



## Appendix 4E

### Full year report for the Year Ending 31 March 2016

(the previous corresponding period is the Year Ended 31 March 2015)

#### Results for announcement to the market

\$A millions

Revenues from ordinary activities	Down	8.6%	to	1,364.9
Underlying net profit after tax * attributable to members	Down	26.5%	to	99.5
Net profit (loss) from ordinary activities after tax * attributable to equity holders	Down	37.9%	to	(240.7)
Net profit (loss) for the period * attributable to equity holders	Down	37.9%	to	(240.7)
Basic underlying * earnings per share	Down	32.0%	to	21.7¢
Basic earnings per share	Down	27.7%	to	(52.5)¢
Total dividend per share for the year (partly franked)	Down	35.7%	to	13.5¢
<p>The Group achieved underlying net profit after tax (attributable to equity holders of the Company, and excluding impairment charges, amortisation of acquired intangibles, restructuring and other one-off items) of \$99.5 million for FY2016. The result was 27% lower than the \$135.4 million underlying profit of FY2015 and was delivered in volatile and challenging global market conditions. Revenue from continuing operations of \$1,364.9 million was down 4% on the \$1,422.2 million recorded in FY2015.</p> <p>The result represented a sound outcome in challenging market conditions, characterised by ongoing widespread commodity price uncertainty. Improved financial performance from Life Sciences Division and the Mineral Inspection and Tribology business streams was more than offset by the decline in earnings experienced by the Energy Division and the Geochemistry and Metallurgy operations within Minerals Division. These businesses are exposed to resource commodity cycles and were faced with further reductions in exploration and development activity coupled with aggressive cost cutting initiatives from producers, leading to a lower overall profit margin for the Group.</p> <p>The FY2016 statutory result was a net loss after tax attributable to equity holders of the Company (including impairment charges, amortisation of acquired intangibles, restructuring and other one-off items) of \$240.7 million compared with the net loss after tax of \$174.5 million recorded in FY2015. The statutory loss was primarily due to non-cash impairment charges of \$314.0 million after tax against the Company's oil and gas investments, consistent with the disclosure provided to the market on 29 February 2016.</p> <p><i>* Refer to page 4 of the attached Annual Financial Report for a reconciliation of Underlying net profit after tax to Statutory net loss after tax.</i></p>				

## Dividend Disclosures

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend	6.0¢	2.4¢
Interim dividend	7.5¢	1.875¢
Date the final dividend (distribution) is payable		<b>1 July 2016</b>
+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)		<b>9 June 2016</b>
DRP election date		<b>N/A</b>

## Dividend - Amount per security

	<b>Amount per security</b>	<b>Amount per security of conduit foreign income</b>
<b>Final dividend:</b> Current year	6.0¢	3.6¢
Previous year	10.0¢	7.5¢
<b>Interim dividend:</b> Current year	7.5¢	5.625¢
Previous year	11.0¢	9.9¢

## Total final dividend (distribution) on all securities

	<b>Current period \$A millions</b>	<b>Previous corresponding period - \$A millions</b>
+Ordinary securities (each class separately)	30.3	40.8
Preference +securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
<b>Total</b>	<b>30.3</b>	<b>40.8</b>

The 2016 final dividend will be franked to 40%. Subsequent dividends will be franked at the maximum level possible.

The Company's dividend reinvestment plan will not operate for the final 2016 dividend.

## NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.52	(\$0.05)

## Audit

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

Signature:  Date: 30<sup>th</sup> May 2016

Print name: **Tim Mullen**  
**Company Secretary**

**ALS Limited**

**ABN 92 009 657 489**

**Annual Financial Report**

**31 March 2016**

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# **ALS Limited and its subsidiaries**

## **Annual Financial Report for the Year Ended 31 March 2016**

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# ALS Limited and its subsidiaries

## Directors' report

For the year ended 31 March 2016

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 2016 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:

**NEROLIE WITHNALL** BA, LLB, FAICD

#### **Chairman and Independent Non-Executive Director Age 72**

Nerolie Withnall became a non-executive director of the Company in 1994 and was appointed Chairman on 31 July 2012.

Nerolie was previously a director of Computershare Limited (July 2008 - June 2015), PanAust Limited (May 1996 - May 2015), Alchemia Limited (Oct 2003 - July 2013), the Australian Rugby Union board (October 2013 - June 2015) and Stadiums Queensland (previously Major Sports Facilities Authority). She is a former member of the Takeovers Panel, the Corporations and Markets Advisory Committee, the Senate of the University of Queensland and the Council of the Australian National Maritime Museum. She is a former partner of Minter Ellison Lawyers. She is a member of the Audit and Compliance Committee and Remuneration Committee (and was Chairman of the Remuneration Committee until 31 March 2016).

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

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

Greg Kilmister was appointed Managing Director and Chief Executive Officer of the Company effective 1 September 2005. He joined the Company in 1981 and was the General Manager of the Company's highly successful ALS Laboratory Services Group from 1992 through to 2005.

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

#### **Independent Non-Executive Director Age 66**

Mel Bridges was appointed a non-executive director of the Company in 2009. He has over 30 years' experience in the biotechnology and healthcare industries. During this period, Mel founded and managed successful diagnostics, biotechnology and medical device businesses. He is Chairman of Anatara Life Sciences Limited (appointed October 2014) and Oventus Medical Limited, an unlisted public company (appointed October 2015).

Mel was previously Chairman of Alchemia Limited (September 2003 - July 2013) and a non-executive director of Tissue Therapies Limited (March 2009 - November 2015), ImpediMed Limited (September 1999 - November 2013) and Benitec Limited (October 2007 - June 2014). He is a member of the Audit and Compliance and Remuneration Committees.

**GRANT MURDOCH** M COM (Hons), FAICD, FCA

#### **Independent Non-Executive Director Age 64**

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

Grant is a non-executive director of Redbubble Limited (appointed February 2016), OzForex Limited (appointed October 2013) and is a director of Queensland Investment Corporation (QIC) and UQ Holdings Ltd. He is Chairman of the Endeavour Foundation, a senator of the University of Queensland, an Adjunct Professor at the University of Queensland Business School and a member on the Queensland Council of the Australian Institute of Company Directors. He was previously a non-executive director of Cardno Limited (January 2013 - November 2015). He is Chairman of the Audit and Compliance Committee.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

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

### Independent Non-Executive Director Age 66

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, unlisted public company (appointed March 2016), and Deputy Chairman of GWA Group Limited (appointed November 2010). 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 Remuneration Committee.

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

### Independent Non-Executive Director Age 55

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

Charlie is currently a non-executive director of Austin Engineering Limited (appointed 1 April 2015), Chairman of the Advisory Board of the Sustainable Minerals Institute at the University of Queensland and a member of the UQ Senate. He is also a Board Member of Wesley Medical Research. Previously he was 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 is a member of the Audit and Compliance Committee.

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

### Independent Non-Executive Director Age 61

Bruce Phillips was appointed a non-executive director of the Company on 1 August 2015. 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 is currently its Chairman. Bruce is also a non-executive director of AGL Energy Limited. He was previously Chairman of Platinum Capital Limited and a non-executive director of Sunshine Gas Limited. He is a member of the Remuneration Committee.

**RAY HILL** FAICD

### Former Independent Non-Executive Director

Retired on 30 July 2015.

**BRUCE BROWN** B Com, AAUQ, FAICD

### Former Independent Non-Executive Director

Retired on 30 July 2015.

