Appendix 4E

Full year report for the Year Ending 31 March 2021

(the previous corresponding period is the Year Ended 31 March 2020)

Results for announcement to the market

$A millions

Revenues from ordinary activities	Down	5.2%	to	1,761.4
Revenues from continuing operations	Down	5.0%	to	1,761.4
Underlying net profit after tax * from continuing operations attributable to members	Down	1.5%	to	185.9
Net profit (loss) from ordinary activities after tax * attributable to equity holders	Up	35.1%	to	172.6
Net profit (loss) for the period * attributable to equity holders	Up	35.1%	to	172.6
Basic underlying * earnings per share from continuing operations attributable to members	Down	1.5%	to	38.5¢
Basic earnings per share	Up	35.1%	to	35.8¢
Total dividend per share for the year (partly franked)	Up	31.3%	at	23.1¢

ALS Limited (ASX Code: ALQ) today announced an underlying net profit after tax from continuing operations of $185.9 million for FY2021. The result was 1.5% lower than the $188.8 million comparative underlying net profit after tax earned in the previous corresponding period (pcp).

The FY2021 statutory result from all operations was a net profit after tax attributable to equity holders of the Company of $172.6 million, compared with a net profit of $127.8 million recorded in FY2020.

* *Refer to page 7 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	14.6¢	10.2¢
Interim dividend	8.5¢	8.5¢
Date the final dividend (distribution) is payable		**5 July 2021**

+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)	**8 June 2021**
DRP election date	**N/A**

Dividend - Amount per security

		Amount per security	Amount per security of conduit foreign income
Final dividend:	Current year	14.6¢	4.4¢
	Previous year	6.1¢	1.8¢
Interim dividend:	Current year	8.5¢	-
	Previous year	11.5¢	8.0¢

Total final dividend (distribution) on all securities

	Current period $A millions	Previous corresponding period - $A millions
+Ordinary securities *(each class separately)*	70.4	29.4
Preference +securities *(each class separately)*	-	-
Other equity instruments *(each class separately)*	-	-
Total	70.4	**29.4**

The 2021 final dividend will be franked to 70%. Future dividends will be franked at the maximum level possible. The Company's dividend reinvestment plan remains suspended due to the Company's on-market share buyback program.

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security ^	$(0.48)	($0.56)

^ Net Tangible Assets (NTA) are calculated excluding the Group's right-of-use assets (ROU) assets.

Audit

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

Signature: Date: 26 May 2021

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 2021

Contents

Directors' report

For the year ended 31 March 2021

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 2021 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 66

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 and the Nomination Committee.

RAJ NARAN
B Sc (Chemistry), B A (Mathematics)
Managing Director and
Chief Executive Officer
Age 59

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

Raj founded e-Lab Analytical Inc which operated an environmental analytical testing business in Texas and Michigan until it was acquired by the Group 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.

JOHN MULCAHY
PhD, B E (Civil Eng) (Hons), FIE Aust
Independent Non-Executive Director Age 71

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, the Audit and Risk Committee and the Nomination Committee.

CHARLIE SARTAIN
B Eng (Hons) (Mining),
FAusIMM, FTSE
Independent Non-Executive Director Age 60

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 plc 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 Limited, Chairman of the Advisory Board of the Sustainable Minerals Institute at the University of Queensland, and Chairman of the Board of Wesley Medical Research Ltd. 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, Goldcorp Inc., Newmont Corporation and as a two-term Member of the Senate of the University of Queensland. He was awarded an Honorary Doctorate in Engineering by the University of Queensland in 2019.

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

TONIANNE DWYER
B Juris (Hons), LLB (Hons), GAICD
Independent Non-Executive Director Age 58

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 Société 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, retiring 28 June 2021), DEXUS Property Group and DEXUS Wholesale Property Fund (appointed August 2011) and Incitec Pivot Limited (appointed May 2021). She is Deputy Chancellor of the Senate of the University of Queensland and is on the Board of the Sir John Monash Foundation and Chief Executive Women.

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

SIDDHARTHA KADIA
Ph.D. Biomedical Engineering, B.E., Electronics and Telecommunication
Independent Non-Executive Director Age 51

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, Nuvasive, Inc (appointed February 2021) and other US-based companies including Isoplexis, ATS (Applied Technical Services), Overseers. 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, the People Committee and the Nomination Committee.

LESLIE DESJARDINS
B. Industrial Admin, Finance (Kettering), MS. Business (MIT)
Independent Non-Executive Director Age 61

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, Business with Massachusetts Institute of Technology, Sloan and a Bachelor of Industrial Administration, Finance with Kettering University.

She is the Chair of the Audit and Risk Committee and a member of the Nomination Committee.

GRANT MURDOCH
M COM (Hons), FAICD, FCA
Independent Non-Executive Director
Age 69

Retired on 29 July 2020.

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 pharmaceutical testing in Brazil.

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 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 and is committed to maintaining the strong and sustainable growth strategies which have made it a successful, global company. The Group seeks to build strong partnerships with clients by delivering cost-effective solutions backed by the best quality, service, and technical capability.

FY21 was a year focused on building business resilience. In the first quarter of the year, when the COVID-19 pandemic impacted the majority of businesses, the management team acted swiftly to focus on three elements; safeguarding employees' health and safety; ensuring business continuity with clients; and protecting the company's financial stability and liquidity. The Group's strong performance in these key areas was only possible with the support and hard work from every ALS family member.

The Commodities division had a soft start to the year, impacted by the COVID-19 pandemic and reduced spending from both major mining clients and junior explorers. The second half of the financial year saw a material improvement of EBIT margins over the prior year, particularly in Geochemistry, with benefits flowing from managed cost reductions and effective leveraging of the hub and spoke model as sample volumes increased substantially during the half.

The Life Sciences division demonstrated resilience in both revenue and EBIT margin during the year. Although the organic revenue declined during the first half of the financial year, the business recovered in the second half. Driven by cost reductions early in the COVID-19 pandemic and recovery of volumes during the second half of the financial year, the EBIT margin increased compared to the prior year. Acquisition contribution in revenue and EBIT from both ARJ and Aquimisa was in line with the expectations, with both making a positive contribution to the Life Sciences division.

The operating environment remains challenging for the Industrial division which was significantly impacted by the COVID-19 pandemic. Following the closure of the US welding business and the implementation of several cost savings initiatives, the business showed a margin improvement in the second half of the financial year despite the reduction in revenue.

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 strong growth outcomes for shareholders.

Impact of COVID-19 pandemic

The health and safety of the ALS family remains our number one priority. The Group continues to provide a safe environment for employees and clients through the COVID-19 pandemic.

The COVID-19 outbreak and the second wave in October 2020 have further impacted the global economy and the operations of our business. Despite the challenging conditions, less than 10 per cent of the Group's global laboratory network was adversely affected by COVID-19-imposed regional and national economic shutdowns. Several sites subsequently reopened after being designated as an 'essential business' and continued to operate. Many of these shutdown economies are reopening as the vaccine rolls out, with sample flows to these laboratories resuming.

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

Despite the challenges imposed by the unprecedented COVID-19 pandemic, the Group continues to execute its strategy while implementing short-term actions to adjust the cost base and improve productivity. Commitment to innovation, technical expertise, and superior service levels to our clients is the absolute focus for each business, 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. Together with a targeted acquisition strategy predominantly in the Life Sciences division, the focus in these areas will continue to be the core of our strategy for the coming years.

Financial performance

The Group's financial performance for the year to 31 March 2021 is summarised as follows:

2021 ($m)	Underlying results[1] Continuing operations	Restructuring & other items[1]	COVID-19 Subsidies & Grants[1] net of Direct Costs[2]	Amortisation of intangibles[1]	Statutory result
Revenue	1,761.4	-	-	-	**1,761.4**
EBITDA[3]	425.1	(29.4)	25.4	-	**421.1**
Depreciation & amortisation	(123.7)	-	-	(8.9)	**(132.6)**
EBIT[3]	301.4	(29.4)	25.4	(8.9)	**288.5**
Net Interest expense	(40.0)	-	-	-	**(40.0)**
Tax expense	(74.0)	6.0	(7.5)	1.1	**(74.4)**
	187.4	(23.4)	17.9	(7.8)	**174.1**
Non-controlling interests	(1.5)	-	-	-	**(1.5)**
Net profit / (loss) after tax (NPAT)	185.9	(23.4)	17.9	(7.8)	**172.6**
Basic EPS (cents)	38.5	-	-	-	**35.8**
Diluted EPS (cents)	38.4	-	-	-	**35.6**

2020 ($m)	Underlying results[1]		Restructuring & other items[1]	Amortisation & Impairment of intangibles[1]	Divestments and other Business Closures[1]	Statutory result
	Continuing operations	Discontinued operations[4]				
Revenue	1,853.9	4.2	-	-	-	**1,858.1**
EBITDA[3]	431.5	(0.7)	(15.5)	-	54.1	**469.4**
Impairment	-	-	-	(90.0)	-	**(90.0)**
Depreciation & amortisation	(125.7)	(1.1)	-	(7.6)	-	**(134.4)**
EBIT[3]	305.8	(1.8)	(15.5)	(97.6)	54.1	**245.0**
Net Interest expense	(41.3)	(0.7)	(0.4)	-	-	**(42.4)**
Tax expense	(74.0)	(0.0)	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**

[1] *The terms 'Underlying results', 'Restructuring & other Items', 'COVID-19 Subsidies & Grants', 'Amortisation and Impairment of intangibles' and 'Divestments 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. Restructuring and other items includes greenfield start-up costs of $2.8m (2020: $7.1m), acquisition costs of $2.7m (2020: $3.3m), impairment of right-of-use asset and other site closures $13.6m (2020 $1.5m), and other restructuring costs of $10.3m (2020: $3.6m), which includes employee redundancy costs and realised FX amounts on the restructuring of intra Group loan balances.*

[2] *Subsidies received under COVID-19 economic support programmes in various jurisdictions in which the Group operates. Includes $3.0m from the Job Keeper programme in Australia and $20.5m from the CEWS programme in Canada. Direct costs include scheme participation costs, advisory fees in relation thereto, and increased expenditures related to providing employee personal protective equipment.*

[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.*

[4] *Refer to note 1e.*

The Group delivered a full-year statutory Net Profit After Tax (NPAT) of $172.6 million, compared to the $127.8 million recorded in the prior corresponding period. The increase of $44.8 million in NPAT reported in FY21 is partially associated with an exceptional net loss of $34.5 million recorded in FY20, primarily due to the impairment losses of $90.0 million offset by the net gain of $55.5 million linked to the disposal of the Group's Life Sciences Environmental business in China.

On an underlying basis, the Group recorded NPAT from continuing operations of $185.9 million, down 1.5 per cent compared to $188.8 million reported in the prior corresponding period, a strong outcome in an extremely challenging year.

The revenue from continuing operations of $1,761.4 million was down 5.0 per cent compared to $1,853.9 million recorded in the prior corresponding period. Most of the decrease is explained by the translation FX impact of $90.3 million resulting from the appreciation of the Australian dollar against main currencies during FY21. Revenues declined organically by only 2.1 per cent in the year, which was partially offset by a scope increase of 2.0 per cent from acquisitions.

Despite the challenging environment in FY21 and the material impact of FX, the Group delivered an underlying Earnings Before Interest and Tax (EBIT) margin of 17.1 per cent, an improvement of 62 bps compared to the prior corresponding period. This performance illustrates the strength of the Group's operational model, which enabled the Group to quickly align its cost base to client demands when necessary and leverage existing footprint and expertise when volumes increase.

In response to the challenges imposed by the COVID-19 pandemic, the Group has incurred $10.3 million in restructuring costs, and additional site closure cost of $13.6 million, as part of the set of actions implemented to align its operating costs to the demand for services in key geographies.

Separately, the Group received Government grants and subsidies which, after being offset by direct scheme participation costs and advisory fees, totalled $25.4 million. Two schemes accounted for the majority of the net amount received: JobKeeper in Australia ($3.0 million) and Canadian Emergency Wage Subsidy (CEWS) in Canada ($20.5 million).

The Group has committed to the voluntary repayments of COVID-19 related government net subsidies in all countries where repayment mechanisms exist.

The Group successfully implemented the plan designed at the inception of FY21 to protect the Group's balance sheet as a response to the challenges imposed by the COVID-19 pandemic, and achieved significant improvements compared to FY20. The Group net debt was reduced by $186.5 million, repaying almost all short-term debt. The leverage ratio was reduced from 2.1x to 1.6x EBITDA, and the gearing ratio reduced from 42 to 36 per cent. These improvements were driven by a strong focus on working capital management, translating into a reduction of 6 days of client sales outstanding (DSO) and a solid cash to EBITDA conversion rate of 102 per cent in FY21.

Based on the solid performance delivered by the Group and its strong balance sheet as of March 2021, the Directors have declared a partly franked final dividend for the year of 14.6 cents per share, 70 per cent franked (2020: 6.1 cents, 70 per cent franked). Together with the interim dividend of 8.5 cents per share (100 per cent franked), the total partly franked dividend for the year will be 23.1 cents per share, up 31.3 per cent on the prior corresponding period (2020: 17.6 cents), representing a combined dividend payout ratio of 59.9 per cent of underlying net profit after tax from continuing operations. The dividends will be paid on the 5th of July 2021 on all shares registered in the Company's register at the close of business on the 8th of June 2021. Considering the Company's plans to continue the on-market share buyback program, the dividend reinvestment plan will remain suspended.

The Group has three reportable operating segments as of 31 March 2021: Life Sciences, Commodities, and Industrial.

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 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 suite of integrated services throughout market cycles.

Commodities – Financial performance	2021 ($m)	2020 ($m)	Variance
Revenue	624.8	642.2	**(2.7%)**
Segment EBIT[3]	179.8	162.5	
Restructuring and other items[1]	(7.3)	2.0	
Underlying segment EBIT[2]	172.5	164.5	**4.9%**
Margin (underlying segment EBIT to revenue)	27.6%	25.6%	
Underlying segment EBITDA[3]	210.4	201.4	**4.4%**
Margin (underlying segment EBITDA to revenue)	33.7%	31.4%	

The Commodities division closed the year with organic revenue growth of 3.8 per cent, with noticeable improvement in the second half of the year driven by the Geochemistry business. The division posted organic revenue growth of 17.2 per cent in H2, compared to an organic decline of 9.6 per cent in H1.

The solid FY21 underlying EBIT margin of 27.6 per cent, an improvement of 199bps compared to the prior corresponding period, was a result of management's swift actions to adjust the cost base in the first part of the year when revenues were down, and the ability to leverage the 'hub and spoke' operational model as volumes increased in H2.

The Geochemistry business experienced a substantial sample flow increase in H2 (+19 per cent vs. previous corresponding period), following a soft H1 (decline of 13 per cent vs. previous corresponding period). This increase, driven by both established mining clients with an increasing contribution from junior explorers, led to FY21 organic revenue growth of 7.3 per cent, with H2 closing with organic revenue growth of 26 per cent.

The growth in revenue in the second part of the year, coupled with the adjustment of the cost base already implemented in H1, and the ability to leverage the hub and spoke operational model were determinant factors for the business to deliver an underlying EBIT margin of 30.6 per cent in FY21(an improvement of 287 bps compared to prior corresponding period).

As we enter FY22, amid an increase in demand for geochemistry services, the management team will continue to focus on service delivery, productivity, and the sample turn-around time. The division continues to invest in building capacity and in the development of required capabilities around professional expertise and innovation, critical elements to deliver on our strategy.

The Inspection business closed the year with an organic decline in revenue of 6.2 per cent, although picked up stronger momentum in H2, particularly in Q4, with an organic increase of 2.6 per cent.

Despite the challenges faced during the year associated with the COVID-19 pandemic, the business delivered a solid underlying EBIT margin of 26.5 per cent, an improvement of 10 bps vs. previous corresponding period. This strong performance was due to the swift alignment of costs to revenue levels, the ongoing good performance of the MARSS acquisition, and margin improvements driven by the green field investments completed in FY20.

1 The term 'Restructuring and Other 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' 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.

Metallurgy organic revenue declined by 15.7 per cent in H1 as many projects were put on hold due to the COVID-19 pandemic. This dynamic improved significantly in H2 with reactivation of projects and increased drilling activity driven by a surge in commodity prices. The business delivered 6.1 per cent organic revenue growth in H2 (15.1 per cent in Q4), closing the year with a decline in organic revenue of 5.9 per cent.

Despite the challenges faced in the first part of the year, the Metallurgy business delivered a solid margin of 23.8 per cent in FY21. This good performance in a very challenging year is due to the strength built by the business over the years, notably recognized technical expertise, superior service delivery, and strong client relationships.

The Coal business posted an organic revenue decline of 9.5 per cent in FY21, with a significant reduction in the second half of the year. The demand for coal was impacted by the falling coal price and trade tensions with China, leading to a reduction in the superintending segment. Despite the challenges encountered in FY21, the Coal business continues to implement its service diversification strategy and operational improvement, delivering positive organic growth in its exploration and production-related services.

The Coal business closed the year with an underlying EBIT margin of 15.0 per cent, a reduction of 289 bps vs. previous corresponding period. This is due to the impact of a change in revenue mix, as the superintending segment has a higher margin compared to other activities in the business.

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	**2021 ($m)**	**2020 ($m)**	**Variance**
Revenue	930.0	961.2	**(3.2%)**
Segment EBIT[3]	154.9	139.2	
Restructuring and other items[1]	(4.3)	9.5	
Underlying segment EBIT[2]	150.6	148.7	**1.3%**
Margin (underlying segment EBIT to revenue)	16.2%	15.5%	
Underlying segment EBITDA[3]	222.4	222.8	**(0.2%)**
Margin (underlying segment EBITDA to revenue)	23.9%	23.2%	

The Life Sciences division closed the year with an organic revenue decline of 2.7 per cent, marked by a significant improvement in H2 when the business delivered organic growth of 1.9 per cent, compared to a decrease of 7.4 per cent in H1.

