in FY2019.

** Refer to page 9 of the attached Annual Financial Report for a reconciliation of Underlying net profit after tax to Statutory net profit after tax.*

Dividend Disclosures

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	6.1¢	4.3¢
Interim dividend	11.5¢	3.5¢

Date the final dividend (distribution) is payable	**6 July 2020**
+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 +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	**9 June 2020**
DRP election date	**N/A**

Dividend - Amount per security

		Amount per security	Amount per security of conduit foreign income
Final dividend:	Current year	6.1¢	1.8¢
	Previous year	11.5¢	7.0¢
Interim dividend:	Current year	11.5¢	8.0¢
	Previous year	11.0¢	8.8¢

Total final dividend (distribution) on all securities

	Current period $A millions	Previous corresponding period - $A millions
+Ordinary securities *(each class separately)*	29.4	55.5
Preference +securities *(each class separately)*	-	-
Other equity instruments *(each class separately)*	-	-
Total	**29.4**	**55.5**

The 2020 final dividend will be franked to 70%. 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 2020 dividend due to the Company's on-market share buyback program.

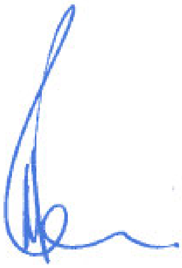
NTA backing

	Current period *	Previous corresponding period
Net tangible asset backing per ordinary security	($0.56)	$0.12

* The Current period NTA amount includes the required adjustment for ROU Assets upon adoption of AASB16 in FY2020. On a like for like basis with FY2019 the proforma Current period NTA amount would have been ($0.10).

Audit

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

Signature:  Date: 27th May 2020

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 2020

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Directors' report

For the year ended 31 March 2020

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 2020 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 65

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. In January 2019 Bruce was appointed as a non-executive director and Chairman of Karoon Energy Limited.

He is a member of the People Committee.

RAJ NARAN
B Sc (Chemistry), B A (Mathematics)
Managing Director and Chief Executive Officer Age 58

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. In December 2018 Raj was appointed as a non-executive director to Redeye Apps Limited.

GRANT MURDOCH
M COM (Hons), FAICD, FCA
Independent Non-Executive Director Age 68

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 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 Redbubble Limited (appointed February 2016 – October 2019).

He is Chairman of the Audit and Risk Committee.

JOHN MULCAHY
PhD, B E (Civil Eng) (Hons), FIE Aust
Independent Non-Executive Director Age 70

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). He is also a current non-executive director of various Zurich Australia Insurance subsidiaries. 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 a member of the People Committee.

CHARLIE SARTAIN
B Eng (Hons) (Mining), FAusIMM, FTSE
Independent Non-Executive Director Age 59

Charlie Sartain 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 Oz Minerals (appointed 1 August 2018), 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 (April 2015 – March 2018), Goldcorp Inc. (January 2017 – April 2019), Newmont Corporation (April 2019 – April 2020) and as a Member of the Senate of the University of Queensland from 2010 until December 2017.

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

TONIANNE DWYER
B Juris (Hons), LLB (Hons), GAICD
Independent Non-Executive Director Age 57

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 is Chair of the People Committee and a member of the Sustainability and Innovation Committee.

SIDDHARTHA KADIA
PhD, MS (Biomedical Engineering),
BE (Electronics)
Independent Non-Executive Director Age 50

Siddhartha Kadia was appointed a non-executive director of the Company in January 2019. Siddhartha was formerly President and CEO of EAG Laboratories, a global scientific testing company headquartered in San Diego. He has also been a Director of USA-listed companies Newport Corporation (NSDQ: NEWP) and Volcano Corporation (NSDQ: VOLC). He is currently a non-executive director of BioSkryb, Inc and Horizon Discovery Group. Prior to EAG, Siddhartha served as President of the Life Sciences Division at Life Technologies Corporation (NSDQ: LIFE), a publicly-traded Life Sciences tools company. Siddhartha was also a management consultant at McKinsey & Company where his work focused on various life sciences and healthcare related engagements.

Siddhartha has a PhD in Biomedical Engineering from Johns Hopkins School of Medicine. Siddhartha has lived and worked in the US, Japan, China and India and has more than 20 years of international experience as a company director, executive and technical leader in the Life Sciences and TIC (testing, inspection and certification) sectors.

He is a member of the Sustainability and Innovation Committee.

LESLIE DESJARDINS
B. Industrial Admin, Finance (Kettering), MS. Management (MIT)
Independent Non-Executive Director Age 60

Leslie Desjardins was appointed a non-executive director of the Company on 21 November 2019. She has a background as a CFO and senior financial and governance professional in a range of large multinational and global businesses.

She has extensive commercial and financial governance expertise with large multinational public companies in North America, Canada and Australia each with extensive global operations. Her areas of expertise include CFO level executive and financial strategic leadership, M&A, corporate finance and treasury, governance, financial and tax compliance and enterprise risk management.

Ms Desjardins is currently a Director, Audit Committee Chair, CSR/Risk Committee member with Ansell Limited and Director and Audit Committee Chair with Terry Fox Foundation, Canada. Previously, she served as a Board Director and Audit Committee member with AptarGroup.

During her executive career, Ms Desjardins served as Executive VP and CFO at Amcor Limited, a global leader in packaging of food, beverage, pharmaceutical and tobacco products. Prior to Amcor Ltd, Ms Desjardins served in financial and corporate strategic positions with General Motors Corporation, including Chief Financial Officer GM Holden Australia, Controller GM North America, Executive Director Manufacturing Finance and Director GM North America Strategy and Planning.

Ms Desjardins holds a Master of Science, Management with Massachusetts Institute of Technology, Sloan and a Bachelor of Industrial Administration, Finance with Kettering University.

She is a member of the Audit and Risk Committee.

MEL BRIDGES
B AppSc, PhD, FAICD
Independent Non-Executive Director Age 70

Retired July 2019.

Company Secretary

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

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.

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 and
- asset care operations.

During the year the Group expanded and diversified its technical service capabilities through acquisitions in food, pharmaceutical and environmental testing in Mexico and mainland Europe.

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 covered within the Principal Activities in the previous section. We seek to build strong partnerships with our clients by delivering cost-effective solutions backed by the best in quality, service, and technical capabilities.

FY2020 can be summarized as a year of good overall performance, with a significant expansion of the less cyclical Life Sciences and Industrial businesses, and a solid performance in the Commodities business. The Group responded well to the challenges imposed by geopolitical trade disputes, which impacted, in particular, those businesses exposed to the mineral commodities cycle, and by the unprecedented COVID-19 pandemic, later in the year.

The Commodities division faced soft market conditions. Geochemistry sample flows decreased globally as both established mining clients and junior explorers reduced their activity spending levels. While cost management remained a focus for the Commodities division, equal attention was paid to productivity and the timely injection of human and capital resources to align with the market conditions. Amid this challenging environment, the Inspection business successfully executed its strategy of continuous geographical expansion, and the Metallurgical business continued to excel in its expertise and quality in the markets it operates.

The Life Sciences division continued to show revenue growth both from organic expansion and acquisitions, having completed acquisitions in Europe and Latin America. FY2020 was also an important year in terms of margin improvement, as the initiatives around cost management, automation and rationalization continued to drive a robust increase in margins. It is important to note that for the second year in a row, all regions presented positive organic growth and have maintained or improved margins.

The Industrial division delivered strong growth in revenue, driven by successful business development and greenfield investments, and despite continuous price pressure in key markets, presented margin improvements before the impact caused by the COVID-19.

The Group is confident that the quality of its assets, its operating model, and its disciplined strategic focus will see it continue to increase market share and deliver growth outcomes for its shareholders.

Impact of COVID-19 Pandemic

The COVID-19 outbreak, and the varied response of Governments in dealing with the pandemic, is impacting the global economy, and to an extent the operations of our business. Less than 10% of ALS' global laboratory network has been adversely impacted by regional and national economic COVID-19 imposed shutdowns. Several sites have subsequently reopened after being designated as an 'essential business' and continued to operate. Some of these shutdown economies are now starting to reopen with sample flow to ALS laboratories beginning to resume.

Considering the uncertainty created by the COVID-19 pandemic, the Group has adopted more conservative future growth assumptions which has caused total impairment losses of $90 million to be recognised in the current period. These impairments reflect the forecast impacts specifically on the Group's operations in LATAM countries where there is the added potential for socioeconomic and currency instability, and also the Group's Asset Care business where margins in the oil and gas sector have come under significant pressure. These impairment losses reflect the direct impacts of COVID-19 and the uncertainty as to the timing and strength of the global economic recovery.

Life Sciences has seen some slowdown in sample flows, particularly in Europe, the Americas, and Asia due to economic shutdowns. Food and Pharmaceutical sample volumes have generally only seen a small decline with more impact in the Environmental business related to capital project works.

In the Commodities division, the sample flows for Geochemistry have slowed primarily due to economic shutdowns in Latin America, Canada, and South Africa. At the same time, Australian volume remains solid and inventories stable. There has been some impact in the Coal and Inspection businesses due to the slowdown in global trade, while Metallurgy continues to trade well.

In the Industrials division, Asset Care has been impacted by a deferral of some infrastructure spend by clients in the USA and Australia, while Tribology volumes have remained relatively stable.

ALS' flexible 'hub and spoke' model and diverse portfolio allow the Group to actively manage the cost base in response to the client's demand. ALS has also moved quickly to pre-emptively make significant cost reductions, wherever required. The Group response is focused on balancing short-term resilience with the continuous development of capabilities that will sustain medium and long-term growth.

The Group's financial performance for the year to 31 March 2020 is summarised as follows:

2020 ($m)	Underlying results[1] Continuing operations	Underlying results[1] Discontinued operations[2]	Restructuring & other one-off items[1]	Amortisation & Impairment of intangibles	Divestments[1] and other Business Closures	Statutory result
Revenue	1,831.9	4.2	-	-	-	**1,836.1**
EBITDA[3]	431.5	(0.7)	(15.5)	-	54.1	**469.4**
Right-of-use asset amortisation	(44.8)	(0.8)	-	-	-	**(45.6)**
Interest on lease liabilities	(7.9)	(0.1)	-	-	-	**(8.0)**
EBITDA adjusted for AASB16[3]	378.8	(1.6)	(15.5)	-	54.1	**415.8**
Impairment	-	-	-	(90.0)	-	**(90.0)**
Depreciation & amortisation	(80.9)	(0.3)	-	(7.6)	-	**(88.8)**
EBIT adjusted for AASB 16[3]	297.9	(1.9)	(15.5)	(97.6)	54.1	**237.0**
Interest	(33.4)	(0.6)	(0.4)	-	-	**(34.4)**
Tax expense	(74.0)	-	0.9	-	-	**(73.1)**
	190.5	(2.5)	(15.0)	(97.6)	54.1	**129.5**
Non-controlling interests	(1.7)	-	-	-	-	**(1.7)**
Net profit / (loss) after tax (NPAT)	188.8	(2.5)	(15.0)	(97.6)	54.1	**127.8**
Basic EPS (cents)	39.1	-	-	-	-	**26.5**
Diluted EPS (cents)	38.9	-	-	-	-	**26.4**

2019 ($m) *Restated*	Underlying results[1] Continuing operations	Underlying results[1] Discontinued operations[2]	Restructuring & other one-off items[1]	Amortisation & Impairment of intangibles	Divestments[1] and other Business Closures	Statutory result
Revenue	1,664.8	7.7	-	-	-	**1,672.5**
EBITDA[3]	352.9	(4.1)	(17.6)	-	(9.9)	**321.3**
Depreciation & amortisation	(71.8)	(1.5)	-	(3.0)	-	**(76.3)**
EBIT[3]	281.1	(5.6)	(17.6)	(3.0)	(9.9)	**245.0**
Interest expense	(32.0)	(1.2)	-	-	-	**(33.2)**
Tax expense	(67.1)	1.2	4.7	-	3.0	**(58.2)**
	182.0	(5.6)	(12.9)	(3.0)	(6.9)	**153.6**
Non-controlling interests	(1.0)	-	-	-	-	**(1.0)**
Net profit / (loss) after tax (NPAT)	181.0	(5.6)	(12.9)	(3.0)	(6.9)	**152.6**
Basic EPS (cents)	37.1	-	-	-	-	**31.3**
Diluted EPS (cents)	37.0	-	-	-	-	**31.2**

[1] The terms 'Underlying result', 'Restructuring & other one-off Items' and 'Divestment and other Business Closures' 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.

[2] In March 2018, following a further review of the Group's presence in the Oil & Gas sector, Directors decided to exit the remaining business – Oil & Gas laboratories. Refer financial statements note 1e. Discontinued operations and assets held for sale.

[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 full-year statutory NPAT was $127.8 million, compared to the $152.6 million recorded in pcp. This decrease is mainly associated with the impairment losses of $90 million recognised in the period offset by the net gain of $55.5 million generated by the disposal of the Group's Environmental and analytical testing business in China completed early in the year.

The Group recorded underlying NPAT from continuing operations of $188.8 million, within the guidance range from $185 to $195 million provided to the market, and up 4.3% over the previous corresponding period (pcp).

Revenue from continuing operations of $1,831.9 million was up 10.0% on the $1,664.8 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 total revenue growth of 3.5%.

The Life Sciences division delivered organic revenue growth of 5.9%, and an underlying contribution margin of 15.3%, up 35 bps over the pcp. All regions in the Life Sciences division had positive organic growth and have maintained or improved margins.

The Commodities division's organic revenue was up 0.6% over pcp, despite a reduction in sample volume in the Geochemistry business. The decrease in volume in Geochemistry was offset by price management in the same business, and by resilience among other commodities business streams. Commodities' underlying contribution margin of 25.3% declined 172 bps over pcp,

The Industrial division recorded 15.2% organic growth in revenue and an underlying contribution margin of 9.7%, down 38bps over pcp. These results reflect significant growth in the Australian and U.S. markets, coupled with continuous efforts to improve productivity and margin, which was negatively impacted in the last quarter for the year by COVID-19.

During FY2020, 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, and the acquisition of the Aquimisa Group, the leading independent food testing business in Southern Europe. Both acquisitions delivered results in line with expectations.

Despite the challenges imposed by the unprecedented COVID-19 pandemic, the Group will continue to execute on its strategy consistently while implementing short-term actions to adjust the cost base and improve productivity. We will continue to focus on the development of core capabilities that will enable the execution of our strategy in the medium and long term. Commitment to innovation, technical expertise, and superior service levels to our clients are absolutes in our Group, regardless of the economic environment in which it operates.

The Group also reaffirms its determination 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 a targeted acquisition strategy predominantly in the Life Sciences division, will continue to be the core of our strategy for the upcoming years. However, amid the current uncertainty in the global economy, the Group decided to suspend any material investments in acquisitions until market conditions become more predictable.

Directors have declared a final partly franked 70 per cent dividend for the year of 6.1 cents per share (2019: 11.5 cents, 35 per cent franked). Together with the interim dividend of 11.5 cents per share (30 per cent franked) the total partly franked dividend for the year will be 17.6 cents per share down 21.8 per cent on pcp (2019: 22.5 cents) representing a combined dividend payout ratio of 45 per cent of underlying net profit after tax from continuing operations.

The Group has three reportable operating segments as of 31 March 2020: Commodities, Life Sciences and Industrial. 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 U.S. 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 have also been classified as discontinued operations. Contributions from business segments are set out further.

Divisional reviews

Commodities

The Commodities Division is a leading full-service provider of testing services for the global mining industry in four key business streams – 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 lifecycle from exploration, feasibility, optimisation, production, design, development through to trade, and finally rehabilitation.

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.

Commodities – Financial performance	2020 ($m)	2019 ($m)	Variance
Revenue	642.2	620.3	**3.5%**
Segment contribution	160.5	158.6	
Restructuring and other one-off items[1]	2.0	9.1	
Underlying segment EBIT contribution (before AASB 16)[2]	162.5	167.7	**(3.1%)**
Margin (underlying segment contribution to revenue)	25.3%	27.0%	
Underlying segment EBITDA (before AASB 16)[3]	185.5	189.6	**(2.2%)**
Margin (underlying segment EBITDA to revenue)	28.9%	30.6%	

Despite the uncertain market conditions created by trade disputes between the USA and China, geopolitical instability in Africa and Latin America, and disruption in supply chains around the world caused by COVID-19 pandemic, the Commodities division delivered 3.5% in total revenue growth in FY2020.

Geochemistry sample flows decreased globally by 9% compared to FY2019, as both established mining clients and junior explorers continued to reduce their activity spending levels amid the unfavourable economic environment that prevailed for most of the year in the commodities market. This volume impact was partially offset by continuous price management and a favourable mix of services, leading to an organic revenue reduction of 1.2% over pcp.

Geochemistry management's focus on the continued improvement of service delivery, productivity, and the sample turn-around time was vital to the delivery of a 27% underlying margin, with a limited reduction of 280 bps over pcp.

We remain optimistic about the long-term drivers for the geochemistry business and the likely demand for its services. As we start to face the challenges imposed by the COVID-19 pandemic, we are confident in our ability to adjust our cost base as needed by fully flexing our hub and spoke operational model and focusing on cost reduction. As we execute on cost reduction and margin preservation initiatives, we will also continue to develop the required capabilities around professional expertise and innovation to deliver on our strategy.

The Inspection business stream delivered total revenue growth of 18.6% in FY2020. Despite the challenges faced during the year associated with trading disputes between the USA and China and the COVID-19 impact later in the year, revenue grew 6.5% organically. This positive outcome is directly linked to our increased efforts in business development and focus on delivering value, quality, and innovation to our new and existing clients. The business also reported an 8.9% increase in inorganic revenue, from the acquisition of MARSS in Chile, completed in February 2019, which is performing above expectations. The positive impact of organic and inorganic growth, coupled with continuous improvement programs in our hub lab, led the business to deliver an underlying EBIT margin of 26.1% and improvement of 240bps over pcp.

The Metallurgy business stream continues to perform well, sustaining good growth fundamentals and superior margin. The strengths that this group built over the years, rooted in technical expertise, service delivery, and strong client relationships, are delivering excellent results. The business recorded an organic revenue reduction of 2.6% over pcp, following an exceptional year in revenue growth in FY2019. The business experienced a significant impact from COVID-19, as important projects scheduled to be executed in the last quarter of the year, had to be postponed to FY2021. The Metallurgy margins remain strong at 23.7% in FY2020, an improvement of 95bps over pcp.

[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 EBIT 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.

[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

The Coal Business stream posted revenue growth of 12.2% and a margin of 17.4%, an improvement of 152bps versus pcp. In February 2020, the Company advised the market that it had appointed external advisors to conduct an independent investigation into the processes applied to the certification of coal samples in the coal superintending and certification unit within the Australian ALS Coal business stream. This decision was based on results of preliminary investigations that identified that certificates of analysis were amended without proper justification before issued. The results of this investigation were subsequently communicated to the market in April 2020. As of 31 March 2020, there was no material change in performance of the business deriving from this matter.

Life Sciences

The Life Sciences division provides analytical testing and sampling services and remote monitoring for the Environmental, Food, Pharmaceutical, and Consumer Product markets. It is a leader in global comprehensive analytical testing, demonstrating expertise in microbiological, physical and chemical testing services.

Life Sciences – Financial performance	2020 ($m)	2019 ($m)	Variance
Revenue	939.2	831.4	**13.0%**
Segment contribution[4]	134.4	120.9	
Restructuring and other one-off items[1]	9.5	3.5	
Underlying segment EBIT contribution (before AASB 16)[2]	143.9	124.4	**15.7%**
Margin (underlying segment contribution to revenue)	15.3%	15.0%	
Underlying segment EBITDA (before AASB 16)[3]	192.8	166.8	**15.6%**
Margin (underlying segment EBITDA to revenue)	20.5%	20.1%	

The division continued to grow during FY2020, by strengthening its leadership position in existing markets. A strong strategic growth focus (both acquired and organic) continues to be placed on the food and pharmaceutical components of Life Sciences. Essential building blocks to accommodate these newer businesses are in place and ready for future growth.