## Company Secretary

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

Tim Mullen was appointed Company Secretary of the Company on 27 February 2007. He is a Chartered Secretary and a member of CPA Australia. He has a background in financial and commercial management and company secretarial practice. He has been with the Company for nineteen years. His main responsibilities are corporate governance and legal management of the Group.

# **ALS Limited and its subsidiaries**

## **Directors' report (continued)**

For the year ended 31 March 2016

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

During the year the Group expanded and diversified its technical service capabilities through acquisitions in the following industry sectors and geographies:

- food and environmental testing in mainland Europe; and
- asset care in the USA.

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

### **Review of results and operations**

#### **Group business summary**

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

FY2016 was a year of financial consolidation for the Group as it dealt with difficult market conditions in those businesses exposed to commodity cycles. Improved financial performance from Life Sciences Division and the Mineral Inspection and Tribology business streams was more than offset by the decline in earnings experienced by the Energy Division and the Geochemistry and Metallurgy operations within Minerals Division.

In order to strengthen its balance sheet and provide funding flexibility for future growth, principally in its Life Sciences Division, the Company raised \$318.4 million in net proceeds from an entitlements issue of ordinary shares in December 2015.

The global Oil and Gas sector experienced further pressures with oil prices falling more than 25% over the course of the year and more than 55% since September 2014. The ensuing reduction of industry activity levels and oil price expectations has led to the Group recognise a further non-cash impairment against the carrying value of its oil and gas investments, writing down the book value of intangible assets to nil – refer Financial Performance below.

The Group is confident that the quality of its assets, its operating model, and its strategic disciplined focus, will see it continue to increase its market share despite the challenges of current conditions.

Further geographic diversification occurred in the ALS Life Sciences division with small acquisitions in food and environmental testing in Europe and in ALS Industrial which acquired an asset care operation in Texas, USA. The Group continues to pursue growth opportunities in Life Sciences; particularly in the food sector where it is evaluating a select number of high quality bolt-on acquisition targets.



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Review of results and operations (continued)

#### Financial performance

The Group's financial performance for the year to 31 March 2016 is summarised as follows:

<b>2016 \$m</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Underlying operating result (1)</b>	<b>Impairment charges</b>	<b>Restructuring &amp; other one- off items (1)</b>	<b>Amortisation of intangibles</b>	<b>Statutory result</b>
Revenue	1,364.9	-	1,364.9	-	-	-	1,364.9
EBITDA (2)	264.3	-	264.3	-	(13.9)	-	250.4
Impairments (2)	-	-	-	(317.9)	-	-	(317.9)
Depreciation & amortisation	(86.4)	-	(86.4)	-	-	(15.2)	(101.6)
EBIT (2)	177.9	-	177.9	(317.9)	(13.9)	(15.2)	(169.1)
Interest expense	(34.5)	-	(34.5)	-	-	-	(34.5)
Tax expense	(42.9)	-	(42.9)	3.9	2.9	-	(36.1)
Non-controlling interests	100.5	-	100.5	(314.0)	(11.0)	(15.2)	(239.7)
	(1.0)	-	(1.0)	-	-	-	(1.0)
Net profit / (loss) after tax (NPAT)	99.5	-	99.5	(314.0)	(11.0)	(15.2)	(240.7)
Basic EPS (cents)			21.7				(52.5)
Diluted EPS (cents)			21.7				(52.5)

<b>2015 \$m</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Underlying operating result (1)</b>	<b>Impairment charges (3)</b>	<b>Restructuring &amp; other one- off items (1)</b>	<b>Amortisation of intangibles</b>	<b>Statutory result</b>
Revenue	1,422.2	70.5	1,492.7	-	-	-	1,492.7
EBITDA (2)	305.4	1.6	307.0	-	(6.8)	-	300.2
Impairments (3)	-	-	-	(292.1)	-	-	(292.1)
Depreciation & amortisation	(83.4)	(0.3)	(83.7)	-	-	(12.1)	(95.8)
EBIT (2)	222.0	1.3	223.3	(292.1)	(6.8)	(12.1)	(87.7)
Interest expense	(33.1)	-	(33.1)	-	-	-	(33.1)
Tax expense	(52.6)	(0.4)	(53.0)	1.5	(0.4)	-	(51.9)
Non-controlling interests	136.3	0.9	137.2	(290.6)	(7.2)	(12.1)	(172.7)
	(1.6)	(0.2)	(1.8)	-	-	-	(1.8)
Net profit / (loss) after tax (NPAT)	134.7	0.7	135.4	(290.6)	(7.2)	(12.1)	(174.5)
Basic EPS (cents)			31.9				(41.1)
Diluted EPS (cents)			31.9				(41.1)

- (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) 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.
- (3) Impairment charges in FY2015 include a divestment loss and relate to both continuing and discontinued operations (refer notes 6vi, 17, 18 & 31).

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Review of results and operations (continued)

#### Financial performance (continued)

The Group achieved underlying net profit after tax (attributable to equity holders of the Company, and excluding impairment charges, amortisation of acquired intangibles, restructuring and other one-off items) of \$99.5 million for FY2016. The result was 27% lower than the \$135.4 million underlying profit of FY2015 and was delivered in volatile and challenging global market conditions. Revenue from continuing operations of \$1,364.9 million was down 4% on the \$1,422.2 million recorded in FY2015.

The result represented a sound outcome in challenging market conditions, characterised by ongoing widespread commodity price uncertainty. Improved financial performance from Life Sciences Division and the Mineral Inspection and Tribology business streams was more than offset by the decline in earnings experienced by the Energy Division and the Geochemistry and Metallurgy operations within Minerals Division. These businesses are exposed to resource commodity cycles and were faced with further reductions in exploration and development activity coupled with aggressive cost cutting initiatives from producers, leading to a lower overall profit margin for the Group.

The FY2016 statutory result was a net loss after tax attributable to equity holders of the Company (including impairment charges, amortisation of acquired intangibles, restructuring and other one-off items) of \$240.7 million compared with the net loss after tax of \$174.5 million recorded in FY2015. The statutory loss was primarily due to non-cash impairment charges of \$314.0 million after tax (refer note 6 vi). A detailed summary of results is set out on page 4.

Directors have declared a final partly franked (40%) dividend for the year of 6.0 cents per share on the increased share base following the entitlements issue of ordinary shares in December 2015 (2015: 10.0 cents, 25% franked). Together with the interim dividend of 7.5 cents per share (25% franked) the total partly franked dividend for the year will be 13.5 cents per share (2015: 21.0 cents). The Company's dividend reinvestment plan will not operate for the final 2016 dividend.

#### Divisional reviews

##### ALS Life Sciences

ALS Life Sciences provides analytical testing and sampling services and remote monitoring for the Environmental, Food, Pharmaceutical and Consumer Products markets. It is the leader in global comprehensive analytical testing, demonstrating expertise in microbiological, physical and chemical testing services. The division continued to grow during FY2016, by strengthening its leadership position in existing markets. A strong strategic growth focus (both acquired and organic) continues to be placed on the food, pharmaceutical, and consumer products components of ALS Life Sciences. Key building blocks to accommodate these newer businesses are in place ready for future growth.

##### ALS Life Sciences – Financial performance

	2016 \$M	2015 \$M	Variance
Revenue	633.5	557.4	13.7%
Segment contribution	109.3	96.2	
Restructuring and related costs	0.7	1.9	
Underlying segment contribution	110.0	98.1	12.1%
Margin (underlying segment contribution to revenue)	17.4%	17.6%	
Underlying segment EBITDA	145.1	129.5	12.0%

The division was successful in growing revenue in all regions, though continued price competition led to a small contraction in underlying EBIT margin to 17.4%. Significant revenue gains were delivered by both the Environmental and Food/Pharmaceutical business units, particularly in the regions of Europe, Asia and South America. The large majority of these gains came from market share growth, confirming ALS' position as the world's largest provider of environmental analytical services.