The recovery trend in H2 was present in all regions and driven by the gradual easing of COVID-19 restrictions, incremental revenue from COVID-19 related services, and the management team's commitment to the high standard of services provided to clients, despite the challenging environment.

A focus on strategic growth (both acquired and organic) is a key priority for the food and pharmaceutical components of Life Sciences. Essential building blocks to accommodate these newer businesses are in place ready for future growth.

As part of the external growth strategy, the Group acquired Investiga in March 2021, a pharmaceutical testing business with operations in Brazil and the east coast of the USA, with revenues of over $20.0 million and more than 360 employees. Investiga is specialised in the cosmetic and personal care markets, providing services to a portfolio of major global clients.

[1] The term 'Restructuring and Other 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' 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 division delivered an underlying EBIT margin of 16.2 per cent in FY21, an improvement of 72 bps compared to the prior corresponding period. This solid performance was driven by swift actions to align the cost base with the revenue levels and the strong performance of Aquimisa and ARJ, which continue to deliver accretive margins.

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	2021 ($m)	2020 ($m)	Variance
Revenue	206.6	250.5	**(17.5%)**
Segment EBIT[3]	12.5	24.4	
Restructuring and other items[1]	8.0	0.8	
Underlying segment EBIT[2]	20.5	25.2	**(18.7%)**
Margin (underlying segment EBIT to revenue)	9.9%	10.1%	
Underlying segment EBITDA[3]	33.3	38.3	**(13.1%)**
Margin (underlying segment EBITDA to revenue)	16.1%	15.3%	

Industrial division organic revenue declined by 15.5 per cent (H1 down 16.2 per cent and H2 down 14.7 per cent), a reduction primarily driven by the challenges faced by the Asset Care business due to COVID-19. Despite the revenue reduction, the division closed the year with an underlying margin of 9.9 per cent, flat compared to the prior corresponding period.

The Asset Care business was materially impacted throughout the year by the COVID-19 pandemic, closing the year with an organic revenue decline of 20.6 per cent. In H1, clients deferred non-essential maintenance-related inspection work, leading to an organic revenue decline of 20.3 per cent. In H2, organic revenue declined by 21.0 per cent due to scope reduction in assigned projects and price pressure.

Despite the revenue headwinds, the business delivered an underlying EBIT margin of 5.8 per cent, a limited reduction of 21 bps vs. previous corresponding period.

The Tribology business organic revenue declined by 1.6 per cent in FY21 but with a significant improvement in H2. (H1 decline of 4.7 per cent, and H2 growth of 1.8 per cent). This improvement was driven by the gradual reduction of COVID-19 related restrictions in main geographies and strong momentum in the agribusiness in Brazil.

The business delivered an underlying EBIT margin of 19.2 per cent, a reduction of 249 bps vs. previous corresponding period.

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[2] The term 'Underlying segment EBIT' 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.

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 2020, paid 06 Jul 2020	6.1	4.3	29.4
Interim 2021, paid 16 Dec 2020	8.5	8.5	41.0
Total amount			70.4
Ordinary dividend declared after the end of the financial year:			
Final 2021, to be paid 05 Jul 2021	14.6	10.2	70.4

The financial effect of the Final 2021 dividend does not impact the financial statements for the year ended 31 March 2021 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 30.0 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 refinancing and liquidity risks and is reflected in the table below:

In millions of AUD Source	Maturity	Drawn	Facility Limit
Bank facilities	October 2021	5.0	558.7
Local facilities	Various	1.4	1.4
US Private Placement Market	July 2022	249.8	249.8
US Private Placement Market	November 2030	276.0	276.0
US Private Placement Market	July 2034	250.0	250.0
		782.2	**1,335.8**

The Group is party to multi-currency, revolving debt facility agreements with five banks totalling USD$425.0 million. These existing bank facilities were to mature in October 2021. Replacement facilities totalling USD$350.0 million have been confirmed. Refer to note 7e.

During the year the Group has successfully issued new long-term US Private Placement (USPP) senior notes totalling AUD$281.0 million equivalent upon issue. The new USPP issuance comprised of three tranches each of 10 years tenor, denominated in AUD$110.0 million, EUR€40.0 million and CAD$100.0 million. The mix of currencies sought via the new issuance allows the Group's global cash flows 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 December 2020.

Financial position

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

- expansion and diversification of technical service capabilities through acquisitions in the pharmaceutical business in Latin America for a total consideration of $64.5 million which were financed from existing cash holdings and borrowings;
- the reduction of external loans and borrowings totalling $444.8 million, and the related decision to reduce surplus cash balances previously held at bank as liquidity risks linked to the COVID-19 pandemic become less pronounced; and
- total cash dividend payments to shareholders and minority interests of $71.3 million.

The overall effect of these transactions was:

- a decrease in net debt (excluding lease liabilities) of $186.5 million;
- intangible assets decreased by $24.1 million to $1,136.5 million (net of FX retranslation impacts); and
- total equity decreased by a net $30.8 million.

The Group remains committed to its strategy of maintaining a strong balance sheet throughout economic cycles as evidenced by the gearing of 36.2 per cent (2020: 41.9 per cent) and leverage of 1.6 times (2020: 2.1 times) as noted in the following table.

In millions of AUD		Consolidated	
	Note*	2021	2020
Trade and other receivables	*2a*	338.1	365.2
Inventories	*2c*	64.4	78.9
Other current assets		40.0	43.3
Trade and other payables	*2d*	(243.6)	(219.7)
Total working capital		**198.9**	**267.7**
Cash and cash equivalents	*3a*	168.6	423.9
Loans and borrowings (excluding leases)	*3d*	(782.2)	(1,227.0)
Fair value derivatives (non-current)		-	3.0
Net debt		**(613.6)**	**(800.1)**
Property, plant and equipment	*2e*	464.0	507.3
Right-of-use assets		177.1	219.9
Intangible assets	*2g*	1,136.5	1,160.6
Net deferred tax assets	*6b*	16.8	21.9
Investments		17.6	20.1
Other assets		39.8	50.6
Employee benefits		(70.4)	(67.5)
Other liabilities		(101.4)	(60.8)
Lease liabilities		(185.5)	(219.9)
Net assets held for sale		-	10.8
		1,494.5	1,643.0
Net assets		1,079.8	1,110.6
Total equity		1,079.8	1,110.6
Gearing: *Net debt to Net debt + Equity*		*36.2%*	*41.9%*

* References are to Notes to the Financial Statements

Cash flow

The Group's operating cash flow was characterised by a strong conversion of earnings into cash driven by a focus on working capital management. The Group achieved a reduction in days sales outstanding (DSO) of 6 days. Cash conversion measured as cash generated from operations (before interest and taxes paid) vs Underlying EBITDA* was 102 per cent. Underlying EBITDA* interest cover was 11.4 times (2020: 11.0 times).

Capital expenditure of $81.1 million, acquisitions of $49.6 million, and dividends paid to shareholders and minority interests of $71.3 million drove investing and financing outflows during FY21.

In millions of AUD	Consolidated	
	2021	2020
Underlying operating EBIT	301.4	304.0
Depreciation & amortization	123.7	126.8
Amortization on ROU	(44.6)	(45.6)
Interest on ROU	(7.2)	(8.0)
Underlying EBITDA* (pre-IFRS16 basis)	**373.3**	**377.2**
Working capital	0.6	(13.6)
Other	6.1	7.0
Cash flow before CAPEX	**380.0**	**370.6**
Cash Conversion	**102%**	**98%**
Cash flow before CAPEX	**380.0**	**370.6**
One-offs (cash basis)	7.3	(13.9)
ROU Payments	50.2	51.0
Treasury Shares	(2.7)	(4.3)
Other	(6.1)	(7.0)
Liquidity Hedge	(50.8)	-
Cash generated from operations	**377.9**	**396.4**
Net Interest & Taxes Paid	(107.9)	(137.4)
Net cash from operating activities	**270.0**	**259.0**
Net cash from investing activities	(124.7)	(166.3)
Net cash from financing activities	(379.9)	172.7
Net movement in cash and cash equivalents	(234.6)	265.4
Cash and cash equivalents at 1 April	423.9	148.2
Effect of exchange rate fluctuations on cash held	(20.7)	10.3
Cash and cash equivalents at 31 March	**168.6**	**423.9**
Leverage: *Net debt to Underlying EBITDA**	*1.6 times*	*2.1 times*
Interest cover: *Underlying EBITDA* to Net finance expense*	11.4	11.0

* Underlying EBITDA = Underlying earnings before interest, tax, depreciation and amortisation, and impairment losses calculated on a pre-IFRS16 basis. The calculation of Underlying EBITDA is unaudited.

Material business risks

ALS 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:

- The Group is exposed to financial risks such as liquidity risk, interest rate risk, foreign exchange risk, and credit risk (counterparty exposure). Group treasury and cash management policies are in place to mitigate these risks, and key indicators are monitored monthly including gearing and leverage ratios, interest cover by EBITDA, minimum liquidity reserves, weighted average debt maturity, and earnings at risk.
- The Group's success is dependent upon attracting and retaining staff in key technical and management roles. The Group 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 Commodities business stream operates in a cyclical resources sector with fluctuations in commodity prices and global demand. The Group 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. Significant actions were taken throughout the year to mitigate cyber risk. This includes testing back-up systems and redundant servers located at offsite data centres, updating disaster recovery plans, delivering cyber security awareness training to employees, improvements in monitoring the network, and having information management policies in place.
- ALS operates across a number of industries that have inherent safety risks. The Group 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.
- The Group 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. Outlined below is our key disclosure statement according to TCFD (the Task Force on Climate-related Financial Disclosures). Further information on our response to climate change can be found in our Sustainability Report for 2021, a copy of which is available on our website.

Task Force on Climate-related Financial Disclosures (TCFD)

ALS is committed to reducing our carbon emissions. We are conscious of the threat of climate change to our communities and our businesses. We have reviewed the recommendations of the G20 Financial Stability Board's industry-led task force: The Task Force on Climate-related Financial Disclosures (TCFD) which assesses climate-related risks and opportunities. The TCFD has developed a set of voluntary recommendations for companies to disclose information on how they oversee and manage climate-related risks and opportunities. We support these recommendations and are committed to providing stakeholders with information in relation to how we are managing climate change risks. Each year we will review and revise our climate strategy and associated metrics and targets based on new information as it comes to hand.

Governance

The Board's role

Governance of climate change is the responsibility of the Board which oversees the response to climate change risks and opportunities through the Board sub-committees including the Sustainability and Innovation Committee, the Audit and Risk Committee, and People Committee.

Sustainability and Innovation Committee

The purpose of the Sustainability and Innovation Committee is to provide oversight, on behalf of the

Board, of the strategies, standards, processes and practices intended to effectively manage environment, society and governance performance risks. Specifically, the Committee is to:

- Consider the social, environmental, and ethical impact of the Group's activities.
- Assess and recommend to the Board, the approval of the annual Sustainability Report.
- Review and recommend to the Board, the approval of the Group Climate Change Strategic Plan.
- Monitor the progress of business stream specific plans against the Group Climate Change Strategic Plan.
- Review and recommend to the Board for approval, the Group's short, medium, and long-term emissions targets and goals.
- Review the company's performance against its sustainability scorecard including specific carbon intensity targets.

Audit and Risk Committee

The Audit and Risk Committee provides oversight over the Group's risk profile, policies and management, including the key strategic and financial risks identified during the annual material business risk review process. Climate change is treated as a material business risk and its related risks and opportunities are incorporated into ALS's broader corporate strategy, planning and risk management. The Committee is responsible for:

- Reviewing estimates and judgements needed to apply to key accounting standards including valuations, impairments and depreciation rates for assets that may be impacted by climate change.
- Monitoring external audit activities (for both financial and sustainability assurance).
- Reviewing the business strategy and the impact on the financial planning process by using climate-related scenario analysis. Key impacts to consider include operating costs and revenues, capital expenditures and capital allocation, acquisitions or divestments, and access to capital.
- Reviewing the company's disclosure requirements specific to the impact of climate change on the company's financial statements, including oversight of TCFD reporting.

People Committee

The People Committee supports the Board in relation to the determination of remuneration policy, the adoption of incentive plans, and various governance responsibilities related to remuneration of its senior executives. The Committee will review performance metrics to ensure these reward executives fairly and responsibly including for the effective management of Environmental Social Governance (ESG) risks such as climate change.

For further information on the Board and its sub-committees, please refer to the company's Corporate Governance Statement which can be found on our website at *https://www.alsglobal.com/en/myals/investors/corporate-governance.*

Management's role

ALS's CEO and Executive Leadership Team are accountable for the Group's actions and commitments to embed climate change into risk management and business strategy. New and emerging risks, including those relating to climate change are monitored periodically by an Executive Risk Management Committee, with changes to the material business risk register reported to the Board as required. Executive General Managers of each business stream are responsible for identifying, managing and reporting upon climate risks within their business area and implementing appropriate risk treatments where risks exceed a defined risk appetite. Our operations management team is responsible for energy efficiency and greenhouse gas emissions at each of our site locations, targeting innovation opportunities to reduce our carbon emissions. A dedicated Group Sustainability Manager oversees the sustainability actions conducted in each business, and through regular monthly meetings with a network of HSE Lead Managers, ensures effective communication and collaboration of best practice initiatives across the Group.

Strategy

ALS's climate change strategy is focussed on managing climate-related risks, identifying opportunities and reducing emissions. We take a proactive approach to managing climate-related risks and opportunities throughout the Group and prioritise those projects that achieve real emissions reduction and generate long term financial and carbon reduction benefits to the company.

In FY18, the Group set a climate-related goal to reduce our energy intensity by 5 per cent over a 3-year period. Our performance against this target, broken down by division, is outlined in our 2021

Sustainability Report. The Group is pleased to report that it achieved a 5 per cent reduction in energy intensity by implementing innovative actions such as an LED lighting program, 'Shut the Sash' campaign, power correction factor equipment, and the use of solar power installations. During FY21, we developed new long-term targets for climate change and developed a Group Climate Change Strategic Plan that sets out our carbon reduction plan to meet these new targets.

Also, during the year, we completed modelling to quantify the impacts of acute physical risk (natural disasters such as flood and windstorms) for all key site locations across the globe. We revised our property valuations to better reflect our exposure to these events and reviewed our disaster recovery plans to ensure we are well prepared.

Outlined in the table on the following pages are the Group's key climate-related risks and opportunities. These risks and opportunities are not listed in order of significance and are not intended to be exhaustive. They represent the most significant risks and opportunities identified during FY21 stemming from a review of Group strategic plans and risk registers, and discussions with senior management. This process confirmed that at present, there are no material short-term climate-related risks for the Group. The majority of ALS's climate related risks have been deemed to potentially impact the business in the medium to longer term. Opportunities identified relate primarily to leveraging ALS's existing capabilities as a service provider to service new and adjacent markets that will continue to emerge as a result of the transition to a low carbon economy.

Risk management

Climate change brings both risks and opportunities to our business. Non-specific risks may include:

- More frequent extreme weather events that impact our business and/or supply chain (potential infrastructure damage or impact to sample flows).
- Adverse impact on workforce wellbeing during heat and weather events.
- Poor management of energy consumption and greenhouse gas emissions could lead to increased costs and regulatory fines.
- Testing markets for thermal coal are unlikely to see growth in the mid-to-longer term.

Some of these risks will be offset by future opportunities that will benefit the Group's operations as a result of climate change. These include the demand for our services potentially increasing in:

- testing water contamination after a flood;
- measuring air quality after fires;
- geochemical testing of new resources such as lithium for use in battery technology.

These risks and opportunities are outlined below based on the TCFD risk classification.

- Transition risks relate to a wide set of changes in policy, law, markets, technology, and prices that are necessary to achieve the transition to a low-carbon economy.
- Physical risks stem from the direct impact of climate change on our physical environment — through, for example, resource availability, supply chain disruptions, or damage to assets from severe weather. These risks can be chronic or acute.
- Climate-related opportunities include our efforts to mitigate and adapt to climate change also producing benefits, such as resource efficiency and cost savings, development of new products and services, accessing new markets, and building resilience along our supply chain.

Risk	Description	Risk Type	Potential Impact	Management Response/Mitigation
Impacts of increasing energy, fuel and carbon costs.	Increased operation costs due to increase in electricity, gaseous and liquid fuel prices.	Transition: Market, Policy	Decreased profitability from contracts in energy intensive service lines. Time horizon: Medium to long-term.	Implementation of policies and programs to reduce energy usage and carbon emissions, encourage renewable energies, and change employee behaviours.

Risk	Description	Risk Type	Potential Impact	Management Response/Mitigation
Exposure to extreme weather events.	Severe 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.	Physical: Acute and chronic, Legal.	Inability to achieve contractual schedules due to adverse and severe weather events. Field staff health and safety impacted. Increased insurance premiums. Time horizon: Medium to long-term.	Continue to assess contractual arrangements with respect to acute and chronic weather events to ensure appropriate mitigation measures are in place. Conduct Nat/Cat modelling and asset valuations for key ALS site locations. Revise business resilience and HSE plans.
Exposure to Fossil Fuel and thermal coal markets.	Transition to a low carbon economy leads to reduced demand for Oil and Gas, and thermal coal testing services.	Transition: Policy, Market, Reputation.	Reputational risks arise from ALS's continual exposure to the Coal and Oil and Gas sectors. Time horizon: Medium-term	Continue to monitor demand forecasts for thermal coal. Diversify portfolio of testing services. Use the scenario analysis as signposts for change.

