



**ALS Limited**

**ABN 92 009 657 489**

**Interim Financial Report**  
**for the Half Year Ended 30 September 2016**  
**(including additional ASX Appendix 4D disclosures)**

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# **ALS Limited and its subsidiaries**

## **Interim Financial Report for the Half Year Ended 30 September 2016**

### **Contents**

- Results for announcement to the market (including required Appendix 4D information)
- Directors' half year report
- Consolidated interim financial report for the half year ended 30 September 2016

The attached Interim Financial Report for the half year ended 30 September 2016 forms part of this document. This half yearly report is to be read in conjunction with the ALS Limited 2016 Annual Financial Report and the notes contained therein.

# ALS Limited and its subsidiaries

## Results for announcement to the market

For the half year ended 30 September 2016

### Appendix 4D

(Previous corresponding period: half year ended 30 September 2015)

\$M				
Revenue from ordinary activities	Down	5.6%	to	672.0
Underlying net profit after tax * attributable to members	Down	17.0%	to	51.4
Profit from ordinary activities after tax attributable to members	Down	14.7%	to	48.7
Net profit for the period attributable to members	Down	14.7%	to	48.7

#### Dividends

	Amount per ordinary share	Franked amount per ordinary share
Interim dividend	5.5 cents	3.3 cents
Previous corresponding period	7.5 cents	1.875 cents

Record date for determining entitlements to the interim dividend: 6 December 2016

Dividend Reinvestment Plan (DRP) election date: 7 December 2016

The DRP will operate for the FY2017 interim dividend at no discount to the five-day VWAP from 8 to 14 December 2016. Shares allocated under the DRP will be acquired on market and transferred to participants on 21 December 2016.

#### Additional dividend information:

Details of dividends declared or paid during or subsequent to the half year ended 30 September 2016 are as follows:

Record date	Payment date	Type	Amount per ordinary share	Total dividend	Franked amount per ordinary share	Conduit foreign income per ordinary share
9 June 2016	1 July 2016	Final 2016	6.0 cents	\$30.3m	2.4 cents	3.6 cents
6 Dec 2016	21 Dec 2016	Interim 2017	5.5 cents	\$27.7m	3.3 cents	2.2 cents

#### Other financial information:

	Current period	Previous corresponding period
Basic underlying * earnings per ordinary share	10.2 cents	15.2 cents
Basic earnings per ordinary share	9.7 cents	14.0 cents
Net tangible assets per ordinary share	53.4 cents	-13.9 cents

\* Refer to page 3 of the attached Interim Financial Report for a reconciliation of Underlying net profit after tax to Statutory net profit after tax.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 30 September 2016 Interim Financial Report. The unqualified review report of the company's auditors, KPMG, is attached to this document and highlights no areas of dispute.

Sign here:  .....

**Company Secretary**  
Tim Mullen

Date: 29/11/2016



ALS Limited

ABN 92 009 657 489

**Interim Financial Report  
for the Half Year Ended 30 September 2016**

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# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

The directors present their report together with the consolidated interim financial report for the half year ended 30 September 2016 and the auditor's review report thereon.

### Directors

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

#### **BRUCE PHILLIPS B Sc (Hons) (Geology)**

**Chairman and Independent Non-Executive Director Age 61**

Appointed a director 2015 and appointed Chairman 26 July 2016.

#### **GREG KILMISTER B Sc (Hons), FRACI, MAIG, CCEO**

**Managing Director and Chief Executive Officer Age 60**

Appointed Managing Director and Chief Executive Officer in 2005.

#### **MEL BRIDGES B AppSc, PhD, FAICD**

**Independent Non-Executive Director Age 66**

Appointed 2009.

#### **GRANT MURDOCH M Com (Hons), FAICD, FCA**

**Independent Non-Executive Director Age 65**

Appointed 2011.

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

**Independent Non-Executive Director Age 66**

Appointed 2012.

#### **CHARLIE SARTAIN B Eng (Hons) (Mining), FAUSIMM, FTSE**

**Independent Non-Executive Director Age 55**

Appointed 2015.

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

**Independent Non-Executive Director Age 54**

Appointed 1 July 2016.

#### **NEROLIE WITHNALL BA, LLB, FAICD**

**Former Chairman and Independent Non-Executive Director**

Appointed 1994, retired 26 July 2016.

# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

### Review and results of operations

#### Financial performance

The Group recorded underlying net profit after tax (attributable to equity holders of the Company, and excluding restructuring and other one-off items and amortisation of acquired intangibles) of \$51.4 million for the half year. The result falls within the guidance range of \$50.0 million to \$55.0 million provided to the market at the Company's Annual General Meeting on 26 July 2016. It is 17.0% below the \$61.9 million underlying net profit earned in the previous corresponding period (pcp) primarily due to losses recorded by the Oil & Gas services business over the six months to September 2016.