The ALS Food & Pharmaceutical business delivered strong growth in revenue and earnings in mainland Europe with ControlVet, acquired in Portugal in April 2015, contributing significantly to improved performance in the region. The business was integrated successfully during the year and will provide the platform for future organic and acquired growth across Europe. Continued organic growth in UK/Ireland reflected a focus on developing brand recognition.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Review of results and operations (continued)

#### Divisional reviews – ALS Life Sciences (continued)

The general economic environment continues to be very price-sensitive requiring the business to make the cost adjustments necessary to continue its growth in existing markets. ALS Life Sciences is enhancing its capabilities to provide clients with a broad range of solutions and services, delivered with the superior turnaround time and quality on which ALS has built its reputation. Development of ALS' global food and pharmaceutical testing business continues with the completion of new laboratories in England and Denmark together with implementation of its laboratory information management system. Other food testing acquisitions in Europe and North America are planned for FY2017.

#### ALS Minerals

ALS Minerals is the leading full-service provider of testing services for the global mining industry in four key service areas - Geochemistry, Metallurgy, Mine Site Services and Inspection – with an extensive client base of explorers, miners and traders. Its services cover the entire resource life-cycle from exploration, feasibility, optimisation, production, design, development through to trade, and finally rehabilitation. The division's strategy is to ensure all its business streams are equipped with the technical expertise and operational capacity required to provide its clients with a seamless suite of integrated services throughout market cycles. In particular ALS Minerals is working hard to grow organically in the Inspection service sector by delivering quality, innovation and value to new and existing clients.

#### ALS Minerals – Financial performance

	2016 \$M	2015 \$M	Variance
Revenue	343.0	367.4	(6.6%)
Segment contribution	54.2	72.0	
Restructuring and related costs	4.9	1.4	
Underlying segment contribution	59.1	73.4	(19.5%)
Margin (underlying segment contribution to revenue)	17.2%	20.0%	
Underlying segment EBITDA	81.7	96.5	(15.3%)

Market conditions were expected to stabilise in FY2016, however the market again took a backward step fuelled by declining commodity prices as Chinese metal demand faltered. The Minerals Division proved resilient through the first half of the year, however by October the impact of a 19 percent decline in global exploration expenditure during calendar 2015 began to take its toll. Pricing pressure was felt across all business streams as miners and explorers curtailed expenditure. Cost flexibility provided by the business's hub and spoke model ensured that its cost base continued to move in line with declining volumes and revenues. When combined with service optimisation and strategic business development, this allowed the business to deliver sound profit margins.

As an indication of resilience and market share growth, headline Geochemistry sample numbers declined only 2 percent during calendar 2015. The combination of effective market pricing, objective-driven marketing efforts, superior technical enhancements, as well as regional exits by competitors produced the desired global growth in Geochemistry market share. Technological developments generated substantial interest, though the currently limited spending capacity of our client base means this is more an investment in the future. Cost control remained a priority for Geochemistry and while prices per unit of sales declined, the underlying margin remained in excess of 19 percent.

The Minerals Inspection business unit recorded both revenue and EBIT growth achieving the strongest margins in the Division. The UK global hub operation processed record sample numbers and is recognised for its quality and reliability, competitive turnaround time and strong technical performance. Capital investment together with increased headcount and shift pattern optimisation were instituted in this business in order to keep pace with sample volumes and maintain service levels.

Industry forecasts for global exploration expenditure range from flat to a further decline in calendar 2016. Should the decline eventuate, conditions will continue to remain tight particularly on price for all service lines. The resilience that the Division exhibited in FY2016 is expected to maintain or improve margins in spite of market conditions. Ongoing market share growth through technology leadership, quality, and innovative service delivery remains a firm objective.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Review of results and operations (continued)

#### Divisional reviews (continued)

##### ALS Energy

ALS Energy delivers quality technical solutions and products to the coal, oil and gas industries. Along with its world-leading coal service lines, the division provides a comprehensive range of services and tools covering the solids, liquids and gas hydrocarbon markets. With integrated field and laboratory services and an extensive and growing range of specialist tools, ALS Energy covers exploration, resource characterisation, production enhancement, quality management and trade-related services across the major energy industries. With two business units servicing the sector, ALS Coal and ALS Oil & Gas, the division has a truly global footprint with operations in 60 countries.

Over the course of FY2016 the oil and gas sector and oilfield services in particular have continued to be affected by the ongoing decline in global oil prices: from US\$55 per barrel at 31 March 2015, Brent Crude fell to US\$48 at 30 September 2015 and US\$40 at 31 March 2016 (after reaching a low for the current downturn of US\$29 per barrel in January 2016). The resultant collapse of industry activity levels and global uncertainty surrounding oil price expectations has led the Group to recognise a further significant non-cash impairment against the carrying value of its oil and gas investments – refer page 4.

##### ALS Energy – Financial performance

	2016 \$M	2015 \$M	Variance
Revenue	202.8	307.4	(34.0%)
Segment contribution	(12.5)	34.6	
Restructuring and related costs	4.2	2.3	
Underlying segment contribution	(8.3)	36.9	(122.5%)
Margin (underlying segment contribution to revenue)	(4.1)%	12.0%	
Underlying segment EBITDA	13.8	59.0	(76.6)%

The global oil and gas industry has suffered a reduction of approximately 36% in the number of operational rigs and wells over the course of calendar 2015, leading to a fall of 30% or US\$100 billion in global drilling expenditure over that period. ALS Energy's Oil and Gas business stream was severely affected by these market conditions with revenue and underlying contribution falling \$101 million and \$44 million respectively in FY2016 compared with the previous financial year.

While ALS Oil & Gas continues to experience project delays and cancellations across its business lines, it is concentrating on "bidding to win" in the current price-driven environment to build additional market share by taking advantage of the shrinking pool of service suppliers. The major hub laboratory in Houston was opened in November 2015 and is focussed on promoting its market-leading technologies such as hyperspectral imaging. At the same time ALS is undertaking a critical evaluation of all components of the Oil & Gas operations to ensure the business is matched to the current environment. A major element of the review is the removal of waste thus reducing the cost base to sustainable levels.

Difficult market conditions in the energy industry extended to the Coal sector which experienced a number of mine closures and an effective halt on exploration activities and therefore bore core testing programs. While ALS Coal's revenue fell 5% during FY2016 it was able to achieve an underlying EBIT margin of 14%. As a positive for ALS, strong production and export volumes supported the Australian based ALS Coal Superintending business. The Australian region which contributes 93% of ALS' global coal revenue retained market share in the order of 60 percent, across all service lines – exploration, production and superintending. The Company withdrew from the Canadian coal market during the year, closing the Richmond laboratory in British Columbia as a result of a very poor outlook for the industry in that region. Market conditions are expected to remain in the present subdued state for much of FY2017.

The likelihood of coal mine ownership changes poses both opportunities and threats for ALS Coal, highlighting the importance of our emphasis on business development activities. The business remains focused on improving productivity through both continuous improvement programs and automation with a number of projects expected to make positive contributions in the year ahead.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Review of results and operations (continued)

#### Divisional reviews (continued)

##### ALS Industrial

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

##### ALS Industrial – Financial performance

	2016 \$M	2015 \$M	Variance
Revenue	185.6	190.0	(2.3%)
Segment contribution	24.6	27.9	
Restructuring and related costs	0.5	0.4	
Underlying segment contribution	25.1	28.3	(11.3%)
Margin (underlying segment contribution to revenue)	13.5%	14.9%	
Underlying segment EBITDA	30.9	34.3	(9.9%)

Industrial Division revenue fell slightly during the year primarily in the Australian Asset Care operations which suffered from the continued contraction of capital expenditure across the energy and resources sectors. ALS Tribology was successful in delivering year-on-year growth in revenue and margins in all regions.