Opportunity	Description	TCFD opportunity type	Potential growth to business	Management response
Extreme weather events	Increasing demand for our services in Life Sciences. Added pressure on the environment will mean stricter enforcement of government regulation.	Regulation	Testing water contamination after a flood and measuring air quality after fires. Increase in demand for general environmental testing services for industry.	Strengthen existing and establish new relationships with key customers. Leverage ALS's capability and broaden its service offerings.
Demand for alternate energy sources.	Transition to a low carbon economy is driving demand for base metals (copper) and precious metals (e.g. lithium, zinc) critical for battery and other new technologies.	Products/ Markets	Testing of new resources such as lithium, plus opportunity to leverage existing service capabilities.	Strengthen existing and establish new relationships with key customers Leverage ALS's capability and broaden its service offerings.

Scenario Analysis

According to TCFD, global warming scenarios analysis helps organisations to better understand how the physical and transition risks and opportunities of climate change might impact the business over time. The International Energy Agency (IEA) and United Nations Intergovernmental Panel on Climate Change's (IPCC) meta-scenarios provide an overall context to assist in the development of company specific scenarios. In FY22 the Group will undertake a more detailed semi-quantitative assessment of our climate-related risks and opportunities using scenario's that are:

- plausible and distinctive and assesses areas of material business or strategic importance
- technically credible and consistent with clear assumptions and science-based methodologies
- relevant and challenging to provide strategic insight
- useful for stakeholder engagement and understanding of climate-related risk and potential actions to address risk.

The findings of the assessment will form the basis for ALS's climate scenario analysis to be completed in FY22.

Greenhouse Gases (GHG)

We emit greenhouse gases both directly and indirectly, and we gather a range of scope 1, 2 and 3 CO_2 emission data from all our businesses. We continue to extend the scope of our emissions data capture and improve our data collection process. Based on the data so far, the main sources of our emissions are:

- electricity consumption (64 per cent),
- direct burning of gas for heating, ovens and furnaces (25 per cent),
- direct transport fuels for company operated motor vehicles (11 per cent).

In FY21, the Group have emitted an estimated 87,600 t CO_2e as a result of our total Scope 1 and 2 emissions. All of our available CO_2 emissions data can be found in our 2021 Sustainability Report.

Metrics and Targets

The Group continues to evolve its climate-related metrics and targets. Our aim is to establish metrics and targets that are relevant and reliable, and that will drive performance and transparency against our climate-related goals. During 2021, we met our 3-year target of a 5 per cent reduction in energy intensity. We set a new long-term goal for 40 per cent reduction in carbon intensity by 2030 (details of which is outlined in the 2021 Sustainability Report). We have established interim targets that are outlined in our Sustainability Scorecard in the 2021 Sustainability Report. Over the coming years we will set further interim targets, and progress against these targets will be included as part of our annual reporting.

The Executive Management Team's performance is linked to a short-term incentive remuneration program which includes a metric and target related to carbon emissions for the sites they are responsible for within their business stream.

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 pharmaceutical testing in Brazil.

Despite the challenges imposed by the unprecedented COVID-19 pandemic, the Group continues to execute its strategy while implementing short-term actions to adjust the cost base and improve productivity.

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 FY21 remuneration report outlining the Group's remuneration strategy, the financial performance 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").

In particular, the report outlines the approach taken by the Board in relation to 'at risk' remuneration and the outcomes for executives in FY21, a year of unprecedented challenge for the business.

This report also outlines some changes to Executive remuneration arrangements which will be implemented for FY22. These changes were planned last year but deferred until there was greater clarity of the impact of the COVID-19 pandemic.

This report also covers fee arrangements for Non-Executive Directors (the 'Directors').

FY21 Outcomes

The unprecedented challenges the COVID-19 pandemic presented for each of our businesses around the globe is more fully described in the review of results and operations section of the Directors' report. Lockdowns and other measures taken by governments meant shutdowns for some customers, difficulties in collecting samples from others and operational challenges for all. Sample flows were almost impossible to predict, as was revenue. In response, management in each of our divisions enacted urgent cost mitigation and other business resilience measures to focus on strengthening the balance sheet, maintaining margins and collecting cash, whilst keeping our people safe and servicing our customers. The ensuing strong financial performance delivered for shareholders is a credit to the management and staff of ALS, particularly given that many of our people around the world delivered in an environment challenging their personal safety and that of their families.

From a financial perspective, whilst revenue for FY21 was down 5 per cent on the previous corresponding period, underlying EBIT Margin increased by 62 bps, with the result that both underlying Net Profit After Tax (NPAT) and underlying Earnings Per Share (EPS) were broadly in line with FY20, down only 1.5 per cent. The Board considers this to be a highly creditable outcome in the very challenging circumstances. A final dividend of 14.6 cents per share was declared bringing the total dividends for the year to 23.1 cents per share, an increase of 31.3 per cent over the previous year. During FY21, the ALS Limited share price recovered by 74.1 per cent (from $5.56 to $9.68), and since the year end has continued to trade at above pre COVID-19 pandemic levels.

The Group has committed to the voluntary repayment of COVID-19 related government net subsidies in all countries where repayment mechanisms exist. Therefore, no such assistance has been used in determining STI & LTI calculations for Executive payments.

At the start of FY21, the Board, with the support of management, took a number of steps in relation to executive remuneration including freezing fixed remuneration for all Executives, introducing a 'business resilience' STI KPI and deferring the setting of other key financial STI targets until after the half year. In addition, proposed design changes to 'at risk' remuneration were deferred until conditions improved.

At the half year, the Board recognised the ongoing challenge of predicting revenue and underlying EBIT, so financial STI KPI targets were set based on underlying Return on Sales and underlying NPAT/Revenue per cent to incentivise financial performance. An underlying NPAT gateway for all incentive-based remuneration was introduced and STI opportunities were reduced by 25 per cent. Other ESG related KPIs were also set at this time. In changing its approach to STI in FY21, the Board reserved its right to exercise its discretion to moderate the outcomes if this approach did not achieve outcomes which were aligned to the shareholder's experience.

At year end, the Board concluded that the outcomes from the revised half-year approach were appropriate in the context of the strong financial performance of the Group and the efforts of management during a challenging year. STI awards to KMP's ranged from 30–88 per cent of maximum opportunity (FY20: 33–85 per cent), with the CEO receiving 62 per cent of his maximum opportunity. With dividends to shareholders increased by 31.3 per cent for the year, a similar 30.0 per cent increase in STI payments for KMP is aligned with shareholders.

The Group's approach to setting KPIs for STI in FY21 and the outcomes is described more fully in section 6.

There were no changes or adjustments to any 'in flight' Long Term Incentive ('LTI') plans during FY21.

The sustained strong performance of the business over the past three years will result in the 2018-21 LTI plan vesting at 97.3 per cent. Over the plan period, the performance hurdles for absolute EPS, absolute ROCE and relative EBITDA margin (versus peers) were fully achieved, while relative Total Shareholder Return (TSR) was achieved at 22.3 per cent of the 25 per cent available. This sustained long-term performance of the business reflects the positive progress being made, notwithstanding the COVID-19 pandemic, against both strategic objectives and peer comparators. Full details can be found in section 7.

There was no increase in the fees paid to Non-Executive Directors during FY21.

FY22 Arrangements

The Board considers that the changes made to remuneration arrangements in FY21 were 'one off' to address the then unknown impacts of the COVID-19 pandemic on the business. Whilst operating conditions remain volatile, the Board has concluded that there is sufficient visibility of STI measures, to revert to our traditional approach for FY22. As with FY21, there will be no change to LTI KPI measures, with only a minor change to make the ROCE hurdle more challenging to achieve.

As highlighted in our report last year, prior to the COVID-19 pandemic, in light of increasing competition for talent in the TIC sector, the Group commissioned an external review of its senior executive remuneration framework benchmarked against Australian and relevant global markets The review identified that the Group's 'at risk' remuneration opportunity for its executives is significantly below market practice. The review also identified opportunities to increase the alignment of executive and shareholders' experience and encourage and reward longer term decision making and value creation.

In view of the Group's strong performance in FY21 and following consultation with major shareholders earlier this year, the Board proposes to implement a package of changes to its senior executive remuneration framework for FY22. These changes, which are fully described in section 10, will align total pay opportunity with market, supporting the retention of a proven executive management team. It will also improve the alignment of executive remuneration with shareholders by delivering increases in variable at-risk remuneration, increasing the proportion of remuneration paid in equity, introducing a mandatory deferral into equity of a portion of earned short-term incentive and by introducing a minimum shareholding requirement.

Summary

The Board believes the FY21 remuneration outcomes to be fair to Executives and shareholders, especially in the context of the strong financial and operational outcomes notwithstanding the impact on the business of the COVID-19 pandemic.

The prior year has shown us that while FY22 may present unexpected challenges, the Group is well positioned for growth and achievement of key strategic outcomes which will continue to enhance the Group's position as a leader in the Global TIC industry. The Board is confident that its approach to Executive and Director remuneration, and the changes being implemented, will serve the best interest of our shareholders.

Yours faithfully,

Bruce Phillips
Chairman

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1. Operational Performance Context 2020-21 — unaudited

Despite the COVID-19 pandemic heavily impacting our business during the year, the Group delivered a strong financial performance in FY21. Revenue from continuing operations of $1,761.4m was down 5 per cent on prior corresponding period, but only 0.1 per cent down on a constant currency basis. Underlying Net Profit After Tax (NPAT) and underlying Earnings Per Share (EPS) for FY21 were both down slightly (-1.5 per cent) from the prior corresponding period, however underlying EBIT margin increased across all three divisions demonstrating strong cost management. Strong cash flow enabled the Group to reduce debt and leverage. A final dividend of 14.6 cents per share was declared bringing the total dividends for the year to 23.1 cents per share, an increase of 31.3 per cent over last year.

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:

	FY20-21	FY19-20
Revenue ($m)	1,761.4	1,853.9
Underlying* NPAT ($m)	185.9	188.8
Underlying* EBIT ($m)	301.4	305.8
Underlying* EPS (cents)	38.5	39.1
Underlying* EBIT margin	17.1%	16.5%
Dividends per share (cents)	23.1	17.6

* The term 'Underlying' 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.

During FY21 the Group acquired Grupo Investiga, the leading independent laboratory in Brazil and Latin America for the cosmetics and personal care industries, with an added presence in the United States.

Changes impacting Remuneration

During FY21 the Board made a series of adjustments to remuneration arrangements for KMP to reflect the challenging operating conditions during the global COVID-19 pandemic. These changes, which principally relate to short term incentives ('STI') are described in section 6 and considered to be 'one off' and apply to FY21 only. The Group will revert to operating in line with its traditional remuneration framework in FY22. In addition, the effective date for remuneration reviews across the entire Group, including Executives, was moved from June 1 to April 1 with effect from FY22 to align remuneration with the fiscal year.

No change was made to the LTI plan rules or performance hurdles in FY21. LTI outcomes are explained in section 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.

Grant Murdoch retired as a Non-Executive Director at the AGM on 29 July 2020.

2. Key Management Personnel — audited

Name	Position	Term as KMP in 2020-21
Non-executive directors		
Bruce Phillips	Chairman / Member of People Committee / Chair of Nominations Committee	Full Year
John Mulcahy	Member of Audit and Risk Committee / Member of People Committee / Member of Nominations Committee	Full Year
Charlie Sartain	Chair of Sustainability and Innovation Committee / Member of Audit and Risk Committee / Member of Nominations Committee	Full Year
Tonianne Dwyer	Chair of People Committee / Member of Sustainability and Innovation Committee / Member of Nominations Committee	Full Year
Siddhartha Kadia	Member of Sustainability and Innovation Committee / Member of People Committee / Member of Nominations Committee	Full Year
Leslie Desjardins	Chair of the Audit and Risk Committee / Member of Nominations Committee	Full Year
Former Non-executive directors		
Grant Murdoch	Former Chair of Audit and Risk Committee	Retired 29 July 2020
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

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. Agreements contain clauses spelling out non-competition, intellectual property and confidentiality restrictions.

Unvested equity grants may either 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 2020-21 — 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 individual performance and tied to strategic outcomes.
- Reviewed 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 benefits)	45.5%	56.9%
Short Term Incentives – cash & equity based, at target	27.3%	21.6%
Long Term Incentives – equity based, at target	27.3%	21.6%

Operational Risk Management is built into the remuneration policies:

Managing Risk

- STI forfeiture, deferral and clawback provisions for Malus and Code of Conduct
- KPIs include safety and Code of Conduct
- Aligns to external market for executive attraction and retention
- Board retains discretion at all times
- Financial gateways ensure affordability

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

Alignment with Shareholders

- STI Financial KPIs incentivises financial growth against last year's performance to pay out at target[1]
- Use of four balanced LTI Plan measures (two relative and two absolute): TSR, EBITDA, EPS and ROCE –promotes sustainable performance.
- Global and local Peer performance comparisons for balanced assessment
- Remuneration partly received in equity with 2- and 3-year vesting windows for retention and to align executives with shareholder experience

STI KPIs reward financial, operational, strategic and HSE outcomes: (Approach modified for FY21)

Short Term Incentives

- 1 Year performance Period | Maximum Potential value: 150 per cent of the executive's STI quantum.
- For FY21 a 25 per cent reduction in quantums at target for all participants (COVID-19 adjustment).
- Minimum Group NPAT set below which STI would not be paid in FY21.
- 50-60 per cent of the award is set against Financial KPIs, with an "outperformance" KPI of up to an additional 50 per cent (of the reduced quantum) deferred to equity.
- 10 per cent of the award set against a Business Resilience KPI.
- 5-15 per cent of the award set against a Cash Management (Debtor) KPI.
- 7.5-10 per cent of the award set against a Health, Safety and Environment KPI.
- 5-7.5 per cent of the award set against a Culture and Code of Conduct KPI.
- 20 per cent of the award for People and Strategic Initiative KPIs (CEO only).
- 5 per cent of the award for One ALS / ALS Experience initiatives (CFO only).

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 full discretion over all reward components and final remuneration outcomes.
- External remuneration advisors are appointed and consult directly with the Board

Table 2

[1] *FY21 STI financial KPIs were modified for this year only to reflect a margin per cent basis (achievement) – see section 6.*

People Committee

The Board operates a People Committee which consists of four independent Non-Executive Directors. The Committee considers all aspects of strategy, policy and process for the remuneration of Executive KMP (excluding the CEO), 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 market and industry sector trends in relation thereto.

Nominations Committee

The Board operates a Nominations Committee consisting of all of the Non-Executive Directors and is chaired by the Board Chairman. The Nominations Committee meets at least two times per year, or more frequently as required, and considers and recommends to the Board for approval matters pertaining to CEO remuneration, performance, and succession. The Committee also assesses regularly and makes recommendations to the Board regarding the process for Board composition, NED performance and Board succession planning and NED remuneration including Board and Committee fees.

The Committee conducts biennial reviews of its charter and reviews its own performance annually.

Fixed versus Variable Remuneration

The breakdown of the fixed remuneration and at-risk remuneration for the Managing Director and Executive KMP in FY21, is shown in Table 2. The components of variable remuneration show maximum potential outcome for target performance. 54 per cent of remuneration is at risk for the Managing Director & CEO and over 40 per cent, 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. In FY22 the at-risk remuneration of the Managing Director & CEO and Executive KMP will increase in the manner outlined in section 10.

External Remuneration Consultants

Korn Ferry is 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) provided valuation and verification services in respect of our Long-Term Incentive Plan.

The Board engaged SW Corporate during FY21 to provide benchmarking information on Non-Executive Director fees.

Fees paid for remuneration data during the financial year were Korn Ferry – $48,411 (2020: $53,411) and SW Corporate - $22,000 (2020: $0).

4. Non-Executive Director Remuneration — audited

With five new Directors appointed in the last six 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; ** No fees for Nominations Committee membership* **Table 3**

5. Actual Remuneration — FY2020-21 — 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 2018 AGM. Currently approximately 79 per cent 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. The NED remuneration framework is reviewed regularly, including during the latter part of FY21 with the decision taken to make no change to the existing Board and Committee fee structure at this time. 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	2021	328,100	4,218	25,000	357,318
	2020	328,100	1,451	25,000	354,550
John Mulcahy	2021	167,411	4,218	15,904	187,533
	2020	163,699	1,451	15,551	180,701
Charlie Sartain	2021	187,591	4,218	4,159	195,968
	2020	175,114	1,451	16,636	193,201
Tonianne Dwyer	2021	175,114	4,218	16,636	195,968
	2020	175,114	1,451	16,636	193,201
Siddhartha Kadia[(a)]	2021	175,586	4,218	–	179,804
	2020	189,323	1,451	–	190,773
Leslie Desjardins[(a)]	2021	183,958	4,218	–	188,176
(appointed 21 November 2019)	2020	67,365	363	–	67,727
Former Directors:					
Grant Murdoch	2021	59,038	1,406	5,609	66,053
(Retired 29 July 2020)	2020	181,050	1,451	17,200	199,700
Mel Bridges	2021	–	–	–	–
(Retired 31 July 2019)	2020	56,393	484	5,357	62,234
Total:	**2021**	**1,276,798**	**26,714**	**67,307**	**1,370,819**
Non-Executive directors	**2020**	**1,336,157**	**9,550**	**96,380**	**1,442,087**

Table 4

(a) Fees are set in AUD but paid in USD. The average rate for conversion for FY2019-20 was 0.69 and for FY2020-21 was 0.72 AUD.