Half year statutory net profit after tax attributable to equity holders of the Company (including restructuring and other one-off items and amortisation of acquired intangibles) was \$48.7 million, down 14.7% on the \$57.1 million recorded in the half year to September 2015. Refer to page 3 for a detailed summary and reconciliation of results.

Revenue of \$672.0 million was down 5.6% on the \$712.1 million recorded in the previous corresponding period (pcp). This was primarily due to the \$38.9 million (45.1%) fall in revenue experienced by the Oil & Gas division, which suffered from continued reduced activity and pricing pressures in its markets. Oil & Gas recorded an underlying loss for the six months of \$13.3 million, significantly worse than the underlying loss of \$0.3 million in the September 2015 half.

The Group has made the decision to divest the majority of its assets in the Oil & Gas technical services sector. Refer note 10 – Events Subsequent to Balance Date.

Following a change in management reporting structure, effective 1 April 2016 the Group's Coal operations were transferred from the former Energy segment and combined with the former Minerals segment to form a new Commodities segment. Refer page 4 for details.

Life Science division delivered a small improvement in revenue at a slightly reduced profit margin compared with the pcp, while Commodities division's contribution (now incorporating the Coal services operations) was flat with improved geochemistry sample flow being offset by small profit reductions in the coal, metallurgy and inspection businesses.

The Group remains focused on being ready to take advantage of future opportunities by targeting organic and acquired growth in the more stable Environmental and Food sectors (Life Sciences) and by maintaining its assets, market share and reputation in the more cyclical Commodities and Industrial divisions in order to be able to respond quickly when those markets recover. Refer note 10 – Events Subsequent to Balance Date.

Directors have declared an interim dividend of 5.5 cents per share partly franked to 60%, payable on all ordinary shares (2015: 7.5 cents, partly franked to 25%). It will be paid on 21 December 2016 on all shares registered in the Company's register at the close of business on 6 December 2016. The Company's dividend reinvestment plan will operate for the FY2017 interim dividend at no discount to the five-day VWAP from 8 to 14 December 2016.

# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

### Review and results of operations (continued)

The Group's financial performance for the half year to 30 September 2016 is summarised as follows:

2016 \$m	Underlying result (1) ex-Oil & Gas	Underlying result (1) Oil & Gas	Underlying operating result (1)	Restructuring & other one- off items (1,2)	Amortisation of intangibles	Statutory result
Revenue	624.7	47.3	<b>672.0</b>	-	-	<b>672.0</b>
EBITDA (3)	133.4	(6.3)	<b>127.1</b>	(2.9)	-	<b>124.2</b>
Depreciation & amortisation	(32.4)	(7.0)	<b>(39.4)</b>	-	(0.7)	<b>(40.1)</b>
EBIT (3)	101.0	(13.3)	<b>87.7</b>	(2.9)	(0.7)	<b>84.1</b>
Interest expense	(14.1)	-	<b>(14.1)</b>	-	-	<b>(14.1)</b>
Tax expense	(23.9)	2.0	<b>(21.9)</b>	0.9	-	<b>(21.0)</b>
	63.0	(11.3)	<b>51.7</b>	(2.0)	(0.7)	<b>49.0</b>
Non-controlling interests	(0.3)	-	<b>(0.3)</b>	-	-	<b>(0.3)</b>
Net profit after tax	62.7	(11.3)	<b>51.4</b>	(2.0)	(0.7)	<b>48.7</b>
Basic EPS (cents)			<b>10.2</b>			<b>9.7</b>
Diluted EPS (cents)			<b>10.2</b>			<b>9.6</b>

2015 \$m	Underlying result (1) ex-Oil & Gas	Underlying result (1) Oil & Gas	Underlying operating result (1)	Restructuring & other one- off items (1,2)	Amortisation of intangibles	Statutory result
Revenue	625.9	86.2	<b>712.1</b>	-	-	<b>712.1</b>
EBITDA (3)	141.1	9.3	<b>150.4</b>	3.9	-	<b>154.3</b>
Depreciation & amortisation	(34.2)	(9.6)	<b>(43.8)</b>	-	(7.4)	<b>(51.2)</b>
EBIT (3)	106.9	(0.3)	<b>106.6</b>	3.9	(7.4)	<b>103.1</b>
Interest expense	(17.2)	-	<b>(17.2)</b>	-	-	<b>(17.2)</b>
Tax expense	(26.2)	-	<b>(26.2)</b>	(1.3)	-	<b>(27.5)</b>
	63.5	(0.3)	<b>63.2</b>	2.6	(7.4)	<b>58.4</b>
Non-controlling interests	(1.3)	-	<b>(1.3)</b>	-	-	<b>(1.3)</b>
Net profit after tax	62.2	(0.3)	<b>61.9</b>	2.6	(7.4)	<b>57.1</b>
Basic EPS (cents)			<b>15.2</b>			<b>14.0</b>
Diluted EPS (cents)			<b>15.2</b>			<b>14.0</b>