The Asset Care business experienced a challenging year due to further weakening in the Australian energy and resources industries. The mining, power and oil & gas sectors maintained their focus on cost management and deferral. Pressure on maintenance contract and project pricing continued to intensify with detrimental impact on both revenue and margins. Throughout the year, softening in the welding and fabrication sector continued due to an ongoing reduction of energy and resources capital expenditure. ALS Asset Care's involvement at the Wheatstone project in Western Australia ramped up and is expected to continue through FY2017. LNG plant maintenance-related work continued to be performed for APLNG and QCLNG and the business also secured an important maintenance contract with Chevron covering operating assets in Western Australia. While ALS' presence in the North American Asset Care market is in its infancy, the business delivered very strong organic growth from a small base during FY2016. This will be boosted further by the acquisition of Maverick Testing in Texas, USA in February 2016. The business provides materials engineering, welder qualification and mechanical testing services predominantly to the downstream oil & gas and petrochemical industries in the Gulf Coast of the USA. The acquisition represents significant service line and geographic expansion for Asset Care in this region.

ALS Tribology delivered revenue and EBIT growth in all three markets – North America, Australasia and South America. North America growth came from increased revenue from major accounts, specialist testing and an increase in market share. A well-managed capital upgrade program is continuing to positively impacting both turnaround time and quality. Australasian performance was underpinned by operational efficiencies and a diverse revenue mix, offsetting price pressure in the mining sector. In September 2015, ALS acquired 51% of Tribolab in São Paulo, Brazil. Tribolab provides an opportunity to better serve and expand testing services to clients in Brazil. Implementation of the new generation global WebTrieve™ was rolled out to clients in FY2016. A new mobile app is expected to be made available to clients in FY2017.

Australian market conditions are expected to remain challenging throughout FY2017. Market share growth is the priority focus in the mining and oil & gas maintenance sectors. In North America, revenue growth is expected in the context of robust downstream oil & gas and petrochemical sectors. Both the Asset Care and Tribology businesses are strongly focused on business development and are well positioned to increase market share.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### 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 2015, paid 1 July 2015	10.0	2.5	40.8
Interim 2016, paid 18 December 2015	7.5	1.875	30.5
Total amount			<u>71.3</u>

Ordinary dividend declared after the end of the financial year:

Final 2016, to be paid 1 July 2016	6.0	2.4	<u>30.3</u>
------------------------------------	-----	-----	-------------

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2016 and will be recognised in subsequent financial reports. The franked components of all dividends paid or declared since the end of the previous financial year were franked based on a tax rate of 30%.

### Debt profile

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

*In millions of AUD*

Source	Maturity	Drawn	Facility Limit
Bank facilities	October 2017	-	104.5
US Private Placement Market	December 2017	40.3	40.3
US Private Placement Market	July 2019	246.9	246.9
US Private Placement Market	December 2020	212.2	212.2
US Private Placement Market	July 2022	248.3	248.3
		<u>747.7</u>	<u>852.2</u>

The Group is party to multi-currency, revolving debt facility agreements with five Australian and international banks maturing in October 2017. Following the equity raising in December, the total capacity available from bank debt facilities was reduced from USD240 million (AUD313.6 million) to USD80 million (AUD104.5 million).

A portion of the equity raising proceeds was directed towards repayment of debt to both bank lenders (AUD equivalent of \$69 million repaid in December 2015) and US Private Placement investors (AUD equivalent of \$114 million in USPP notes). The negotiated redemptions of USPP notes, denominated in both US and Canadian dollars, were made on 24 February 2016 at the cost of a 1% premium to face value.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Financial position

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

- an entitlements issue of ordinary shares in December 2015 which raised \$318.4 million in net proceeds to strengthen the Company's balance sheet and provide funding flexibility for future growth, principally in its Life Sciences Division and
- non-cash impairment charges of \$314.0 million after tax (2015: \$290.6million) being taken against the carrying value of oil and gas sector investments – refer Financial Performance above and note 6vi.

Together these transactions increased net assets by \$4.4 million. Following the payment of dividends of \$71.3 million and movements in other reserves, total equity reduced by a net \$42.8 million.

Net debt was reduced by \$324.6 million during the year as the equity raising proceeds were applied to a combination of debt repayment and the placement of funds on deposit.

The carrying value of intangible assets fell by a net \$326.7 million after accounting for the impairment above, foreign exchange movements and acquisitions during the year.

The Group remains committed to its strategy of maintaining a strong balance sheet throughout economic cycles as evidenced by the gearing (27.0%; 2015: 38.3%) and leverage (1.7 times; 2015: 2.5 times) measures note below.

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Trade and other receivables	271.7	313.5
Inventories	79.0	76.1
Other current assets	35.0	41.5
Trade and other payables	(150.9)	(158.4)
<i>Total working capital</i>	<b>234.8</b>	<b>272.7</b>
Cash and cash equivalents	297.9	163.1
Loans and borrowings	(749.5)	(939.5)
Fair value derivatives (non-current)	14.0	14.2
<i>Net debt</i>	<b>(437.6)</b>	<b>(762.2)</b>
Property, plant and equipment	457.3	491.9
Intangible assets	923.7	1,250.4
Net deferred tax assets	15.1	15.4
Other assets	34.6	29.6
Income tax (payable)/receivable	7.9	4.5
Employee benefits	(47.5)	(47.2)
Other liabilities	(2.7)	(26.7)
	<b>1,388.4</b>	<b>1,717.9</b>
<b>Net assets</b>	<b>1,185.6</b>	<b>1,228.4</b>
<b>Total equity</b>	<b>1,185.6</b>	<b>1,228.4</b>
<i>Gearing: Net debt to Net debt + Equity</i>	<b>27.0%</b>	<b>38.3%</b>
<i>Leverage: Net debt to EBITDA*</i>	<b>1.7 times</b>	<b>2.5 times</b>

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



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Cashflow

In a year of reduced profitability the Group's operating cashflow was characterised by a solid conversion of earnings into cash with working capital being closely monitored and managed. While slightly weaker than in the previous year, the FY2016 ratio of cash from operations (before interest and tax) to EBITDA\* was 97.1% (101.7% in FY2015) in an environment where clients are seeking to extend payment terms. EBITDA\* interest cover was 7.7 times (2015: 9.1 times).

While capital expenditure activity drove investing outflows during FY2016, proceeds from the equity raising and strong operating cash inflows enabled net borrowing repayments of \$183.2 million to be made.