Executive KMP

Executives receive fixed remuneration, an STI paid in cash and where earned, an outperformance element which is deferred into share rights for two years – refer to 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 April 1every year to coincide with the fiscal calendar.

Table 5.1 lists the remuneration actually received in relation to the financial years ending March 2020 and 2021, 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 remuneration received $
Executive director:							
Raj Naran[(c)]	2021	1,604,090	533,413	–	2,137,503	582,221	**2,719,724**
	2020	1,700,222	607,150	–	2,307,372	341,155	**2,648,527**
Executives:							
Bruce McDonald[(c)]	2021	671,171	198,532	–	869,702	159,455	**1,029,157**
	2020	698,493	139,346	–	837,839	304,189	**1,142,028**
Andreas Jonsson[(c)(d)]	2021	566,707	202,979	–	769,686	102,437	**872,123**
	2020	540,115	116,130	–	656,245	157,536	**813,781**
Tim Kilmister	2021	520,000	143,243	–	663,243	93,436	**756,679**
	2020	502,923	184,000	–	686,923	166,785	**853,708**
Kristen Walsh	2021	581,286	90,900	–	672,186	148,309	**820,495**
	2020	580,759	115,595	–	696,354	303,246	**999,600**
Luis Damasceno[(c)]	2021	726,891	177,456	–	904,348	53,940	**958,288**
	2020	838,004	185,346	–	1,023,350	–	**1,023,350**
Sub-total: Continuing Executives	2021	4,670,145	1,346,524	–	6,016,668	1,139,798	**7,156,466**
	2020	4,860,517	1,347,566	–	6,208,083	1,272,911	**7,480,994**
Total: All Executives	**2021**	**4,670,145**	**1,346,524**	**–**	**6,016,668**	**1,139,798**	**7,156,466**
	2020	**4,860,517**	**1,347,566**	**–**	**6,208,083**	**1,272,911**	**7,480,994**

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 KPIs (refer to Table 7).

(b) Performance rights are granted annually under the LTI Plan to Executives. The amounts above represent the value of performance rights granted in 2017 which vested on 1 July 2020 and were exercised during the year. It is calculated as the number of shares allocated to Executives multiplied by the $7.22 closing market price of ALS Limited 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) The reported FY21 STI amount for Andreas Jonsson includes an increasing adjustment of AUD41,801 relating to the prior period to correct a calculation error.

Remuneration as determined in accordance with accounting standards:

CEO & Executives	In AUD	Short-term			Long-term				
		Salary $	STI (a) $	Non-monetary benefits(b) $	Value of share-based awards(c) $	D&O insurance premiums $	Postemployment Superannuation & pension benefits $	Termination benefits $	Total remuneration received $
Executive director:									
Raj Naran[d]	2021	1,574,053	533,413	14,815	767,805	4,218	15,221	–	**2,909,525**
	2020	1,667,855	607,150	15,766	696,258	1,451	16,601	–	**3,005,081**
Executives:									
Bruce McDonald[d]	2021	665,622	198,532	5,549	246,293	3,858	–	–	**1,119,853**
	2020	692,345	139,346	6,148	209,336	1,046	–	–	**1,048,220**
Andreas Jonsson[d][e]	2021	566,707	202,979	–	163,271	3,858	–	–	**936,815**
	2020	540,115	116,130	–	141,091	1,046	–	–	**798,381**
Tim Kilmister	2021	495,000	143,243	–	160,232	3,858	25,000	–	**827,333**
	2020	477,923	184,000	–	148,971	1,046	25,000	–	**836,939**
Kristen Walsh	2021	556,424	90,900	–	135,173	3,858	24,862	–	**811,217**
	2020	555,576	115,595	–	185,446	1,046	25,183	–	**882,846**
Luis Damasceno[d]	2021	691,060	177,456	21,110	199,646	3,858	14,721	–	**1,107,852**
	2020	798,957	185,346	22,446	161,565	1,046	16,601	–	**1,185,960**
Sub-total: Continuing Executives	2021	4,548,866	1,346,524	41,474	1,672,419	23,508	79,805	–	**7,712,596**
	2020	4,732,770	1,347,566	44,361	1,542,665	6,679	83,386	–	**7,757,427**
Total: All Executives	**2021**	**4,548,866**	**1,346,524**	**41,474**	**1,672,419**	**23,508**	**79,805**	**–**	**7,712,596**
	2020	**4,732,770**	**1,347,566**	**44,361**	**1,542,665**	**6,679**	**83,386**	**–**	**7,757,427**

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 to 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 FY21 the value of share-based awards also includes an accrual to March 2021 of the estimated value of any deferred compensation earned for STI outperformance – refer to section 6 of the Remuneration Report and Financial statements note 8a for details. The amounts above include the value of performance rights granted in 2017 which vested on 1 July 2020.

(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) The reported FY21 STI amount for Andreas Jonsson includes an increasing adjustment of AUD41,801 relating to the prior period to correct a calculation error.

6. Short Term Incentive Plan — audited

The Board sets the maximum amounts which can be earned as an STI for each Executive and 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 50 per cent of his fixed remuneration and payments for other Executive KMP, at target, are between 35 per cent and 40 per cent of their fixed remuneration.

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

This year, in consideration of the difficulty in accurately forecasting the impact of the COVID-19 pandemic on the Group's global operations and financial outcomes, the Board made several one off changes to the STI plan and KPIs with a view to providing an approach that was fair to shareholders and management, and which incentivised urgent actions and behaviours consistent with the immediate priorities facing the Group as it adapted to a very dynamic environment. In addition to financial KPIs, non-financial KPIs were set to focus on business resilience through cost and cash management, margin preservation, employee safety, health and wellbeing, and reinforcing the ALS Code of Conduct and core values.

Gateway

Under the Plan rules, in order to ensure that executive rewards are aligned to the shareholders rewards, the Group overall must have met or exceeded the Underlying NPAT achieved the previous financial year, before the STI is paid.

For this year, in light of the extraordinary challenges posed by the COVID-19 pandemic, and after taking account of H1 performance the Board agreed to a modified approach and set the gateway for FY21 at $149.0 million versus S188.8 million achieved in FY20. At the same time the quantum-at-target for STI participants was lowered by 25 per cent. The purpose of this gateway was to set a floor below which no incentives would be paid anywhere in the Group. Accordingly, Management and the Board agreed that failure to meet the Underlying NPAT gateway would result in other employee bonus plans also being forfeited for the year (with limited exceptions for extraordinary achievement).

Financial KPIs

For Executive KMP, in FY21 the financial hurdles were set worth between 50 per cent (CEO) and 60 per cent (Other KMP Executives) of their target quantum.

For the CEO and CFO (and other corporate support executives), the financial KPI was based on overall Group Underlying NPAT results.

For Business Stream Operations KMP Executives, the financial KPI was split between Group Underlying NPAT performance (25 per cent) and underlying EBIT performance of their respective business unit (35 per cent) to promote a OneALS culture and actions that promote cross-selling and shared investment in Group initiatives and strategic objectives.

For this year only, financial targets were established using Underlying NPAT per cent achievement (Group) and Underlying Return on Sales (ROS) per cent (Business Streams).

Financial targets were set in November after review of first half financial results, full year projections and consideration of the possible impact of the ongoing global COVID-19 pandemic on the Group's operations and customer segments for the balance of the year. This design coupled with additional complimentary non-financial Individual KPIs provided a framework that stressed close understanding and management of ongoing financial components within the executives' sphere of control.

Consistent with Plan rules and prior years, for each financial metric and on an individual executive basis, a threshold level of achievement, target and outperform result were defined in the scorecard. Target performance was set at a challenging level, in almost all cases representing achievement at or in excess of margin percentage performance the year before. Outperformance remained based on significant growth beyond target.

In setting STI targets, government subsidies were specifically excluded from all financial performance calculations related to remuneration.

The Group has since decided to return all Government subsidies that had been received during early COVID-19 relief measures.

Non-Financial KPIs

This year, between 40-50 per cent of the KPIs (CEO at 50 per cent) were attributed to non-financial KPIs. Two new KPIs were introduced: Business Resilience (10-20 per cent) and Cash Management (5-15 per cent) which together require achievement in cost reduction and right sizing initiatives, debt reduction and cash management therefore ensuring a substantial weighting of the executive's short-term incentive to financial measures. The Business Resilience KPI also included an expectation of proactive, regular and transparent communication of business plans, workplace health and other immediate topics as warranted.

Health, Safety, and Environment (HSE) KPI accounted for 7.5-10 per cent on this year's scorecard, measuring achievement against a Positive Performance Indicator (PPI) Scorecard of health, safety and environmental lead indicators. A minimum score of 90 per cent on the PPI is required to achieve the HSE KPI.

Finally, a Corporate Culture and Code of Conduct KPI (5-7.5 per cent) applied to all executives, centred around the roll-out and certification by all employees of a refreshed ALS Code of Conduct, the timely and supportive response to investigations or complaints, and the achievement of zero material beaches of the Code of Conduct within the respective business or function.

The CFO alone had an individual KPI attributed to OneALS/ALS Experience (5 per cent), intended to promote and reward responsive service levels to the operating businesses reflecting both completion of financial organisation restructuring and the first phase implementation of an ERP roll-out.

The CEO had two unique individual KPIs each weighted at 10 per cent, addressing People Development and Strategy. Achievement of these KPIs focused on succession planning scenarios, updating of the strategic planning process and providing the Board with organisational design and evolution models.

In consideration of the COVID-19 pandemic environment, the Board also modified the STI Plan design by exception this year, lifting the requirement that the individual executive's financial performance metric threshold be achieved in order to earn payment of any non-financial KPIs. For FY21 only, the Business Resilience and Cash Management KPIs (15-25 per cent) were not subject to the achievement of individual scorecard financial threshold achievement requirement (the Group Underlying NPAT gateway remained in effect as a second hurdle.) In making this plan rule exception, the Board sought to provide opportunity to recognize extraordinary achievement in these two KPIs that might have been forfeit due to business headwinds and restrictions beyond the individual's direct control.

At all times, the Board retains full discretion to adjust STI awards and therefore this plan rule modification allowed the CEO to motivate executives to perform with an opportunity to earn at least a portion of the short term incentive by delivering on business resilience and cash management targets, even though group and business stream financial results might fall short.

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 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 (2023 in the case of the 2020-21 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 may earn up to 150 per cent of their target STI quantum for outperformance, including the deferred element. This year, due to the 25 per cent reduction of quantums at target applied to all plan participants, the maximum STI earning potential was reduced from 150 per cent (implying all financial and individual KPIs were fully achieved) to 112.5 per cent of the (original) quantum at target value.

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.

Two additional disqualifying conditions have been added to the Plan rules. In the event of a workplace related fatality, or a material breach of the Code of Conduct, where an investigation completed by an external Regulatory Authority, or by an internal representative working under the Authority of the Board determines there were organisational deficiencies in place which contributed to the incident, then the CEO and other STI participants in the Group within which the fatality or breach occurred will forfeit their STI.

CEO and Executive Key Performance Indicator outcomes

Along with all other Executives, the CEO's STI quantum opportunity was reduced by 25% in 2021 and his KPIs were modified from previous practice in the manner described above. Financial performance accounted for 50 per cent of the CEO's STI assessment in FY21 with KPIs set on Group level performance. Both the required overall Group underlying NPAT threshold of $149.0 million, as well as the Group level gateway threshold of underlying NPAT per cent of 8.6 per cent were achieved. The Group level final underlying NPAT per cent result was 10.5 per cent, exceeding the 9.6 per cent target and resulting in an outperformance achievement. Therefore, the CEO earned 100 per cent of his incentive attributed to the financial KPI weighted value (50 per cent), with the outperformance multiplier applied to his total STI score.

Business Resilience (10 per cent), Cash Management (5 per cent), HSE (7.5 per cent), Code of Conduct (7.5 per cent), People (10 per cent) and Strategy (10 per cent) made up the remaining 50 per cent of the CEO's STI bonus potential. The Board concluded that the CEO had largely achieved these KPIs, with full achievement scored in all but the Strategy and People KPIs where achievement was impacted by the COVID-19 pandemic. The Board assessed the CEOs achievement against his non-financial KPIs at 85%.

As a result, and with both outperformance and the 25 per cent reduction in quantum factored, the total STI paid to the CEO represents 51 per cent of his fixed remuneration and 62 per cent of the maximum STI payable. By comparison, had the 25 per cent reduction in quantum at target not been applied, the CEO's STI would have been 83 per cent of the maximum STI payable.

The strong performance of the Group in FY21 is outlined in the Review of results and operations and Financial Statements. The following table gives an outline of the performance against the specific KPIs set for the CEO and other Executive KMPs.

2020-21 KMP executives' Key Performance Indicators

Measure	Weighting (% of STI Payment)	Applicable to:	Achievements (Threshold / -10% / Target / +10% / Outperformance)	Outcome for Shareholders
Financial Growth & Profitability	50-60%	Group		Margin percentage improved and strong EBIT performance
		Geochemistry		
		Life Sciences APAC		
		Life Sciences EMEA		
		Life Sciences Americas		
		Industrial		
Business Resilience	10%	Group	**Achieved**. Cost reduction initiatives and budget reduction targets achieved. Proactive transparent communications.	Business responded quickly to operational challenges resulting in resilient financial performance
Cash (Debtor) Management	5-15%	Group	**Achieved.** Groups achieved receivables within Company collection parameters of <60 days	Proactive collections and cash management resulted in overall debt and leverage ratio reduction.
HSE	7.5-10%	Group	**Achieved.** All groups achieved the required PPI score in >90. PPI score includes safety, compliance and environmental measures set to incentivise continuous improvement.	Risk mitigation, crisis management and employee wellbeing focus during the pandemic. Reduces risk, improves safety. Better Environmental, Social & Governance rating. Protection of the ALS Brand.
Corporate Culture / Code of Conduct	5-7.5%	Group	**Achieved.** Refreshed Code of Conduct rolled out and certification training completed, with no material breach during the year.	Continued and demonstrated commitment to core values, ethics and clarity regarding expected conduct and behaviours.
OneALS & ALS Experience	5%	CFO	**Achieved**. Enhanced Group level support provided to business units in pursuit of M&A, capital investment strategies and dynamic financial and budgetary modelling during the pandemic.	Strong financial discipline during pandemic market volatility.

Table 6

Executive STI Performance vested / forfeited

Below are details of the outcomes of the STI Plan, for 2020-21 and the previous year, including the value of deferred compensation earned for STI outperformance, awarded to each of the named Executives.

		Total cash STI included in remuneration $	Total deferred equity STI awarded $	Total STI awarded $	Total STI awarded vs fixed remuneration %	Total STI awarded vs max STI opportunity %	Total STI forfeited vs max STI opportunity %	Total maximum STI with outperformance $	Deferred STI – Accrual included in share-based awards $
Executives		(a)	(b)				(c)	(d)	
Raj Naran	2021	533,413	250,037	783,451	49%	62%	38%	1,254,760	83,346
	2020	607,150	–	607,150	36%	40%	60%	1,521,718	–
Bruce McDonald	2021	198,532	99,266	297,797	44%	75%	25%	397,063	33,089
	2020	139,346	–	139,346	20%	33%	67%	418,037	–
Andreas Jonsson [e][f]	2021	202,979	80,589	283,568	50%	88%	12%	322,357	26,863
	2020	116,130	–	116,130	22%	37%	63%	311,063	–
Tim Kilmister	2021	143,243	–	143,243	28%	46%	54%	312,000	–
	2020	184,000	50,970	234,970	47%	85%	15%	276,000	16,990
Kristen Walsh	2021	90,900	–	90,900	16%	30%	70%	303,000	–
	2020	115,595	–	115,595	20%	38%	62%	303,000	–
Luis Damasceno	2021	177,456	83,183	260,639	36%	73%	27%	354,820	27,728
	2020	185,346	–	185,346	22%	42%	58%	443,219	–

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 FY21. These values are included in the values of share-based awards in Table 5.2 and the percentages calculated in Table 9 – refer to 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.

(e) The reported FY21 STI amount for Andreas Jonsson includes an increasing adjustment of AUD41,801 relating to the prior period to correct a calculation error.

(f) Maximum STI opportunities were reduced by 25% in 2021. % are measured against the Maximum opportunity before the reduction.

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 2018, 2019 and 2020 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 relative to global peer TIC companies 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 the Group's 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 per cent and 7 per cent 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 2018, 2019 and 2020 are as follows:

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 cent per annum	0 per cent
Between 6 per cent and 10 per cent per annum	Straight line vesting between 12.5 per cent and 25 per cent of total grant
10 per cent or higher per annum	25 per cent 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 per cent
Between the 50th and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent 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 per cent
Between 50th percentile and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent 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 per cent	0 per cent
Between 11.4 per cent and 16.4 per cent	Straight line vesting between 0 per cent and 25 per cent of total grant
At or above 16.4 per cent	25 per cent 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 cent per annum	0 per cent
Between 6 per cent and 10 per cent per annum	Straight line vesting between 12.5 per cent and 25 per cent of total grant
10 per cent or higher per annum	25 per cent 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 per cent
Between the 50th and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent 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 per cent
Between 50th percentile and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent 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 per cent	0 per cent
Between 11 per cent and 16 per cent	Straight line vesting between 0 per cent and 25 per cent of total grant
At or above 16 per cent	25 per cent of total grant

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

2020 Award Hurdles

Compound annual diluted Underlying EPS growth (April 2020 to March 2023)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 6 per cent per annum	0 per cent
Between 6 per cent and 10 per cent per annum	Straight line vesting between 12.5 per cent and 25 per cent of total grant
10 per cent or higher per annum	25 per cent of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2020 to March 2023)	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50th percentile	0 per cent
Between the 50th and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent of total grant
Comparator peer companies: Bureau Veritas (France), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Team Inc (USA).	