- (1) The terms Underlying Operating Result and Restructuring & Other One-off Items are non-IFRS disclosures. They have been presented to assist in the assessment of the relative performance of the Group from period to period. The calculations thereof are based on non-IFRS information and are unaudited.
- (2) Restructuring & Other One-off Items in 2015 include foreign exchange gains of \$7.4 million before tax realised on repayment of inter-company balances within the Group (2016: Nil). Refer note 6.
- (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.

# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

### Review and results of operations (continued)

Following a change in management reporting structure, effective 1 April 2016 the Group's Coal operations were transferred from the former Energy segment and combined with the former Minerals segment to form a new Commodities segment as summarised:

Former segments	Revised segments
Minerals	Commodities (comprising Minerals and Coal)
Energy (comprising Coal and Oil & Gas)	Oil & Gas
Life Sciences	Life Sciences (unchanged)
Industrial	Industrial (unchanged)

Contributions from business segments are set out below. Prior period comparative figures have been amended to reflect the revised segments.

Life Sciences	2016 \$M	2015 \$M	Increase/ (Decrease)
Revenue	321.0	317.7	1.0%
Segment contribution	54.9	58.6	
Restructuring and related costs	0.7	0.1	
Underlying segment contribution	55.6	58.7	(5.3%)
Margin (underlying segment contribution to revenue)	17.3%	18.5%	
Underlying segment EBITDA	72.6	76.2	(4.7%)

Life Sciences division delivered a relatively flat revenue performance, however difficult market conditions and internal issues in the North and South American regions resulted in underlying contribution falling by 5.3%.

The environmental business recorded revenue and contribution gains in all regions except North and South America. The best performing environmental locations were Australia and Asia where improving revenues resulted in both regions achieving underlying contribution margins in excess of 26%. Difficulties were experienced in the Canadian and South American environmental operations – both businesses were impacted by weakness in the resources industry (mining, oil and gas) and by internal management issues. Improvements are expected in these locations during the second half of the financial year through a combination of organisational restructures and winning new business contracts.

ALS' global food and pharmaceutical testing business achieved revenue growth of 9% compared with the pcp. This business stream delivered strong organic growth in the UK, Ireland and South America which contributed to improvements in underlying contribution margins. The fledgling consumer testing and electronics businesses both recorded growth in revenue and underlying earnings, as the Group's presence in these sectors continues to expand.

# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

### Review and results of operations (continued)

<b>Industrial</b>	<b>2016 \$M</b>	<b>2015 \$M</b>	<b>Increase</b>
Revenue	99.8	94.5	5.6%
Segment contribution	14.4	13.2	
Restructuring and related costs	0.1	0.3	
Underlying segment contribution	14.5	13.5	7.4%
Margin (underlying segment contribution to revenue)	14.5%	14.3%	
Underlying segment EBITDA	17.6	16.4	7.3%

Revenue growth in the Industrial division was delivered by strong work volumes in both the USA and Australia, particularly in the power generation, oil & gas and mining sectors.

Successful business development efforts have largely replaced Australian LNG construction revenue with maintenance-related services to the oil & gas, mining and water sectors. A continued focus on cost base discipline in Australia has delivered improved contribution margin. This was partially offset by lower earnings in the USA which has been affected by falling activity levels in the downstream oil and gas sector. US management has responded by focusing attention on business development efforts and cost base adjustments.

The Tribology business continues to yield strong profitably, with underlying contribution margin remaining above 24%.

<b>Commodities (Minerals &amp; Coal)</b>	<b>2016 \$M</b>	<b>2015 \$M</b>	<b>(Decrease) /Increase</b>
Revenue	203.9	213.7	(4.6%)
Segment contribution	38.4	38.8	
Restructuring and related costs	1.4	0.9	
Underlying segment contribution	39.8	39.7	0.3%
Margin (underlying segment contribution to revenue)	19.5%	18.6%	
Underlying segment EBITDA	51.7	53.0	(2.5%)

The Commodities division recorded a steady performance over the half year, characterised by productivity and efficiency initiatives and increasing sample flow into the Geochemistry business stream.