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Cash from operations	243.1	304.6
Net interest and income taxes paid	(73.5)	(89.4)
<b>Net cash from operating activities</b>	<b>169.6</b>	<b>215.2</b>
Net (purchases)/sales of property, plant and equipment	(68.6)	(74.9)
Acquisitions of businesses and subsidiaries	(22.8)	(30.2)
Proceeds from sale of business operations	-	21.2
Other	3.4	0.9
<b>Net cash from investing activities</b>	<b>(88.0)</b>	<b>(83.0)</b>
Proceeds from borrowings	32.0	73.0
Repayment of borrowings	(215.2)	(130.0)
Proceeds from issue of new issued capital	317.0	27.2
Lease payments	(2.4)	(2.6)
Dividends paid	(72.0)	(77.9)
<b>Net cash from financing activities</b>	<b>59.4</b>	<b>(110.3)</b>
Net movement in cash and cash equivalents	141.0	21.9
Cash and cash equivalents at 1 April	163.0	136.2
Effect of exchange rate fluctuations on cash held	(6.1)	4.9
<b>Cash and cash equivalents at 31 March</b>	<b>297.9</b>	<b>163.0</b>
<b>Cash conversion: Cash from operations to EBITDA*</b>	<b>97.1%</b>	<b>101.5%</b>
<b>Interest cover: EBITDA* to Net finance expense</b>	<b>7.7</b>	<b>9.1</b>

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



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Material business risks

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

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

### State of affairs

Changes in the state of affairs of the Group during the financial year resulted from its continued strategy of business expansion and diversification in Life Sciences testing and inspection services. Specifically, the Group undertook acquisition activities in the following industry sectors and geographies:

- food and environmental testing in mainland Europe; and
- asset care in the USA.

In order to strengthen its balance sheet and provide funding flexibility for future growth, principally in its Life Sciences Division, the Company raised \$318.4 million in net proceeds in December 2015 from a 5-for-21 entitlements issue of ordinary shares at \$3.35 per share.

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.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report

Dear Shareholders

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

I believe all our global teams performed well in the face of uncertainty and within the complex and diverse market places that ALS operates in. With over 60 countries, nine main languages spoken and ten key business sectors the Executives and Directors, who are also shareholders, were focused on generating value for our stakeholders.

The continuation of challenging economic conditions, and in alignment with shareholders' outcomes, meant executives' at risk remuneration earned was less this year than last year. With one exception, no short term incentive ("STI") payments were made, despite ALS performing well against industry peers. The executives' long term incentive ("LTI") award which will vest on 1st July 2016 was achieved at the reduced rate of 25% of the maximum potential as three of the four performance hurdles were not met.

Executives received an adjustment to fixed remuneration, reflecting cost of living increases, to ensure market based remuneration was maintained.

A new financial 'gateway' was implemented to prevent STI payments being achieved from non-financial key performance indicators ("KPI") when Divisional financial performance hurdles were not met.

Overall, remuneration actually received by executives who were in employment for both 2015 and 2016 declined by 13% with CEO remuneration declining by 23% (refer Table 5.1). Whilst there has been a decline in this year's performance, it is noteworthy that ALS ranked 16<sup>th</sup> in the ASX 100 for TSR-Ke performance, see page 14.

Therefore, executive pay outcomes for 2015-16FY demonstrate an alignment with shareholders' outcomes and point to remuneration policies working effectively to ensure there is a correlation to company performance.

Directors' fees remained frozen during the year.

Examples of the executive KMP's STI Plan key performance indicators ("KPI") are included to demonstrate the link between company strategy, executive performance and reward, and the outcomes for shareholders.

The LTI Plan Rules have been revised for awards to be made during the 2016-17 FY ("2016 awards"). The performance hurdles now include a new Return on Capital Employed ("ROCE") measure, (replacing the Industry peer TSR hurdle) to encourage robust capital management and optimisation of investment strategies. We are confident the changes made will provide a focus on sustainable improvement in financial performance for the next three year performance period and ensure a fair outcome for shareholders and executives alike. Finally, the outlook for next year's remuneration is provided at the conclusion of this report.

Yours faithfully

Nerolie Withnall  
Chairman

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8. Company Performance and Link to Shareholder Wealth
9. KMP Equity Instruments and Transactions
10. Outlook for FY 2016-17 Remuneration

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

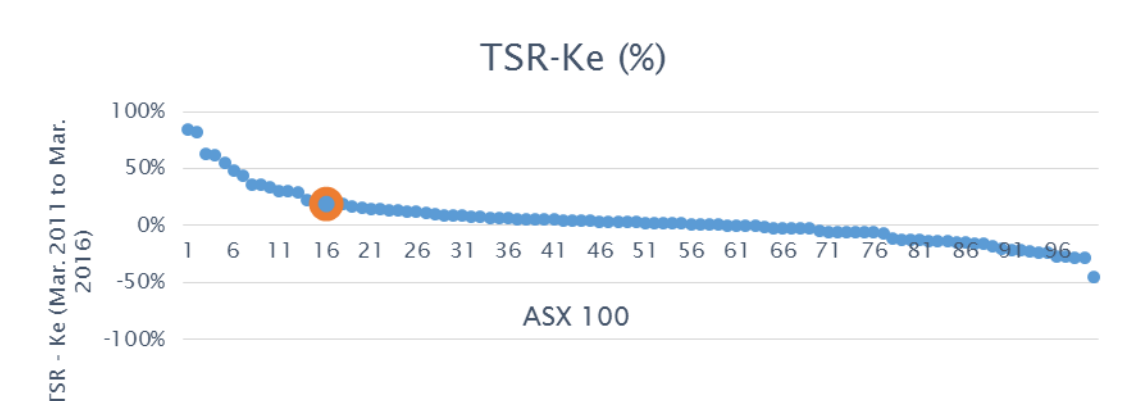
#### 1. 2015-16 Operational Performance Context - unaudited

The focus continued this year on protection of margin and cost management initiatives. Most businesses underlying profit outcomes reflected growth in market share and better performance compared to competitors in most sectors. However, the write down of the Oil & Gas businesses' intangible assets has required the directors to address weaker company performance overall with a consequent restraint for remuneration for Key Management Personnel.

A summary of our financial performance is provided below and in more detail on page 4:

Revenue	\$1,364.9 million		
Underlying NPAT	\$99.5 million	Underlying EPS	21.7 cents
Underlying EBIT	\$177.9 million	Underlying EBIT margin	13.0%

ALS remuneration is designed to align executive remuneration with shareholder return through the economic cycles to which our business is exposed. ALS ranked 16th in the ASX 100 companies in an analysis of shareholder return conducted by KBA Consulting Group, with a TSR-Ke\* of 19.7% for the period March 2011 to March 2016:



Source: KBA Consulting Group

\* TSR-Ke (%) = The economic return on the market value of equity, measured as total shareholder returns less the cost of equity capital (period March 2011 to March 2016)

#### Changes impacting Remuneration

Fixed remuneration for executive KMPs increased by an average of 2% (excluding exchange rate variations) for the year effective from 1 July 2015 to maintain relativity to market levels.

Maximum potential STI and LTI components as a percentage of fixed pay were unchanged.

A financial performance "gateway" hurdle was implemented for the STI Plan to prevent a recurrence of last year's situation whereby the executive KMPs earned an STI payment based on achievement of non-financial KPIs when the overall Divisional financial performance was below expectations.

Following the write-down of the intangible assets of the Oil & Gas businesses, the Managing Director's and all but one of the Executive's STI payments for 2015-16 were withheld. Mr Naran received 55% of his STI payment as he reached his Division's financial KPI threshold and thus his growth generating KPIs, which he also met, became eligible for payment. With the Life Sciences Division being pivotal to the company's strategy for growth of non-cyclical businesses his success indicates positively for future shareholder wealth.

Ms Walsh also earned a small STI payment but declined it on the basis that bonuses were withheld within her team.

Three of the four LTI Plan performance hurdles of executives' LTI award due to vest on 1 July 2016 were not met. Only the relative EBITDA margin hurdle was reached and thus 75% of the performance rights will lapse.