TSR of ALS relative to TSR of companies in ASX 100 Index over the period April 2020 to March 2023	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0 per cent
Between 50th percentile and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent of total grant

ROCE Performance (3-year average over the period April 2020 to March 2023)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11 per cent	0 per cent
Between 11 per cent and 16 per cent	Straight line vesting between 0 per cent and 25 per cent of total grant
At or above 16 per cent	25 per cent of total grant

** Based on ALS' March 2020 pre-tax Nominal WACC (midpoint)*

Measurement of the LTI Plan Hurdles (2018 – 2021 award)

Following finalisation of the Group's financial results for FY21, performance against the EPS, EBITDA, TSR and ROCE hurdles over the 2018-2021 will result in vesting, for participating Executives, of 97.3 per cent of the total award available under that scheme on 1 July 2021. 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 2017) with that achieved in the final year of the performance period (e.g. year to March 2021).

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 the Group's financial results for FY21 the compound annual growth rate (CAGR) in the Company's diluted underlying EPS over the three-year period to March 2021 was 10.9 per cent per annum (from 28.3 cents to 38.4 cents) which is above the maximum threshold of a 10.0 per cent increase. Thus, all the 2018 Award rights subject to the EPS hurdle (25 per cent of the award) will vest on 1 July 2021.

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 the Group's financial results for FY21 the underlying EBITDA margin achieved by the Company over the three-year period to March 2021 was 21.8 per cent. As shown below this placed the Group at the 100th percentile and ranked first within the group of industry peer companies. Thus, the full 25.0 per cent of the award subject to the EBITDA hurdle will vest on 1 July 2021.

Company	Currency	Cumulative underlying[(a)] EBITDA (m)	Cumulative Revenue (m)	EBITDA Margin %	Rank	Percentile
ALS	**AUD**	**1,151**	**5,288**	**21.77%**	**1**	**100.0%**
Eurofins	EUR	3,015	13,852	21.77%	2	85.7%
SGS	CHF	4,013	18,910	21.22%	3	71.4%
Intertek	GBP	1,789	8,530	20.97%	4	57.1%
Core Laboratories	USD	344	1,856	18.56%	5	42.9%
Bureau Veritas	EUR	2,644	14,496	18.24%	6	28.6%
Applus	EUR	677	5,011	13.51%	7	14.3%
Mistras	USD	199	2,084	9.54%	8	-

Table 8

(a) Cumulative underlying EBITDA for peer companies includes government subsidies. Cumulative underlying EBITDA for ALS excludes government subsidies.

Total Shareholder Return (TSR)

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

In order for the rights to vest under the TSR performance hurdle, the Group’s 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, with a straight line vesting between the 50th and 75th percentile to achieve the full hurdle performance value (i.e., at the 75th percentile ranking or higher).

The Company’s performance over the three-year period to March 2021 relative to the ASX100 comparator group was at the 69.6th percentile, therefore 22.3 per cent the rights subject to the TSR hurdle (25 per cent of the total number possible) will vest on 1 July 2021.

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 between 11 per cent and 16 per cent being 2 and 7 per cent 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 17.4 per cent. This ROCE result was above the 16 per cent top end of the hurdle range so the full 25.0 per cent of the rights subject to the ROCE hurdle will vest on 1 July 2021.

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 – Audited *(table 5.2) %*	Calculated on remuneration actually received *(table 5.1) %*	Per accounting standards – Audited *(table 5.2) %*
Executives					
Raj Naran	2021	41.0	44.7	21.4	26.4
	2020	35.8	43.4	12.9	23.2
Bruce McDonald	2021	34.8	39.7	15.5	22.0
	2020	38.8	33.3	26.6	20.0
Andreas Jonsson	2021	35.0	39.1	11.7	17.4
	2020	33.6	32.2	19.4	17.7
Tim Kilmister	2021	31.3	36.7	12.3	19.4
	2020	41.1	39.8	19.5	17.8
Kristen Walsh	2021	29.2	27.9	18.1	16.7
	2020	41.9	34.1	30.3	21.0
Luis Damasceno	2021	24.1	34.0	5.6	18.0
	2020	18.1	29.3	–	13.6

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 to section 6 of the Remuneration report and to note 8a Financial statements for details.

Consequences of performance on shareholders' wealth

The financial data in respect of the current and previous four financial years, and its relationship to Executive pay, is set out below:

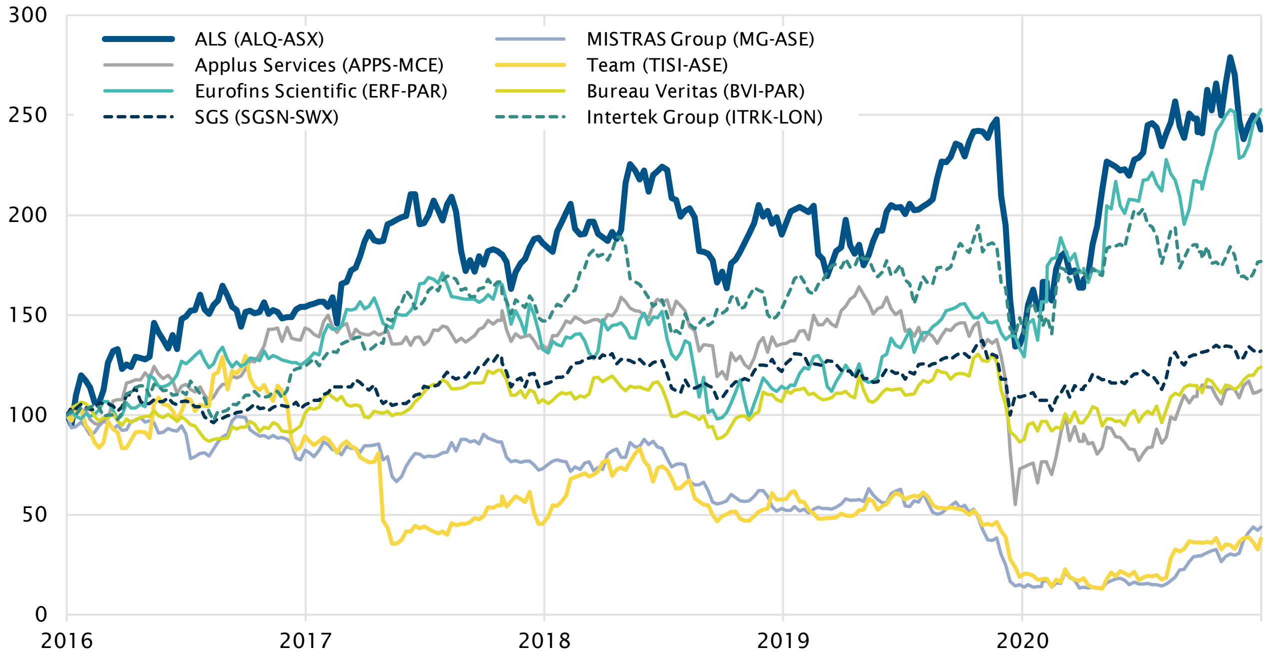
Measure of financial performance	Fluctuation in financial performance is reflected in executives' pay via:	2021 $m	2020 $m	2019 $m	2018 $m	2017 $m
Underlying profit * attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	185.9	188.8	181.0	142.2	117.4
Profit / (loss) attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	149.0	127.8	152.6	51.8	81.6
Dividends paid or payable	LTI TSR measures	111.4	84.9	109.3	84.4	68.0
Share price at balance date	LTI TSR measures	$9.68	$5.56	$7.59	$7.42	$6.14

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

Table 10

It is appropriate for remuneration outcomes to reflect the underlying shareholder wealth generated and business performance vs ALS' direct competitors. The following chart shows share price performance of ALS vs its major listed TIC competitors.

ALQ share price vs peers (rebased to 100, commencing 1 April 2016)



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/service rights	Sales	Other	Closing Balance
Directors						
Bruce Phillips	60,160					60,160
John Mulcahy	54,027					54,027
Charlie Sartain	90,000					90,000
Tonianne Dwyer	27,148					27,148
Raj Naran	150,309		87,289			237,598
Siddhartha Kadia	-					-
Leslie Desjardins	-	7,300				7,300
Former Directors						
Grant Murdoch(b)	73,071				(73,071)	-
Executives						
Bruce McDonald	28,260		39,778	(25,000)		43,038
Luis Damasceno	-		8,087			8,087
Andreas Jonsson	51,303		15,358	(8,000)		58,661
Tim Kilmister	40,151		16,562			56,713
Kristen Walsh	31,602		22,235	(12,000)		41,837

Table 11.1

(a) 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) Grant Murdoch retired from the Board at the Company's AGM effective 29 July 2020.

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	344,094	144,743	(87,289)	(29,721)	371,827
Executives					
Bruce McDonald	97,252	38,600	(23,906)	(8,140)	103,806
Luis Damasceno	54,082	40,925	-	-	95,007
Andreas Jonsson	68,212	28,722	(15,358)	(5,229)	76,347
Tim Kilmister	63,432	25,485	(14,008)	(4,770)	70,139
Kristen Walsh	84,695	27,978	(22,235)	(7,571)	82,867

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	Granted as compensation (a)	Vested and exercised	Closing Balance
Director				
Raj Naran	30,658			30,658
Executives				
Luis Damasceno	21,008		(8,087)	12,921
Andreas Jonsson	3,108			3,108
Tim Kilmister	12,852	7,060	(2,554)	17,358
Bruce McDonald	33,010		(15,872)	17,138
Kristen Walsh	-			-

Table 11.3

(a) Relate to grants of deferred equity under FY20 STI plan (issued in July 2020 at $7.22 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)	29-Jul-20	144,743	$7.38	$7.22	1-Jul-23	–	–	–
	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	87,289	29,721	25.4%
Bruce McDonald	29-Jul-20	38,600	$7.38	$7.22	1-Jul-23	–	–	–
	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	23,906	8,140	25.4%
Andreas Jonsson	29-Jul-20	28,722	$7.38	$7.22	1-Jul-23	–	–	–
	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	15,358	5,229	25.4%
Tim Kilmister	29-Jul-20	25,485	$7.38	$7.22	1-Jul-23	–	–	–
	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	14,008	4,770	25.4%
Kristen Walsh	29-Jul-20	27,978	$7.38	$7.22	1-Jul-23	–	–	–
	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	22,235	7,571	25.4%
Luis Damasceno	29-Jul-20	40,925	$7.38	$7.22	1-Jul-23	–	–	–
	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 2020 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. 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.

Vested and outstanding service rights

Details of vested and outstanding service rights (i.e., earned prior year STI outperformance awards which were deferred to 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	15,872	–	–
Andreas Jonsson	31-Jul-19	3,108	$7.06	1-Apr-21	–	–	–
Tim Kilmister	29-Jul-20	7,060	$7.22	1-Apr-22			
	31-Jul-19	10,298	$7.06	1-Apr-21	–	–	–
	1-Aug-18	2,554	$7.31	1-Apr-20	2,554	–	–
Luis Damasceno	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	8,087	–	–

Table 11.5

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

10. Outlook for FY22 Remuneration — unaudited

During FY20 the Group completed an external review of its Executive remuneration framework which identified that the Group's '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 FY21 to address these findings, in the light of the COVID-19 pandemic and anticipated challenges facing the Group, the Board and management, deferred consideration of these changes until the impact of the COVID-19 pandemic was clearer. Thereafter they would only be implemented if they were affordable in the light of the Group's prospects and provided appropriate alignment with shareholder's experience

Having now considered FY21's strong results (relative to the challenges of the COVID-19 pandemic and impact on many global businesses), the positive Group prospects and revalidation that the 'at risk' remuneration opportunity remains below market at a time when competition for key executive talent in the TIC industry is intensifying, the Board has approved the implementation of several structural changes to the Executive remuneration framework which are intended to: enhance the alignment between executive and shareholder outcomes; attract and retain high quality executives; position 'at risk' pay elements closer to the median of surveyed industries and geographies; and harmonize target pay across the senior leadership roles to remove legacy disparities and promote OneALS outcomes.

For FY22 the following package of changes will be implemented:

- No change to fixed remuneration philosophy or policy. Whilst some Executives will receive TFR adjustments in FY22 these will be limited to clear market anomalies. The CEOs TFR will not increase in FY22.
- STI opportunities will be increased for Executives (excluding the CEO), with the increase in STI being broadly paid in equity as a result of the introduction of a deferred equity component to the STI with 1/3 of STI to be paid in equity via the issuance of Service Rights vesting after 2 years. The STI opportunities for Executives are set out in the table below.

- Increase in the Long Term Incentive opportunity for Executives, along with the introduction of a mandatory minimum shareholding requirement. The CEO's LTI quantum at target will increase from 60 to 100 per cent of TFR, while for other Executives quantums will increase to be consistent with STI at Target. The LTI opportunities for Executives are set out in the table below.
- A mandatory Minimum Shareholding Requirement will be introduced for the CEO of 100 per cent of TFR and Executive KMPs of 50 per cent of TFR. Executives will have five years to accumulate the required minimum shareholding amount and will be expected to maintain that minimum during active employment.
- The STI framework will continue to operate with emphasis on financial, cultural and strategic targets, but will also include a more specific ESG related metric to increase executive engagement in outcomes tied to the Group's sustainability and climate related goals.
- There will be no change to the LTI scheme performance hurdles or vesting structure.

Position	At Risk Remuneration						MSR % of TFR
	Short-Term Incentive Opportunity				Long-Term Incentive Opportunity		
	% of Fixed Remuneration						
	From		To		From	To	
	At Target	*Outperf.*	*At Target*	*Outperf.*			
MD & CEO	60%	90%	60%	90%	60%	100%	**100%**
CFO	35%	53%	60%	90%	35%	60%	**50%**
Operations GMs	30-40%	45-60%	60%	90%	50%	60%	**50%**
	Awarded in cash with only outperformance paid in Service Rights		**1/3 awarded in Service Rights**		**No change to 3-year vesting arrangements**		

All equity subject to MSR requirement ***Table 11.6***

Executives will only receive increased overall remuneration if they deliver outcomes for shareholders measured against the challenging targets set by the Board.

Overall increases in opportunity will, if earned, be paid in equity which will be subject to vesting periods of 2 and 3 years; and the introduction of a minimum shareholding requirement will ensure that executives accumulate a meaningful shareholding in the company. The Board believes these changes will increase alignment between executives and shareholders and encourage long term value creation.

The Board believes that changes to 'at risk' remuneration frameworks are necessary and appropriate in anticipation of the business opportunity, competition and possible disruption in the years ahead.

Earlier this year the Board consulted with major shareholders in relation to these changes and was pleased that they received broad support. Consultation with shareholders, 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 2021, 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. 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.

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.

Events subsequent to reporting date

New Bank Facilities

On 10 May 2021, the Group completed the agreements to enter into new multi-currency revolving facilities totalling USD$350.0 million.

A geographically diverse selection of banks will provide the new facilities, including Australia and New Zealand Banking Group, Westpac Banking Corporation, Hong Kong and Shanghai Banking Corporation, JP Morgan, Bank of America, and Mizuho Bank.

The new facilities will provide a strong level of liquidity to support the Group's growth strategy and ongoing global funding requirements. The new facilities will replace the existing USD$425.0 million which have been cancelled and would have matured in October 2021. The Group's weighted average debt maturity profile will increase to 6.6 years (calculated on a post-refinancing basis).

As part of the broader capital management plan, these new debt facilities will support the Group's FX strategy of aligning the debt currency profile with the cash flows of the operating businesses.

Voluntary Repayment of Government Subsidies

On 26 May 2021, at the time of releasing the Company's full year financial results the Board has resolved to repay net financial benefits received in relation to participating in COVID-19 subsidy schemes in all countries where repayment mechanisms exist. This includes $3.0 million relating to JobKeeper in Australia, and $20.5 million relating to Canadian Emergency Wage Subsidy in Canada.

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	237,598
John Mulcahy	54,027
Charlie Sartain	90,000
Tonianne Dwyer	27,148
Siddhartha Kadia	-
Leslie Desjardins	7,300
Grant Murdoch (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)		Nomination Committee Meetings (1)	
	A	B	A	B	A	B	A	B	A	B
Bruce Phillips	9	9	-	-	5	5	-	-	2	2
Raj Naran	9	9	-	-	-	-	-	-	-	-
John Mulcahy	9	9	3	3	5	5	-	-	2	1
Charlie Sartain	9	9	5	5	-	-	3	3	2	2
Tonianne Dwyer	9	9	-	-	5	5	3	3	2	2
Siddhartha Kadia	9	9	-	-	3	3	3	3	2	2
Leslie Desjardins	9	9	5	5	-	-	-	-	2	1
Grant Murdoch (2)	3	3	2	2	-	-	-	-	2	1

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) – Retired 29 July 2020.

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 millions of AUD	2021	2020
Services other than audit and review of financial statements:		
Other non-assurance services	0.1	0.4
	0.1	0.4

In FY21 EY was employed by the Group in limited non-audit services. These engagements represent the finalisation of limited, approved engagements in delivery stages prior to EY's appointment in 2020.

It is the Group's policy not to use its external auditor for non-audit services.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 97 and forms part of the directors' report for the financial year ended 31 March 2021.