Sample volumes processed by the Geochemistry business trended up throughout the half underpinned by both market share growth and increasing activity. Sample flow was 13% higher than the pcp which translated into a 14.7% improvement in contribution and a 200 basis points lift in underlying business unit margin to 23.2%. While cost management remains a focus for the Geochemistry business, the emphasis is shifting toward productivity and the timely injection of human and capital resources to service increasing workloads.

While competitive pricing and reduced activity in the exploration and resource definition sectors of the coal market continue to pressure the ALS Coal business unit, the Superintending service line has however maintained consistent work volumes. Overall Coal business stream revenue was down on the pcp, however excellent cost base management and productivity initiatives underpinned improved profitability. Recent strong increases in both coking and thermal coal prices are expected to result in growth in exploration and resource definition activity, enabling the business to benefit from these productivity initiatives.

First half revenue for the Metallurgy business was down as a result of a reduced large scale piloting activities, the flow-on of which impacted profitability. As with Geochemistry, activity in the Metallurgy business stream improved in the second quarter of the half year - particularly in Australia.

# ALS Limited and its subsidiaries

## Directors' Report

For the half year ended 30 September 2016

### Review and results of operations (continued)

Oil & Gas	2016 \$M	2015 \$M	(Decrease)
Revenue	47.3	86.2	(45.1%)
Segment contribution	(13.6)	(2.1)	
Restructuring and related costs	0.3	1.8	
Underlying segment contribution	(13.3)	(0.3)	n/a
Margin (underlying segment contribution to revenue)	(28.1%)	(0.3%)	
Underlying segment EBITDA	(6.3)	9.3	n/a

Global oil and gas markets continue to suffer from reduced exploration and production activity. These conditions have had a marked impact on ALS Oil and Gas with revenue and underlying contribution falling \$38.9 million and \$13.0 million respectively compared with the pcp.

The market remains extremely price competitive as operators chase ever-lower production costs. ALS Oil & Gas has adjusted its cost base downward to match the conditions and its strategy of "bidding to win" has seen a slight improvement in revenue over the second quarter of FY2017.

As noted below and in Note 10 the Group has decided to divest the majority of its assets in the Oil & Gas technical services sector.

### Events subsequent to balance date

#### Life Sciences acquisition

On 29 November 2016 the Group executed an agreement to acquire the UK food, water and environmental testing operations of ALControl UK Limited for an enterprise value of \$66.7 million. The business is expected to generate revenue of \$49.1 million during its first year under ALS' ownership. The transaction is expected to complete on 30 November 2016.

#### Divestment of Oil & Gas assets

Following a strategic review, Directors announced today the Group's intention to divest the majority of its assets in the Oil & Gas technical services sector. Simmons & Company International, energy specialists of Piper Jaffray, have been engaged to advise the Group on options to transact the divestment. It is the Company's intention to retain the laboratory services component.

Other than the matters discussed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

## ALS Limited and its subsidiaries

### Directors' Report

For the half year ended 30 September 2016

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

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the half year ended 30 September 2016.

### Rounding off

The entity 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 Class Order, 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  
29 November 2016



Greg Kilmister  
Managing Director

Brisbane  
29 November 2016

# ALS Limited and its subsidiaries

## Interim profit and loss statement

For the half year ended 30 September 2016

*In millions of AUD*

*Note*

**Consolidated**

	<b>30 September 2016</b>	<b>30 September 2015</b>
Revenue from sale of goods	2.4	2.8
Revenue from rendering of services	669.6	709.3
	672.0	712.1
Raw materials and consumables purchased	(69.6)	(70.9)
Employee expenses	(330.9)	(348.2)
Occupancy Costs	(51.1)	(54.1)
External service costs	(18.5)	(21.2)
Amortisation and depreciation	(40.1)	(51.2)
Other expenses	(78.8)	(64.9)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	1.1	1.5
<b>Profit before financing costs and income tax</b>	<b>84.1</b>	<b>103.1</b>
Finance income	1.7	1.5
Finance expense	(15.8)	(18.7)
<b>Net finance expense</b>	<b>(14.1)</b>	<b>(17.2)</b>
<b>Profit before income tax</b>	<b>70.0</b>	<b>85.9</b>
Income tax expense	(21.0)	(27.5)
<b>Profit for the period</b>	<b>49.0</b>	<b>58.4</b>
<b>Attributable to:</b>		
Equity holders of the Company	48.7	57.1
Non-controlling interest	0.3	1.3
<b>Profit for the period</b>	<b>49.0</b>	<b>58.4</b>
Basic and diluted earnings per share attributable to equity holders	9.7c	14.0c
Basic and diluted earnings per share attributable to equity holders from continuing operations	9.7c	14.0c

The interim profit and loss statement is to be read in conjunction with the notes to the interim financial report set out on pages 14 to 19.