For the Directors, a review of market peers demonstrated that the fee pool which was last revised in the 2012 FY was still appropriate. Total directors' fees remained frozen during the reporting period.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 2. Key Management Personnel - audited

Name	Position	Term as KMP in 2015-16
<b>Non-executive directors</b>		
Nerolie Withnall	Chairman	
	Chairman of the Remuneration Committee	Full year
	Member of the Audit and Compliance Committee	
Mel Bridges	Member of the Audit and Compliance Committee	Full Year
	Member of the Remuneration Committee	
Grant Murdoch	Chairman of the Audit and Compliance Committee	Full Year
John Mulcahy	Member of the Remuneration Committee	Full Year
Charlie Sartain	Member of the Audit and Compliance Committee	Full Year
Bruce Phillips	Member of the Remuneration Committee	Appointed 1 Aug 2015
<i>Former directors:</i>		
Bruce Brown		Retired 30 July 2015
Ray Hill		Retired 30 July 2015
<b>Executive KMPs</b>		
Greg Kilmister	Executive Director	
	Chief Executive Officer and Managing Director (CEO)	Full Year
Raj Naran	Group General Manager, ALS Life Sciences	Full Year
Brian Williams	Group General Manager, ALS Minerals	Full Year
Kristen Walsh	Group General Manager, ALS Industrial	Full Year
Richard Stephens	Chief Financial Officer	Full Year
<i>Former executive:</i>		
Paul McPhee	Former Group General Manager, ALS Energy	Ceased employment 2 Oct 2015

**Table 1**

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

#### Service Contracts

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

Unvested equity grants may lapse, remain on foot, or vest on termination, depending on the circumstances, in accordance with the LTI Plan Rules and at the board's discretion. 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.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

## Remuneration report (continued)

### 3. Executive Remuneration Strategy – Summary 2015-16 - audited

ALS Group Vision	ALS is committed to maintaining the sound and sustainable growth strategies which have made us a successful global Company. We maintain the rewarding partnerships we share with our clients, business partners, shareholders and communities whilst identifying and developing new opportunities.					
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	Adjusted annually in response to external changes	Reasonable, fair and equitable	Provides sustainable platform for growth		
Delivered through the remuneration components of Fixed versus (Maximum) Variable remuneration:						
Key Remuneration Components:	Fixed Remuneration (including cash, pension and benefits)	Short Term Incentives – cash based		Long Term Incentives – equity based		
	Managing Director	46%	27%	27%		
	Executive KMP (Average)	60%	20%	20%		
Business and Operational Risk Management is built into the remuneration policies:						
Managing Risk	STI forfeiture and clawback provisions	Board discretion for unforeseen conditions	Aligns to external peer pay levels for executive attraction and retention	KPIs include safety	Financial gateways ensure affordability	Multiple measures for a complete performance assessment and risk diversification
Remuneration is designed to align executive reward to growth in shareholder value:						
Alignment with Shareholders	STI Financial KPIs require financial growth against last year performance		Use of TSR, margin and EPS in LTI performance hurdles.	Global and local Peer performance comparisons for fair assessment	Partly received in equity	
STI KPIs reward elements of the annual business plan that will provide for improved financial and HSE outcomes:						
Short Term Incentives	1 Year performance Period	60 – 90% KPIs are Financial	Mandatory Health, Safety & Environment KPIs	10 – 40% KPIs are for important Business Plan milestones		
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: TSR– against industry peers	Hurdle 4: Relative EBITDA margin	
Fortified and tested through robust governance:						
Governance	Independent directors	Board has ultimate discretion over all reward components		External remuneration advisors are appointed and managed by the Board		

\*ROCE hurdle to be added for 2016 awards

Table 2

# **ALS Limited and its subsidiaries**

## **Directors' report (continued)**

For the year ended 31 March 2016

### **Remuneration report (continued)**

#### **Remuneration Committee Role**

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

The committee conducts annual reviews of its charter, the Group remuneration and benefits policies and plans, the structure and details of all Directors' fees, remuneration packages, market and industry sector trends in relation to Director and executive remuneration practices and remuneration levels. It also monitors compliance against legislative and regulatory requirements. The committee provides design input and administers the mechanism for the annual Board performance review processes.

All of the remuneration related activities outlined above take into consideration Group and individual business unit financial performance, the scope of the Group's global operations and the Group's longer term strategic and annual business plans. When reviewing remuneration, the market capitalisation of the Company and its place in various public indices (for example the S&P/ASX 100 and other relevant international indices) are factors when gathering macro level market-based data as well as specific individual comparator benchmarks. When such data suggests that a re-alignment is required to remuneration levels, structure or strategy, the committee takes into consideration the ability of the Company to fund, over the longer term, any changes proposed.

The committee's charter is published on the Company's website.

#### **Fixed versus Variable Remuneration**

Fixed remuneration for the executives is set following a detailed annual review of that executive's duties and responsibilities, the scope of their business unit, individual performance and experience, and is based on market benchmarks.

Variable remuneration is designed to drive superior performance, to focus effort on key business growth and profitability drivers, and to reward actual performance and contribution.

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

#### **External Remuneration Consultants**

ALS engages with the Hay Group and EY (Australia) to provide benchmark data, from time to time, as well as market practice input to remuneration strategy and mechanisms. Both consultants were engaged after a comprehensive review of the consulting firm market and both as a result of their reputations for quality and for their global reach.

The Hay Group provide job evaluation and global remuneration data for middle manager up to chief executive officer level roles; their PayNet (remuneration) database is also utilised across key geographies. Hay Group was engaged directly by the Remuneration Committee for the CEO remuneration advice.

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

Fees paid for remuneration advice during the financial year were: Hay Group - \$53,224 (2015: \$48,774) and EY (Australia) - \$19,000 (2015: \$91,410). Total fees paid for other services during the year: Hay Group - Nil and EY (Australia) - \$26,600 (2015: \$119,955).

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 4. Non-Executive Director Remuneration - audited

As announced on 31 March 2016, Nerolie Withnall will retire from the Board at the conclusion of the AGM on 26 July 2016. The Board has elected Mr Bruce Phillips to be the new Chairman following the AGM.

Ms Withnall's retirement opened up a new position on the Board and following a rigorous selection process, the Board appointed a new director, Ms Tonianne Dwyer, to be effective on 1 July 2016. Ms Dwyer will be nominated for election as a non-executive director, with the full support of the ALS Board at this year's AGM in July.

The Board has assessed that Ms Dwyer will bring to ALS the specific technical skills and global experience required for future growth that were identified as part of a Board skills analysis. The Board is satisfied, that she will bring valuable fresh perspectives and the ability to commit the time required to ensure ALS maintains a consistently high performing Board.

Ahead of the annual re-election process, the Board reviews the performance and contribution of the individual Directors who are coming up for re-election and decides whether to support their re-election. It is the Board's policy that directors should serve only for as long as they have the confidence of their fellow Board members. With four new Directors appointed in the last four years, the Company is satisfied that the Board is independent.

#### Key Components of Non-executive Director Remuneration

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

Fees for Directors were again unchanged for the 2015-16 FY. The structure current for the reporting period for annual payments, effective 1 July 2015 and inclusive of mandatory superannuation contributions, was as follows:

Non-Executive Director – Fee Structure		
Benchmarked to the ASX100	Designed to attract and retain	Fee Pool subject to Shareholder approval
<i>Fixed Pool - \$1,500,000 per annum *</i>		
Base Director Fees	Committee Fees	
<b>Chairman</b> Fee compensates for all Board & Committee activities \$330,000	<b>Audit Committee Chair</b> Fee for the Committee, reflects the significant workload  \$25,057	<b>Committee Fees</b> Flat fee for each Committee membership  \$12,528
<b>Non-executive directors</b> Annual fee \$165,379		

\*Pool and fees include superannuation

Table 3



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 5. Actual Remuneration – FY 2015-16 - audited

##### Non-Executive directors

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

There are no formal shareholding guidelines for non-executive directors, although it is expected that they acquire meaningful shareholdings over time.