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
26 May 2021

Raj Naran
Managing Director
Houston
26 May 2021

Financial statements

For the year ended 31 March 2021

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Signed reports

Consolidated statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 March 2021

In millions of AUD	Note	**2021**	**2020**
Continuing operations			
Revenue	*1c*	1,761.4	1,853.9
Expenses	*1d*	(1,371.9)	(1,531.0)
Other income[1]		27.9	–
Share of profit of equity-accounted investees, net of tax		3.7	3.2
Profit before financing costs, depreciation and amortisation (EBITDA)		421.1	326.1
Amortisation on right-of-use assets		(44.6)	(44.8)
Amortisation and depreciation		(88.0)	(88.5)
Profit before net financing costs (EBIT)		288.5	192.8
Finance income		2.2	2.2
Finance cost on loans and borrowings		(35.0)	(36.0)
Finance cost on lease liabilities		(7.2)	(7.9)
Net financing costs		(40.0)	(41.7)
Profit before tax		248.5	151.1
Income tax expense	*6a*	(74.4)	(73.1)
Profit from continuing operations	*1e*	174.1	78.0
Discontinued operations			
Profit/(Loss) of discontinued operations, net of tax		–	51.5
Profit for the year		174.1	129.5
Profit attributable to:			
Equity holders of the company		172.6	127.8
Non-controlling interest		1.5	1.7
Profit for the year	*3b*	174.1	129.5
Other comprehensive income			
Other comprehensive items that may be reclassified to profit and loss in subsequent periods:			
Foreign exchange translation		(145.4)	42.5
Income/(loss) on hedge of net investments in foreign subsidiaries, net of tax		14.9	(13.6)
(Loss)/income on cash flow hedges, net of tax		(3.0)	2.2
Other comprehensive (loss)/income that may be reclassified to profit and loss in subsequent periods, net of income tax		(133.5)	31.1
Other comprehensive items that will not be reclassified to profit and loss in subsequent periods:			
Net (loss) on equity instruments designated at fair value through OCI		(1.6)	–
Other comprehensive (loss) that will not be reclassified to profit and loss in subsequent periods, net of income tax		(1.6)	–
Other comprehensive (loss)/income for the year, net of tax		(135.1)	31.1
Total comprehensive income for the year		39.0	160.6
Total comprehensive income attributable to:			
Equity holders of the company		37.5	158.9
Non-controlling interest		1.5	1.7
Total comprehensive income for the year		39.0	160.6
Earnings per share			
Basic earnings per share attributable to equity holders	*1b*	35.78	26.46
Diluted earnings per share attributable to equity holders	*1b*	35.62	26.35
Basic earnings per share attributable to equity holders from continuing operations	*1b*	35.78	15.80
Diluted earnings per share attributable to equity holders from continuing operations	*1b*	35.62	15.73

[1] Subsidies received under COVID-19 economic support programmes

The notes on pages 50 to 88 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March 2020

In millions of AUD	*Note*	2021	2020
Current assets			
Cash and cash equivalents	*3a*	168.6	424.4
Trade and other receivables	*2a*	338.1	365.2
Inventories	*2c*	64.4	78.9
Other assets	*2h*	40.0	43.3
Assets held for sale		–	24.9
Total current assets		**611.1**	**936.7**
Non-current assets			
Investment property	*2f*	9.8	10.0
Investments accounted for using the equity method		17.6	20.1
Deferred tax assets	*6b*	30.8	32.6
Property, plant and equipment	*2e*	464.0	507.3
Right-of-use assets	*4f*	177.1	219.9
Intangible assets	*2g*	1,136.5	1,160.6
Other assets	*2h*	30.0	43.6
Total non-current assets		**1,865.8**	**1,994.1**
Total assets		**2,476.9**	**2,930.7**
Current liabilities			
Bank overdraft	*3a*	–	0.5
Trade and other payables	*2d*	243.6	219.7
Loans and borrowings	*3d*	42.2	282.7
Employee benefits		61.7	59.0
Other liabilities	*2h*	30.6	11.1
Liabilities directly associated with the assets held for sale		–	14.1
Total current liabilities		**378.1**	**587.1**
Non-current liabilities			
Loans and borrowings	*3d*	925.5	1,164.2
Deferred tax liabilities	*6b*	14.0	10.7
Employee benefits		8.7	8.5
Other	*2h*	70.8	49.7
Total non-current liabilities		**1,019.0**	**1,233.1**
Total liabilities		**1,397.1**	**1,820.2**
Net assets		**1,079.8**	**1,110.6**
Equity			
Share capital	*4b*	1,304.6	1,303.9
Reserves		(131.1)	1.1
Accumulated losses		(104.5)	(204.9)
Total equity attributable to equity holders of the company		**1,069.0**	**1,100.1**
Non-controlling interest		10.8	10.5
Total equity		**1,079.8**	**1,110.6**

The notes on pages 50 to 88 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2021

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 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 provided for or paid	*4b*	–	–	–	–	(111.0)	(111.0)	(1.0)	(112.0)
Share buyback	*4b*	(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)	(132.2)	(1.0)	(133.2)
Balance 31 March 2020		**1,303.9**	**(14.0)**	**6.6**	**8.5**	**(204.9)**	**1,100.1**	**10.5**	**1,110.6**
Profit for the year		–	–	–	–	172.6	172.6	1.5	174.1
Other comprehensive income		–	(130.5)	(3.0)	–	(1.6)	(135.1)	–	(135.1)
Total comprehensive income for the period		–	(130.5)	(3.0)	–	171.0	37.5	1.5	39.0
Transactions with owners in their capacity as owners:									
Dividends to equity holders	*4b*	–	–	–	–	(70.4)	(70.4)	(0.9)	(71.3)
Equity-settled performance rights awarded and vested	*4b*	0.7	–	–	1.3	(0.1)	1.9	–	1.9
Total contributions and distributions to owners		0.7	–	–	1.3	(70.5)	(68.5)	(0.9)	(69.4)
Changes in ownership interests									
Acquisition of non-controlling interest without change in control		–	–	–	–	–	–	0.6	0.6
Non-controlling interest ownership of subsidiary acquired		–	–	–	–	–	–	(0.9)	(0.9)
Total changes in ownership interest		–	–	–	–	–	–	(0.3)	(0.3)
Total transactions with owners		0.7	–	–	1.3	(70.5)	(68.5)	(1.2)	(69.7)
Balance at 31 March 2021		**1,304.6**	**(144.5)**	**3.6**	**9.8**	**(104.5)**	**1,069.0**	**10.8**	**1,079.8**

The notes on pages 50 to 88 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2021

In millions of AUD	Note	2021	2020
Cash flows from operating activities			
Cash receipts from customers		1,966.1	2,056.7
Cash paid to suppliers and employees		(1,588.2)	(1,660.3)
Cash generated from operations		377.9	396.4
Interest paid		(42.2)	(43.6)
Interest received		2.2	2.2
Income taxes paid		(67.9)	(96.0)
Net cash from operating activities	*3b*	270.0	259.0
Cash flows from investing activities			
Payments for property, plant and equipment		(81.1)	(121.1)
Loans to associate entities		1.5	(0.7)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)	*5a*	(30.5)	(114.1)
Deferred payments for acquisitions of controlled entities		(19.1)	(4.7)
Acquisition of investments in other corporations		–	(0.3)
Net proceeds from sale of operations		–	66.9
Dividend from associate		2.6	1.5
Proceeds from sale of other non-current assets		1.9	6.2
Net cash (used in) investing activities		(124.7)	(166.3)
Cash flows from financing activities			
Proceeds from borrowings		414.1	783.9
Repayment of borrowings		(679.8)	(434.2)
Principal portion of lease payments		(42.9)	(43.0)
Issued capital bought back on-market		–	(22.0)
Dividends paid		(71.3)	(112.0)
Net cash (used in)/from financing activities		(379.9)	172.7
Net movement in cash and cash equivalents		(234.6)	265.4
Cash and cash equivalents at 1 April		423.9	148.2
Effect of exchange rate fluctuations on cash held		(20.7)	10.3
Cash and cash equivalents at 31 March	*3a*	168.6	423.9

The notes on pages 50 to 88 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 2021 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, net subsidies received under COVID-19 economic support programmes 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. 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.

2021 *In millions of AUD*	**Commodities**	**Life Sciences**	**Industrial**	**Other[1]**	**Consolidated**
Revenue	624.8	930.0	206.6	–	1,761.4
Africa	34.7	–	–	–	34.7
Asia/Pacific	241.6	279.1	151.7	–	672.4
EMENA (Europe, Middle East, North Africa)	131.2	333.7	1.0	–	465.9
Americas	217.3	317.2	53.9	–	588.4
Underlying EBITDA[2]	210.4	222.4	33.3	(41.0)	425.1
Amortisation on right-of-use assets	(14.5)	(24.7)	(5.3)	(0.1)	(44.6)
Depreciation and amortisation	(23.4)	(47.1)	(7.5)	(1.1)	(79.1)
Underlying EBIT[2]	172.5	150.6	20.5	(42.2)	301.4
Restructuring & other items, including net COVID-19 subsidies[2]	7.3	4.3	(8.0)	(7.6)	(4.0)
Amortisation of intangibles	–	–	–	(8.9)	(8.9)
Segment EBIT[2]	179.8	154.9	12.5	(58.7)	288.5
Net interest	(1.9)	(4.4)	(0.8)	(32.9)	(40.0)
Segment profit/(loss) before income tax	177.9	150.5	11.7	(91.6)	248.5
Underlying EBIT margin[2]	27.6%	16.2%	9.9%		17.1%
Underlying EBITDA margin[2]	33.7%	23.9%	16.1%		24.1%
Segment assets	783.4	1,249.2	196.6	48.3	2,277.5
Cash and cash equivalents	–	–	–	–	168.6
Tax Assets	–	–	–	–	30.8
Total assets per the balance sheet	783.4	1,249.2	196.6	48.2	2,476.9
Segment liabilities	(157.9)	(333.7)	(68.7)	(9.7)	(570.0)
Loans and borrowings	–	–	–	–	(782.5)
Tax liabilities	–	–	–	–	(44.6)
Total liabilities per the balance sheet	(157.9)	(333.7)	(68.7)	(9.7)	(1,397.1)

1 Represents unallocated corporate costs. Net expenses of $42.2 million in 2021 comprise net foreign exchange losses of $4.6 million and other corporate costs of $37.6 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. The terms ‘Underlying’ and ‘Restructuring & other items” are defined in the Directors’ report.

2020 *In millions of AUD*	**Commodities**	**Life Sciences[3]**	**Industrial**	**Other[1]**	**Total continuing operations**	**Discon-tinued operations**	**Consolidated**
Revenue	642.2	961.2	250.5	–	1,853.9	4.2	1,858.1
Africa	46.6	–	–	–	46.6	–	46.6
Asia/Pacific	235.9	275.2	164.9	–	676.0	–	676.0
EMENA	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
Amortisation on right-of-use assets	(13.9)	(25.2)	(5.6)	(0.1)	(44.8)	(0.8)	(45.6)
Depreciation and amortisation	(23.0)	(48.9)	(7.5)	(1.5)	(80.9)	(0.3)	(81.2)
Underlying EBIT[2]	164.5	148.7	25.2	(32.6)	305.8	(1.8)	304.0
Restructuring & other items[2]	(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)
Segment EBIT[2]	162.5	89.2	(15.6)	(43.3)	192.8	52.2	245.0
Net interest	(2.0)	(4.8)	(1.0)	(34.0)	(41.8)	(0.6)	(42.4)
Statutory profit before income tax	160.5	84.4	(16.6)	(77.3)	151.0	51.6	202.6
Underlying EBIT margin[2]	*25.6%*	*15.5%*	*10.1%*		*16.5%*		*16.4%*
Underlying EBITDA margin[2]	*31.4%*	*23.2%*	*15.3%*		*23.3%*		*23.2%*
Segment assets	841.7	1,310.2	239.0	57.8	2,448.8	24.9	2,473.7
Cash and cash equivalents	–	–	–	–	–	–	424.4
Tax Assets	–	–	–	–	–	–	32.6
Total assets per the balance sheet	841.7	1,310.2	239.0	57.8	2,448.8	24.9	2,930.7
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 disclosures and are unaudited. The terms 'Underlying' and 'Restructuring & other items" are defined in the directors' report.

3 Revenue restated to adjust for IFRS15- nil impact on Profit and Loss.

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**			
	2021		**2020**	
	Reve-nues	**Non-current assets**	**Reve-nues**	**Non-current assets**
Africa	34.7	24.9	46.6	29.4
Asia/Pacific	672.4	634.1	676.0	654.3
EMENA	465.9	476.0	441.5	527.0
Americas	588.4	730.9	694.0	783.3
Total	1,761.4	1,865.9	1,858.1	1,994.1

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	**2021**	**2020**
Basic earnings per share	35.78c	26.46c
Diluted earnings per share	35.62c	26.35c
Basic earnings per share from continuing operations	35.78c	15.80c
Diluted earnings per share from continuing operations	35.62c	15.73c
Basic earnings per share from discontinued operations	–	10.66c
Diluted earnings per share from discontinued operations	–	10.62c

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 $172.6 million profit (2020: $127.8 million).

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 $172.6 million profit (2020: $76.3 million).

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 attributable to equity holders of the Company from discontinued operations of $0.0 million (2020: $51.5 million loss).

Weighted average number of ordinary shares (Basic and diluted)

In millions of shares	Note	Consolidated	
		2021	**2020**
Issued ordinary shares at 1 April	*4b*	482.4	485.5
Effect of shares bought back on-market		–	(2.6)
Weighted average number of ordinary shares at 31 March (Basic)		482.4	482.9
Effect of potential shares relating to performance rights granted to employees as compensation, but not yet vested		2.2	2.3
Weighted average number of ordinary shares at 31 March (Diluted)		484.6	485.2

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	
	2021	2020
Africa	34.7	46.6
Asia/Pacific	672.4	676.0
EMENA	465.9	437.9
Americas	588.4	693.4
Total revenue	1,761.4	1,853.9

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	
		2021	2020
Employee expenses		841.4	909.5
Raw materials and consumables		182.1	193.8
Occupancy costs		98.6	91.0
External service costs		43.6	43.5
Equity-settled share-based payment transactions	*8a*	4.6	5.7
Contributions to defined contribution post-employment plans – included in employee expenses above		42.1	44.4
Impairment charges		–	90.0
Loss on sale of property plant and equipment		4.9	4.0
Net loss/(gain) on foreign exchange		4.6	(6.4)

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

During FY20 the Group sold its Life Sciences operations in China and shut down its operations in France. The Oil & Gas laboratory services business, previously held for sale, has been reclassified as continued in FY21.

Information attributable to discontinued operations is as follows:

In millions of AUD	Consolidated	
Discontinued operations	**2021**	**2020**
Revenue	-	4.2
Amortisation and depreciation	-	(1.1)
Other Expenses	-	(5.0)
Results from operating activities	-	(1.9)
Gain on divestment	-	54.1
Interest	-	(0.7)
Profit/(loss) of discontinued operations	-	51.5
Income tax benefit	-	-
Profit/(Loss)Loss of discontinued operations, net of tax	-	51.5
Basic earnings per share from discontinued operations	-	10.66c
Diluted earnings per share from discontinued operations	-	10.62c
Cash flows from discontinued operations		
Net cash from operating activities	-	(19.6)
Net cash from investing activities	-	66.0
Net cash from financing activities	-	(0.4)
Net cash from discontinued operations	-	46.0
Assets held for sale		
Trade and other receivables	-	1.5
Inventories	-	0.1
Property, plant and equipment	-	15.9
Right-of-use assets	-	3.8
Intangible assets	-	2.6
Deferred tax assets	-	0.7
Other assets	-	0.3
	-	24.9
Liabilities directly associated with the assets held for sale		
Trade and other liabilities	-	10.2
Loans and borrowings	-	3.9
Employee benefits	-	0.0
	-	14.1

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

2h. Other assets and liabilities

2a. Trade and other receivables

In millions of AUD	Consolidated	
	2021	**2020**
Current		
Trade receivables	282.9	310.7
Other receivables	55.2	54.4
	338.1	365.2
Aging of trade receivables		
Current	175.4	179.0
30 days	68.7	75.8
60 days	22.2	28.5
90 days and over	25.5	38.7
Total	291.8	322.0
Allowance for expected credit loss		
Opening balance	11.3	6.5
Write off	(3.8)	(3.4)
Movement in provision	1.4	8.3
Closing balance	8.9	11.3

Trade receivables are shown net of allowance for expected credit losses of $8.9 million (2020: $11.3 million) and are all expected to be recovered within 12 months. Expected credit loss allowances on trade receivables charged as part of operating costs was $1.1 million (2020: $3.4 million).

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 to note 4a).

Other receivables of $55.2 million (2020: $54.5 million) 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 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: nil).