## ALS Limited and its subsidiaries

### Interim statement of comprehensive income

For the half year ended 30 September 2016

In millions of AUD

	Note	Consolidated	
		30 September 2016	30 September 2015
<b>Profit for the period</b>		49.0	58.4
<b>Other comprehensive income *</b>			
<i>Items that are or may be reclassified subsequently to profit and loss</i>			
Foreign exchange translation differences		(17.4)	8.1
(Loss)/gain on hedge of net investments in foreign subsidiaries		0.3	(1.1)
Net gain/(loss) on cash flow hedges taken to equity		0.3	1.3
<b>Other comprehensive income for the period, net of income tax</b>		(16.8)	8.3
<b>Total comprehensive income for the period</b>		32.2	66.7
<b>Attributable to:</b>			
Equity holders of the company		31.9	65.4
Non-controlling interest		0.3	1.3
<b>Total comprehensive income for the period</b>		32.2	66.7

\* All movements in comprehensive income are disclosed net of applicable income tax.

The interim statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 19.

# ALS Limited and its subsidiaries

## Interim balance sheet

As at 30 September 2016

In millions of AUD

	Note	Consolidated	
		30 September 2016	31 March 2016
<b>Current Assets</b>			
Cash and cash equivalents		299.4	297.9
Trade and other receivables		275.7	271.7
Inventories		86.7	79.0
Income tax receivable		6.8	7.9
Other assets		38.6	35.0
<b>Total current assets</b>		<b>707.2</b>	<b>691.5</b>
<b>Non-current assets</b>			
Receivables		4.5	3.5
Investments accounted for using the equity method		18.7	20.6
Investment property		10.5	10.5
Deferred tax assets		24.3	23.8
Property, plant and equipment		440.3	457.3
Intangible assets		919.6	923.7
Other assets		13.5	14.0
<b>Total non-current assets</b>		<b>1,431.4</b>	<b>1,453.4</b>
<b>Total assets</b>		<b>2,138.6</b>	<b>2,144.9</b>
<b>Current Liabilities</b>			
Bank overdraft		0.5	-
Trade and other payables		135.9	150.9
Loans and borrowings	7	0.9	1.0
Employee benefits		41.2	39.8
<b>Total current liabilities</b>		<b>178.5</b>	<b>191.7</b>
<b>Non-current liabilities</b>			
Loans and borrowings	7	744.2	748.5
Deferred tax liabilities		8.6	8.7
Employee benefits		7.9	7.7
Other		10.6	2.7
<b>Total non-current liabilities</b>		<b>771.3</b>	<b>767.6</b>
<b>Total liabilities</b>		<b>949.8</b>	<b>959.3</b>
<b>Net assets</b>		<b>1,188.8</b>	<b>1,185.6</b>
<b>Equity</b>			
Share capital		1,453.0	1,452.7
Reserves		(67.6)	(51.4)
Retained earnings		(205.5)	(224.3)
<b>Total equity attributable to equity holders of the company</b>		<b>1,179.9</b>	<b>1,177.0</b>
<b>Non-controlling interest</b>		<b>8.9</b>	<b>8.6</b>
<b>Total equity</b>		<b>1,188.8</b>	<b>1,185.6</b>

The interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 19.

# ALS Limited and its subsidiaries

## Interim statement of changes in equity

For the half year ended 30 September 2016

In millions of AUD

	Consolidated							
	Share Capital	Foreign Currency Translation	Other reserves	Employee share-based awards	Retained earnings	Total	Non-controlling Interest	Total Equity
Balance 1 April 2016	1,452.7	(57.4)	3.6	2.4	(224.3)	1,177.0	8.6	1,185.6
<b>Total comprehensive income for the period</b>								
Profit or loss	-	-	-	-	48.7	48.7	0.3	49.0
<b>Other comprehensive income</b>								
Foreign exchange translation differences	-	(17.4)	-	-	-	(17.4)	-	(17.4)
Gain/(loss) on hedge of net investments in foreign subsidiaries	-	0.3	-	-	-	0.3	-	0.3
Net gain on cash flow hedges taken to equity	-	-	0.3	-	-	0.3	-	0.3
Total other comprehensive income	-	(17.1)	0.3	-	-	(16.8)	-	(16.8)
<b>Total comprehensive income for the period</b>	-	(17.1)	0.3	-	48.7	31.9	0.3	32.2
<b>Transactions with equity holders, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	-	-	-	-	(30.2)	(30.2)	-	(30.2)
Share-settled performance rights awarded during the period	-	-	-	1.2	-	1.2	-	1.2
Share-settled performance rights vested or lapsed during the period	0.3	-	-	(0.6)	0.3	-	-	-
Total contributions by and distributions to owners	0.3	-	-	0.6	(29.9)	(29.0)	-	(29.0)
Balance at 30 September 2016	1,453.0	(74.5)	3.9	3.0	(205.5)	1,179.9	8.9	1,188.8