The division's total revenue growth of 13.0% was in line with expectations and included an organic expansion of 5.9%.

All regions expanded organically, leading to market share gains as a result of accelerated investment in greenfield operations, focus on business development efforts, and a strong commitment to service level improvements. 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 over $30 million and more than 500 employees. The group also acquired Aquimisa Group in December 2019, the leading independent food testing business in Southern Europe with revenues over $35 million and more than 350 employees. Both acquisitions are delivering in line with expectations. In early FY2019 the division divested its environmental and consumer products businesses in China, as part of its portfolio optimization plan.

The Life Sciences FY2020 margin of 15.3%, represents an increase of +35bps compared to FY2019. Until February 2020, the division was on track to deliver the expected +50bps improvement over last year; however, this trend was abruptly interrupted by the COVID-19 outbreak, leading to temporary and mandatory lockdowns implemented in key geographies.

It is reassuring to note that, for the second year in a row, all regions delivered organic growth and margin improvement. This performance is a result of the continuous execution of Life Sciences' growth strategy, both organic and inorganic, and the consistent implementation of initiatives around productivity improvement, automation, and excellence in service delivery to our clients.

The global economic environment amid the COVID-19 pandemic is uncertain, and it will require the business to make cost adjustments and maximize efficiency from the flexibility provided by its hub and spoke delivery model in order to continue to grow in existing markets.

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[2] The term 'Underlying segment EBIT 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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[4] Segment contribution represents statutory EBIT before an impairment loss of $50 million in FY2020 relating to the Life Sciences – South America CGU (FY2019 – nil).

Despite these imperatives, ALS Life Sciences will continue to enhance its capabilities to provide clients with a broad range of solutions and services, and to deliver superior turnaround time and quality. The immediate challenges will not weaken the pillars in Life Sciences on which ALS has built on its reputation.

Industrial

The Industrial division 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	2020 ($m)	2019 ($m)	Variance
Revenue	250.5	213.1	**17.6%**
Segment contribution[4]	23.4	22.4	
Restructuring and other one-off items[1]	0.8	(1.0)	
Underlying segment EBIT contribution (before AASB 16)[2]	24.2	21.4	**13.1%**
Margin (underlying segment contribution to revenue)	9.7%	10.0%	
Underlying segment EBITDA (before AASB 16)[3]	31.7	27.7	**14.4%**
Margin (underlying segment EBITDA to revenue)	12.7%	13.0%	

The Industrial division recorded a total revenue growth of 17.6%, of which 15.2% was organic.

Increased work volumes from new contract wins in both the USA and Australia drove this growth.

The Asset Care revenue delivered total organic growth of 17.6%. This excellent result was achieved by the increased focus on business development efforts in maintenance-related services in Australia, particularly in the energy and mining sectors, and by the significant growth in the USA as a result of greenfield investments.

The growth in revenue and the continuous focus on cost base discipline would have led the Asset Care business to achieve margin improvement in FY2020, but this trend was more than offset by the disruption caused in March 2020 by the COVID-19 pandemic.

The Tribology business stream delivered robust revenue growth and strong profitability. The total revenue grew 12.9%, of which 9.1% organically, across the global operations. This growth resulted from a favourable mining production environment in Australia, the diversification of service offering around new technology and data analytics, and the successful execution of the business development plans in all geographies.

Tribology also yielded strong profitability, with an underlying contribution margin of 21.2%, an improvement of +10 bps compared to FY2019.

Discontinued Operations (Oil & Gas)

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 U.S. operations shut down. The results of the remaining portion of this business have been classified as "discontinued operations" as have prior year comparatives.

Oil & Gas Laboratories – Financial performance	2020 ($m)	2019 ($m)	Variance
Revenue	4.2	7.7	**(45.5%)**
Segment contribution	(2.0)	(17.3)	
Restructuring and other one-off items[1]	0.1	11.7	
Underlying segment EBIT contribution (before AASB 16)[2]	(1.9)	(5.6)	**66.1%**
Margin (underlying segment contribution to revenue)	(45.2%)	(72.7%)	
Underlying segment EBITDA (before AASB 16)[3]	(1.6)	4.1	**(139.5%)**
Margin (underlying segment EBITDA to revenue)	(38.1%)	53.2%	

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[2] The term 'Underlying segment EBIT 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.

[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.

[4] Segment contribution represents statutory EBIT before an impairment loss of $40 million in FY2020 relating to the Life Sciences – South America CGU (FY2019 – nil).

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
Ordinary dividends declared and paid during the year:			
Final 2019, paid 1 July 2019	11.5	4.0	55.5
Interim 2020, paid 16 December 2019	11.5	3.5	55.5
Total amount			111.0
Ordinary dividend declared after the end of the financial year:			
Final 2020, to be paid 6 July 2020	6.1	4.3	29.4

The financial effect of the Final 2020 dividend has not been brought to account in the financial statements for the year ended 31 March 2020 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 per cent.

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:

In millions of AUD

Source	Maturity	Drawn	Facility Limit
Bank facilities	October 2021	400.6	492.5
Local facilities	Various	3.8	3.8
US Private Placement Market	December 2020	239.8	239.8
US Private Placement Market	July 2022	311.9	311.9
US Private Placement Market	July 2034	267.9	267.9
		1,224.0	**1,315.9**

The Group is party to multi-currency, revolving debt facility agreements with five banks totalling USD$300 million. These existing bank facilities mature in October 2021.

During the year the Group has successfully entered into new long term USPP senior notes totalling AUD$252 million equivalent. The new USPP issuance comprised of three tranches each of 15 years tenor, denominated in AUD$125 million, EUR€40 million and STG£35 million. The mix of currencies sought via the new issuance allows the Group's global cashflows and operating assets mix to be appropriately balanced by funding in similarly denominated debt. The funds were used to refinance the USPP notes that matured in July 2019.

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 the pharmaceutical business in Latin America and the food business in mainland Europe and Brazil for a total consideration of $168.9 million which were financed from existing cash holdings and borrowings;
- impairment charges of $90 million taken against the Life Sciences – South America and Industrial CGU's;
- on-market share buyback activity of $22.0 million to date; and
- total cash dividend payments to shareholders and minority interests of $112.0 million.

The overall effect of these transactions was:

- an increase in net debt (excluding lease liabilities) of $170.8 million;
- intangible assets increased to $1,160.6 million; and
- total equity increased by a net $27.4 million.

The Group remains committed to its strategy of maintaining a strong balance sheet throughout economic cycles as evidenced by the gearing of 41.9% (2019: 36.7%) and leverage of 2.1 times (2019: 1.8 times) as noted below.

In millions of AUD		Consolidated	
	*Note**	**2020**	**2019**
Trade and other receivables	*2a*	365.2	314.1
Inventories	*2c*	78.9	71.8
Other current assets		43.3	40.4
Trade and other payables	*2d*	(219.7)	(200.4)
Total working capital		267.7	225.9
Cash and cash equivalents	*3a*	423.9	148.2
Loans and borrowings excluding leases	*3c*	(1,227.0)	(779.8)

Fair value derivatives (non-current)		3.0	2.3
Net debt		(800.1)	(629.3)
Property, plant and equipment	*2e*	507.3	438.4
Right-of-use assets		219.9	-
Intangible assets	*2g*	1,160.6	1,046.0
Net deferred tax assets	*6b*	21.9	15.6
Investments		20.1	16.1
Other assets		50.6	48.4
Employee benefits		(67.5)	(59.7)
Other liabilities		(60.8)	(34.8)
Lease liabilities		(219.9)	(0.3)
Net assets held for sale		10.8	16.9
		1,643.0	1,486.6
Net assets		1,110.6	1,083.2
Total equity		1,110.6	1,083.2
Gearing: *Net debt to Net debt + Equity*		*41.9%*	*36.7%*
Leverage: *Net debt to EBITDA***		*2.1 times*	*1.8 times*

* References are to Notes to the Financial Statements

** EBITDA = Underlying 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 95.8% the FY2020 ratio of cash from operations (before interest and tax) to statutory EBITDA was pleasing and in line with expectations considering the growth the Company is presently experiencing within its major operating segments, and within an environment where clients are also seeking to extend payment terms. EBITDA* interest cover was 11.0 times (2019: 10.5 times).

Capital expenditure of ($121.1 million), acquisitions of ($114.1 million), on-market share buyback activity ($22.0 million) and dividends to shareholders and minority interests ($112.0 million) drove investing and financing outflows during FY2020.

In millions of AUD	Consolidated	
	2020	**2019**
Net cash from operating activities	259.0	218.8
Net cash from investing activities	(166.3)	(166.1)
Net cash from financing activities	172.7	(93.0)
Net movement in cash and cash equivalents	265.4	(40.3)
Cash and cash equivalents at 1 April	148.2	187.2
Effect of exchange rate fluctuations on cash held	10.3	1.3
Cash and cash equivalents at 31 March	423.9	148.2
Cash conversion: *Cash from operations to statutory* EBITDA	95.8%	93.7%
Interest cover: *EBITDA* to Net finance expense*	11.0	10.5

* EBITDA = Underlying 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 monitored by the Board Audit and Risk Committee.
- 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 is 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 and Innovation 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.
- Climate change has widespread economic and social consequences that brings both risks and opportunities to our business. Non-specific risks include transition risk such as increased operational costs due to an increase in electricity, gas and liquid fuel prices; or physical risk such as exposure to extreme weather events impacting our site locations, supplier's locations, or the delivery of contractual obligations. For example, significant disruption to site operations, or health and safety impact to staff. Further information on the risks and opportunities related to climate change, our health, safety, and environmental management strategies, including disclosures relating to TCFD (the Task Force on Climate-related Financial Disclosures) are outlined in our Sustainability Report for 2020, a copy of which can be found on our website.

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 the Life Sciences division. Specifically, the Group expanded and diversified its technical service capabilities through acquisitions in the food and pharmaceutical testing markets in mainland Europe and Latin America.

The Group has been impacted by the COVID-19 outbreak which was declared a pandemic by the World Health Organization in March 2020.

Less than 10% of ALS' global laboratory network were adversely impacted by regional and national economic shutdowns, and several sites have subsequently reopened after being designated as an 'essential business' and continued to operate. Some of these shutdown economies are now starting to reopen with sample flow to ALS laboratories beginning to resume.

Life Sciences has seen a slowdown in sample flows, particularly in Europe, the Americas and Asia due to economic shutdowns. Food and Pharmaceutical sample volumes have generally only seen a small decline with more impact in the Environmental business related to capital project works.

In the Commodities division, sample flows for Geochemistry have slowed primarily due to economic shutdowns in Latin America, Canada and South Africa while Australian volume remains solid and inventories stable. There has been some impact in the Coal and Inspection businesses due to the slowdown in global trade while Metallurgy continues to trade well.

In the Industrials division, Asset Care has been impacted by a deferral of some infrastructure spend by clients in the USA and Australia while Tribology volumes have remained relatively stable.

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

A letter from the Chairman

Dear Shareholders

On behalf of the ALS Limited Board (the 'Board'), I am pleased to present the FY2020 remuneration report outlining the Group's remuneration strategy, the performance outcomes of the past year, and how they relate to the associated remuneration outcomes for the Group's Key Management Personnel including the Managing Director & CEO (the "KMPs" or the "Executives").

This report also sets out how the Board proposes to approach remuneration, and in particular, 'at risk' remuneration for the Group's Executives in the FY2021 year given the challenging global operating and economic conditions resulting from the COVID-19 pandemic. The Board acknowledges the rapid and effective response by management which has enabled the company to continue to operate profitably whilst providing essential assurance services to our many customers globally in challenging operating environments.

Finally, this report also covers the fee arrangements for Non-Executive Directors (the "Directors").

FY 2020 Outcomes

Despite the pandemic impacting our business during the last month of the financial year, the Group delivered another strong financial performance In FY2020. Underlying Net Profit After Tax (UNPAT) and Underlying Earnings Per Share (EPS) for FY2020 increased by 4.3% and 5.4% respectively. A final dividend of 6.1 cents per share was declared bringing the total dividends for the year to 17.6 cents per share.

The strong corporate performance both in absolute terms and relative to our industry peers resulted in our Executives achieving a portion of their at-risk remuneration in relation for the year, albeit at a lower level than last year reflecting the challenging targets set and market conditions. The Short Term Incentive ("STI") Plan KPIs continued to emphasise Financial Performance (60-70%), Strategy (20%), Debtors (10%) and HSE (10%). The range of payout ratios for KMP of 30%–86% of the maximum opportunity reflects the strong financial performance of most businesses and good progress with strategic initiatives. Examples of the achievements against Executive's STI Plan KPIs are included in the report. The Board exercised its discretion to reduce the STI award for the CEO to reflect the disappointing outcomes of the investigation into the alteration of certificates in the Australian Coal Superintending operation. Details can be found in Section 6.

The sustained strong performance of the business over the past three years will result in the 2017-20 Long-Term Incentive ("LTI") plan vesting at 74.6% with the EPS growth target being fully achieved notwithstanding the pandemic, and the remaining three performance hurdles being partially achieved. Full details can be found in section 7.

FY 2021 Arrangements

The global economic uncertainty caused by the fallout from the pandemic makes it currently very challenging to set remuneration parameters that are fair, meaningful and relevant for Executives whilst seeking to ensure that any resulting outcomes reflect the shareholders' and broader stakeholders' experience. This is particularly so for 'at risk remuneration' which forms an important component of the overall remuneration reward for Executives.

During the year and prior to the pandemic, the Group commissioned an external review of its Executive remuneration framework. The review identified that ALS 'at risk' remuneration opportunity for its Executives is below market practice. However, the Board and management have agreed, in the light of the pandemic and the challenges facing the TIC industry, to defer consideration of any changes until calendar 2021. They will only be implemented if they are affordable in the light of the Group's prospects and will provide appropriate alignment with shareholder and societal outcomes.

For FY2021, the overarching structure of the Company's current schemes will be maintained, but the detail will reflect the challenging external environment. Specifically:

- Fixed remuneration for all Executives will be held at current levels during FY2021 with any proposed increases cancelled.
- The STI framework will continue to operate with emphasis on financial, cultural and strategic targets. Financial KPIs will be set at the half year once the likely full year impact of the pandemic can be more reliably forecast. The Board anticipates that it will need to use its discretion to ensure that awards are fair as between Executives and shareholders. We will explain how we have exercised our discretion in the Remuneration Report next year.

- There will be no change or adjustment to any 'in flight' LTI schemes which will vest in accordance with their terms and hurdles, acknowledging they will be challenging to achieve, particularly in the absolute measures of ROCE and EPS growth.
- Executives will be issued with performance rights under a 2020-23 LTI scheme. The rights will be issued based on current share prices, but we will maintain the current four hurdles: RTSR, EPS, EBITDA margin and ROCE with no change to the vesting hurdles. Again, the absolute targets will be more challenging than over pre-pandemic 3-year periods.
- There will be no increase to the total fee pool or Directors fees in FY2021.

The Board believes the FY2020 remuneration outcomes to be fair to Executives in the context of the performance of the business during that year and the significant effort in the last month of the year to address the pandemic. FY2021 will present challenges for us all but the Board believes that its approach to Executive and Director remuneration will support the business in tackling the economic disruption brought upon us by COVID-19 and continue to deliver a profitable business for shareholders, well placed to exploit the opportunities that will undoubtedly emerge.

Yours faithfully,

Bruce Phillips
Chairman

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1. OPERATIONAL PERFORMANCE CONTEXT 2019-20 — UNAUDITED

Despite the pandemic impacting our business during the last month of the financial year, the Group delivered another strong financial performance In FY2020. Underlying Net Profit After Tax (UNPAT) and Underlying Earnings Per Share (EPS) for FY2020 increased by 4.3% and 5.4% respectively. A final dividend of 6.1 cents per share was declared bringing the total dividends for the year to 17.6 cents per share.

All continuing businesses delivered strong financial performance, in particular those operating within the Group's Commodities and Life Sciences divisions. A summary of the financial performance from continuing operations is provided below and in more detail in the Financial Report:

	FY19-20	**FY18-19**
Revenue ($m)	**1,831.9**	**1,664.8**
Underlying NPAT ($m)	**188.8**	**181.0**
Underlying EBIT ($m)	**297.9**	**281.1**
Underlying EPS (cents)	**39.1**	**37.1**
Underlying EBIT margin	**16.3%**	**16.9%**
Dividends per share (cents)	**17.6**	**22.5**

During FY2020 the Group made several strategic acquisitions including a pharmaceutical business in Mexico, ARJ, which is the largest private pharmaceutical testing laboratory across Latin America and Aquimisa, a leading Spanish independent food testing company in Southern Europe and Brazil. In addition, the China Environmental business was divested during the year.

Changes impacting Remuneration

There were no changes in the structure of Executive remuneration in FY2020.

With the organisational restructure that commenced in FY2018-19 continuing into FY2019-20 a review was undertaken, to examine remuneration packages to ensure that internal parity was maintained. The standard review of competitor remuneration was also completed and as a result total fixed remuneration for Executive KMPs were adjusted on average by 4.9% with the CEO receiving a 3% increase on 1 July 2019.

STI and LTI schemes vested in accordance with their rules and terms. Outcomes are explained in sections 6 and 7 of this report.

During the year there were no changes made to Directors fees and the Non-Executive Directors fee pool remained at $1.65 million.

Mel Bridges retired as a Non-Executive Director at the AGM on 31 July 2019 and a second United States based Director, Leslie Desjardins, joined the Board on 21 November 2019.

2. KEY MANAGEMENT PERSONNEL — AUDITED

Name	Position	Term as KMP in 2019-20
Non-Executive directors		
Bruce Phillips	Chairman Member of People Committee	Full Year
Grant Murdoch	Chairman of Audit and Risk Committee	Full Year
John Mulcahy	Member of People Committee	Full Year
Charlie Sartain	Chairman of Sustainability and Innovation Committee Member of Audit and Risk Committee	Full Year
Tonianne Dwyer	Chair of People Committee Member of Sustainability and Innovation Committee	Full Year
Siddhartha Kadia	Member of Sustainability and Innovation Committee	Full Year
Leslie Desjardins	Member of Audit and Risk Committee	Apptd 21 November 2019
Former non-Executive director:		
Mel Bridges	Member of Audit and Risk Committee Member of Sustainability and Innovation Committee	Retired 31 July 2019
Executive KMP		
Raj Naran	Executive Director Managing Director and Chief Executive Officer	Full Year
Bruce McDonald	General Manager, Geochemistry	Full Year
Andreas Jonsson	General Manager, Life Sciences EMEA	Full Year
Tim Kilmister	General Manager, Life Sciences APAC	Full Year
Kristen Walsh	General Manager, Industrial	Full Year
Luis Damasceno	Chief Financial Officer	Full Year
Former Executives:		
Richard Stephens	Former Chief Financial Officer (until 30 November 2018)	
David Prince	Former General Manager, Life Sciences Americas (until 27 December 2018)	

Table 1

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

Service Contracts

The Group has formal service agreements with its 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 2019-20 — AUDITED

ALS Group Vision

To provide assurance to our clients through the advancement of science and relevant technologies. Our goal is to develop our staff and to protect them, the environment and our stakeholders from harm that might result from our activities. With this approach we envision sustainable growth and consequent shareholder value creation.

Translated into Group Strategy and developed into group structure, plans and policies:

Group Strategy

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.