In thousands AUD			**Consolidated**	
	%	**Sales to related parties***	**2021**	**2020**
Australian Laboratory Services Arabia Co. Ltd.	42%	1,382.8	362.1	1,872.2
ALS Technichem (M) Sdn Bhd	40%	241.7	724.2	654.1
PT. ALS Indonesia	20%	24.1	48.3	101.1
		1,648.6	1,134.7	2,627.4

** Period ended 31 March 2021*

2c. Inventories

In millions of AUD	**Consolidated**	
	2021	**2020**
Raw materials and consumables	52.5	60.9
Work in progress	11.0	17.8
Finished goods	0.9	0.2
	64.4	78.9

Work in progress recognised by the Group relates to contractual arrangements (refer to 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**	
	2021	**2020**
Trade payables	65.9	70.6
Contract liabilities	15.9	21.5
Other payables and accrued expenses	161.8	127.6
	243.6	219.7

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 improvements	Leased plant and equipment	Capital works in progress	Total
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	6.4	78.2	15.7	–	16.3	116.6
Additions through business combinations	3.9	8.5	0.1	–	–	12.5
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
Opening balance at 1 April 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 1 April 2020	176.0	236.2	61.4	–	33.7	507.3
Additions	12.5	53.7	6.0	–	2.0	74.2
Additions through business combinations	–	3.0	–	–	–	3.0
Disposals	(0.5)	(7.2)	(1.5)	–	–	(9.2)
Transfers	2.7	1.3	11.0	–	3.5	18.5
Depreciation expense	(6.8)	(57.6)	(10.4)	–	–	(74.8)
Exchange differences	(15.2)	(25.8)	(9.8)	–	(4.2)	(55.0)
Net book amount at 31 March 2021	168.7	203.6	56.7	–	35.0	464.0
At 31 March 2021						
At cost	235.8	826.8	173.3	–	35.0	1,270.9
Accumulated depreciation	(67.1)	(623.2)	(116.6)	–	–	(806.9)
Net book amount at 31 March 2021	168.7	203.6	56.7	–	35.0	464.0

Accounting policy – Property, plant & equipment

Owned assets

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "Other expenses" in the profit and loss statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Borrowing costs

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

Reclassification to investment property

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

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**	
	2021	**2020**
Carrying amount at the beginning of the year	10.0	10.1
Depreciation	(0.2)	(0.1)
Carrying amount at end of year	9.8	10.0

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 $26.0 million (2020: $19.0 million) based on a capitalisation rate of 6.1 per cent (2020: 8.75 per cent).

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 Relationships**	**Technology & Non-Compete Agreements**	**Software**	**Total**
Balance at 1 April 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
Disposal	(5.0)	–	–	–	–	(5.0)
Held for sale	–	–	–	–	(0.4)	(0.4)
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**
Additions through business combinations	65.8	–	29.9	–	0.5	96.2
Additions	–	0.4	–	0.6	6.9	7.9
Transfer	–	–	–	–	5.2	5.2
Amortisation	–	(0.4)	(7.2)	(0.9)	(4.0)	(12.5)
Effect of movements in foreign exchange	(114.1)	(0.1)	(5.1)	(0.2)	(1.4)	(120.9)
Balance at 31 March 2021	**1,064.1**	**0.5**	**51.6**	**0.6**	**19.7**	**1,136.5**

(1) The goodwill impairment loss recognised in the prior year relates to the ALS Industrial reportable segment ($40.0 million) and the ALS Life Sciences – South America reportable segment ($50.0 million) and has been included in impairment losses in the profit and loss statement.

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	**2021**	**2020**
ALS Minerals	358.0	389.4
ALS Life Sciences – Australia	48.8	48.4
ALS Life Sciences – North America	143.9	172.4
ALS Life Sciences – South America	111.9	60.3
ALS Life Sciences – Europe	246.0	272.2
ALS Life Sciences – Asia	14.2	18.4
ALS Coal	37.3	37.4
ALS Industrial	103.6	113.5
Other cash generating units	0.4	0.4
	1,064.1	1,112.4

The value in use calculations performed for all cash generating units use cash flow projections based on actual operating results, the Board approved budget for FY22, and forecasts drawn from FY2023 to

FY2026 which are based on management's estimates of underlying economic conditions, past financial results, and other factors anticipated to impact the cash generating units' performance including the estimated impacts of COVID-19 on the business performance. In FY2023 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 per cent.

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	
	2021	**2020**
ALS Minerals	12.0%	12.5%
ALS Life Sciences – Australia	10.2%	11.1%
ALS Life Sciences – North America	9.2%	10.1%
ALS Life Sciences – South America	15.5%	17.7%
ALS Life Sciences – Europe	8.5%	9.2%
ALS Life Sciences – Asia	11.2%	11.8%
ALS Coal	10.1%	11.0%
ALS Industrial	11.9%	13.3%

During the year ended 31 March 2021 the Group continued to pre-emptively make significant cost reductions and focused on balancing short-term resilience with the continuous development of capabilities to sustain medium and long-term growth. These internal actions, combined with reducing COVID-19 impacts on the Group as economies open and vaccines roll out, have allowed the Group to review its applied discount rates and adjust these to better align with the revised outlook for the individual CGU. The discount rates used has been supported by independent analysis commissioned by the Group.

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. Except for the ALS Life Sciences – South America CGU, sensitivity analyses performed indicate a reasonably possible change in any of the key assumptions for the Group's remaining CGUs would not result in impairment. During the period ended 31 March 2021 the Industrial CGU performed strongly, and above cash flow levels estimated in the FY20 impairment test. This was as a result of improved market conditions and the execution of revenue and margin improvement initiatives in the business. As a result of this, there are currently no reasonably possible changes in assumption which would cause impairment of the ALS Industrial CGU at 31 March 2021.

ALS Life Sciences – South America CGU

The estimated recoverable amount of the ALS Life Sciences South America CGU exceeded its carrying value by approximately $24.9 million. The Company has identified that a reasonable possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (whilst holding all other assumptions constant):

(a) the pre-tax discount rate would need to increase by 2.3 per cent to 17.8 per cent; or

(b) the compound average growth rate across the forecast period would need to decrease by 0.9 percentage points to 5.5 per cent."

Accounting policy – Intangible assets

Goodwill

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

Subsequent measurement

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

Other intangible assets

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

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

Subsequent expenditure

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

Amortisation

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

- *Capitalised computer software* *3-10 Years*
- *Trademarks and brand names* *3-5 Years*
- *Customer relationships* *5-10 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.

2h. Other assets and liabilities

In millions of AUD	Consolidated	
	2021	**2020**
Other assets and liabilities		
Current assets		
Prepayments	35.0	33.0
Fair value derivative	–	3.0
Other	5.0	7.3
	40.0	43.3
Non-current assets		
Related party loans	1.1	2.6
Fair value derivative	5.0	9.3
Promissory note	13.6	17.0
Investments in other corporations	7.6	10.6
Other	2.7	4.1
	30.0	43.6
Current liabilities		
Income tax	30.6	11.1
	30.6	11.1
Non-current liabilities		
Deferred payment for acquisitions	67.0	46.8
Other	3.8	2.9
	70.8	49.7

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	
	2021	**2020**
Bank balances	168.6	178.2
Bank fixed rate deposits	–	246.2
Cash and cash equivalents in the balance sheet	168.6	424.4
Bank overdrafts repayable on demand	–	(0.5)
Cash and cash equivalents in the statement of cash flows	168.6	423.9

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

Accounting policy – Cash and cash equivalents

Cash and cash equivalents 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	
	2021	**2020**
Profit for the period	174.1	129.5
Adjustments for:	–	–
Amortisation and depreciation	132.6	133.3
Loss on sale of property plant and equipment	6.8	5.4

Share-settled performance rights amounts recognised during the year	(2.7)	(4.3)
Share of associates and joint venture net profit	(3.7)	(3.2)
Impairment charges	–	90.0
Gain on sale of discontinued operations	–	(55.5)
Net non-cash expenses	1.0	(7.4)
Operating cashflow before changes in working capital and provisions	308.1	287.8
(Increase) in trade and other receivables	(12.8)	(2.2)
(Increase) in inventories	4.7	(2.7)
(Decrease)/increase in trade and other payables	(36.6)	(1.2)
(Decrease)/increase in taxation provisions	6.6	(22.7)
Net cash from operating activities	270.0	259.0

3c. Reconciliation of liabilities arising from financing activities

In millions of AUD	Long-term notes	Bank loans	Lease liabilities	**Total**
1-Apr-20	822.6	404.4	219.9	**1,446.9**
Net cash flows	71.9	(337.5)	(42.9)	**(308.5)**
Non-cash changes				
Acquisition	–	–	30.4	**30.4**
Foreign exchange movements	(118.7)	(60.5)	(21.9)	**(201.1)**
31-Mar-21	775.8	6.4	185.5	**967.7**

In millions of AUD	Long-term notes	Bank loans	Lease liabilities	**Total**
1-Apr-19	748.8	31.0	0.3	**780.1**
Net cash flows	(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**

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**	
Current Liabilities	**2021**	**2020**
Bank loans	5.0	–
Long term notes	–	242.8
Lease liabilities	37.2	39.9
	42.2	282.7
Non-current liabilities		
Bank loans	1.4	404.4
Long term notes	775.8	579.8
Lease liabilities	148.3	180.0
	925.5	1,164.2

Bank loans

The Group maintains revolving bank facilities with a group of five banks totalling USD$425.0 million. These bank facilities will mature in October 2021. Funding available to the Group from undrawn facilities at 31 March 2021 amounted to $ 553.7 million (2020: $91.9 million). Refer to note 7e for further details of the New Bank Facilities refinanced post balance date.

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans at balance date is 1.0 per cent (2020: 1.8 per cent).

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 July 2011, September 2013, July 2019 and again in November 2020. 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 July 2022: $249.8 million, due November 2030: $276.0 million and due July 2034: $250.0 million.

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 3.5 per cent (2020: 3.9 per cent).

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:	**2021**	**2020**
Australia	29.4%	29.2%
Canada	9.3%	7.5%
USA	14.5%	16.2%
UK	10.6%	10.3%
Other countries	36.2%	36.8%

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.

The Group's 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 maintains over $650.0 million available liquidity, 11.4x interest coverage and weighted average debt maturity of 6.6 years following the refinancing of facilities in May 2021 (refer note 7e). 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 to 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's 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 36.2 per cent (2020: 41.9 per cent).

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 2021	2020
Issued and paid up share capital		
482,425,769 ordinary shares fully paid (2020: 482,425,769)	1,304.6	1,303.9
Movements in ordinary share capital		
Balance at beginning of year	1,303.9	1,325.9
Shares buyback (2020: 3,088,607)	-	(22.0)
-109,115 Net Treasury shares (purchased), vested and issued to employees (2020: -101,867)	0.7	0.1
Balance at end of year	1,304.6	1,303.9

As at the end of year, the total number of treasury shares held by the ALS Limited LTI Plan Trust was

25,567 (2020: 134,682). 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**
2021				
Interim 2021 ordinary	8.5	8.5	41.0	16 Dec 20
Final 2020 ordinary	6.1	4.3	29.4	06 Jul 20
			70.4	
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	
Dividend declared after the end of the financial year:				
Final 2021 ordinary	14.6	10.2	70.4	05 Jul 21

The financial effect of the Final 2021 dividend has not been brought to account in the financial statements for the year ended 31 March 2021 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 30.0 per cent.

In millions of AUD	**Consolidated**	
Dividend franking account	**2021**	**2020**
30% franking credits available to shareholders of ALS Limited for subsequent financial years	(8.8)	5.0

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 2021 *In millions of AUD*	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	243.6	-	-	-	-	243.6
Lease liabilities	22.7	20.3	34.4	63.7	76.4	217.5
Long term notes	13.7	13.6	268.9	47.0	629.1	972.3
Bank loans	1.4	5.4	0.5	0.5	-	7.8
Acquisition amounts payable	12.1	8.9	48.9	18.1	-	88.0
Total	293.5	48.2	352.7	129.3	705.5	1,529.2

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.

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

Currency risk

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

CONSOLIDATED *In millions of AUD*	**2021** USD	CAD	EUR	PLN	GBP
Trade and other receivables	12.0	-	3.7	0.1	1.3
Cash at bank	41.7	-	4.2	0.1	0.3
Long term notes	-	(26.1)	(123.3)	-	(63.3)
Bank loan	-	-	-	-	-
Trade and other payables	(2.7)	(0.0)	(0.4)	-	(0.1)
Net balance sheet exposure	51.0	(26.1)	(115.8)	0.2	(61.8)

CONSOLIDATED *In millions of AUD*	**2020** 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)

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

	31 March spot rate 2021	2020
USD	0.76075	0.60918
CAD	0.95794	0.86655
EUR	0.64868	0.55634
PLN	3.0155	2.52833
GBP	0.55261	0.49288

Sensitivity analysis

A 10 per cent 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 2020. The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in foreign operation at 31 March for the effects of the assumed changes of the underlying risk.

In millions of AUD	**Consolidated**	
As at 31 March 2021	**Profit**	**Equity**
USD	(4.6)	-
CAD	-	2.4
EUR	-	10.5
GBP	-	5.6
	(4.6)	18.5

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

A 10 per cent 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 2020.

In millions of AUD	**Consolidated**	
As at 31 March 2021	**Profit**	**Equity**
USD	5.7	-
CAD	-	(2.9)
EUR	-	(12.9)
GBP	-	(6.9)
	5.7	(22.7)

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)

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*	**2021**	**2020**	**2021**	**2020**
	Fixed rate instruments		**Variable rate instruments**	
Financial assets	-	242.3	168.6	182.1
Financial liabilities	(961.3)	(1,042.5)	(6.7)	(404.4)
Effect of interest rate contracts*	-	165.3	-	(165.3)
	(961.3)	(634.9)	161.9	(387.6)

** 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 to 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 2021, the change in fair value of interest rate contracts was $3.0 million (2020: $0.7 million) and was offset in the Group's profit and loss statement by an equal amount relating to the change in fair value of the hedged risk. A change of 50 basis points in interest rates at the reporting date would not materially impact the Group's profit and loss before income tax or equity (2020: 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 2020.

Consolidated *In millions of AUD*	**As at 31 March 2021**				**As at 31 March 2020**			
	Profit		**Equity**		**Profit**		**Equity**	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Variable rate instruments	0.8	(0.8)	-	-	(1.1)	1.1	-	-
Interest rate contracts	-	-	-	-	(0.8)	0.8	-	-
Cash flow sensitivity (net)	0.8	(0.8)	-	-	(1.9)	1.9	-	-

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 $800.1 million (2020: $850.7 million). The basis for determining fair values is disclosed in note 7c. The fair value at 31 March 2021 of derivative assets (2020: asset) held for risk management, which are the Group's only financial instruments carried at fair value, was a net loss of $7.3 million (2020: $3.9 million profit) 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 prior 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 2021 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 2021	2020
Capital expenditure commitments		
Plant and equipment contracted but not provided for and payable within one year	26.7	15.7

4f. Leases

Leases as lessee

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				
	Property	Vehicles	Equipment	Total	Lease liabilities
As at 1 April 2020	196.4	20.6	2.9	219.9	219.9
Net additions	23.6	5.4	1.1	30.1	30.4
Transfers	3.7	0.1	-	3.8	3.9
Impairment of onerous lease	(6.9)	-	-	(6.9)	-
Amortisation	(35.0)	(8.5)	(1.0)	(44.6)	-
Interest	-	-	-	-	7.2
Payments	-	-	-	-	(50.2)
FX	(24.1)	(0.9)	(0.3)	(25.2)	(25.7)
As at 31 March 2021	157.7	16.7	2.7	177.1	185.5
As at 1 April 2019	182.2	19.1	1.5	202.8	202.8
Net additions	49.7	9.9	2.3	61.9	59.7
Amortisation	(35.5)	(8.4)	(0.9)	(44.8)	-
Interest	-	-	-	-	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 $2.9 million (2020: $3.5 million) and leases of low-value assets of $1.3 million (2020: $1.6 million) for the year ended 31 March 2021.

Maturity analysis – contractual undiscounted cash flows:

In millions of AUD	Consolidated 2021	2020
Due up to one year	43.0	47.2
Due between one and five years	98.1	116.5
Due after five year	76.4	98.4
Total undiscounted lease liabilities at period end	217.5	262.1
Lease liabilities included in the balance sheet at period end		
Current	37.2	39.9
Non-Current	148.3	180.0
	185.5	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.

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.

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	
	2021	2020
Less than one year	2.1	2.1
Between one and five years	1.1	3.3
	3.2	5.4

During the year ended 31 March 2021 $2.1 million was recognised as rental income in the profit and loss statement (2020: $2.1 million).

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

2021	Interest Acquired	Date acquired	Consideration paid
Investiga Group	100%	Mar-21	64.5
			64.5

Included in other non-current liabilities is deferred consideration of $34.0 million as at 31 March 2021.

In millions of AUD 2020	Interest Acquired	Date acquired	Consideration
Laboratorio de Control ARJ, S. A. de C. V.	100%	Aug-19	83.8
Aquimisa Group	100%	Dec-19	85.1
			168.9

If the FY20 acquisitions had occurred on 1 April 2019, management estimates that Group revenue would have been $1,868.7 million and net profit after tax would have increased by $5.7 million to $83.7 million.

Investiga Group

In millions of AUD	Fair Value* 2021
Property, plant and equipment	3.1
Trade and other receivables	5.2
Inventories	0.1
Cash and cash equivalents	0.9
Identifiable intangible assets	0.5
Tax assets	0.7
Employee benefits	(0.6)
Interest bearing loans and borrowings	-
Trade and other payables	(5.1)
Net identifiable assets and liabilities	4.8
Intangibles on acquisition	59.7
Total consideration	64.5
Deferred consideration	34.0
Paid in cash	30.5
Cash (acquired)	(0.9)
Net cash outflow	29.6

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

On 5 March 2021 the Group acquired 100 per cent of the issued capital of the Investiga Group. The purchase consideration was $64.5 million of which $30.5 million was settled in cash in the period. The balance is recorded as contingent consideration. The contingent consideration will be payable should certain earnings targets be met by the business in the three years post acquisition. The acquired net tangible assets were $4.8 million. In addition to the acquired net tangible assets, goodwill (non-deductible for tax) of $50.8 million and customer relationships of $8.9 million were recognised.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the Investiga Group for the one-month period from the acquisition date. All acquired amounts and contingent consideration was recorded on a provisional basis at 31 March 2021.

Directly attributable transaction costs of $1.5 million relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2021 the Investiga Group contributed revenue of $1.5 million and a net profit after tax of $0.1 million to the consolidated net profit after tax for the year.