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 19.

## ALS Limited and its subsidiaries

### Interim statement of changes in equity (continued)

For the half year ended 30 September 2015

In millions of AUD

	Share Capital	Foreign Currency Translation	Other reserves	Consolidated Employee share-based awards	Retained earnings	Total	Non-controlling Interest	Total Equity
Balance 1 April 2015	1,134.1	(1.7)	(22.7)	1.3	104.5	1,215.5	12.9	1,228.4
<b>Total comprehensive income for the period</b>								
Profit or loss	-	-	-	-	57.1	57.1	1.3	58.4
<b>Other comprehensive income</b>								
Foreign exchange translation differences	-	8.1	-	-	-	8.1	-	8.1
Gain/(loss) on hedge of net investments in foreign subsidiaries	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Net gain/(loss) on cash flow hedges taken to equity	-	-	1.3	-	-	1.3	-	1.3
Total other comprehensive income	-	7.0	1.3	-	-	8.3	-	8.3
Total comprehensive income for the period	-	7.0	1.3	-	57.1	65.4	1.3	66.7
<b>Transactions with equity holders, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	-	-	-	-	(40.5)	(40.5)	(0.8)	(41.3)
Share-settled performance rights awarded during the period	-	-	-	0.7	-	0.7	-	0.7
Share-settled performance rights vested or lapsed during the period	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Total contributions by and distributions to owners	29.9	-	-	0.6	(40.5)	(39.9)	(0.8)	(40.7)
Balance at 30 September 2015	1,134.1	5.3	(21.4)	1.9	121.1	1,241.0	13.4	1,254.4

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 19.

## ALS Limited and its subsidiaries

### Interim statement of cash flows

For the half year ended 30 September 2016

*In millions of AUD*

	Consolidated	
	30 September 2016	30 September 2015
<b>Cash flows from operating activities</b>		
Cash receipts from customers	742.5	772.6
Cash paid to suppliers and employees	(629.0)	(661.6)
Cash generated from operations	113.5	111.0
Interest paid	(15.9)	(18.7)
Interest received	1.7	1.5
Income taxes paid	(20.6)	(24.4)
<b>Net cash from operating activities</b>	<b>78.7</b>	<b>69.4</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(28.3)	(36.9)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)	-	(8.3)
Payment for minority interest	(20.9)	-
Loan repayments/(advances) from/(to) associates	(0.1)	0.5
Dividend from associate	1.8	2.8
Proceeds from sale of other non-current assets	3.4	2.7
<b>Net cash used in investing activities</b>	<b>(44.1)</b>	<b>(39.2)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	32.0
Repayment of borrowings	-	(32.0)
Proceeds from issue of new issued capital	-	-
Lease payments	(1.2)	(1.1)
Dividends paid	(30.2)	(41.3)
<b>Net cash from (used in)/from financing activities</b>	<b>(31.4)</b>	<b>(42.4)</b>
Net movement in cash and cash equivalents	3.2	(12.2)
Cash and cash equivalents at 1 April	297.9	162.9
Effect of exchange rate fluctuations on cash held	(2.2)	4.8
<b>Cash and cash equivalents at 30 September</b>	<b>298.9</b>	<b>155.5</b>

The interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 14 to 19.

# ALS Limited and its subsidiaries

## Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2016

### 1. Reporting entity

ALS Limited (the "Company") is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 30 September 2016 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 31 March 2016 is available upon request from the Company's registered office at Level 2, 299 Coronation Drive, Milton Qld 4064 or at [www.alsglobal.com](http://www.alsglobal.com).

### 2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 March 2016.

This consolidated interim financial report was approved by the Board of Directors on 29 November 2016.

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

### 3. Significant accounting policies

The accounting policies applied by the Group in this interim 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 2016.

### 4. Estimates

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 March 2016.