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

Executive Reward Strategy

- Transparent link to business and individual performance
- Adjusted annually in response to external changes
- Reasonable, fair and equitable
- Provides sustainable platform for growth

Delivered through the remuneration components of Fixed and Variable remuneration (at target):

Remuneration Components

	Managing Director	Executive KMP (Average)
Fixed Remuneration (including cash, pension and CEO benefits)	46%	57%
Short Term Incentives – cash based, at target	27%	22%
Long Term Incentives – equity based, at target	27%	22%

Operational Risk Management is built into the remuneration policies:

Managing Risk

- 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

Remuneration is designed to align Executive reward to growth in shareholder value:

Alignment with Shareholders

- STI Financial KPIs require 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.

STI KPIs reward improved financial and HSE outcomes:

Short Term Incentives

- 1 Year performance Period | Maximum potential value: 150% of the Executive's STI target quantum.
- 70% of the reward is set against Financial KPIs, with an "outperformance" KPI of up to an additional 50 % deferred to equity.
- 10% of the reward is set against Health, Safety & Environment KPIs.
- 20% is reserved for strategic initiatives and other KPIs and to allow for Board discretion.

The LTI is contingent on multiple performance measures to ensure sustainable performance and aligns key Executives' financial outcomes with Shareholder interests:

Long Term Incentives

- 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

Strengthened through robust governance:

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 strategy, policy and process for the remuneration of Executive KMP and Directors with any changes considered and approved by the Board after receiving recommendations from the Committee.

The Committee also considers broader remuneration strategy and has oversight of human resources strategy, plans, policies and programs for the Company globally. Its activities include oversight of management performance, monitoring of 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 Executive remuneration and Directors' fees and market and industry sector trends in relation thereto.

Fixed versus Variable Remuneration

The breakdown of the fixed remuneration and at-risk remuneration for the Managing Director and Executive KMP, is shown in Table 2 above. The components of variable remuneration show maximum potential outcome for target performance. 54% of remuneration is at risk for the Managing Director & CEO and over 40 percent, on average, for Executive KMP, to ensure that Executives will benefit from achieving strong company performance but receive less pay if company performance falls below expectations.

External Remuneration Consultants

During the year the Board engaged EY to review aspects of the Group's Executive remuneration framework. EY provided global benchmark data, as well as review of market practice in the key markets in which ALS operates and insights into current market practice. EYs report was commissioned prior to the firm's appointment as Auditor on 25 September 2019 following which the firm has had no ongoing role in relation to the development of remuneration policies arising from their report.

Korn Ferry is also engaged, from time to time, to provide job evaluation and global remuneration data for middle managers and their PayNet (remuneration) database is used across key geographies.

BDO (Australia) and EY provided valuation and verification services in respect of our Long-Term Incentive Plan.

Fees paid for remuneration advice during the financial year were EY - $91,670 (Australia) – (2019: $93,500) and Korn Ferry – $0 (2019: $29,680).

Fees paid to these providers for other services during the year: EY - $ 180,841 (2019: $0) and Korn Ferry – $53,411 (2019: $880).

EY ceased providing remuneration services upon engagement as auditor.

4. NON-EXECUTIVE DIRECTOR REMUNERATION — AUDITED

With five new Directors appointed in the last five years, the Company considers the Board to be 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 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: $1,650,000 per annum*
Base Director Fees		
Chairman	*Annual fee compensates for all Board & Committee activities*	$353,100
Non-Executive directors	*Annual fee*	$173,250
Committee Fees		
Chair of Audit & Risk Committee		$25,000
Chairs of People Committee and Sustainability and Innovation Committee		$12,500
Committee Fees	*Flat fee for each Committee membership*	$6,000

** Pool and fees include superannuation benefits* ***Table 3***

5. ACTUAL REMUNERATION — FY2019-20 — AUDITED

Non-Executive directors

The current remuneration pool, including superannuation, for all non-Executive directors is $1,650,000 per annum as approved by shareholders at the 2019 AGM. Currently approximately 85% of the pool is being paid in fees. Fees for non-Executive directors are fixed by the Board. Non- Executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of the Company.

The Company has a minimum shareholding requirement for non-Executive directors who are expected to build a minimum shareholding of the equivalent of one year's after-tax fees accumulated over a three-year period from date of commencement. The quantum of the shareholding is measured based on the cost outlay made to acquire the shares and the fees quantum will be based on net fees assuming the top marginal Australian PAYG Taxation rate. This requirement is monitored annually.

The Directors' remuneration is set following reviews of publicly available information about fees paid to non-Executive directors in comparable sized, global companies including international competitors. 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					
Current Directors:					
Bruce Phillips	2020	328,100	1,451	25,000	354,550
	2019	316,688	852	25,712	343,252
Grant Murdoch	2020	181,050	1,451	17,200	199,700
	2019	178,539	852	16,961	196,352
John Mulcahy	2020	163,699	1,451	15,551	180,701
	2019	166,112	852	15,781	182,745
Charlie Sartain	2020	175,114	1,451	16,636	193,201
	2019	172,603	852	16,397	189,852
Tonianne Dwyer	2020	175,114	1,451	16,636	193,201
	2019	167,677	852	15,929	184,459
Siddhartha Kadia[(a)]	2020	189,323	1,451	-	190,773
	2019	36,832	213	-	37,045
Leslie Desjardins[(a)]	2020	67,365	363	-	67,727
(appointed 21 November 2019)	2019	-	-	-	-
Former Directors:					
Mel Bridges	2020	56,393	484	5,357	62,234
(Retired 31 July 2019)	2019	166,667	852	15,833	183,352
Total:	**2020**	**1,336,157**	**9,550**	**96,380**	**1,442,087**
Non-Executive directors	**2019**	**1,205,118**	**5,324**	**106,614**	**1,317,055**

Table 4

(a) Fees are set in AUD but paid in USD. The rate for conversion for FY2018-19 was 0.71 and for FY2019-20 was 0.69 AUD.

Executive KMP

Executives receive fixed remuneration, an STI paid in cash and where earned, the outperformance element is deferred into share rights for two years – refer section 6 of the Remuneration Report. They also receive an LTI in the form of performance rights that vest three years later, subject to meeting performance hurdles and continued employment conditions. Remuneration is set as of 1 July every year.

Table 5.1 below lists the remuneration actually received in relation to the financial years ending March 2019 and 2020, 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 *(non-IFRS & non audited):*

Directors:	In AUD	Fixed remuneration (Salary, allowances and superannuation / pension benefits) $	STI (a) $	Termi-nation benefits $	Total cash payments received $	Equity vested during year (b) $	Total remune-ration received $
Executive director:							
Raj Naran[c]	2020	1,700,222	607,150	–	2,307,372	341,155	**2,648,527**
	2019	1,541,749	816,270	–	2,358,019	206,561	**2,564,580**
Executives:							
Bruce McDonald[c]	2020	698,493	139,346	–	837,839	304,189	**1,142,028**
	2019	629,958	240,068	–	870,026	189,584	**1,059,610**
Andreas Jonsson[c]	2020	540,115	116,130	–	656,245	157,536	**813,781**
	2019	479,251	197,764	–	677,015	90,735	**767,750**
Tim Kilmister[c]	2020	502,923	184,000	–	686,923	166,785	**853,708**
	2019	442,923	164,496	–	607,419	82,622	**690,041**
Kristen Walsh	2020	580,759	115,595	–	696,354	303,246	**999,600**
	2019	579,095	14,200	–	593,295	183,610	**776,905**
Luis Damasceno[c]	2020	838,004	185,346	–	1,023,350	–	**1,023,350**
	2019	494,773	128,707	–	623,480	–	**623,480**
Sub-total: Continuing Executives	2020	4,860,517	1,347,566	–	6,208,083	1,272,911	**7,480,994**
	2019	4,167,749	1,561,506	–	5,729,254	753,112	**6,482,366**
Former Executives:							
David Prince[d]	2020	–	–	–	–	–	–
	2019	382,079	–	8,166	390,245	–	**390,245**
Richard Stephens[e]	2020	–	–	–	–	–	–
	2019	544,714	–	425,254	969,967	126,228	**1,096,195**
Total: All Executives	**2020**	**4,860,517**	**1,347,566**	**–**	**6,208,083**	**1,272,911**	**7,480,994**
	2019	**5,094,541**	**1,561,506**	**433,420**	**7,089,466**	**879,340**	**7,968,806**

Table 5.1

(a) Accrued STI cash component which is paid following the end of the financial year to which it relates. Service rights are separately awarded for outperformance of STI KPI's (refer Table 7).

(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 2016 which vested on 1 July 2019 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, Luis Damasceno, Bruce McDonald and Andreas Jonsson are employed outside Australia. Relevant portions of their salaries, STIs and pension benefits have been converted into Australian dollars above.

(d) David Prince ceased employment on 27 December 2018.

(e) Richard Stephens ceased employment on 30 November 2018.

Remuneration as determined in accordance with accounting standards:

Directors:	In AUD	Short-term: Salary $	Short-term: STI (a) $	Short-term: Non-monetary benefits(b) $	Long-term: Value of share-based awards(c) $	Long-term: D&O insurance premiums $	Postemployment Superannuation & pension benefits $	Termination benefits $	Total remuneration received $
Executive director:									
Raj Naran[(d)]	2020	1,667,855	607,150	15,766	696,258	1,451	16,601	–	**3,005,081**
	2019	1,512,327	816,270	14,231	567,040	852	15,190	–	**2,925,910**
Executives:									
Bruce McDonald[(d)]	2020	692,345	139,346	6,148	209,336	1,046	–	–	**1,048,220**
	2019	624,159	240,068	5,799	271,915	506	–	–	**1,142,447**
Andreas Jonsson[(d)]	2020	540,115	116,130	–	141,091	1,046	–	–	**798,381**
	2019	477,314	197,764	1,020	120,828	506	917	–	**798,350**
Tim Kilmister	2020	477,923	184,000	–	148,971	1,046	25,000	–	**836,939**
	2019	417,923	164,496	–	140,696	506	25,000	–	**748,621**
Kristen Walsh	2020	555,576	115,595	–	185,446	1,046	25,183	–	**882,846**
	2019	555,482	14,200	–	181,295	506	23,614	–	**775,097**
Luis Damasceno[(d)]	2020	798,957	185,346	22,446	161,565	1,046	16,601	–	**1,185,960**
	2019	494,181	128,707	–	39,863	253	592	–	**663,596**
Sub-total: Continuing Executives	2020	4,732,770	1,347,566	44,361	1,542,665	6,679	83,386	–	**7,757,427**
	2019	4,081,386	1,561,506	21,050	1,321,637	3,129	65,313	–	**7,054,021**
Former Executives:									
David Prince[(e)]	2020	–	–	–	–	–	–	–	–
	2019	358,078	–	17,164	–	422	6,837	8,166	**390,667**
Richard Stephens[(f)]	2020	–	–	–	–	–	–	–	–
	2019	528,047	–	–	48,095	337	16,667	425,254	**1,018,400**
Total: All Executives	**2020**	**4,732,770**	**1,347,566**	**44,361**	**1,542,665**	**6,679**	**83,386**	**–**	**7,757,427**
	2019	**4,967,511**	**1,561,506**	**38,215**	**1,369,732**	**3,888**	**88,816**	**433,420**	**8,463,088**

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 FY2020 the value of share-based awards also includes an accrual to March 2020 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. The amounts above include the value of performance rights granted in 2016 which vested on 1 July 2019.

(d) Raj Naran, Luis Damasceno, Bruce McDonald and Andreas Jonsson are employed outside Australia. Relevant portions of their salaries, STIs and pension benefits have been converted into Australian dollars above.

(e) David Prince ceased employment on 27 December 2018.

(f) Richard Stephens ceased employment on 30 November 2018.

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 the Executive KMP STI Plan scorecards annually. KPIs are heavily weighted to financial performance with safety also a mandatory KPI. The Board has ultimate discretion over the STI payments.

Payments to the CEO, at target are set at 60% of his fixed remuneration and payments for other Executive KMP, at target, are between 35% 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.

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 Executive KMP, the financial hurdles worth up to 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. Target performance is set at a challenging level representing growth over the previous year's performance, which represents the threshold performance for STI to be payable. Outperformance is based on significant growth beyond target.

Non-Financial KPIs

30% of the potential STI target quantum is dependent on non-financial KPIs including strategic KPIs. In FY2020 two new strategic KPIs were set to focus the business on enhancing the customer experience and leveraging services across business streams. These "ALS Experience and "OneALS" KPIs were attributed a total of 10% of the STI payment opportunity.

Health, safety, the environment and risk management were 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. For Executives, a further 10% of the target STI quantum is at the discretion of the CEO.

For the CEO 5% of the target STI quantum is set as a Health, safety, the environment and risk management KPI and 25% is at the discretion of the Board and is used to incentivise the achievement of key strategic outcomes.

To ensure close management of cash flow and potential bad debts, a debtor-days KPI (set at 10%) is also included for relevant Executive KMP.

Unless the Board exercises its discretion under exceptional circumstances, no STI payments are made if the Executives' financial threshold requirements are not met.

Outperformance and Equity Deferral

The STI plan includes a deferred equity component if certain financial "outperformance" stretch targets are achieved and a service condition is met.

Those who attain the "outperformance" financial KPIs will have additional STI payments deferred into Service Rights (rights to ALS shares upon maturity). The period of deferral is two years and the Executive must be still employed on 1 July two years hence (2022 in the case of the 2019-20 FY) to receive the shares. See note 8a of the financial statements 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.

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

Financial performance accounted for 70% of the CEO's STI assessment. The CEO's gateway threshold NPAT was achieved as NPAT exceeded last year ($181.0m) and the Target NPAT of $195.3m (adjusted for acquisitions and disposals during the year) was substantially achieved at $188.8m. However, Outperformance NPAT targets were not achieved. This performance gave rise to a payment of 38% of the CEO's 'at Target' STI opportunity in relation to financial outcomes.

Strategic and HSE KPIs set by the Board accounted for 30% of the CEO's STI assessment. The Board concluded that the CEO had largely achieved these KPIs however it chose to exercise its discretion to reduce the award to reflect the disappointing outcomes of the Australian Coal Superintending investigation. This resulted in an award of 22% of the CEO's 'at Target STI' opportunity in relation to strategic and HSE outcomes.

The total STI paid to the CEO represents 39.9% of the maximum STI payable, compared to 83.3% in FY2019.

2019-20 KMP executives' Key Performance Indicators

STI Plan KPIs & Structure	Applicable to:	Achievements	Outcome for Shareholders
Growth & profitability: 60% - 70% of STI Payment	Group	Target level substantially achieved	Market share growth, improved ROS/EBIT.
	Geochemistry	Threshold level substantially achieved	
	Life Sciences APAC	Outperformance level achieved	
	Life Sciences EMEA	Target level substantially achieved	
	Life Sciences Americas	Target level substantially achieved	
	Industrial	Target level substantially achieved	
Debtor Management: 10% of STI Payment	Group	Achieved: Receivables within Company collection parameters of <60 days	Less debt required. Improved cash flow, ROS and EBIT outcomes.
HSE: 10% of STI Payment	Group	≥93.71% was achieved on ALS' Positive Performance Indicator scorecard	Reduces risk, improves safety. Better Environmental, Social & Governance rating Protection of the ALS Brand.
OneALS & ALS Experience: 10% of STI Payment	Group	Substantially achieved	Business Units acting as one team to deliver long term market competitiveness and enhanced client service.
	Geochemistry	Achieved	
	Life Sciences APAC	Achieved	
	Life Sciences EMEA	Achieved	
	Life Sciences Americas	Achieved	
	Industrial	Achieved	
Strategic Plan Objectives, examples: 10% of STI Payment	**KPI detail:**		
	Delivery of ERP Pilot with no delays and on budget	This was on track to be achieved but paused due to COVID-19	Creates operational efficiencies.
	Acquisitions pipeline with spread of geography, business streams & size	Achieved	A balanced portfolio for future growth and profitability.
	Increase new customers in business unit by 20% YoY	Achieved	Long term market competitiveness enhanced.
	Facilitate target client introductions to another Business Stream	Achieved	Leveraging contacts to aid services cross-selling.
	Improve 2020 staff engagement score by 0.2% YoY within European region	Achieved	Reduction in unwanted staff turnover, more motivated workforce.
	Deliver targeted training sessions to employees	Achieved	Enhanced skills set and TIC industry knowledge.
	Retain 95% of existing customers	Achieved	Long term market competitiveness enhanced.
	Support a targeted number of female team members to complete iLEAD	Achieved	Improved gender diversity and leadership pipeline.

Table 6

Executive STI Performance vested / forfeited

Below are details of the outcomes of the STI Plan, for 2019-20 and the previous year, including the value of deferred compensation earned for STI outperformance, awarded to each of the named Executives.

Executives		Total cash STI included in remuneration $ (a)	Total deferred equity STI awarded $ (b)	Total STI awarded $	Total STI awarded vs fixed remuneration %	Total STI awarded vs max STI opportunity %	Total STI forfeited vs max STI opportunity % (c)	Total maximum STI with outperformance $ (d)	Deferred STI – Accrual included in share-based awards $
Raj Naran	2020	607,150	–	607,150	35.7	39.9	60.1	1,521,718	–
	2019	816,270	211,064	1,027,334	66.6	83.1	16.9	1,236,773	70,355
Bruce McDonald	2020	139,346	–	139,346	19.9	33.3	66.7	418,037	–
	2019	240,068	120,034	360,102	57.2	99.7	0.3	361,186	40,011
Andreas Jonsson	2020	116,130	–	116,130	21.5	30.5	69.5	380,974	–
	2019	197,764	22,516	220,280	46.0	73.8	26.2	298,437	7,505
Tim Kilmister	2020	184,000	50,970	234,970	46.7	85.1	14.9	276,000	16,990
	2019	164,496	72,706	237,202	53.6	85.9	14.1	276,000	24,235
Kristen Walsh	2020	115,595	–	115,595	19.9	38.2	61.8	303,000	–
	2019	14,200	–	14,200	2.5	4.7	95.3	300,000	–
Luis Damasceno	2020	185,346	–	185,346	22.1	41.8	58.2	443,219	–
	2019	128,707	33,280	161,987	32.7	74.8	25.2	216,436	11,093

Table 7

(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.

(b) STI outperformance announced to be paid in deferred service rights to be granted in FY2020. These values are included in the values of share-based awards in Table 5.2 and the percentages calculated in Table 9 – refer section 6 of the Remuneration Report and financial statements note 8a for details.

(c) The amounts forfeited are due to the performance or service criteria not being met in relation to the financial year.

(d) Represents the maximum amount payable should an Executive have achieved the outperformance targets

7. LONG TERM INCENTIVE PLAN — AUDITED

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) Encourage sustained performance by measuring performance across multiple factors important to creating sustained shareholder value;

(c) Attract and 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 measurement of Group level 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 relates.

Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at a nil exercise price; the amount payable per vested cash-settled performance right is the VWAP of the Company's shares over the 10 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).

Performance Hurdles

The details of the hurdles for the 2017, 2018 and 2019 awards are set out on the following pages. The Plans apply Return on Capital Employed (ROCE), Relative Total Shareholder Return (RTSR) relative to the ASX100 Index, relative EBITDA margin and underlying earnings per share (EPS) growth hurdles to determine vesting amounts in four equal tranches.

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.

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. The 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.

The ROCE hurdle is used as a 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 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 Board believes the combination of two relative and two absolute measures provides an appropriate combination of measures of those matters within management's ability to influence and those that are influenced by external factors. Having four measures ensures that outcomes are not distorted by factors impacting any one measure.