The Investiga Group 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' 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 2021	Fair Value 2020
Property, plant and equipment	-	12.5
Inventories	-	0.7
Identifiable intangible assets	-	0.4
Trade and other receivables	-	18.0
Cash and cash equivalents	-	8.3
Interest-bearing loans and borrowings	-	(3.4)
Employee benefits	-	(0.1)
Trade and other payables	-	(8.3)
Current tax assets	-	0.8
Net identifiable assets and liabilities	-	28.9
Intangibles on acquisition	-	140.0
Total consideration	-	168.9
Deferred consideration	-	(46.5)
Paid in cash	-	122.4
Cash (acquired)	-	(8.3)
Net cash outflow	-	114.1

** The comparatives disclose all 2020 acquisitions.*

Directly attributable transaction costs of $nil (2020: $3.0 million) relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2021 the other acquirees contributed revenue of $nil (2020: $27.5 million) and a net profit after tax of $nil (2020: $5.0 million) 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' 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 names, 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 1.0 per cent, 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 1.0 per cent of the Group consolidated revenues. The list also includes major borrowers but excludes dormant and pure sub-holding entities.

Country	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) 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
Egypt	Australian Laboratory Services Company
Finland	ALS Finland OY
Ghana	ALS Ghana Limited

Controlled entities

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
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 Group 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.

Controlled entities	
Sudan	Australian Laboratory Services Co. Ltd.
Suriname	Australian Laboratory Services Suriname N.V.
Sweden	ALS Scandinavia AB
Thailand	ALS Laboratory Group (Thailand) Co Ltd
Turkey	ALS Laboratory Services 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
Uzbekistan	ALS Testing Toshkent LLC
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 2021 is set out below.

Summary profit and loss statement and retained profits

In millions of AUD	Consolidated	
	2021	**2020**
Profit before tax	188.1	78.9
Income tax expense	(36.8)	(20.2)
Profit after tax	151.3	58.7
Retained profits at beginning of year	(86.5)	(32.3)
Retained earnings adjustment*	-	-
Dividends recognised during the year	(70.5)	(112.9)
Retained profits at end of year	(5.7)	(86.5)

* Represents applicable amounts taken directly to retained earnings.

Statement of comprehensive income

In millions of AUD	Consolidated	
	2021	**2020**
Profit for the period	151.3	58.7
Total comprehensive income for the period	151.3	58.7

Balance Sheet

In millions of AUD	Consolidated	
	2021	**2020**
Assets		
Cash and cash equivalents	20.3	289.1
Trade and other receivables	92.9	107.9
Inventories	12.0	19.1
Other	8.4	5.2
Total current assets	133.6	421.3
Receivables	125.9	170.3
Investments accounted for using the equity method	17.6	20.1
Investment property	9.8	10.0
Deferred tax assets	25.4	32.9
Property, plant and equipment	156.8	148.3
Right-of-use assets	30.6	37.2
Intangible assets	294.5	292.6
Other investments	1,277.9	1,113.0
Total non-current assets	1,938.5	1,824.5
Total assets	2,072.1	2,245.8
Liabilities		
Trade and other payables	55.6	56.3
Loans and borrowings	11.0	12.0
Income tax payable	9.4	12.6
Employee benefits	41.5	38.3
Total current liabilities	117.5	119.2
Loans and borrowings	612.3	859.9
Employee benefits	5.7	5.9
Other	31.3	35.2
Total non-current liabilities	649.3	901.1
Total liabilities	766.8	1,020.3
Net assets	1,305.3	1,225.5
Equity		
Share capital	1,304.6	1,303.9
Reserves	6.4	8.1
Retained earnings	(5.7)	(86.5)
Total equity	1,305.3	1,225.5

5d. Parent entity disclosures

Result of parent entity

In millions of AUD	2021	2020
Profit / (loss) for the period	378.1	(38.8)
Total comprehensive income / (loss) for the period	378.1	(38.8)

Financial position of parent entity at year end

In millions of AUD	2021	2020
Current assets	26.3	287.5
Total assets	1,861.9	1,814.7
Current liabilities	18.2	16.7
Total liabilities	552.3	811.6
Net assets	1,309.6	1,003.1
Share capital	1,304.6	1,303.9
Reserves	6.1	4.9
Retained earnings	(1.1)	(305.8)
Total equity	1,309.6	1,003.1

Parent entity capital commitments

In millions of AUD	2021	2020
Plant and equipment contracted but not provided for and payable within one year	0.4	0.1
	0.4	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	**2021**	**2020**
Current tax expense from continuing operations		
Current year	80.1	75.0
Adjustments for prior years	(1.2)	3.1
	78.9	78.1
Deferred tax expense		
Origination and reversal of temporary differences	(4.5)	(5.0)
Total income tax expense in profit and loss statement	74.4	73.1
Reconciliation between tax expense and pre-tax net profit/(loss)		
Profit/(loss) before tax from continuing operations	248.5	151.1
Income tax using the domestic corporation tax rate of 30% (2020: 30%)	74.6	45.3
Difference resulting from different tax rates in overseas countries	(7.8)	(6.9)
	66.8	38.4
Increase in income tax expense due to:		
Non-deductible expenses	3.3	3.0
Non-deductible new market expansion and acquisition related costs	0.9	1.1
Tax losses of subsidiaries not recognised	0.5	0.6
Non-resident withholding tax paid upon receipt of distributions from foreign related parties	5.5	1.5
Non-deductible impairment losses	-	27.0
Non-deductible amortisation of intangibles	1.6	2.3
Under / (over) provided in prior years	(1.2)	3.1
	10.6	38.6
Decrease in income tax expense due to:		
Previously unrecognised tax losses utilised during the year	(0.5)	(1.2)
Share of associate entities net profit	(1.1)	(1.0)
Foreign statutory tax exemptions granted	(0.1)	(0.4)
Tax exempt revenues	(1.3)	(1.3)
	(3.0)	(3.9)
Income tax expense on pre-tax net profit/(loss) from continuing operations	74.4	73.1
Deferred tax recognised directly in equity		
Relating to hedging reserve	1.3	(1.0)
	1.3	(1.0)

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	2021	2020	2021	2020	2021	2020
Property, plant and equipment	3.1	8.1	12.5	10.5	(9.4)	(2.4)
Unrealised FX losses/(gains)	3.3	12.9	0.2	9.3	3.1	3.6
Provisions and other payables	26.5	22.1	0.5	0.5	26.0	21.6
Intangible assets	-	-	12.5	-	(12.5)	-
Unearned Revenue	3.1	3.1	-	-	3.1	3.1
Fair value derivatives	-	-	2.3	2.8	(2.3)	(2.8)
Inventories	0.1	0.1	4.1	5.3	(4.0)	(5.2)
Other items	2.9	2.4	0.9	3.6	2.0	(1.2)
Tax value of loss carry-forwards recognised	10.8	5.2	-	-	10.8	5.2
Tax assets / liabilities	49.8	53.9	33.0	32.0	16.8	21.9
Set off of tax	(19.0)	(21.3)	(19.0)	(21.3)	-	-
Net tax assets / liabilities	30.8	32.6	14.0	10.7	16.8	21.9

Unrecognised deferred tax assets

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

In millions of AUD	Consolidated	
	2021	2020
Tax losses	45.7	40.3

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

Statement of compliance

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

The financial report was authorised for issue by the directors on 26 May 2021.

Going concern

The financial statements have been approved by the Directors on a going concern basis.

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, 4f. Lease, 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. Refer note 1. Revenue restated to adjust for IFRS15 – nil impact on profit and loss.

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 2021.

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 to 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**	
	2021	**2020**
Audit services		
Auditors of the Company		
EY Australia:		
Audit and review of consolidated and company financial reports	700.0	700.0
Other EY member firms: Audit and review of consolidated and company financial reports	1,400.0	1,400.0
	2,100.0	2,100.0
Other services		
Auditors of the Company		
EY Australia:		
Other assurance and investigation services	-	286.2
Other EY member firms:		
Other assurance and investigation services	54.8	139.3
	54.8	425.4

In FY21 EY was employed by the Group in limited non-audit services. These engagements represent the finalisation of limited, approved engagements in delivery stages prior to EY's appointment in 2020.

It is the Group's policy not to use its external auditor for non-audit services.

7e. Events subsequent to balance date

New Bank Facilities

On 10 May 2021, the Group completed the agreements to enter into new multi-currency revolving facilities totalling USD$350.0 million.

A geographically diverse selection of banks will provide the new facilities, including Australia and New Zealand Banking Group, Westpac Banking Corporation, Hong Kong and Shanghai Banking Corporation, JP Morgan, Bank of America, and Mizuho Bank.

The new facilities will provide a strong level of liquidity to support the Group's growth strategy and ongoing global funding requirements. The new facilities will replace the existing USD$425.0 million which have been cancelled and would have matured in October 2021. The Group's weighted average debt maturity profile will increase to 6.6 years (calculated on a post-refinancing basis).

As part of the broader capital management plan, these new debt facilities will support the Group's FX strategy of aligning the debt currency profile with the cash flows of the operating businesses.

Voluntary Repayment of Government Subsidies

On 26 May 2021, at the time of releasing the Company's full year financial results the Board has resolved to repay net financial benefits received in relation to participating in COVID-19 subsidy schemes in all countries where repayment mechanisms exist. This includes $3.0 million relating to JobKeeper in Australia, and $20.5 million relating to Canadian Emergency Wage Subsidy in Canada

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 FY21 to some key management personnel (KMP) under the Short Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY20. A further tranche of new Service-based rights in respect of deferred compensation earned for STI outperformance during FY21 will be granted to certain KMP during FY22. 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 2021 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:	**2021**	**2020**	**2019**	**2018**
Scheme performance period	**2020-23**	**2019-22**	**2018-21**	**2017-20**
Date of grant	29-Jul-20	31-Jul-19	1-Aug-18	20-Jul-17
Testing date for performance hurdles	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20
Vesting date and testing date for service condition	1-Jul-23	1-Jul-22	1-Jul-21	1-Jul-20
Number of rights:				
Opening balance 1 April	–	680,103	528,123	515,373
Granted	770,904	–	–	–
Vested & exercised	–	(3,614)	(11,949)	(389,683)
Lapsed (a)	–	(17,344)	(21,525)	(125,690)
Closing balance 31 March	770,904	659,145	494,649	–

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

Service-based rights granted year ended 31 March:	**2021**	**2020**	**2020**
Scheme performance period	**2020-22**	**2019-21**	**2019-21**
Date of grant	29-Jul-20	31-Jul-19	31-Jul-19
Vesting date and testing date for service condition	1-Apr-22	1-Jul-21	1-Apr-21
Number of rights:			
Opening balance 1 April	–	258,553	149,661
Granted	52,060	–	–
Vested & exercised	–	–	(3,522)
Lapsed (a)	–	(4,603)	(3,568)
Closing balance 31 March	52,060	253,950	142,571

(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:	2021	2020	2019	2018
Scheme performance period	**2020-23**	**2019-22**	**2018-21**	**2017-20**
Date of grant	29-Jul-20	31-Jul-19	1-Aug-18	20-Jul-17
Testing date for performance hurdles	31-Mar-23	31-Mar-22	31-Mar-21	31-Mar-20
Vesting date and testing date for service condition	1-Jul-23	1-Jul-22	1-Jul-21	1-Jul-20
Number of rights:				
Opening balance 1 April	–	39,148	32,742	35,013
Granted	49,452	–	–	11,915
Vested & exercised	–	–	–	(35,008)
Lapsed (a)	–	–	–	(11,920)
Closing balance 31 March	49,452	39,148	32,742	–

(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
Scheme performance period	**2019-21**	**2019-21**
Date of grant	31-Jul-19	31-Jul-19
Vesting date and testing date for service condition	1-Jul-21	1-Apr-21
Number of rights:		
Opening balance 1 April	38,315	10,264
Granted	4,603	–
Vested & exercised	–	–
Lapsed	(4,348)	–
Closing balance 31 March	38,570	10,264

Vesting conditions – performance hurdle rights

Vesting conditions in relation to the performance-hurdle rights granted in July 2020 are set out below.

Employees must be employed by the Group on the vesting date (1 July 2023). 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 per cent 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 2020 to March 2023)	Proportion of performance rights that may be exercised if Underlying EPS growth hurdle is met
Less than 6 per cent per annum	0 per cent
Between 6 per cent and 10 per cent per annum	Straight line vesting between 12.5 per cent and 25 per cent of total grant
10 per cent or higher per annum	25 per cent of total grant

Underlying EBITDA margin of ALS relative to Underlying EBITDA margin of comparator peer companies (April 2020 to March 2023)	Proportion of performance rights that may be exercised if Underlying EBITDA hurdle is met
Less than the 50th percentile	0 per cent
Between the 50th and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent of total grant
Comparator peer companies: Bureau Veritas (France), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Team Inc (USA).	

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

Bureau Veritas (France), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain) and Team Inc (USA).

TSR of ALS relative to TSR of companies in ASX 100 Index over the period April 2020 to March 2023	Proportion of performance rights that may be exercised if TSR hurdle is met
Less than the 50th percentile	0 per cent
Between 50th percentile and 75th percentile	Straight line vesting between 12.5 per cent and 25 per cent of total grant
75th percentile or higher	25 per cent 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 2020 to March 2023)	Proportion of performance rights that may be exercised if ROCE hurdle is met
Below 11 per cent	0 per cent
Between 11 per cent and 16 per cent	Straight line vesting between 0 per cent and 25 per cent of total grant
At or above 16 per cent	25 per cent 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 2021 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 2021	Granted 2020	Granted 2019
Date of grant	29 July 2020	31 July 2019	1 August 2018
Weighted average fair value at date of grant of performance-hurdle rights	$7.38	$5.88	$6.98
Share price at date of grant	$8.29	$7.22	$8.30
Expected volatility	33%	27%	37%
Expected life	2.9 years	2.9 years	2.9 years
Risk-free interest rate	0.29%	0.81%	2.12%
Dividend yield	2.65%	2.80%	2.70%

Cash-settled rights	Granted 2021	Granted 2020	Granted 2019
Date of grant	29 July 2020	31 July 2019	1 August 2018
Weighted average fair value at date of grant of performance-hurdle rights	$7.38	$5.88	$6.98
Share price at date of grant	$8.29	$7.22	$8.30
Expected volatility	33.00%	27%	37%
Expected life	2.9 years	2.9 years	2.9 years
Risk-free interest rate	0.29%	0.81%	2.12%
Dividend yield	2.65%	2.80%	2.70%

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 FY21 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY20. These Service Rights have had their value estimated using the volume weighted average price (VWAP) of ALS Limited shares over the five trading days which followed 31 March 2020 ($7.22). As at 31 March 2021 there were 505,502 services rights on issue.

Service-based rights will be issued during FY22 to some key management personnel (KMP) under the Short-Term Incentive Plan in respect of deferred compensation earned for STI outperformance during FY21. An estimated accrual for the fair value of services received in return for these deferred STI service rights has been made at 31 March 2021 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 Limited shares over the five trading days which followed 31 March 2021.

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

In thousands of AUD	*Note*	**Consolidated**	
		2021	**2020**
Equity-settled rights	*1d*	4,555	5,701
Cash-settled rights		579	265
Total expenses recognised as employee costs		5,134	5,966
Carrying amount of liabilities for cash-settled rights		579	514

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)

John Mulcahy

Charlie Sartain

Tonianne Dwyer

Siddhartha Kadia

Leslie Desjardins

Former Non-Executive Director

Grant Murdoch (Retired (29 July 2020)

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 Damasceno (Chief Financial Officer)

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

In AUD	**Consolidated**	
	2021	**2020**
Short term employee benefits	7,213,662	7,460,854
Post-employment benefits	147,112	179,766
Value of share-based awards	1,672,419	1,542,665
Termination benefits	-	-
Other long-term benefits	50,222	16,229
	9,083,415	9,199,514

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 2021 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 2021.

Signed in accordance with a resolution of the directors:

Bruce Phillips
Chairman
Brisbane
26 May 2021

Raj Naran
Managing Director
Houston
26 May 2021

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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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 2021, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 2021 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 (including Independence Standards)* (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.

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.

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.	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 January 2021. We performed an assessment of the designation of the Group's CGUs. 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 compared 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 amount*** 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) supporting the value in use calculations were consistent with our knowledge of the business including Board approved budgets, known and anticipated ongoing COVID-19 impacts, corroborated by our work with external information where possible. ► 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. ***Disclosure*** We considered the related financial report disclosures including the adequacy of those related to the impairment.

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2. Decentralised accounting functions and Group 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 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 the Group's accounting policies. ▶ 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. ▶ Reviewed the disclosures in the financial statements to assess compliance with the requirements of the *Australian Accounting Standards*. 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.

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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 diversified and decentralised nature of the Group's operations and the risk of incorrect timing of revenue recognition at period end in the Industrial business, and the ability for overstatement of revenue due to manual posting of journal entries on consolidation.
	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.
	▶ Performed audit procedures to assess the completeness, accuracy and timing of revenue recognition. Our procedures included the following:
	  ▶ 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.
	  ▶ For the Industrial business, we substantively tested a sample of manual entries posted at period end relating to accrued income to verify the measurement of revenue recognised.
	▶ Testing of accounts receivable by reviewing a sample of 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*.

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 2021 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, actions taken to eliminate threats or safeguards applied.

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 19 to 41 of the directors' report for the year ended 31 March 2021.

In our opinion, the Remuneration Report of ALS Limited for the year ended 31 March 2021, 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

Brad Tozer

Brad Tozer
Partner
Brisbane
26 May 2021

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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 2021, 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

Brad Tozer
Partner
26 May 2021