### 5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 March 2016.

#### 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 \$803.5m (March 2016: \$783.1m). The fair value at 30 September of derivative assets held for risk management, which are the Group's only financial instruments carried at fair value, was an asset of \$18.0m (March 2016: \$19.1m asset) measured using Level 2 valuation techniques as defined in the fair value hierarchy. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

# ALS Limited and its subsidiaries

## Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2016

### 5. Financial risk management (continued)

#### Fair value hierarchy

In valuing financial instruments, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

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

### 6. Segment reporting

Following a change in management reporting structure, effective 1 April 2016 the Group's Coal operations were transferred from the former Energy segment and combined with the former Minerals segment to form a new Commodities segment as summarised below. Prior period comparative figures have been amended to reflect the revised segments on the following pages.

Former segments	Revised segments
Minerals	Commodities (comprising Minerals and Coal)
Energy (comprising Coal and Oil & Gas)	Oil & Gas
Life Sciences	Life Sciences (unchanged)
Industrial	Industrial (unchanged)

The Group has four reportable segments, as described below, representing four 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:

- 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 testing, inspection and asset care services.
- Commodities (Minerals & Coal) - provides assaying and analytical testing services and metallurgical services for mining and mineral exploration companies and provides specialist services to the black coal industry such as coal sampling, analysis and certification, hydrocarbon formation evaluation services, and related analytical testing.
- Oil/& Gas - provides specialist services to oil and gas industries such as analysis and certification, hydrocarbon formation evaluation services, specialist well services and related analytical testing.

## ALS Limited and its subsidiaries

### Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2016

#### 6. Segment reporting (continued)

*In millions of AUD*

	Life Sciences		Industrial		Commodities (Minerals & Coal)		Oil & Gas		Other		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	321.0	317.7	99.8	94.5	203.9	213.7	47.3	86.2	-	-	672.0	712.1
Underlying EBITDA*	72.6	76.2	17.6	16.4	51.7	53.0	(6.3)	9.3	(8.5)	(4.5)	127.1	150.4
Depreciation and amortisation	(17.0)	(17.5)	(3.1)	(2.9)	(11.9)	(13.3)	(7.0)	(9.6)	(0.4)	(0.5)	(39.4)	(43.8)
Underlying EBIT*	55.6	58.7	14.5	13.5	39.8	39.7	(13.3)	(0.3)	(8.9) <sup>1</sup>	(5.0) <sup>2</sup>	87.7	106.6
Restructuring and Other One-off Items	(0.7)	(0.1)	(0.1)	(0.3)	(1.4)	(0.9)	(0.3)	(1.8)	(0.4)	7.0 <sup>3</sup>	(2.9)	3.9
Amortisation of intangibles	-	-	-	-	-	-	-	-	(0.7)	(7.4)	(0.7)	(7.4)
Net financing costs	-	-	-	-	-	-	-	-	(14.1)	(17.2)	(14.1)	(17.2)
Statutory profit before income tax	54.9	58.6	14.4	13.2	38.4	38.8	(13.6)	(2.1)	(24.1)	(22.6)	70.0	85.9
<i>Underlying EBIT margin*</i>	<i>17.3%</i>	<i>18.5%</i>	<i>14.5%</i>	<i>14.3%</i>	<i>19.5%</i>	<i>18.6%</i>	<i>(28.1%)</i>	<i>(0.3%)</i>	-	-	-	-
Segment assets	686.9	742.6	236.8	231.4	737.2	808.2	118.3	512.0	28.8	33.5	1,808.0	2,327.7
Cash and cash equivalents											299.5	156.0
Tax Assets											31.1	22.1
Total assets per the balance sheet											2,138.6	2,505.8
Segment liabilities	(73.4)	(96.3)	(26.1)	(26.2)	(68.2)	(80.4)	(14.3)	(18.0)	(12.9)	(15.7)	(194.9)	(236.7)
Loans and borrowings											(746.4)	(1,003.8)
Deferred tax liabilities											(8.5)	(10.9)
Total liabilities per the balance sheet											(949.8)	(1,251.4)

\* 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. 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.

<sup>1</sup> Other Underlying EBIT in 2016 includes net foreign exchange gains of \$1.3 million and Other Corporate Costs of \$10.2 million.

<sup>2</sup> Other Underlying EBIT in 2015 includes net foreign exchange gains of \$4.4 million and Other Corporate Costs of \$9.4 million.