The performance hurdles and vesting proportions for the awards granted in 2017, 2018 and 2019 are as follows:

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)*

2018 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2018 to March 2021)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 6% per annum	0%
Between 6% and 10% per annum	Straight line vesting between 12.5% and 25% of total grant
10% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2018 to March 2021)	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 2018 to March 2021	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 2018 to March 2021)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11.4%	0%
Between 11.4% and 16.4%	Straight line vesting between 0% and 25% of total grant
At or above 16.4%	25% of total grant

** Based on ALS' March 2018 pre-tax Nominal WACC (midpoint)*

2019 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2019 to March 2022)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 6% per annum	0%
Between 6% and 10% per annum	Straight line vesting between 12.5% and 25% of total grant
10% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2019 to March 2022)	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 2019 to March 2022	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 2019 to March 2022)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11%	0%
Between 11% and 16%	Straight line vesting between 0% and 25% of total grant
At or above 16%	25% of total grant

** Based on ALS' March 2019 pre-tax Nominal WACC (midpoint)*

Measurement of the LTI Plan Hurdles (2017 – 2020 award)

Following finalisation of ALS' financial results for FY2019-20, performance against the EPS, EBITDA, TSR and ROCE hurdles over the 2017-2020 will result in vesting, for participating Executives, of 74.6% of the total award available under that scheme on 1 July 2020. The method of calculation and testing outcome of each component is set out below.

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 2016) 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 FY2019-20 the compound annual growth rate (CAGR) in the Company's diluted underlying EPS over the three-year period to March 2020 was 18.7% (from 23.3 cents to 38.9 cents per annum) which is above the maximum threshold of a 9% increase. Thus, all the 2017 Award rights subject to the EPS hurdle will vest on 1 July 2020.

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

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

EBITDA Margin is calculated by dividing the cumulative underlying EBITDA by the cumulative 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 FY2019-20 the underlying EBITDA margin achieved by the Company over the three-year period to March 2020 was 20.3%. As shown below this placed ALS at the 71st percentile when ranked within the group of industry peer companies. Thus, 23.2% of the award subject to the EBITDA hurdle (25% of the total number possible) will vest on 1 July 2020.

Company	Currency	Cumulative underlying EBITDA (m)	Cumulative Revenue (m)	EBITDA Margin %	Rank	Percentile
Intertek	GBP	1,750	8,557	20.44%	1	100.0%
Core Laboratories	USD	411	2,017	20.38%	2	85.7%
ALS	**AUD**	**1,016**	**5,004**	**20.30%**	**3**	**71.4%**
SGS	CHF	3,937	19,655	20.03%	4	57.1%
Eurofins	EUR	2,159	11,385	18.97%	5	42.9%
Bureau Veritas	EUR	2,706	14,585	18.55%	6	28.6%
Applus	EUR	647	5,037	12.84%	7	14.3%
Mistras	USD	210	2,192	9.58%	8	0.0%

Table 8

Relative Total Shareholder Return (RTSR)

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

In order for the rights to vest under the RTSR performance hurdle, ALS' TSR for the performance period must be at the 50th percentile or higher against the TSRs of the nominated comparator companies for the same period.

The Company's performance over the three-year period to March 2020 relative to the ASX100 comparator group was at the 56.7th percentile, therefore 15.8% the rights subject to the RTSR hurdle (25% of the total number possible) will vest on 1 July 2020.

Return on Capital Employed (ROCE)

The ROCE hurdle assesses the Company's success or otherwise in increasing its net worth – i.e. the Company needs to generate returns in excess of its cost of capital in order to add 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 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.

The actual ROCE for the three-year performance period was calculated as 14.3%. This ROCE result was within the hurdle range and thus 10.6% of the rights subject to the ROCE hurdle (25% of the total number possible) will vest on 1 July 2020.

8. COMPANY PERFORMANCE AND LINK TO SHAREHOLDER WEALTH — AUDITED

Proportion of performance related and equity-based remuneration

Details of each 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 *(table 5.1) %*	Per accounting standards *(table 5.2) %*	Calculated on remuneration actually received *(table 5.1) %*	Per accounting standards *(table 5.2) %*
Executives					
Raj Naran	2020	35.8	43.4	12.9	23.2
	2019	39.9	47.3	8.1	19.4
Bruce McDonald	2020	38.8	33.3	26.6	20.0
	2019	40.5	44.8	17.9	23.8
Andreas Jonsson	2020	33.6	32.2	19.4	17.7
	2019	37.6	39.9	11.8	15.1
Tim Kilmister	2020	41.1	39.8	19.5	17.8
	2019	35.8	40.8	12.0	18.8
Kristen Walsh	2020	41.9	34.1	30.3	21.0
	2019	25.5	25.2	23.6	23.4
Luis Damasceno [(b)]	2020	18.1	29.3	–	13.6
	2019	20.6	25.4	–	6.0
Former Executives					
Richard Stephens [(b)]	2020	–	–	–	–
	2019	11.5	4.7	11.5	4.7

Table 9

(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) Luis Damasceno was appointed on 17 September 2018, replacing Richard Stephens as Chief Finance Officer who ceased employment on 30 November 2018.

Consequences of performance on shareholders' wealth

The Board considers that the current remuneration strategy 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:	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Underlying profit * attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	188.8	181.0	142.2	117.4	108.4
Profit / (loss) attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	127.8	152.6	51.8	81.6	(240.7)
Dividends paid or payable	LTI TSR measures	84.9	109.3	84.4	68.0	60.8
Share price at balance date	LTI TSR measures	$5.56	$7.59	$7.42	$6.14	$3.99

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

Table 10

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 (a)	Acquired due to vesting of performance rights	Sales(1)	Other	Closing Balance
Directors						
Bruce Phillips	60,160	-	-	-	-	60,160
Grant Murdoch	73,071	-	-	-	-	73,071
John Mulcahy	54,027	-	-	-	-	54,027
Charlie Sartain	90,000	-	-	-	-	90,000
Tonianne Dwyer	17,148	10,000	-	-	-	27,148
Raj Naran	120,344	-	44,948	(14,983)	-	150,309
Siddhartha Kadia(d)	-	-	-	-	-	-
Leslie Desjardins (e)	-	-	-	-	-	-
Former Directors						
Mel Bridges(c)	57,442	1,379	-	-	(58,821)	-
Executives						
Bruce McDonald	15,182	-	40,078	(27,000)	-	28,260
Luis Damasceno(b)	-	-	-	-	-	-
Andreas Jonsson	30,547	-	20,756	-	-	51,303
Tim Kilmister	18,177	-	21,974	-	-	40,151
Kristen Walsh	35,649	-	39,953	(44,000)	-	31,602

Table 11.1

(a) 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.

(b) Luis Damasceno was appointed on 17 September 2018, replacing Richard Stephens as Chief Financial Officer who ceased employment on 30 November 2018.

(c) Mel Bridges retired from the Board at the Company's AGM effective 31 July 2019.

(d) Siddhartha Kadia was appointed as Non-Executive Director effective 15 January 2019.

(e) Leslie Desjardins was appointed as Non-Executive Director effective 21 November 2019.

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
Director					
Raj Naran	273,183	123,359	(44,948)	(7,500)	344,094
Executives					
Bruce McDonald	109,627	34,390	(40,078)	(6,687)	97,252
Luis Damasceno	18,152	35,930	–	–	54,082
Andreas Jonsson	64,964	27,467	(20,756)	(3,463)	68,212
Tim Kilmister	63,011	26,062	(21,974)	(3,667)	63,432
Kristen Walsh	102,986	28,329	(39,953)	(6,667)	84,695
Former Executives					
Richard Stephens	28,403	–	(18,312)	(3,056)	7,036

Table 11.2

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

Service rights over ordinary shares granted as remuneration

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

	Opening Balance (a)	Granted as compensation (c)	Vested and exercised	Closing Balance
Director				
Raj Naran	-	30,658	–	30,658
Executives				
Luis Damasceno [b]	16,174	4,834	–	21,008
Andreas Jonsson	-	3,108	–	3,108
Tim Kilmister	2,554	10,298	–	12,852
Bruce McDonald	15,872	17,138	–	33,010
Kristen Walsh	-	-	–	–

Table 11.3

(a) Relate to grants of deferred equity under FY2019 STI plan (issued in August 2018 at $7.31 per share).

(b) Relates to award of Service Rights made upon joining the Group, vesting in two tranches on 1 July 2020 and 1 July 2021.

(c) Relate to grants of deferred equity under FY2020 STI plan (issued in July 2019, at $7.06 per share).

Vested and outstanding performance rights

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)	31-Jul-19	123,359	$5.88	$7.06	1-Jul-22	–	–	–
	1-Aug-18	103,725	$6.98	$7.53	1-Jul-21	–	–	–
	20-Jul-17	117,010	$6.21	$6.71	1-Jul-20	–	–	–
	26-Jul-16	52,448	$4.30	$4.29	1-Jul-19	44,948	7,500	14.3%
Bruce McDonald	31-Jul-19	34,390	$5.88	$7.06	1-Jul-22	–	–	–
	1-Aug-18	30,816	$6.98	$7.53	1-Jul-21	–	–	–
	20-Jul-17	32,046	$6.21	$6.71	1-Jul-20	–	–	–
	26-Jul-16	46,765	$4.30	$4.29	1-Jul-19	40,078	6,687	14.3%
Andreas Jonsson	31-Jul-19	27,467	$5.88	$7.06	1-Jul-22	–	–	–
	1-Aug-18	20,158	$6.98	$7.53	1-Jul-21	–	–	–
	20-Jul-17	20,587	$6.21	$6.71	1-Jul-20	–	–	–
	26-Jul-16	24,219	$4.30	$4.29	1-Jul-19	20,756	3,463	14.3%
Tim Kilmister	31-Jul-19	26,062	$5.88	$7.06	1-Jul-22	–	–	–
	1-Aug-18	18,592	$6.98	$7.53	1-Jul-21	–	–	–
	20-Jul-17	18,778	$6.21	$6.71	1-Jul-20	–	–	–
	26-Jul-16	25,641	$4.30	$4.29	1-Jul-19	21,974	3,667	14.3%
Kristen Walsh	31-Jul-19	28,329	$5.88	$7.06	1-Jul-22	–	–	–
	1-Aug-18	26,560	$6.98	$7.53	1-Jul-21	–	–	–
	20-Jul-17	29,806	$6.21	$6.71	1-Jul-20	–	–	–
	26-Jul-16	46,620	$4.30	$4.29	1-Jul-19	39,953	6,667	14.3%
Luis Damasceno(c)	31-Jul-19	35,930	$5.88	$7.06	1-Jul-22	–	–	–
	17-Sep-18	18,152	$6.98	$7.53	1-Jul-21	–	–	–

Table 11.4

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

(b) The number of rights issued to participants in July 2019 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) Luis Damasceno was appointed on 17 September 2018.

Vested and outstanding service rights

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

Directors / Executives	Grant date	Number of rights granted (a)	Issue price used to determine no. of rights granted	Vesting date	Number of rights vested & exercised	Number of rights lapsed	% of rights lapsed
Raj Naran (Director)	31-Jul-19	30,658	$7.06	1-Apr-21	-	-	-
Bruce McDonald	31-Jul-19	17,138	$7.06	1-Apr-21	-	-	-
	1-Aug-18	15,872	$7.31	1-Apr-20	-	-	-
Andreas Jonsson	31-Jul-19	3,108	$7.06	1-Apr-21	-	-	-
Tim Kilmister	31-Jul-19	10,298	$7.06	1-Apr-21	-	-	-
	1-Aug-18	2,554	$7.31	1-Apr-20	-	-	-
Luis Damasceno (b)	31-Jul-19	4,834	$7.06	1-Apr-21	-	-	-
	17-Sep-18	8,087	$7.59	1-Jul-21	-	-	-
	17-Sep-18	8,087	$7.59	1-Jul-20	-	-	-

Table 11.5

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

(b) Luis Damasceno was appointed on 17 September 2018.

10. OUTLOOK FOR FY2020-21 REMUNERATION — UNAUDITED

As noted, during the year, the Group commissioned an external review of its Executive remuneration framework. The review identified that ALS 'at risk' remuneration opportunity for its Executives is below market for similar sized companies in our industry and geographies. The review also identified opportunities to further improve alignment with shareholders. Whilst the Board had hoped to implement changes to the remuneration framework in 2020 to address these findings, the Board and management have agreed, in the light of the pandemic and the challenges facing the Group, to defer consideration of these changes until calendar 2021. They will only be implemented if they are affordable in the light of the Group's prospects and will provide appropriate alignment with shareholder's experience.

In the meantime, for FY2021 the Board, with the support of management, has determined to maintain the structure of its current schemes but to reflect the challenging environment and uncertainties in the scheme's settings. Specifically:

- Fixed remuneration for all Executives will be held at current levels during FY2021 with any proposed increases cancelled.
- The STI framework will continue to operate as in previous years with emphasis on targets to right size the business, reduce costs and collect cash. A Culture & Code of Conduct KPI worth 5% of the STI payment will be introduced to refresh and reinforce the importance of behavioural and ethical standards and is a response to the issues in the Coal Inspection business uncovered during the year. Financial KPIs will continue to account for 60% of Executives STI opportunity but will be set at the half year once the likely full year impact of the pandemic can be more reliably forecast. To encourage strategic collaboration, business unit heads financial KPIs will include a 25% component relating to Group outcomes with the remaining 45% related to their business unit.
- There will be no change or adjustment to any 'in flight' LTI schemes which will vest in accordance with their terms and hurdles.
- Executives will be issued with performance rights under a 2020-23 LTI scheme. The rights will be issued based on current share prices, but we will maintain the current four hurdles: RTSR, EPS, EBITDA and ROCE with no change to the vesting hurdles. In our view this mix of performance hurdles continues to provide a balanced portfolio of relative and absolute measures that will drive the recovery of

financial performance and ensure a fair outcome for shareholders and Executives. In the current economic environment, the targets are more challenging than during pre-COVID 3-year periods.

- There will be no increase to Directors fees in FY2021.

The Board anticipates that it may need to use its discretion to ensure that awards are fair as between Executives and shareholders. We will explain how we have exercised our discretion in our Remuneration Report next year.

The Board believes that the current frameworks will be appropriate given the uncertain times ahead and will act to focus our Executives on maintaining strong business performance.

Consultation with shareholder advisory groups and the use of external specialist consultants will continue to be a feature of our remuneration strategy and process 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 explained in detail in our Sustainability Report for 2020, a copy of which can be found on our website.

Performance against environmental compliance requirements

There were no material breaches of environmental statutory requirements during the reporting period. One infringement was recorded against ALS China when the company failed to update its environmental licence to reflect a change in the legal entity operating in China. The company was fined CNY 20,000 (approx. AUD 4,400) and engaged an environmental consultant to reapply for an environmental assessment under the correct legal entity name.

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

New Bank Facilities

On 22 May 2020, the Group completed the agreements to increase its bank facilities by executing a series of new committed, multi-currency, bilateral, revolving credit facilities totalling USD$125m (AUD$205.2m) with its existing bank lender group. The Group's new revolving bank lines will mature in October 2021, at the same time as the existing USD$300m in facilities. The new bank facilities will provide additional liquidity to finance the operations and to meet the maturation of a US Private Placement (USPP) debt tranche, due at the end of the calendar year 2020. The new facilities also include temporary relief to the Group's leverage covenant for the remainder of FY2021.

COVID-19 impact

It is too early to predict with any certainty how the demand for services across our industries and geographies will be impacted over the coming months. The Group's diversified portfolio of testing businesses across a range of markets and geographies has proved resilient during the operational and economic challenges created by the COVID-19 pandemic, with many deemed as 'essential businesses' that continue to operate. Management has acted swiftly to adapt by aligning the cost base to client demand, strengthening the balance sheet and increasing the amount of liquidity available to the Group resulting in a reduction of the leverage ratio to 2.0x in early FY2021.

Total revenue for the Group was down 9% in April 2020 compared to pcp, notwithstanding economic shutdowns in many markets making sample collection difficult, particularly in Life Sciences. In the last few weeks several economies have started to relax restrictions although it is too early to tell the impact on sample volumes.

Other than those events separately described above, there have been no other Subsequent Events requiring separate disclosure in the interval between the end of the financial year and the date of this report.

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:

	No. of Ordinary shares
Bruce Phillips	60,160
Raj Naran	150,309
Mel Bridges[3]	-
Grant Murdoch	73,071
John Mulcahy	54,027
Charlie Sartain	90,000
Tonianne Dwyer	27,148
Siddhartha Kadia	-
Leslie Desjardins [2]	-

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 and Innovation Committee Meetings [1]	
	A	B	A	B	A	B	A	B
Bruce Phillips	14	14	-	-	5	5	-	-
Raj Naran	14	14	-	-	-	-	-	-
Mel Bridges[3]	3	2	1	1	-	-	-	-
Grant Murdoch	14	14	6	6	-	-	-	-
John Mulcahy	14	13	-	-	5	5	-	-
Charlie Sartain	14	13	6	6	-	-	1	1
Tonianne Dwyer	14	14	-	-	5	5	1	1
Siddhartha Kadia	14	12	-	-	-	-	1	1
Leslie Desjardins [2]	6	6	1	1	-	-	-	-

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.

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 21 November 2019.
(3) – retired 31 July 2019.

Appointment of new auditor

Effective from 25 September 2019 following the resignation of the former auditor KPMG the Directors appointed EY as the Company's new independent auditor. In accordance with section 327C of the Corporations Act 2001, a resolution will be placed at 2020 Annual General Meeting to ratify the appointment of EY as the Company's auditor.

Indemnification of Auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

Non-audit services

During the year EY, 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, EY, and its related practices for audit and non-audit services provided during the year are set out in note 7d.

In thousands of AUD	**2020**
Services other than audit and review of financial statements:	
Other non-assurance services	0.4
	0.4

Amounts paid for other services represent amounts paid post appointment (25 September 2019) of EY as external auditor. It is the Group's policy not to use its external auditor for non-audit services. The amounts above represents the completion of engagements existing at the date of appointment where it was impractical to change service provider for the specific work scope.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 95 and forms part of the directors' report for the financial year ended 31 March 2020.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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
27 May 2020

Raj Naran
Managing Director
Houston
27 May 2020

Financial statements

For the year ended 31 March 2020

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Consolidated statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 March 2020

In millions of AUD	Note	2020	Restated* 2019
Continuing operations			
Revenue	*1c*	1,831.9	1,664.8
Expenses	*1d*	(1,509.0)	(1,329.9)
Share of profit of equity-accounted investees, net of tax		3.2	2.2
Profit before financing costs, depreciation and amortisation (EBITDA)		326.1	337.1
Amortisation on right-of-use assets		(44.8)	-
Amortisation and depreciation		(88.5)	(74.8)
Profit before net financing costs (EBIT)		192.8	262.3
Finance income		2.2	1.8
Finance cost on loans and borrowings		(36.0)	(33.8)
Finance cost on lease liabilities		(7.9)	-
Net financing costs		(41.7)	(32.0)
Profit before tax		151.1	230.3
Income tax expense	*6a*	(73.1)	(62.4)
Profit from continuing operations		78.0	167.9
Discontinued operations			
Profit/(Loss) of discontinued operations, net of tax	*1e*	51.5	(14.3)
Profit for the year		129.5	153.6
Profit attributable to:			
Equity holders of the company		127.8	152.6
Non-controlling interest		1.7	1.0
Profit for the year	*3b*	129.5	153.6
Other comprehensive income			
Items that may be reclassified subsequently to the profit and loss			
Foreign exchange translation		42.5	(28.2)
(Loss)/gain on hedge of net investments in foreign subsidiaries, net of tax		(13.6)	1.6
Gain on cash flow hedges, net of tax		2.2	1.0
Other comprehensive income for the year, net of tax		31.1	(25.6)
Total comprehensive income for the year		160.6	128.0
Total comprehensive income attributable to:			
Equity holders of the company		158.9	127.0
Non-controlling interest		1.7	1.0
Total comprehensive income for the year		160.6	128.0
Earnings per share			
Basic earnings per share attributable to equity holders	*1b*	26.46c	31.32c
Diluted earnings per share attributable to equity holders	*1b*	26.35c	31.22c
Basic earnings per share attributable to equity holders from continuing operations	*1b*	15.80c	34.26c
Diluted earnings per share attributable to equity holders from continuing operations	*1b*	15.73c	34.14c

* Refer to note 1e.