The levels of Directors' remuneration are set having regard to independent survey data and publicly available information about fees paid to non-executive directors in comparable companies.

The Group's practice is to review remuneration for non-executive directors as of 1 July every year. Following this review and benchmarking process, no changes were made during the year to non-executive directors' remuneration.

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 \$
<b>Non-executive directors</b>					
Nerolie Withnall	2016	301,370	637	28,630	330,637
	2015	301,543	623	28,457	330,623
Mel Bridges	2016	173,914	637	16,522	191,073
	2015	170,317	623	16,078	187,018
Grant Murdoch	2016	173,914	637	16,522	191,073
	2015	174,014	623	16,422	191,059
John Mulcahy	2016	162,473	637	15,435	178,545
	2015	162,565	623	15,342	178,530
Charlie Sartain (appointed 1 Feb 2015)	2016	135,394	637	42,514	178,545
	2015	26,213	106	2,490	28,809
Bruce Phillips (appointed 1 Aug 2015)	2016	108,315	424	10,290	119,029
	2015	-	-	-	-
Ray Hill (retired 30 July 2015)	2016	54,158	212	5,145	59,515
	2015	162,565	623	15,342	178,530
Bruce Brown (retired 30 July 2015)	2016	54,158	212	5,145	59,515
	2015	162,565	623	15,342	178,530
<b>Total:</b>	<b>2016</b>	<b>1,163,696</b>	<b>4,033</b>	<b>140,203</b>	<b>1,307,932</b>
<b>Non-executive directors</b>	<b>2015</b>	<b>1,159,782</b>	<b>3,844</b>	<b>109,473</b>	<b>1,273,099</b>

Table 4



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### Actual Remuneration – FY 2015-16 – audited (continued)

##### Executive KMPs

Executives receive fixed remuneration, an STI paid in cash and an LTI in the form of performance rights that vest three years later, subject to meeting performance hurdles and continued employment conditions. The Group's practice is to review fixed remuneration for executives as of 1 July every year.

Table 5.1 below lists the remuneration actually received in relation to the financial years ending March 2015 and 2016, 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:

	In AUD	Fixed remuneration (Salary, allowances and superannuation / pension benefits) \$	STI (a) \$	Termination benefits \$	Total cash payments received \$	Equity vested during year (b) \$	Total remuneration received \$
<b>Executive director:</b>							
Greg Kilmister	2016	1,584,875	-	-	1,584,875	-	1,584,875
	2015	1,525,000	372,000	-	1,897,000	152,266	2,049,266
<b>Executives:</b>							
Raj Naran (c)	2016	944,011	168,322	-	1,112,333	-	1,112,333
	2015	821,595	103,758	-	925,353	28,054	953,407
Brian Williams	2016	715,346	-	-	715,346	-	715,346
	2015	693,269	100,000	-	793,269	32,623	825,892
Kristen Walsh	2016	575,000	-	-	575,000	-	575,000
	2015	589,424	175,000	-	764,424	16,925	781,349
Richard Stephens	2016	562,375	-	-	562,375	-	562,375
	2015	525,000	55,000	-	580,000	13,297	593,297
<b>Sub-total: Full Year Executives</b>	2016	4,381,607	168,322	-	4,549,929	-	4,549,929
	2015	4,154,288	805,758	0	4,960,046	243,165	5,203,211
<b>Former Executives:</b>							
Paul McPhee (d)	2016	644,038	-	469,762	1,113,800	105,338	1,219,138
	2015	621,923	100,000	-	721,923	24,174	746,097
Andrew Ross (e)	2016	-	-	-	-	-	-
	2015	188,750	-	-	188,750	-	188,750
<b>Total: All executives</b>	2016	5,025,645	168,322	469,762	5,663,729	105,338	5,769,067
	2015	4,964,961	905,758	-	5,870,719	267,339	6,138,058

**Table 5.1**

- (a) STI expense accrual, although actual STIs are paid annually following the end of the financial year to which they relate.
- (b) Performance rights are granted annually under the LTI Plan to executives earning an STI payment in two of the previous three financial years. Refer to note 39 for details. The amounts above represent the value of performance rights granted in previous years which vested and were exercised during the year. It is calculated as the number of shares allocated to executives multiplied by the closing market price of ALS shares on the vesting date.
- (c) Mr Naran was based in the USA for 11 months of the 2015-16 year and was paid in US dollars during that period. Relevant portions of his salary, STI and pension benefits have been translated into Australian dollars above at the average exchange rate of US\$0.74 (2015: US\$0.87). The effect of the lower exchange rate in FY2016 has been to increase the value of salary, pension benefits and STI by \$162,028 when translated into Australian dollars.
- (d) Mr McPhee ceased employment with the Group on 2 October 2015 with a final cash payment of 12 months' salary. The vesting of his performance rights was calculated in accordance with the LTI Plan Rules. As a "good leaver" Mr McPhee was entitled to two thirds of his 2013 award and one third of his 2014 award.
- (e) Mr Ross ceased employment with the Group on 31 October 2014.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

*Actual Remuneration – FY 2015-16 – audited (continued)*

#### Executive KMPs

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

	In AUD	Short-term			Long-term		Post-employment	Termination benefits \$	Total \$
		Salary \$	STI (a) \$	Non-monetary benefits (b) \$	Value of share-based awards (c) \$	D&O insurance premiums \$	Super-annuation & pension benefits \$		
<b>Executive director:</b>									
Greg Kilmister	2016	1,530,795	-	19,080	339,253	637	35,000	-	1,924,765
	2015	1,492,500	372,000	-	106,470	623	32,500	-	2,004,093
<b>Executives:</b>									
Raj Naran (d)	2016	930,671	168,322	-	80,353	298	13,340	-	1,192,984
	2015	814,678	103,758	-	28,737	292	6,917	-	954,382
Brian Williams	2016	681,251	-	-	88,682	298	34,095	-	804,326
	2015	672,812	100,000	-	28,699	292	20,457	-	822,260
Kristen Walsh	2016	550,000	-	-	64,731	298	25,000	-	640,029
	2015	564,015	175,000	-	28,281	292	25,409	-	792,997
Richard Stephens	2016	532,375	-	-	49,513	298	30,000	-	612,186
	2015	496,950	55,000	-	22,383	292	28,050	-	602,675
<b>Sub-total: Full Year Executives</b>	2016	4,225,092	168,322	19,080	622,532	1,829	137,435	-	5,174,290
	2015	4,040,955	805,758	-	214,570	1,791	113,333	-	5,176,407
<b>Former Executives:</b>									
Paul McPhee (e)	2016	621,722	-	-	25,136	149	22,316	469,762	1,139,085
	2015	603,707	100,000	-	46,007	292	18,216	-	768,222
Andrew Ross (f)	2016	-	-	-	-	-	-	-	-
	2015	173,789	-	-	-	170	14,961	-	188,920
<b>Total: Executives</b>	2016	4,846,814	168,322	19,080	647,668	1,978	159,751	469,762	6,313,375
	2015	4,818,451	905,758	-	260,577	2,253	146,510	-	6,133,549