<sup>3</sup> Restructuring and Other One-off items in 2015 include foreign exchange gains of \$7.4 million before tax realised on repayment of inter-company balances within the Group

## ALS Limited and its subsidiaries

### Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2016

#### 7. Loans and borrowings

*In millions of AUD*

	30 September 2016	31 March 2016
<b>Current Liabilities</b>		
Finance lease liabilities	0.9	1.0
	<b>0.9</b>	<b>1.0</b>
<b>Non-current liabilities</b>		
Long term notes	743.8	747.7
Finance lease liabilities	0.4	0.8
	<b>744.2</b>	<b>748.5</b>

##### *Bank loans*

Funding available to the Group from undrawn facilities at 30 September 2016 amounted to \$104.3 million (March 2016: \$104.5 million). The Group has entered into a series of bi-lateral, multi-currency debt facility agreements with three Australian and international banks amounting to USD80 million (AUD 104 million). These facilities are due to mature in October 2017.

##### *Long term notes*

The Company's controlled entities ALS Group General Partnership and ALS Canada Ltd have previously issued long term, fixed rate notes to investors in the US Private Placement market which remain unpaid at balance date. All loan notes have total fixed interest coupons ranging between 3.40% - 4.79% and bullet maturity dates repayable at various intervals between December 2017 and July 2022.

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans and long term notes at balance date is 3.8% (March 2016: 3.8%).

#### 8. Dividends

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

*In millions of AUD*

	2016	2015
Final 2016 dividend paid 1 July 2016 (1 July 2015)	30.2	40.5

Since 30 September 2016, directors have declared an interim dividend of 5.5 cents per share (partly franked to 60% or 3.3 cents) amounting to \$27.7 million payable on 21 December 2016. The dividend is payable on all ordinary shares registered in the Company's register at the close of business on 6 December 2016. The financial effect of this dividend has not been brought to account in the financial report for the period ended 30 September 2016.

## ALS Limited and its subsidiaries

### Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2016

#### 9. Share-based payments

##### *Performance-hurdle rights granted*

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

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

	Half year ended 30 Sept 2016	Half year ended 30 Sept 2015
<b>Equity-settled</b>		
Date of grant	26 July 2016	30 July 2015
Number of performance-hurdle rights	982,390	612,625
Weighted average fair value at date of grant of performance-hurdle rights	\$4.30	\$4.04
Testing date for performance hurdles	31 March 2019	31 March 2018
Number of service-based rights	-	63,852
Weighted average fair value at date of grant of service-based rights	-	\$4.83
Vesting date and testing date for service condition	1 July 2019	1 July 2018
<b>Cash-settled</b>		
Date of grant	26 July 2016	30 July 2015
Number of performance-hurdle rights	37,356	72,540
Weighted average fair value at date of grant of performance-hurdle rights	\$4.30	\$4.04
Testing date for performance hurdles	31 March 2019	31 March 2018
Number of service-based rights	-	10,436
Weighted average fair value at date of grant of service-based rights	-	\$4.83
Vesting date and testing date for service condition	1 July 2019	1 July 2018

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

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

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

##### *Vesting condition in relation to service-based rights issued in prior period:*

Employees must remain employed by the Group until vesting date.

## **ALS Limited and its subsidiaries**

### **Condensed notes to the consolidated interim financial report**

For the half year ended 30 September 2016

#### **10. Events subsequent to balance date**

##### **Life Sciences acquisition**

On 29 November 2016 the Group executed an agreement to acquire the UK food, water and environmental testing operations of ALControl UK Limited for an enterprise value of \$66.7 million. The business is expected to generate revenue of \$49.1 million during its first year under ALS' ownership. The transaction is expected to complete on 30 November 2016.

##### **Divestment of Oil & Gas assets**

Following a strategic review, Directors announced today the Group's intention to divest the majority of its assets in the Oil & Gas technical services sector. Simmons & Company International, energy specialists of Piper Jaffray, have been engaged to advise the Group on options to transact the divestment. It is the Company's intention to retain the laboratory services component.

Other than the matters discussed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

## ALS Limited and its subsidiaries

### Directors' declaration

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

1. The financial statements and notes set out on pages 8 to 19, are in accordance with the *Corporations Act 2001* including:
  - a) giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date: and
  - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Bruce Phillips  
Chairman

Brisbane  
29 November 2016



Greg Kilmister  
Managing Director

Brisbane  
29 November 2016



## Independent auditor's review report to the members of ALS Limited

We have reviewed the accompanying interim financial report of ALS Limited (the Company), which comprises the consolidated interim balance sheet as at 30 September 2016, the consolidated interim profit and loss statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year period ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2016 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ALS Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ALS Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the half-year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Simon Crane  
Partner

Brisbane  
29 November 2016



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

To: the directors of ALS Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2016 there have been:

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

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane', written over a horizontal line.

Simon Crane  
Partner

Brisbane  
29 November 2016