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March 2020

In millions of AUD	*Note*	**2020**	Restated* **2019**
Current assets			
Cash and cash equivalents	*3a*	424.4	148.3
Trade and other receivables	*2a*	365.2	314.1
Inventories	*2c*	78.9	71.8
Other assets		43.3	40.4
Assets held for sale	*1e*	24.9	31.2
Total current assets		**936.7**	**605.8**
Non-current assets			
Investment property	*2f*	10.0	10.1
Investments accounted for using the equity method		20.1	16.1
Deferred tax assets	*6b*	32.6	21.7
Property, plant and equipment	*2e*	507.3	438.4
Right-of-use assets	*4f*	219.9	-
Intangible assets	*2g*	1,160.6	1,046.0
Other assets		43.6	40.6
Total non-current assets		**1,994.1**	**1,572.9**
Total assets		**2,930.8**	**2,178.7**
Current liabilities			
Bank overdraft	*3a*	0.5	0.1
Trade and other payables	*2d*	219.7	200.4
Loans and borrowings	*3d*	282.7	266.6
Employee benefits		59.0	51.3
Other liabilities		11.1	28.7
Liabilities directly associated with the assets held for sale	*1e*	14.1	14.3
Total current liabilities		**587.1**	**561.4**
Non-current liabilities			
Loans and borrowings	*3d*	1,164.2	513.5
Deferred tax liabilities	*6b*	10.7	6.1
Employee benefits		8.5	8.4
Other	*5a*	49.7	6.1
Total non-current liabilities		**1,233.1**	**534.1**
Total liabilities		**1,820.2**	**1,095.5**
Net assets		**1,110.6**	**1,083.2**
Equity			
Share capital	*4b*	1,303.9	1,325.9
Reserves		1.1	(32.7)
Accumulated losses		(204.9)	(219.8)
Total equity attributable to equity holders of the company		**1,100.1**	**1,073.4**
Non-controlling interest		10.5	9.8
Total equity		**1,110.6**	**1,083.2**

* Refer to note 1e.

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2020

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 at 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 of 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		-	-	-	-	(18.9)	(18.9)	-	(18.9)
Balance at 1 April 2018 (restated)		**1,348.1**	**(16.3)**	**3.4**	**4.0**	**(272.7)**	**1,066.5**	**11.9**	**1,078.4**
Profit for the year		-	-	-	-	152.6	152.6	1.0	153.6
Other comprehensive income		-	(26.6)	1.0	-	-	(25.6)	-	(25.6)
Total comprehensive income for the period		-	(26.6)	1.0	-	152.6	127.0	1.0	128.0
Transactions with owners in their capacity as owners:									
Dividends provided for or paid	*4b*	-	-	-	-	(97.5)	(97.5)	(0.5)	(98.0)
Share buyback	*4b*	(24.6)	-	-	-	-	(24.6)	-	(24.6)
Equity-settled performance rights awarded and vested	*4b*	2.4	-	-	1.8	(2.2)	1.9	-	1.9
Total contributions and distributions to owners		(22.2)	-	-	1.8	(99.7)	(120.2)	(0.5)	(120.7)
Changes in ownership interests									
Non-controlling interest ownership of subsidiary acquired		-	-	-	-	-	-	(2.6)	(2.6)
Total changes in ownership interests		-	-	-	-	-	-	(2.6)	(2.6)
Total transactions with owners		(22.2)	-	-	1.8	(99.7)	(120.2)	(3.1)	(123.3)
Balance 31 March 2019		**1,325.9**	**(42.9)**	**4.4**	**5.8**	**(219.8)**	**1,073.4**	**9.8**	**1,083.2**
Profit for the year		-	-	-	-	127.8	127.8	1.7	129.5
Other comprehensive income		-	28.9	2.2	-	-	31.1	-	31.1
Total comprehensive income for the period		-	28.9	2.2	-	127.8	158.9	1.7	160.6
Transactions with owners in their capacity as owners:									
Dividends to equity holders	*4b*	-	-	-	-	(111.0)	(111.0)	(1.0)	(112.0)
Share buyback		(22.0)	-	-	-	-	(22.0)	-	(22.0)
Equity-settled performance rights awarded and vested	*4b*	0.1	-	-	2.6	(1.9)	0.8	-	0.8
Total contributions and distributions to owners		(22.0)	-	-	2.6	(112.9)	(132.2)	(1.0)	(133.2)
Total transactions with owners		(22.0)	-	-	2.6	(112.9)	(132.3)	(1.0)	(133.2)
Balance at 31 March 2020		**1,303.9**	**(14.0)**	**6.6**	**8.5**	**(204.9)**	**1,100.1**	**10.5**	**1,110.6**

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

The notes on pages 47 to 85 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

In millions of AUD	Note	2020	2019
Cash flows from operating activities			
Cash receipts from customers		2,056.7	1,856.6
Cash paid to suppliers and employees		(1,660.3)	(1,555.5)
Cash generated from operations		396.4	301.1
Interest paid		(43.6)	(33.8)
Interest received		2.2	1.8
Income taxes paid		(96.0)	(50.3)
Net cash from operating activities	*3b*	259.0	218.8
Cash flows from investing activities			
Payments for property, plant and equipment		(121.1)	(108.9)
Loans to associate entities		(0.7)	(1.4)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)	*5a*	(114.1)	(62.8)
Deferred payments for acquisitions of controlled entities		(4.7)	-
Acquisition of investments in other corporations		(0.3)	(3.0)
Net proceeds from sale of operations		66.9	5.7
Dividend from associate		1.5	2.2
Proceeds from sale of other non-current assets		6.2	2.1
Net cash (used in) investing activities		(166.3)	(166.1)
Cash flows from financing activities			
Proceeds from borrowings		783.9	60.0
Repayment of borrowings		(434.2)	(30.4)
Principal portion of lease payments		(43.0)	-
Issued capital bought back on-market		(22.0)	(24.6)
Dividends paid		(112.0)	(98.0)
Net cash (used in)/from financing activities		172.7	(93.0)
Net movement in cash and cash equivalents		265.4	(40.3)
Cash and cash equivalents at 1 April		148.2	187.2
Effect of exchange rate fluctuations on cash held		10.3	1.3
Cash and cash equivalents at 31 March	*3a*	423.9	148.2

The notes on pages 47 to 85 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 2020 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 (non-IFRS) (unaudited) 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, amortisation and impairment of intangibles, greenfield start-up costs, and costs incurred to restructure the business in the current period.

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

1d. Expenses (Continuing operations)

1e. Discontinued operations and assets held for sale

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 – was 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 the energy, resources and infrastructure sectors with asset care and tribology testing services.

2020 *In millions of AUD*	Commodities	Life Sciences	Industrial	Other[1]	Total Continuing Operations	Discon-tinued operations	Conso-lidated
Revenue	642.2	939.2	250.5	–	1,831.9	4.2	1,836.1
Africa	46.6	–	–	–	46.6	–	46.6
Asia/Pacific	235.9	253.2	164.9	–	654.0	–	654.0
EMENA (Europe, Middle East, North Africa)	122.3	314.7	0.9	–	437.9	3.6	441.5
Americas	237.4	371.3	84.7	–	693.4	0.6	694.0
Underlying EBITDA[2]	201.4	222.8	38.3	(31.0)	431.5	(0.7)	430.8
Right-of-use asset amortisation	(13.9)	(25.2)	(5.6)	(0.1)	(44.8)	(0.8)	(45.6)
Interest on lease liabilities	(2.0)	(4.8)	(1.0)	(0.1)	(7.9)	(0.1)	(8.0)
Underlying EBITDA[2] (adjusted for AASB 16)	185.5	192.8	31.7	(31.2)	378.8	(1.6)	377.2
Depreciation and amortisation	(23.0)	(48.9)	(7.5)	(1.5)	(80.9)	(0.3)	(81.2)
Underlying EBIT[2] (adjusted for AASB 16)	162.5	143.9	24.2	(32.7)	297.9	(1.9)	296.0
Restructuring & other one-off items	(2.0)	(9.5)	(0.8)	(3.1)	(15.4)	54.0	38.6
Amortisation and Impairment of intangibles	–	(50.0)	(40.0)	(7.6)	(97.6)	–	(97.6)
Net interest on loans and borrowings	–	–	–	(33.8)	(33.8)	(0.6)	(34.4)
Segment profit/(loss) before income tax	160.5	84.4	(16.6)	(77.2)	151.1	51.5	202.6
Underlying EBIT margin[2] (before AASB 16)	25.3%	15.3%	9.7%	–	16.3%	(44.6%)	16.1%
Underlying EBITDA margin[2] (before AASB 16)	28.9%	20.5%	12.7%	–	20.7%	(38.6%)	20.5%
Segment assets	841.8	1,310.3	239.0	57.8	2,448.9	24.9	2,473.8
Cash and cash equivalents	–	–	–	–	–	–	424.4
Tax Assets	–	–	–	–	–	–	32.6
Total assets per the balance sheet	841.8	1,310.3	239.0	57.8	2,448.9	24.9	2,930.8
Segment liabilities	(156.0)	(317.8)	(73.4)	(9.7)	(556.9)	(14.1)	(570.9)
Loans and borrowings	–	–	–	–	–	–	(1,227.5)
Tax liabilities	–	–	–	–	–	–	(21.8)
Total liabilities per the balance sheet	(156.0)	(317.8)	(73.4)	(9.7)	(556.9)	(14.1)	(1,820.2)

1 Represents unallocated corporate costs. Net expenses of $32.7 million in 2020 comprise net foreign exchange gains of $6.4 million and other corporate costs of $39.1 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 disclosure and are unaudited.

2019 Restated *In millions of AUD*	**Commodities**	**Life Sciences**	**Industrial**	**Other[1]**	**Total continuing operations**	**Discon-tinued operations**	**Conso-lidated**
Revenue	620.3	831.4	213.1	–	1,664.8	7.7	1,672.5
Africa	54.3	–	–	–	54.3	–	54.3
Asia/Pacific	220.9	248.0	152.9	–	621.8	–	621.8
EMENA	109.3	284.9	0.8	–	395.0	3.0	398.0
Americas	235.8	298.5	59.4	–	593.7	4.7	598.4
Underlying EBITDA[2]	189.6	166.8	27.7	(31.2)	352.9	(4.1)	348.8
Depreciation and amortisation	(21.9)	(42.4)	(6.3)	(1.2)	(71.8)	(1.5)	(73.3)
Underlying EBIT[2]	167.7	124.4	21.4	(32.4)	281.1	(5.6)	275.5
Restructuring & other one-off Items	(9.1)	(3.5)	1.0	(4.2)	(15.8)	(11.7)	(27.5)
Amortisation of intangibles	–	–	–	(3.0)	(3.0)	–	(3.0)
Net financing costs	–	–	–	(32.0)	(32.0)	(1.2)	(33.3)
Statutory profit before income tax	158.6	120.9	22.4	(71.6)	230.3	(18.5)	211.8
Underlying EBIT margin[2]	27.0%	15.0%	10.0%	–	16.9%	(72.7%)	16.5%
Underlying EBITDA margin[2]	30.6%	20.1%	13.0%	–	21.2%	(53.2%)	20.9%
Segment assets	754.6	939.3	246.0	46.7	1,986.6	21.5	2,008.1
Cash and cash equivalents	–	–	–	–	–	–	148.3
Tax Assets	–	–	–	–	–	–	22.3
Total assets per the balance sheet	754.6	939.3	246.0	46.7	1,986.6	21.5	2,178.7
Segment liabilities	(87.9)	(114.0)	(50.5)	(15.5)	(267.9)	(12.6)	(280.5)
Loans and borrowings	–	–	–	–	–	–	(780.2)
Tax liabilities	–	–	–	–	–	–	(34.8)
Total liabilities per the balance sheet	(87.9)	(114.0)	(50.5)	(15.5)	(267.9)	(12.6)	(1,095.5)

1 Represents unallocated corporate costs. Net expenses of $32.4 million in 2019 comprise net foreign exchange gains of $4.6 million and other corporate costs of $37.0 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 and are unaudited.

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. Geographical locations are aligned to those reported internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker.

In millions of AUD	**Consolidated**			
	2020		**2019**	
	Revenues	**Non-current assets**	**Revenues**	**Non-current assets**
Africa	46.6	29.4	54.3	25.5
Asia/Pacific	654.0	654.3	621.8	598.5
EMENA	441.5	527.0	398.0	373.4
Americas	694.0	783.4	598.4	575.5
Total	1,836.1	1,994.1	1,672.5	1,572.9

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, and for which discrete financial information is available. 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.

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

	Consolidated	
Cents per share	**2020**	**2019**
Basic earnings per share	26.46c	31.32c
Diluted earnings per share	26.35c	31.22c
Basic earnings per share from continuing operations	15.80c	34.26c
Diluted earnings per share from continuing operations	15.73c	34.14c
Basic earnings per share from discontinued operations	10.66c	(2.94)c
Diluted earnings per share from discontinued operations	10.62c	(2.94)c

Basic and diluted earnings per share

The calculations of both basic and diluted earnings per share were based on the profit attributable to equity holders of the Company of $127.8m profit (2019: $152.6m).

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 attributable to equity holders of the Company from continuing operations of $76.3m profit (2019: $166.9m).

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 gain/(loss) attributable to equity holders of the Company from discontinued operations of $51.5m (2019: $14.3m loss).

Weighted average number of ordinary shares (Basic and diluted)

In millions of shares	Note	**Consolidated**	
		2020	**2019**
Issued ordinary shares at 1 April	*4b*	485.5	488.8
Effect of shares bought back on-market		(2.6)	(1.6)
Weighted average number of ordinary shares at 31 March (Basic)		482.9	487.2
Effect of potential shares relating to performance rights granted to employees as compensation, but not yet vested		2.3	1.6
Weighted average number of ordinary shares at 31 March (Diluted)		485.2	488.8

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 and service rights granted to employees.

1c. Revenue

Under AASB 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

Disaggregation of revenue from continuing operations

Revenue is disaggregated by geographical locations of external customers.

In millions of AUD	**Consolidated**	
	2020	**2019**
Africa	46.6	54.3
Asia/Pacific	654.0	621.8
EMENA	437.9	395.0
Americas	693.4	593.7
Total revenue	1,831.9	1,664.8

Accounting policy – Revenue

Services rendered

The Group recognise revenue when the amount of revenue can be readily measured, and it is probable that future economic benefits will flow to the Group. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contract with customers.

The Group recognises revenue based on two models: services transferred at a point in time and services transferred over time. The majority of the Group's customer contracts give rise to short-term projects where revenue is recognised at a point in time. Revenue from these projects are recognised in the profit and loss statement upon completion of the performance obligations, usually when the report of findings or test/inspection certificate is issued. Revenue from these projects is measured according to the transaction price agreed in the contract. Once services are rendered, the customer is invoiced, and payment is due as per the terms of the agreement, typically between 30 – 90 days.

For long-term projects, the Group recognise revenue in the profit and loss statement over time. Revenue from these projects is recognised based on the measure of progress. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, revenue is recognised in the amount to which the Group has a right to invoice. Long-term contract invoices are issued per contractually agreed instalments and prices, with payment due typically between 30 – 90 days from invoicing.

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 includes the following specific expenses:

In millions of AUD	*Note*	**Consolidated**	
		2020	**2019**
Employee expenses		909.5	785.9
Raw materials and consumables		193.8	184.1
Occupancy costs		91.0	118.6
External service costs		43.5	45.6
Equity-settled share-based payment transactions	*8a*	5.7	3.6
Contributions to defined contribution post-employment plans – included in employee expenses above		38.6	33.0
Impairment charges		90.0	-
Loss on sale of property plant and equipment		4.0	1.9
Net (gain) on foreign exchange		(6.4)	(4.6)

Accounting policy – Expenses

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 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 and assets held for sale

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 operations in France.

Information attributable to discontinued operations is as follows:

In millions of AUD	**Consolidated**	
Discontinued operations	**2020**	**2019**
Revenue	4.2	7.7
Amortisation and depreciation	(1.1)	(1.5)
Other Expenses	(5.0)	(23.5)
Results from operating activities	(1.9)	(17.3)
Gain on divestment	54.1	-
Interest	(0.7)	(1.2)
Profit/(loss) of discontinued operations	51.5	(18.5)
Income tax benefit	-	4.2
Profit/(Loss)Loss of discontinued operations, net of tax	51.5	(14.3)
Basic earnings per share from discontinued operations	10.66c	(2.94)c
Diluted earnings per share from discontinued operations	10.62c	(2.94)c
Cash flows from discontinued operations		
Net cash from operating activities	(19.6)	(2.8)
Net cash from investing activities	66.0	(1.9)
Net cash from financing activities	(0.4)	-
Net cash from discontinued operations	46.0	(4.7)
Assets held for sale		
Trade and other receivables	1.5	7.7
Inventories	0.1	0.4
Property, plant and equipment	15.9	19.8
Right-of-use assets	3.8	-
Intangible assets	2.6	2.3
Deferred tax assets	0.7	0.6
Other assets	0.3	0.4
	24.9	31.2
Liabilities directly associated with the assets held for sale		
Trade and other liabilities	10.2	14.0
Loans and borrowings	3.9	-
Employee benefits	-	0.3
	14.1	14.3

Prior Period Tax Liability relating to discontinued operations

The Group has received a taxation assessment from the Canadian Revenue Authority for CAD13.8m, which together with accrued interest totals CAD18.5m. 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 31 March 2020 by:

1. Recognising accumulated tax payable and interest as a liability, against retained earnings at 1 April 2018 of $18.9m.
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 31 March 2020.

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 of sale of $55.5 million.

In September 2019 the Group decided to exit its operations in France and direct costs associated with this closure amounted to $1.4 million.

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. Related party transactions

2c. Inventories

2d. Trade and other payables

2e. Property, plant & equipment

2f. Investment property

2g. Intangible assets

2a. Trade and other receivables

In millions of AUD	**Consolidated**	
	2020	**2019**
Current		
Trade receivables	310.7	274.0
Other receivables	54.5	40.1
	365.2	314.1
Aging of trade receivables		
In millions of AUD		
Current	179.0	171.0
30 days	75.8	63.2
60 days	28.5	24.2
90 days and over	38.7	22.1
Total	322.0	280.5
Allowance for expected credit loss		
Opening balance	6.5	4.5
AASB 9 adjustment	–	3.4
Write off	(3.4)	(2.8)
Movement in provision	8.2	1.4
Closing balance	11.3	6.5

Trade receivables are shown net of allowance for expected credit losses of $11.3m (2019: $6.5m) and are all expected to be recovered within 12 months. Expected credit loss allowances on trade receivables charged as part of operating costs was $3.4m (2019: $2.8m).

There is no concentration of credit risk with respect to trade receivables. There is no single customer making up a material percentage of the Group's revenue (refer note 4a).

Other receivables of $54.5m (2019: $40.1m) largely comprises amounts related to VAT receivable and services completed not contractually invoiced.

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

Accounting policy – Trade and other receivables

Trade receivables are recognised at the value of the original invoice amount to customers less allowance for any non-collectible amounts (amortised cost). Estimates are used in determining the level of receivable that will not be collected. An expected credit loss allowance is made for trade receivable balances in compliance with the simplified approach permitted by AASB 9, by using a provision matrix. The matrix was developed to reflect historic default rates, by region, with higher default rates applied to older balances. The approach is followed for all receivables unless there are specific circumstances, such as significant financial difficulties of the customer or bankruptcy of a customer, which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off. Unbilled revenues are recognised for services completed but not yet invoiced and are valued at net selling price.

2b. Related party transactions

The related party transactions disclosed are transactions with related parties at the time they were considered related parties of the Group. The ultimate parent of the Group is ALS Limited.

All receivables and payables to and from related parties, except for related party borrowings are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided to any related party. For the period ended 31 March 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: nil).

In thousands AUD	% Ownership	Sales to related parties*	Consolidated 2020	2019
Australian Laboratory Services Arabia Co.	42%	1,137.8	1,872.2	1,603.5
ALS Technichem (M) Sdn Bhd	40%	261.0	654.1	261.2
PT. ALS Indonesia	20%	73.0	101.1	78.6
		1,471.8	2,627.4	1,943.3

** Period ended 31 March 2020*

2c. Inventories

In millions of AUD	Consolidated 2020	2019
Raw materials and consumables	60.9	49.9
Work in progress	17.8	21.5
Finished goods	0.2	0.4
	78.9	71.8

Work in progress recognised by the Group relates to contractual arrangements (refer note 1c). No information is provided about remaining performance obligations that have an original expected duration of 1 year or less.

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.

Cost for incomplete field services works are recognised as work in progress and measured at the lower of cost to date and net realisable value.

2d. Trade and other payables

In millions of AUD	Consolidated 2020	2019
Trade payables	70.6	57.2
Contract liabilities	21.5	18.6
Other payables and accrued expenses	127.6	124.6
	219.7	200.4

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.

Contract Liabilities

Contract liabilities arise upon advance payments from clients and issuance of upfront invoices.

2e. Property, plant & equipment

In millions of AUD	Freehold land and buildings	Plant and equipment	Leasehold improve-ments	Leased plant and equipment	Capital works in progress	Total
Opening balance at 1 April 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 1 April 2018	164.6	173.5	45.0	1.9	15.0	400.0
Additions	4.6	82.5	15.7	0.3	10.2	113.3
Disposals	(0.6)	(2.7)	(0.2)	–	(0.2)	(3.7)
Transfers	–	0.6	1.7	(1.8)	(2.0)	(1.5)
Depreciation expense	(6.8)	(53.6)	(10.0)	(0.1)	–	(70.5)
Assets held for sale	(0.2)	(2.6)	(1.1)	–	0.1	(3.8)
Exchange differences	2.0	1.5	1.6	–	(0.5)	4.6
Net book amount at 31 March 2019	163.6	199.2	52.7	0.3	22.6	438.4
Opening balance at 1 April 2019						
At cost	219.7	778.1	154.3	0.6	22.6	1,175.3
Accumulated depreciation	(56.1)	(578.9)	(101.6)	(0.3)	–	(736.9)
Net book amount at 1 April 2019	163.6	199.2	52.7	0.3	22.6	438.4
Additions	10.3	86.7	15.8	–	16.3	129.1
Disposals	(1.1)	(5.7)	(0.2)	(0.3)	(1.8)	(9.1)
Transfers	2.0	1.8	(0.3)	–	(3.5)	–
Depreciation expense	(7.4)	(59.5)	(11.2)	–	–	(78.1)
Assets held for sale	(0.7)	2.3	(1.2)	–	(0.2)	0.2
Exchange differences	9.3	11.4	5.8	–	0.3	26.8
Net book amount at 31 March 2020	176.0	236.2	61.4	–	33.7	507.3
At 31 March 2020						
At cost	244.0	905.4	180.7	–	33.7	1,363.8
Accumulated depreciation	(68.0)	(669.2)	(119.3)	–	–	(856.5)
Net book amount at 31 March 2020	176.0	236.2	61.4	–	33.7	507.3

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.

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.

2f. Investment property

In millions of AUD	Consolidated	
	2020	**2019**
Carrying amount at the beginning of the year	10.1	10.2
Depreciation	(0.1)	(0.1)
Carrying amount at end of year	10.0	10.1

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

Fair value of the property is estimated to be $19.0m (2019: $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.

2g. Intangible assets

In millions of AUD	Consolidated					
	Goodwill	**Purchased trademarks and brandnames**	**Customer Relation-ships**	**Technology & Non-Compete Agreements**	**Software**	**Total**
Balance at 1 April 2018	**963.9**	**0.5**	**8.1**	**0.1**	**8.0**	**980.6**
Additions through business combinations	52.8	–	–	–	–	52.8
Additions	–	–	3.3	–	3.9	7.2
Transfer	–	–	–	–	(0.3)	(0.3)
Disposal	–	–	–	–	1.5	1.5
Held for sale	–	–	–	–	(0.3)	(0.3)
Amortisation	–	–	(2.4)	–	(2.6)	(5.0)
Effect of movements in foreign exchange	9.8	–	(0.3)	–	–	9.5

Balance at 31 March 2019	**1,026.5**	**0.5**	**8.7**	**0.1**	**10.2**	**1,046.0**
Additions through business combinations	110.7	0.4	31.9	2.0	–	145.0
Additions	–	–	–	–	4.6	4.6
Held for sale	–	–	–	–	(0.4)	(0.4)
Transfer	–	–	–	–	–	–
Disposal	(5.0)	–	–	–	–	(5.0)
Impairment (1)	(90.0)	–	–	–	–	(90.0)
Amortisation	–	(0.2)	(6.5)	(0.9)	(2.8)	(10.4)
Effect of movements in foreign exchange	70.2	(0.1)	(0.1)	(0.1)	0.9	70.8
Balance at 31 March 2020	**1,112.4**	**0.6**	**34.0**	**1.1**	**12.5**	**1,160.6**

(1) The goodwill impairment loss recognised relates to the ALS Industrial reportable segment ($40m) and the ALS Life Sciences – South America reportable segment ($50m) and has been included in impairment losses in the profit and loss statement. The impacts of COVID-19 and the deterioration in world oil and gas markets has led the Group to reconsider the future cash generating potential of all CGU's. Specifically, the ALS Industrial and Life Sciences – South American cash generating units were most sensitive to adverse movements in forecast inputs and impairment has resulted in the current period. There is much uncertainty as to the timing and strength of any global economic recovery post COVID-19.

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 rates 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:

Carrying value	**Consolidated**	
In millions of AUD	**2020**	**2019**
ALS Minerals	389.4	368.2
ALS Life Sciences – Australia	48.4	48.4
ALS Life Sciences – North America	172.4	160.8
ALS Life Sciences – South America	60.3	56.1
ALS Life Sciences – Europe	272.2	185.7
ALS Life Sciences – Asia	18.4	20.3
ALS Coal	37.4	37.6
ALS Industrial	113.5	148.9
Other cash generating units	0.4	0.5
	1,112.4	1,026.5

The assessment of cash generating units has been made on the basis of currently available information. For each cash generating unit the Group has constructed detailed cash flow projections for 2021 and extrapolated these to 2022. These cashflows consider the estimated impacts of COVID-19 on the business performance. In 2023 cash flow modelling generally assumes a return to historical business growth rates and returns. The terminal value of all CGU's has been forecasted using a nominal growth rate of 2.75%.

Terminal 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 and geographies in which the Group participates.

Should the short-term projections utilised, or the re-establishment of historical operating metric not eventuate in future periods, impairment may result.

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**	
	2020	**2019**
ALS Minerals	12.5%	12.4%
ALS Life Sciences – Australia	11.1%	12.0%
ALS Life Sciences – North America	10.1%	10.1%
ALS Life Sciences – South America	17.7%	16.3%
ALS Life Sciences – Europe	9.2%	9.2%
ALS Life Sciences – Asia	11.8%	11.9%
ALS Coal	11.0%	11.0%
ALS Industrial	13.3%	13.1%

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 Industrial and ALS Life Sciences – South America CGU's, which have recognised impairment losses in FY2020, sensitivity analyses performed indicate a reasonably possible change in any of the key assumptions for the Group's remaining CGU's would not result in impairment.

ALS Industrial CGU

The recoverable amount of the Industrial CGU of $113.5m as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections from financial forecasts by senior management covering a five-year period. The projected cash flows have been updated to reflect the impacts of COVID-19, the recent deterioration in the oil and gas sector, and the uncertainty as to the timing and strength of the recovery in this market segment. The pre-tax discount rate applied to cash flow projections is 13.3% (2019: 13.1%) and cash flows beyond the five-year period are extrapolated using a 2.75% nominal growth rate (2019: 2.75%) that is the same as the long-term average growth rate for the Industrial industry. It was also concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of $40m in the current year against goodwill. The impairment charge is recorded within expenses in the statement of profit and loss.

ALS Life Sciences – South America CGU

The recoverable amount of the Life Sciences – South America CGU of $60.3m as at 31 March 2020 has been determined based on a value in use calculation using cash flow projections from financial forecasts by senior management covering a five-year period. The projected cash flows have been updated to reflect the impacts of COVID-19, the regional socioeconomic and currency instability, and the uncertainty as to the timing and strength of the recovery in this geography. The pre-tax discount rate applied to cash flow projections is 17.7% (2019: 16.3%) and cash flows beyond the five-year period are extrapolated using a 2.75% nominal growth rate (2019: 2.75%) being the representative long-term average growth rate for the CGU. Is was also concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of $50m in the current year against goodwill. The impairment charge is recorded within expenses in the statement of profit and loss.

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	5-7 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. Reconciliation of liabilities arising from financing activities

3d. Loans and borrowings

3a. Cash and cash equivalents

In millions of AUD	Consolidated 2020	2019
Bank balances	178.2	148.3
Bank fixed rate deposits	246.2	-
Cash and cash equivalents in the balance sheet	424.4	148.3
Bank overdrafts repayable on demand	(0.5)	(0.1)
Cash and cash equivalents in the statement of cash flows	423.9	148.2

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 comprise 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 2020	2019
Profit for the period	129.5	153.6
Adjustments for:		
Amortisation and depreciation	133.3	76.3
Loss on sale of property plant and equipment	5.4	1.8
Share-settled performance rights amounts recognised during the year	(4.3)	(1.5)
Share of associates and joint venture net profit	(3.2)	(2.2)
Impairment charges	90.0	-
Gain on sale of discontinued operations	(55.5)	-
Net non-cash expenses	(7.4)	(5.9)
Operating cashflow before changes in working capital and provisions	287.8	222.1
(Increase) in trade and other receivables	(2.2)	(48.4)
(Increase) in inventories	(2.7)	(20.0)
(Decrease)/increase in trade and other payables	(1.2)	57.2
(Decrease)/increase in taxation provisions	(22.7)	7.9
Net cash from operating activities	259.0	218.8

3c. Reconciliation of liabilities arising from financing activities

In millions of AUD	Long-term notes	Bank loans	Lease liabilities	**Total**
1-Apr-19	748.8	31.0	0.3	**780.1**
Net Cashflows	(17.4)	367.1	(43.0)	**306.7**
Non-cash changes				
Adjustments due to adoption of AASB 16	-	-	202.5	**202.5**
Acquisition	-	-	59.7	**59.7**
Foreign exchange movements	91.2	6.3	0.4	**97.9**
31-Mar-20	822.6	404.4	219.9	**1,446.9**

In millions of AUD	Long-term notes	Bank loans	Lease liabilities	**Total**
1-Apr-18	695.6	1.5	-	**697.1**
Net Cashflows	-	29.6	-	**29.6**
Non-cash changes				
Acquisition	-	-	0.3	**0.3**
Foreign exchange movements	53.2	(0.1)	-	**53.1**
31-Mar-19	748.8	31.0	0.3	**780.1**

3d. 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 2020	2019
Current Liabilities		
Long term notes	242.8	266.3
Lease liabilities	39.9	0.3
	282.7	266.6
Non-current liabilities		
Bank loans	404.4	31.0
Long term notes	579.8	482.5
Lease liabilities	180.0	-
	1,164.2	513.5

Bank loans

The Group maintains revolving bank facilities with a group of five banks totalling USD$300m. These bank facilities will mature in October 2021. Funding available to the Group from undrawn facilities at 31 March 2020 amounted to $91.9m (2019: $392.7m).

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans at balance date is 1.8% (2019: 3.0%).

The Company and six of its subsidiaries, namely Australian Laboratory Services Pty Ltd, ALS Canada Limited, ALS Group General Partnership, ALS Group USA Corp, ALS Inspection UK Ltd, and Stewart Holdings Management Ltd 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

The Company's controlled entities Australian Laboratory Services Pty Ltd, ALS Testing Services Group Inc. and ALS Canada Ltd have issued long term, fixed rate notes to investors in the US Private Placement market. The original issuances occurred in December 2010, July 2011, September 2013 and again in July 2019. The notes are issued in tranches and denominated in Australian dollars, US dollars, Euros, Pound Sterling and Canadian dollars. The notes mature as follows – due December 2020: $239.8m; due July 2022: $311.9 and due July 2034: $267.9m (amounts net of fair value derivative asset).

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 $3.0m (2019: $2.3m) 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 3.9% (2019: 4.1%).

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. 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 29.2% (2019: 30.7%), Canada 7.5% (2019: 8.1%), USA 16.2% (2019: 15.3%), UK 10.3% (2019: 11.4%), and other countries 36.8% (2019: 34.5%). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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 has borrowed funds in foreign currencies to hedge its net investments in foreign operations. The Group has Canadian dollar, Euro, and Great British Pound Sterling denominated borrowings designated as hedges of the Group's net investments in subsidiaries with the same functional currencies.

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 41.9% (2019: 36.7%).

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 2020	2019
Issued and paid up share capital		
482,425,769 ordinary shares fully paid (2019: 485,514,376)	1,303.9	1,325.9
Movements in ordinary share capital		
Balance at beginning of year	1,325.9	1,348.1
3,088,607 shares buyback (2019: 3,250,000)	(22.0)	(24.6)
-101,867 Net Treasury shares (purchased), vested and issued to employees (2019: 279,610)	0.1	2.4
Balance at end of year	1,303.9	1,325.9

As at the end of year, the total number of treasury shares held by the ALS Limited LTI Plan Trust was 134,682 (2019: 32,815). 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
2020				
Interim 2020 ordinary	11.5	3.5	55.5	16 Dec 19
Final 2019 ordinary	11.5	4.0	55.5	01 Jul 19
			111.0	
2019				
Interim 2019 ordinary	11.0	2.2	53.5	18 Dec 18
Final 2018 ordinary	9.0	3.6	44.0	02 Jul 18
			97.5	
Dividend declared after the end of the financial year:				
Final 2020 ordinary	6.1	4.3	29.4	06 Jul 20

The financial effect of the Final 2020 dividend has not been brought to account in the financial statements for the year ended 31 March 2020 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 per cent.

In millions of AUD **Dividend franking account**	Consolidated 2020	2019
30% franking credits available to shareholders of ALS Limited for subsequent financial years	5.0	1.9

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.

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 2020 *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	0.5	–	–	–	–	0.5
Trade and other payables	219.7	–	–	–	–	219.7
Lease liabilities	23.7	23.5	39.3	77.2	98.4	262.1
Long term notes [(a)]	16.9	253.3	23.3	336.3	327.5	957.3
Bank loans	5.0	5.1	406.4	1.7	–	418.2
Acquisition amounts payable	–	0.7	10.6	37.0	–	48.3
Derivative financial instruments	(1.0)	(2.0)	–	–	–	(3.0)
Total	264.8	280.6	479.6	452.2	425.9	1,903.1

(a) In addition to the interest rate swaps disclosed in the table above the Group has entered into a cross-currency swap for currency hedging purposes with a principal value totalling $32.8 million. As at balance date the net MtoM receivable totals $9.3 million. This swap matures in July 2022 aligned to the maturity of certain long term notes.

CONSOLIDATED

As at 31 March 2019 *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	0.1	–	–	–	–	0.1
Trade and other payables	200.4	–	–	–	–	200.4
Lease liabilities	0.1	0.2	–	–	–	0.3
Long term notes [(a)]	280.3	10.9	231.2	283.9	–	806.3
Bank loans	1.2	1.2	2.4	31.4	–	36.2
Derivative financial instruments	(0.4)	(0.5)	(1.3)	-	–	(2.2)
Total	481.7	11.8	232.3	315.3	–	1,041.1

(a) In addition to the interest rate swaps disclosed in the table above the Group has entered into a cross-currency swap for currency hedging purposes with a principal value totalling $28.2 million. As at balance date the net MtoM receivable totals $6.1 million. This swap matures in July 2022 aligned to the maturity of certain long term notes.

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	2020				
In millions of AUD	USD	CAD	EUR	PLN	GBP
Trade and other receivables	8.4	–	5.9	0.2	1.6
Cash at bank	283.0	–	4.5	0.2	0.4
Long term notes	–	(75.0)	(71.9)	–	(71.0)
Bank loan	(246.2)	–	(71.9)	–	–
Trade and other payables	(14.6)	–	(0.5)	–	–
Net balance sheet exposure	30.6	(75.0)	(133.9)	0.4	(69.0)

CONSOLIDATED	2019				
In millions of AUD	USD	CAD	EUR	PLN	GBP
Trade and other receivables	12.7	–	2.7	0.2	1.0
Cash at bank	32.8	–	4.4	–	0.4
Long term notes	–	(68.6)	–	–	–
Trade and other payables	(2.2)	–	(0.4)	–	(0.1)
Net balance sheet exposure	43.3	(68.6)	6.7	0.2	1.3

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

	31 March spot rate	
	2020	2019
USD	0.60918	0.7096
CAD	0.86655	0.9473
EUR	0.55634	0.6326
PLN	2.5283	2.7228
GBP	0.49288	0.5445

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 2019.

In millions of AUD	Consolidated	
As at 31 March 2020	**Profit**	**Equity**
USD	(2.8)	-
CAD	-	6.8
EUR	-	12.2
GBP	-	6.2
	(2.8)	25.2

In millions of AUD	Consolidated	
As at 31 March 2019	**Profit**	**Equity**
USD	(4.0)	-
CAD	-	6.2
EUR	(0.6)	-
GBP	(0.1)	-
	(4.7)	6.2

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 2019.

In millions of AUD	Consolidated	
As at 31 March 2020	**Profit**	**Equity**
USD	3.4	-
CAD	-	(8.3)
EUR	-	(14.9)
GBP	-	(7.7)
	3.4	(30.9)

In millions of AUD	Consolidated	
As at 31 March 2019	**Profit**	**Equity**
USD	4.8	-
CAD	-	(7.6)
EUR	0.8	-
GBP	0.1	-
	5.7	(7.6)

Interest rate risk

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

Consolidated *In millions of AUD*	**2020**	**2019**	**2020**	**2019**
	Fixed rate instruments		**Variable rate instruments**	
Financial assets	242.3	-	182.1	148.3
Financial liabilities	(1,042.5)	(748.8)	(404.4)	(31.4)
Effect of interest rate contracts*	165.3	146.1	(165.3)	(146.1)
	(634.9)	(602.7)	(387.6)	(29.2)

** 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 2020, the change in fair value of interest rate contracts was $0.7 million (2019: ($0.4)) 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 (2019: 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 2019.

Consolidated *In millions of AUD*	**As at 31 March 2020**				**As at 31 March 2019**			
	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	(1.1)	1.1	-	-	0.6	(0.6)	-	-
Interest rate contracts	(0.8)	0.8	-	-	(0.7)	0.7	-	-
Cash flow sensitivity (net)	(1.9)	1.9	-	-	(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 $850.7 m (2019: $764.8m). The basis for determining fair values is disclosed in note 7c. The fair value at 31 March 2020 of derivative assets (2019: asset) held for risk management, which are the Group's only financial instruments carried at fair value, was a net gain of $3.9m (2019: $1.2m) 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

ALS Coal Australian Superintending and Certification Unit

During the year ended 31 March 2020 the Group reported to shareholders that certificates of analysis issued by the Group's Australian Coal Superintending and Certification Unit were amended without proper justification. The Group's disclosures followed a thorough independent investigation which concluded the matter was isolated only to the Australian Coal Superintending and Certification Unit and that there were no indications of bribery or other third-party payments. Work practices which allowed these amendments to certificates have ceased and additional controls have been implemented.

Employees alleged to have been involved in the matter are no longer employed by the Group.

At 31 March 2020 the Group is not aware of any actual or threatened litigation in relation to this matter. Should matters be brought in future periods these will be thoroughly assessed by the Group.

4e. Capital commitments

In millions of AUD	Consolidated 2020	2019
Capital expenditure commitments		
Plant and equipment contracted but not provided for and payable within one year	15.7	27.6

4f. Leases

Leases as lessee

The Group has applied AASB16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB17 and IFRIC4. The impact of the change in accounting policy has been disclosed in note 7b.
The Group leases many assets including property, vehicles, laboratory and office equipment.

Carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period:

	Right-of-use assets				Lease liabilities
	Property	Vehicles	Equipment	Total	
As at 1 April 2019	182.2	19.1	1.5	202.8	202.8
Additions	49.7	9.9	2.3	61.9	59.7
Amortisation	(35.5)	(8.4)	(0.9)	(44.8)	-
Interest expense	-	-	-	-	7.9
Payments	-	-	-	-	(50.5)
As at 31 March 2020	196.4	20.6	2.9	219.9	219.9

The Group recognised rent expense from short-term leases of $3.5m and leases of low-value assets of $1.6m for the year ended 31 March 2020.

Maturity analysis – contractual undiscounted cash flows:

In millions of AUD	Consolidated 2020	2019
Due up to one year	47.2	42.5
Due between one and five years	116.5	88.4
Due after five year	98.4	51.5
Total undiscounted lease liabilities at period end	262.1	182.4
Lease liabilities included in the balance sheet at period end		
Current	39.9	-
Non-Current	180.0	-
	219.9	-

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.

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.

The following table reconciles the operating lease for the year ended 31 March 2019 and the lease liabilities recognised as of 1 April 2019:

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.

Operating lease payments (AASB 17 and FRIC4)

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.

Leases as lessor

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

In millions of AUD	**Consolidated**	
	2020	**2019**
Less than one year	2.1	2.1
Between one and five years	3.3	5.6
	5.4	7.7

During the year ended 31 March 2020 $2.1m was recognised as rental income in the profit and loss statement (2019: $2.1m).

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

5b. Material operating entities and ultimate parent

5c. Deed of cross guarantee

5d. Parent entity disclosures

5a. Acquisition of subsidiaries

Business Combinations

In millions of AUD

2020	**Interest Acquired**	**Date acquired**	**Conside-ration paid**
Laboratorio de Control ARJ, S. A. de C. V.	100%	Aug-19	83.8
Aquimisa Group	100%	Dec-19	85.1
			168.9

Included in other Non Current Liabilities is deferred consideration of $46.5m as at 31 March 2020.

If the acquisitions had occurred on 1 April 2019, management estimates that Group revenue from continuing operations would have been $1,868.7m and net profit after tax from continuing operations would have increased by $5.7m to $83.7m.

In millions of AUD **2019**	**Interest Acquired**	**Date acquired**	**Conside-ration**
Bioscreen Testing Services Inc	100%	Feb-19	43.9
Other acquisitions during the year			22.4
			66.3

If the acquisitions had occurred on 1 April 2018, management estimates that Group revenue would have been $1,688.5m and net profit after tax would have been $169.0m.

Laboratorio de Control ARJ, S. A. de C.V.

In millions of AUD	**Fair Value****
	2020
Property, plant and equipment	7.9
Trade and other receivables	4.1
Cash and cash equivalents	3.8
Identifiable intangible assets	0.3
Current tax assets	0.8
Interest bearing loans and borrowings	(1.3)
Trade and other payables	(1.5)
Net identifiable assets and liabilities	14.1
Intangibles on acquisition	69.7
Consideration paid	83.8
Deferred consideration	(25.4)
Paid in cash	58.4
Cash (acquired)	(3.8)
Net cash outflow	54.6

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

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 $83.8 m of which $58.4m 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 $14.1m. In addition to the acquired net tangible assets, goodwill (non-deductible for tax) of $59.3m and customer relationships of $10.4m were recognised.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Laboratorio de Control ARJ, S.A de C.V for the eight-month period from the acquisition date. All acquired amounts and contingent consideration was recorded on a provisional basis at 31 March 2020.

Directly attributable transaction costs of $1.5m relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2020 Laboratorio de Control ARJ, S.A. de C.V. contributed revenue of $18.3m and a net profit after tax of $3.7m to the consolidated net profit after tax for the year.

Laboratorio de Control ARJ, S.A. de C.V. was acquired for the purpose of broadening the pharmaceutical service reach of the Group's existing Latin American Life Sciences division. 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.

Aquimisa Group

In millions of AUD	**Fair Value****
	2020
Property, plant and equipment	4.6
Inventories	0.7
Identifiable intangible assets	0.1
Trade and other receivables	13.9
Cash and cash equivalents	4.5
Trade and other payables	(6.8)
Interest bearing loans and borrowings	(2.1)
Employee benefits	(0.1)
Net identifiable assets and liabilities	14.8
Intangibles on acquisition	70.3
Consideration paid	85.1
Deferred consideration	(21.1)
Paid in cash	64.0
Cash (acquired)	(4.5)
Net cash outflow	59.5

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

On 31 December 2019 the group acquired 100% of the issued capital of Aquimisa, S.L. and its controlled entities. The purchase consideration was $85.1m of which $64.0m 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 two years post acquisition. The acquired net tangible assets were $14.8m. In addition to the acquired net tangible assets, goodwill (non-deductible for tax) of $59.4m and customer relationships of $10.9m were recognised.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Aquimisa, S.L. and its controlled entities for the three-month period from the acquisition date. All acquired amounts and contingent consideration was recorded on a provisional basis at 31 March 2020.

Directly attributable transaction costs of $1.5m relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2020 the Aquimisa Group contributed revenue of $9.2m and a net profit after tax of $1.3m to the consolidated net profit after tax for the year.

The Aquimisa group was acquired for the purpose of broadening the food service reach of the Group's existing European and Latin American Life Sciences division. 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.

Other acquirees' net assets at acquisition dates

In millions of AUD	Fair Value 2020	Fair Value * 2019
Property, plant and equipment	–	8.4
Identifiable intangible assets	–	0.1
Trade and other receivables	–	5.2
Cash and cash equivalents	–	0.3
Interest-bearing loans and borrowings	–	(1.0)
Employee benefits	–	(0.4)
Trade and other payables	–	(3.5)
Current tax liabilities	–	(0.2)
Net identifiable assets and liabilities	–	8.9
Intangibles on acquisition	–	57.4
Consideration paid	–	66.3
Deferred consideration	–	(3.2)
Paid in cash	–	63.1
Cash (acquired)	–	(0.3)
Net cash outflow	–	62.8

* The comparatives disclose all 2019 acquisitions.

Directly attributable transaction costs of $nil (2019: $485,500) relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2020 the other acquirees contributed revenue of $nil (2019: $9.7m) and a net profit after tax of $nil (2019: $0.3m) 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.

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. Material operating entities and ultimate parent

The controlled entities disclosed are limited to those entities with a contribution to Group consolidated revenue of at least 1%, but also includes the main operating legal entity in every country where the Group has permanent operations, even where such legal entity represents less than 1% of the Group consolidated revenues. The list also includes major borrowers but excludes dormant and pure sub-holding entities.

Parent entity	
Australia	ALS Limited
Controlled entities	
Argentina	ALS Argentina S.A.
Australia	ACIRL Proprietary Ltd
Australia	ACIRL Quality Testing Services Pty Ltd
Australia	ALS Industrial Pty Ltd
Australia	Ammtec Unit Trust
Australia	Australian Laboratory Services Pty Ltd
Australia	Ecowise Australia Pty Ltd
Austria	ALS Austria GmbH
Belgium	ALS Inspection Belgium NV
Bolivia	ALS Bolivia Ltda
Botswana	ALS Laboratory Botswana (Pty) Ltd
Brazil	ALS AMBIENTAL Ltda
Burkina Faso	ALS Burkina SARL
Cambodia	Australian Laboratory Services (ALS) (Cambodia) Co., Ltd.
Canada	ALS Canada Ltd.
Chile	ALS Patagonia S.A.
China	ALS Chemex (Guangzhou) Co. Ltd.
Colombia	ALS Life Sciences Colombia S.A.S.
Congo	ALS Minerals RDC SPRL
Czech Republic	ALS Czech Republic s.r.o.
Denmark	ALS Denmark AS
Dominican Republic	ALS Dominican Republic SAS
Ecuador	Corporacion Laboratorios Ambientales del Ecuador CORPLABEC S.A.
England	ALS Environmental Limited
England	ALS Inspection UK Limited
England	ALS Laboratories (UK) Ltd
Ethiopia	ALS Services PLC
Finland	ALS Finland OY
France	ALS Laboratories (France) SAS
Ghana	ALS Ghana Limited
Hong Kong	ALS Technichem (HK) Pty Ltd
India	ALS Testing Services India Private Limited
Ireland	OMAC Laboratories Limited
Italy	ALS Italia S.r.l.
Ivory Coast	ALS Ivory Coast SARL
Kazakhstan	ALS KazLab LLP
Laos	Australian Laboratory Services (Lao) Limited
Liberia	ALS Liberia Ltd
Mali	Group de Laboratoire ALS MALI SARL
Mauritania	Stewart Inspection & Analysis Limited (Mauritania)
Mexico	Laboratorio de Control ARJ, S. A. de C. V.
Mongolia	ALS Inspection LLC
Mozambique	ALS Inspection Mozambique Service, LDA
Myanmar	ALS Testing Services Company Limited
Namibia	ALS Laboratory Namibia (Proprietary) Ltd
Netherlands	ALS Inspection Netherlands BV
New Zealand	ALS Testing Services NZ Limited
Norway	ALS Laboratory Group Norway AS
Panama	ALS Panama S.A.
Peru	ALS LS PERU S.A.C.
Peru	ALS Peru S.A.
Poland	ALS Food & Pharmaceutical Polska Sp. z.o.o.
Portugal	Controlvet – Seguranca Alimentar, SA
Romania	ALS Romania S.R.L
Russia	ALS Chita Laboratory LLC
Scotland	ALS Petrophysics Limited
Serbia	ALS Laboratory Services DOO BOR
Singapore	ALS Technichem (S) Pte Ltd
Slovakia	ALS SK, s.r.o.
South Africa	ALS Chemex South Africa (Proprietary) Ltd
South Korea	ALS Inspection South Korea Limited
Spain	Aquimisa S.L.
Sudan	Australian Laboratory Services Co. Ltd.
Sweden	ALS Scandinavia AB
Tanzania	ALS Tanzania Limited

Thailand	ALS Laboratory Group (Thailand) Co Ltd
Turkey	ALS Laboratuar Hizmetleri Limited Sirketi
USA	ALS Group USA, Corp
USA	ALS Industrial USA, LLC
USA	ALS Maverick Testing Laboratories, Inc.
USA	ALS Services USA, Corp
USA	ALS Testing Services Group USA
USA	ALS USA Inc
Zambia	Australian Laboratory Group (Zambia) Limited

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 2020 is set out below.

Summary profit and loss statement and retained profits

In millions of AUD	Consolidated	
	2020	**2019**
Profit before tax	78.9	159.1
Income tax expense	(20.2)	(17.2)
Profit after tax	58.7	141.9
Retained profits at beginning of year	(32.3)	(72.6)
Retained earnings adjustment*	-	(1.8)
Dividends recognised during the year	(112.9)	(99.8)
Retained profits at end of year	(86.5)	(32.3)

* Represents applicable amounts taken directly to retained earnings.

Statement of comprehensive income

In millions of AUD	Consolidated	
	2020	**2019**
Profit for the period	58.7	141.9
Total comprehensive income for the period	58.7	141.9

Balance Sheet

In millions of AUD	Consolidated	
	2020	**2019**
Assets		
Cash and cash equivalents	289.1	14.3
Trade and other receivables	107.9	97.1
Inventories	19.1	22.0
Other	5.2	3.8
Total current assets	421.3	137.2
Receivables	170.3	155.7
Investments accounted for using the equity method	20.1	16.1
Investment property	10.0	10.1
Deferred tax assets	32.9	23.5
Property, plant and equipment	148.3	141.5
Right-of-use assets	37.2	-
Intangible assets	292.6	333.1
Other investments	1,113.0	741.8
Total non-current assets	1,824.4	1,421.8
Total assets	2,245.7	1,559.0
Liabilities		
Trade and other payables	56.3	58.6
Loans and borrowings	12.0	-
Income tax payable	12.6	1.6
Employee benefits	38.3	33.8
Total current liabilities	119.2	94.0
Loans and borrowings	859.9	151.5
Employee benefits	5.9	6.7
Other	35.2	10.0
Total non-current liabilities	901.0	168.2
Total liabilities	1,020.2	262.2
Net assets	1,225.5	1,296.8
Equity		
Share capital	1,303.9	1,325.9
Reserves	8.1	3.2
Retained earnings	(86.5)	(32.3)
Total equity	1,225.5	1,296.8

5d. Parent entity disclosures

Result of parent entity

In millions of AUD	**2020**	**2019**
Profit / (loss) for the period	(38.8)	(19.3)
Total comprehensive income / (loss) for the period	(38.8)	(19.3)

Financial position of parent entity at year end

In millions of AUD	**2020**	**2019**
Current assets	287.5	17.2
Total assets	1,814.7	1,628.9
Current liabilities	16.7	9.9
Total liabilities	811.6	457.0
Net assets	1,003.1	1,171.9
Share capital	1,303.9	1,325.9
Reserves	5.0	4.2
Retained earnings	(305.8)	(158.2)
Total equity	1,003.1	1,171.9

Parent entity capital commitments

In millions of AUD	**2020**	**2019**
Plant and equipment contracted but not provided for and payable within one year	0.1	-
	0.1	-

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 3d 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**	
Recognised in the profit and loss statement	**2020**	**2019**
Current tax expense from continuing operations		
Current year	75.0	67.1
Adjustments for prior years	3.1	(0.3)
	78.1	66.8
Deferred tax expense		
Origination and reversal of temporary differences	(5.0)	(4.4)
Total income tax expense in profit and loss statement	73.1	62.4
Reconciliation between tax expense and pre-tax net profit/(loss)		
Profit/(loss) before tax from continuing operations	151.1	230.3
Income tax using the domestic corporation tax rate of 30% (2019: 30%)	45.3	69.1
Difference resulting from different tax rates in overseas countries	(6.9)	(7.1)
Increase in income tax expense due to:		
Non-deductible expenses	3.0	4.8
Non-deductible new market expansion and acquisition related costs	1.1	0.1
Tax losses of subsidiaries not recognised	0.6	1.8
Non-resident withholding tax paid upon receipt of distributions from foreign related parties	1.5	2.3
Non-deductible impairment losses	27.0	-
Non-deductible amortisation of intangibles	2.3	0.9
Under / (over) provided in prior years	3.1	(0.3)
	38.6	9.6
Decrease in income tax expense due to:		
Previously unrecognised tax losses utilised during the year	(1.2)	-
Share of associate entities net profit	(1.0)	(0.7)
Foreign statutory tax exemptions granted	(0.4)	(1.3)
Tax exempt revenues	(1.3)	(0.8)
Deductible financing costs	-	(4.5)
Other deductible items	-	(1.9)
Income tax expense on pre-tax net profit/(loss) from continuing operations	73.1	62.4
Deferred tax recognised directly in equity		
Relating to hedging reserve	(1.0)	(0.4)
	(1.0)	(0.4)

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**	
In millions of AUD	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	8.1	6.6	10.5	6.4	(2.4)	0.2
Unrealised FX losses/(gains)	12.9	3.1	9.3	4.7	3.6	(1.6)
Provisions and other payables	22.1	17.5	0.5	–	21.6	17.5
Undeducted equity raising costs	–	0.6	–	–	–	0.6
Unearned Revenue	3.1	3.1	–	–	3.1	3.1
Fair value derivatives	–	–	2.8	1.8	(2.8)	(1.8)
Inventories	0.1	0.1	5.3	6.3	(5.2)	(6.2)
Other items	2.4	5.9	3.6	2.1	(1.2)	3.8
Tax value of loss carry-forwards recognised	5.2	–	–	–	5.2	–
Tax assets / liabilities	53.9	36.9	32.0	21.3	21.9	15.6
Set off of tax	(21.3)	(15.2)	(21.3)	(15.2)	–	–
Net tax assets / liabilities	32.6	21.7	10.7	6.1	21.9	15.6

Unrecognised deferred tax assets

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

In millions of AUD	**Consolidated**	
	2020	**2019**
Tax losses	40.3	34.8

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.

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.

This is the first of the Group's annual financial reports in which *AASB 16 Leases* has been applied. Changes to significant accounting policies are described in note 7b.

The financial report was authorised for issue by the directors on 27 May 2020.

Going concern

The financial statements have been approved by the Directors on a going concern basis. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID19 pandemic on the position of the Group at 31 March 2020 and its operations in future periods.

Current Period Impact

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The outbreak and the response of Governments in dealing with the pandemic is impacting the general activity levels within the community, the economy and to an extent the operations of ALS' business. For the period to (and at) 31 March 2020 there has been no significant impact on operations, cash flow and financial condition.

The Group's operations continue to run well, albeit that a small number of sites are closed. Strict health and travel changes have been put in place to reduce the spread of COVID-19 at company sites. The changes in place have resulted in the deferral of non-critical activity. The Group's supply chains remain open and there are adequate supplies to operate and maintain critical equipment, with alternative suppliers identified for many of these.

At 31 March 2020 the Group has re-assessed all significant judgements and estimates included in the 31 March 2020 financial result and position, including but not limited to, provisions against debtors and inventory, liability to future claims, impairment of non-current assets, the fair valuation of debt and associated instruments as well as other provisions and estimates.

Future Impact and Going Concern

It is not possible to precisely estimate the impact of the outbreak's near-term and longer effects on the Group or of Governments' varying efforts to combat the outbreak and support businesses globally.

The Directors have taken the following matters into consideration in forming a view that the Group is a going concern, amongst other matters:

- The Group has cash on hand and on deposit of $424.4m at 31 March 2020;
- Additional facility capacity of $91.9m existed at 31 March 2020 and post 31 March 2020 the Group's lenders have approved additional capacity of $205m;
- Debt facilities due to mature within 12 months can be met out of current cash on hand;
- Scenario modelling has been undertaken based on events currently known and current expectations which support operations will generate positive cash flows in future periods;
- The Directors have the ability to control the cash flow of capital expenditure and dividends;
- The Group's bankers have agreed post 31 March 2020 to increase the maximum leverage covenant to 4.0 times, and refinancing activities linked to a new USPP have begun to also align key covenants;
- The option is available to the Group to raise additional equity capital.

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 notes 2a. Trade and other receivables, 2g. Intangible assets, 5a. Acquisition of subsidiaries, 6a. Income taxes and 6b. Deferred tax assets and liabilities.

Comparatives

Certain comparative balances have been restated to conform with current year disclosure.

7b. Significant accounting policies

Except as described below, 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 2020.

Significant new accounting policies

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.

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 AASB16 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.

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.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

In millions of AUD	
Future minimum lease payments at 31 March 2019	182.4
Optional extension periods not disclosed and other adjustments 31 March 2019	67.6
Exemption of commitments for short-term leases	(3.5)
Exemption of commitments for leases of low value assets	(1.6)
Undiscounted future lease payments from operating leases	244.9

Effect of discounting at a weighted average incremental borrowing rate of 3.7%	(42.4)
Addition of lease liability as 1 April 2019	202.5
Former AASB 17 finance lease liabilities	0.3
Lease liabilities at 1 April 2019	202.8

Impact of adoption of AASB16

The following table summarises the impact of transition to AASB16 on 1 April 2019:

In millions of AUD	As reported at 31 March 2019	Adjustments due to adoptions 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)
	-	-	-

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.

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

The Group's primary type of financial assets subject to AASB 9's new expected credit loss model is trade receivables. The Group has applied the simplified approach permitted in AASB 9, which requires the use of the lifetime expected loss provision for all receivables, whereas AASB 139 operated under an incurred loss model and would only recognise impairments when there was objective evidence.

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. 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.

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.

Lease liabilities

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 2020	2019
Audit services		
Auditors of the Company		
EY Australia:		
Audit and review of consolidated and company financial reports	700.0	-
Other EY member firms:		
Audit and review of consolidated and company financial reports	1,400.0	-
	2,100.0	-
KPMG Australia:		
Audit and review of consolidated and company financial reports	-	627.8
Other regulatory services	-	10.5
Other KPMG member firms:		
Audit and review of financial reports	-	1,263.9
	-	1,902.2
Other services		
Auditors of the Company		
EY Australia:		
Other assurance and investigation services	286.2	-
Other EY member firms:		
Other assurance and investigation services	139.3	-
	425.5	-
KPMG Australia		
Other assurance and investigation services	-	22.5
Taxation services	-	242.1
Other KPMG member firms:		
Other assurance and investigation services	-	444.8
Taxation services	-	645.5
	-	1,354.9

7e. Events subsequent to balance date

New Bank Facilities

On 22 May 2020, the Group completed the agreements to increase its bank facilities by executing a series of new committed, multi-currency, bilateral, revolving credit facilities totalling USD$125m (AUD$205.2m) with its existing bank lender group. The Group's new revolving bank lines will mature in October 2021, at the same time as the existing USD$300m in facilities. The new bank facilities will provide additional liquidity to finance the operations and to meet the maturation of a US Private Placement (USPP) debt tranche, due at the end of the calendar year 2020. The new facilities also include temporary relief to the Group's leverage covenant for the remainder of FY2021.

COVID-19 impact

It is too early to predict with any certainty how the demand for services across our industries and geographies will be impacted over the coming months. The Group's diversified portfolio of testing businesses across a range of markets and geographies has proved resilient during the operational and economic challenges created by the COVID-19 pandemic, with many deemed as 'essential businesses' that continue to operate. Management has acted swiftly to adapt by aligning the cost base to client demand, strengthening the balance sheet and increasing the amount of liquidity available to the Group resulting in a reduction of the leverage ratio to 2.0x in early FY2021.

Total revenue for the Group was down 9% in April 2020 compared to pcp, notwithstanding economic shutdowns in many markets making sample collection difficult, particularly in Life Sciences. In the last few weeks several economies have started to relax restrictions although it is too early to tell the impact on sample volumes.

Other than those events separately described above, there have been no other Subsequent Events requiring separate disclosure in the interval between the end of the financial year and the date of this report.

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 disclosures

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). These conditional rights have performance hurdles which are assessed at the end of the performance period.

Service based rights were also issued during FY2020 to some key management personnel (KMP) to retain and reward, as well as under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY2019. A further tranche of new Service based rights in relation in respect of deferred compensation earned for STI outperformance during FY2020 will be granted to certain KMP during FY2021. An estimated accrual for the fair value of services received in return for these new deferred STI service rights (yet to be granted) has been made at 31 March 2020 and included in the value of share-based awards for KMP 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 and service 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:	**2020**	**2019**	**2018**	**2017**
Scheme performance period	**2019-22**	**2018-21**	**2017-20**	**2016-19**
Date of grant	31-Jul-19	1-Aug-18	20-Jul-17	26-Jul-16
Testing date for performance hurdles	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Vesting date and testing date for service condition	1-Jul-22	1-Jul-21	1-Jul-20	1-Jul-19
Number of rights:				
Opening balance 1 April	–	555,172	522,899	666,229
Granted	690,678	–	–	–
Vested & exercised	–	–	–	(564,751)
Lapsed (a)	(10,575)	(27,049)	(7,526)	(101,478)
Closing balance 31 March	680,103	528,123	515,373	–

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

Service-based rights granted year ended 31 March:	**2020**	**2020**	**2019**	**2019**	**2019**
Scheme performance period	**2019-21**	**2019-21**	**2018-20**	**2018-21**	**2018-20**
Date of grant	31-Jul-19	31-Jul-19	1-Aug-18	17-Sep-18	17-Sep-18
Vesting date and testing date for service condition	1-Jul-21	1-Apr-21	1-Apr-20	1-Jul-21	1-Jul-20
Number of rights:					
Opening balance 1 April	–	–	123,598	8,087	8,087
Granted	263,525	159,925	–	–	–
Vested & exercised	(4,972)	(10,264)	(11,163)	–	–
Lapsed (a)	–	–	–	–	–
Closing balance 31 March	258,553	149,661	112,435	8,087	8,087

(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:	**2020**	**2019**	**2018**	**2017**
Scheme performance period	**2019-22**	**2018-21**	**2017-20**	**2016-19**
Date of grant	31-Jul-19	1-Aug-18	20-Jul-17	27-Jul-16
Testing date for performance hurdles	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Vesting date and testing date for service condition	1-Jul-22	1-Jul-21	1-Jul-20	1-Jul-19
Number of rights:				
Opening balance 1 April	–	32,742	35,013	28,030
Granted	39,148	–	–	–
Vested & exercised	–	–	–	(16,031)
Lapsed (a)	–	–	–	(11,999)
Closing balance 31 March	39,148	32,742	35,013	–

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

Cash-settled service-based rights

Service-based rights granted year ended 31 March:	**2020**	**2020**	**2019**
Scheme performance period	**2019-21**	**2019-21**	**2018-20**
Date of grant	31-Jul-19	31-Jul-19	1-Aug-18
Vesting date and testing date for service condition	1-Jul-21	1-Apr-21	1-Apr-20
Number of rights:			
Opening balance 1 April	–	–	6,017
Granted	38,315	10,264	–
Vested & exercised	–	–	–
Lapsed	–	–	–
Closing balance 31 March	38,315	10,264	6,017

Vesting conditions – performance hurdle rights

Vesting conditions in relation to the performance-hurdle rights granted in July 2019 are set out below:

Employees must be employed by the Group on the vesting date (1 July 2022). 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 (April 2019 to March 2022)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 6% per annum	0%
Between 6% and 10% per annum	Straight line vesting between 12.5% and 25% of total grant
10% or higher per annum	25% of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2019 to March 2022)	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).	

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 period April 2019 to March 2022	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

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 over the period April 2019 to March 2022)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11%	0%
Between 11% and 16%	Straight line vesting between 0% and 25% of total grant
At or above 16%	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 2020 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:

Equity-settled rights	**Granted 2020**	**Granted 2019**	**Granted 2018**
Date of grant	31 July 2019	1 August 2018	20 July 2017
Weighted average fair value at date of grant of performance-hurdle rights	$5.88	$6.98	$6.21
Share price at date of grant	$7.22	$8.30	$7.18
Expected volatility	27%	37%	40%
Expected life	2.9 years	2.9 years	3.0 years
Risk-free interest rate	0.81%	2.12%	2.01%
Dividend yield	2.80%	2.70%	2.40%

Cash-settled rights	**Granted 2020**	**Granted 2019**	**Granted 2018**
Date of grant	31 July 2019	1 August 2018	20 July 2017
Weighted average fair value at date of grant of performance-hurdle rights	$5.88	$6.98	$6.21
Share price at date of grant	$7.22	$8.30	$7.18
Expected volatility	27%	37%	40%
Expected life	2.9 years	2.9 years	3.0 years
Risk-free interest rate	0.81%	2.12%	2.01%
Dividend yield	2.80%	2.70%	2.40%

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 have been issued during FY2020 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY2019. These Service Rights have had their value estimated using the volume weighted average price (VWAP) of ALS shares over the five trading days which followed 31 March 2019 ($7.06). As at 31 March 2020 there were 591,419 services rights on issue.

Service based rights will be issued during FY2020 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY2020. An estimated accrual for the fair value of services received in return for these deferred STI service rights has been made at 31 March 2020 and included in the value of share-based awards for KMP 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 2020.

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

In thousands of AUD	*Note*	**Consolidated**	
		2020	**2019**
Equity-settled rights	*1d*	5,701	3,602
Cash-settled rights		265	229
Total expenses recognised as employee costs		5,966	3,831
Carrying amount of liabilities for cash-settled rights		514	349

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:

Current Non-executive Directors

Bruce Phillips (Chairman)

Grant Murdoch

John Mulcahy

Charlie Sartain

Tonianne Dwyer

Siddhartha Kadia

Leslie Desjardins (appointed 21 November 2019)

Former Non-executive Director

Mel Bridges (Retired (31 July 2019)

Executive Directors

Raj Naran

Executives

Bruce McDonald (GM Geochemistry)

Andreas Jonsson (GM Life Sciences EMEA)

Tim Kilmister (GM Life Sciences APAC)

Kristen Walsh (GM Industrial)

Luis Damesceno (Chief Financial Officer)

Former Executives

David Prince (GM Life Sciences Americas until 27 December 2018)

Richard Stephens (Chief Financial Officer until 30 November 2018)

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

In AUD	**Consolidated**	
	2020	**2019**
Short term employee benefits	7,460,854	7,772,348
Post-employment benefits	179,766	195,430
Value of share-based awards	1,542,665	1,369,732
Termination benefits	–	433,420
Other long-term benefits	16,229	9,213
	9,199,514	9,780,143

Related party transaction

There are no other related party transactions with Key Management Personnel during the period.

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 2020 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 2020.

Signed in accordance with a resolution of the directors:

Bruce Phillips
Chairman
Brisbane
27 May 2020

Raj Naran
Managing Director
Houston
27 May 2020

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Independent Auditor's Report to the Members of ALS Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ALS Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2020, the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is 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 31 March 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 7a of the financial report which notes the World Health Organization's declaration of the outbreak of COVID-19 as a global pandemic during March 2020 and how this has been considered by the Directors in the preparation of the financial report. Given the evolving and uncertain nature of the COVID-19 outbreak, the potential impacts on the Group's operations and its financial position subsequent to year end, cannot be reliably estimated. We have discussed in our Key Audit matters how we have considered the impact of COVID-19 on these matters. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Impairment testing of goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
Note 2g discloses the goodwill and other intangible assets allocated to each of the Group's individually significant cash generating units (CGUs), the method applied in testing for impairment, and the key assumptions used. The annual impairment assessment of intangible assets performed by the Group is a key audit matter due to the value of the intangible assets relative to the total assets and the degree of estimation and judgement involved in the assessment, specifically concerning future discounted cash flows. Based on the impairment testing performed and disclosed in Note 2g, the Board concluded that in the Life Sciences – South America CGU and Industrial CGU, an impairment charge of $50 million and $40 million respectively against goodwill was required at 31 March 2020.	Our audit considered the requirements of Australian Accounting Standards AASB136 *Impairment of Assets*. All of the Group's CGU's contain goodwill and an annual impairment assessment was made in line with the Group's policies in February 2020. This assessment was updated in April 2020 to reflect forecasts and carrying values at 31 March 2020 to take account of the impact of COVID-19. Our procedures below were initially conducted on the original assessment, however, were substantially re-performed on the revised COVID-19 impacted assessment. We performed an assessment of the designation of the Group's CGUs. As part of this we reviewed and assessed evidence supporting the amalgamation of the Life Sciences Europe CGU. We then tested the impairment assessment components: *Asset Base and Carrying Value* We agreed the carrying value of tangible and intangible assets subject to testing to supporting general ledger records. We also agreed working capital balances to the general ledger and assessed the completeness of these balances. We conducted analytical review of the assets and liabilities tested to the prior period and understood movements. We verified movements due to acquisitions and disposals to the audit procedures performed on the business combinations and disposals. *Recoverable Value* The assumptions used in the discounted cashflow forecasts prepared by the Group are summarized in Note 2g to the financial statements. In evaluating these cash flow forecasts we: ► Assessed the mathematical accuracy of the cash flow models. ► Considered the historical reliability of the Group's cash flow forecasts. ► Assessed whether the forecasts (operating, working capital, capital and tax) were consistent with our knowledge of the business including Board approved budgets, known and anticipated COVID-19 impacts, corroborated by our work with external information where possible. As part of our work we compared assumptions across similar businesses in other geographical CGUs in the Group.

Why significant	How our audit addressed the key audit matter
	► Used our valuation specialists to evaluate the growth rates and discount rates used by the Group. For discount rates used we also assessed the risk factors included in the discount rate to account for the level of risk and uncertainty in forecast cash flows. ► Assessed the sensitivities of the impairment model to reasonably possible changes in assumptions relating to cash flow forecasts, terminal growth rates and discount rates applied. This included the impact of various COVID-19 scenarios. ***Disclosure*** We considered the related financial report disclosures including the adequacy of those related to the impairment.

2. Diversified and decentralised operations and consolidation

Why significant	How our audit addressed the key audit matter
Note 5b discloses the Group's significant controlled entities. The Group has operations in 65 countries in diverse business segments. The subsidiaries and associates (components) in the Group use a wide range of accounting systems to capture financial information and report to the Group. Consolidation of the Group's results at year end involves significant oversight by the Group to monitor components' financial reporting. Furthermore, a majority of the Group's results is reported in a currency other than the presentation currency. This is a key audit matter for us due to the large number of components in the Group, the extent of foreign currency translation involved, and the diverse accounting systems requiring significant audit effort by us.	Our audit considered the requirements of the Australian Accounting Standard AASB 10 *Consolidated Financial Statements*. We reviewed the information prepared for consolidation purposes. To gather evidence on significant balances that consolidate to form the Group's financial reporting, we performed the following: ► Obtained an understanding of the components in the Group and identified the significant risks of material misstatement within them. ► Selected components based on size or level of risk to the Group. Our selection also included components that did not meet the above criteria to introduce an element of unpredictability in our selection of components. ► Instructed the selected component audit teams to perform procedures on the financial information prepared for consolidation purposes. Our audit procedures included the review of component's compliance with Group's accounting policies.

Why significant	How our audit addressed the key audit matter
	► Worked with the component audit teams to identify risks relevant to the audit of the Group and plan appropriate procedures. We evaluated the work performed by the component audit teams for the purposes of the Group audit. We also assessed the impact of the audit matters reported by the component audit teams on the Group results through review of their work papers on a selective basis and discussions with them. We participated in close out meetings with local management via electronic means due to the restrictions placed by COVID-19 travel bans. ► We tested the financial data used in the consolidation process for consistency with the financial data audited by the component audit teams. We also tested the exchange rates used and method used to consolidate the results of foreign components. ► For components not within the above scope we performed analytical procedures on the financial information, compared the actual financial performance to prior year results and made enquiries of the group and component management.

3. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group derives revenue from testing and inspection services provided to customers. The contracts for rendering services relate to short term and long-term projects. Revenue from short term projects is recognised when a finding or inspection report or test certificate is issued. For long term projects revenue is recognised in the profit and loss statement over time based on measure of progress. The Group's revenue recognition policies are described in Note 1c. Revenue recognition is a key audit matter due to the large amounts involved and the risk of incorrect timing of revenue recognition, primarily through estimation of the stage of progress of the service being rendered.	Our audit considered the requirements of AASB15 *Revenue Recognition*. Our audit procedures included the following: ► Obtaining an understanding of the services rendered by the business segments of the Group and the related revenue recognition policy for the services rendered by the Group. ► Assessment of the revenue recognition processes and practices including the evaluation and testing of key internal controls over revenue recognition. ► Substantive and Control audit procedures to assess the completeness, accuracy and timing of revenue recognition. Our procedures included the following:

Why significant	How our audit addressed the key audit matter
	○ Testing the timeliness of revenue recognition by comparing individual sales transactions to customer contracts and evidence of service being rendered and approved. We also tested significant credit notes issued after year-end to ensure they were recorded in the correct period and appropriately approved. ○ On a sample basis we reconciled revenue to supporting documentation, validated estimates of cost to complete where relevant, and tested the mathematical accuracy of the calculations. ► Testing of accounts receivable by reviewing the invoices outstanding against the proof of service delivery and by reconciling the cash payments received after the year end to accounts receivable balances at the year end. ► Reviewing the disclosure in the financial statements to assess compliance with the requirements of the *Australian Accounting Standards*.

4. Going concern

Why significant	How our audit addressed the key audit matter
This is a key audit matter as COVID-19 has created uncertainty relating to the Group's cash flows in future periods. The Group's future cash flow and ability to pay its debts as and when due may be impacted due to lower than budgeted cash flows from operations and financing activities as well as impacts on the Group's lenders continuation of funding. The Group reviewed various possible impacts of the current economic uncertainties on its future cash flow from operations and current funding arrangements. This included forecasting under pessimistic, base and optimistic scenarios as well as the assessment of covenant compliance forecasts and capital availability options. The results of this assessment are described in Note 7a.	Our audit considered the requirements of the Australian Auditing Standard ASA 570 *Going Concern*. Our audit procedures included the following: ► Obtaining and evaluating management's preliminary assessment of the Group's ability to continue as a going concern, including the related forecast cash flows. ► Reviewing the financial condition of the Group taking into consideration the debts on the balance sheet at year end and the Group's ability to settle the debts as and when they become due. We assessed the Group's financial condition and cash flows by considering, testing and obtaining evidence to support: a) Cash balances at 31 March 2020; b) Available and undrawn facilities; c) Additional facilities obtained post year end;

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Why significant	How our audit addressed the key audit matter
	d) Expected cash flow arising in the forecast period from operations, acquisition obligations, capital expenditure, taxation, dividends and any committed share buy-back obligations; e) Debt repayment obligations; and f) Minimum working capital cash balances required in the business. ▶ Evaluating whether management's assessment has taken into account all the relevant information that we have become aware of as a result of the procedures we have performed during the audit, including the classification of liabilities as current and non-current and liquidity of existing assets. ▶ Gaining an understanding of debt covenants and: ○ Examining evidence supporting increased leverage covenants on bank borrowings secured post 31 March 2020. ○ Evaluating the Group's expectation of receiving concessions on USPP debt covenants if required; and ○ Assessing the related forecast covenant calculations for clerical accuracy and compliance with requirements. ▶ Inquiring of management as to whether they are aware of any events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern. ▶ Considering the adequacy of related financial report disclosures.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 38 of the directors' report for the year ended 31 March 2020.

In our opinion, the Remuneration Report of ALS Limited for the year ended 31 March 2020, complies with section 300A of the *Corporations Act 2001*.

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

Ernst & Young

Ernst & Young

Bradly Tozer

Brad Tozer
Partner
Brisbane
27 May 2020

Building a better
working world

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Auditor's independence declaration to the Directors of ALS Limited

As lead auditor for the audit of the financial report of ALS Limited for the financial year ended 31 March 2020, 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 audit; and

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

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

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
27 May 2020