**Table 5.2**

- (a) STI expense accrual, although actual STIs are paid annually following the end of the financial year to which they relate.
- (b) Non-monetary benefits comprise the payment of allowances.
- (c) Performance rights are granted annually under the LTI Plan to executives earning an STI payment in two of the previous three financial years. Refer to note 39 for details. The fair value of performance rights granted is calculated using Binomial Tree (EPS and EBITDA 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.**
- (d) Mr Naran was based in the USA for 11 months of the 2015-16 year and was paid in US dollars during that period. Relevant portions of his salary, STI and pension benefits have been translated into Australian dollars above at the average exchange rate of US\$0.74 (2015: US\$0.87). The effect of the lower exchange rate in FY2016 has been to increase the value of salary, pension benefits and STI by \$162,028 when translated into Australian dollars.
- (e) Mr McPhee ceased employment with the Group on 2 October 2015 with a final cash payment of 12 months' salary. The vesting of his performance rights was calculated in accordance with the LTI Plan Rules. As a "good leaver" Mr McPhee was entitled to two thirds of his 2013 award and one third of his 2014 award.
- (f) Mr Ross ceased employment with the Group on 31 October 2014.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 6. Short Term Incentive Plan – audited

The Board sets the maximum amounts which can be earned as an STI for each executive and also approves their STI Plan scorecards annually. KPIs are structured so that they focus executives on factors that most impact shareholder value, whether it be via superior financial performance or by KPIs that drive value through strategic initiatives.

Payments to the CEO may not exceed 60% of his fixed remuneration and payments for other Executives are between 25% and 40% of their fixed remuneration. STI payments are contingent on the achievement of specified financial and other performance indicators (KPIs) for the financial year, as follows:

##### Gateway

To ensure that ALS' STI Plan continues to reward exceptional performance, it is a requirement that at least 90% of the first financial hurdle is met before the individual or non-financial KPIs yield a payment. The financial hurdles are set for the business units that are within the executive's sphere of control. The first financial hurdle is worth up to 30% of the total STI quantum and is based on an improvement on the previous years' performance.

##### Financial KPIs

- for the CEO 60% of the maximum potential STI payment depends on achievement of KPIs based on Group underlying net profit after tax ("NPAT");
- for other executive KMPs 60 - 90% depends on achievement of KPIs based on earnings before interest and tax for individual business units under their direct control.

##### Non-Financial KPIs

Non-financial KPIs form approximately 10 – 40% of the maximum potential STI payment. However, if threshold financial performance is not met as noted above, there is no STI payment despite the executive having achieved their non-financial KPIs.

A portion of non-financial KPIs has the executives' performance viewed against the performance of peer companies or performance relative to the market environment.

Health, safety, the environment and risk management were included as a mandatory KPI as in previous years. This KPI was set against the Positive Performance Indicator (PPI) Scorecard of health, safety and environmental lead indicators. A minimum score of 90% is required to achieve the HSE KPI.

Other non-financial KPIs are set using each division's annual business plan. The annual business plan provides for a balanced scorecard of improvements, initiatives and cost management programs relevant to the business of the executive in the global locations in which it operates.

In order to better manage cash flow and potential bad debts in the company, a debtor-days KPI is being introduced in FY 2016-17 for relevant executives and managers.

##### 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.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### Short Term Incentive Plan – audited (continued)

##### CEO Key Performance Indicator outcomes

The CEO's NPAT target was not achieved primarily due to the under-performance of the Oil and Gas business. Thus no STI payment is due as the other KPIs even if achieved will not pay out under the STI Plan Rules.

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

##### A Sample of 2015-16 KMP executives' Key Performance Indicators

5 Year Strategic Plan Objectives / ALS Core Values	Annual Business Plan - KPIs	Comments and achievements	Outcome for Shareholders
Core Value – “Safety as a Priority”	Health, safety, environment & risk management Targets.	>90% achievement on ALS' Positive Performance Indicator scorecard.	Reduces risk. Better Environmental, Social & Governance rating. Protection of the ALS Brand.
Cost Base Management	Rightsizing of relevant business streams in response to market changes.	Targets achieved: a higher margin compared to peer competitors - implemented in all Divisions.	High relative levels of ROS despite global downturn and reduced revenue in some of ALS service lines.
Growth of non-cyclical industry businesses	Implement the 20/20/20 Plan (Business development and client retention program).	Program targets implemented globally across the Life Sciences Division.	Improved customer retention and attraction. Savings from prevention of customer losses.
	Life Sciences Division - growth through targeted acquisitions and greenfield start-ups in new geographies and market sectors.	New geographies included Eastern Europe and new market sectors included Food Safety.	Diversifies revenue stream for better risk management.  New sources of revenue for future profits and growth in shareholder wealth.
	Life Sciences Division – Achieve an EBIT of [greater than last year*] for Food & Pharmaceutical	Designed to drive a growth business in a non-cyclical industry.	EBIT growth has contributed to improved Divisional financial performance.
Restructuring of cyclical industry businesses	Development of the structure, strategy and plan for the Oil and Gas business	Global review completed and executed.	Costs reduced and the business prepared for future high levels of ROS despite the global downturn in the Oil & Gas Industry.
	Review and adjust as necessary the operating model for Coal and Minerals businesses	Costs reduced in line with revenue contraction.	Cost reductions leading to better ROS.
Technology platforms in place to support ALS' global footprint	Global IT Network Update	Global “Cloud” project commenced and on target.	Operational efficiency with consequent cost savings.
Improve client outcomes through better staff engagement	Develop and implement the “ALS Experience” within the Life Sciences Division.	Collateral and training rolled out across all Life Sciences businesses globally	Client retention and growth of revenue within existing client base. Increased referrals for company's services.

\*quantum withheld due to commercial sensitivities

**Table 6**

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### *Short Term Incentive Plan – audited (continued)*

#### **Executive STI Performance vested / forfeited**

Below are details of the outcomes of the STI Plan, for 2015-16 and the previous year, awarded as remuneration to each of the named Executives:

		Included in remuneration \$ (a)	% earned	% forfeited (b)
<b>Executives</b>				
Greg Kilmister	2016	-	0	100
	2015	372,000	40	60
Raj Naran	2016	168,322	55	45
	2015	103,758	40	60
Brian Williams	2016	-	0	100
	2015	100,000	40	60
Kristen Walsh	2016	-	0	100
	2015	175,000	100	0
Richard Stephens	2016	-	0	100
	2015	55,000	40	60
Paul McPhee (c)	2016	-	0	100
	2015	100,000	40	60

**Table 7**

- (a) Amounts included in remuneration for the financial year represent the amounts that vested in the financial year based on the achievement of personal goals and satisfaction of specified performance criteria.
- (b) The amounts forfeited are due to the performance or service criteria not being met in relation to the financial year.
- (c) Mr McPhee ceased employment with the Group in October 2015.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 7. Long Term Incentive Plan - audited

##### Long Term Incentive Plan Hurdles

Following review of the feedback from Shareholder groups last year and a review of current best practice, the Board undertook to review and overhaul the LTI Plan. Although not reflected in this year's results, the new LTI Plan hurdles are provided in the Outlook section for reference.

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

The principal goals of the LTI Plan are to:

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

For the 2015-16 FY LTI Plan measures were retained with no changes from the 2014-15 FY approach.

The Board ensures that only our highest performing executives participate in the LTI Plan by opening participation only to those executives that have earned an STI payment in two of previous three years ahead of the LTI award grant date.

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 20 trading days following the date of announcement of the final full year results for the financial year preceding the period to which the grant of performance rights relate.

##### Performance Hurdles

Performance hurdles for 2015-16 FY are underlying earnings per share (EPS), relative Total Shareholder Return (TSR) and relative underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) as a percentage of revenue (EBITDA margin). Performance hurdles are assessed at the end of the performance period and the performance rights become exercisable, in whole or in part, or lapse from 1 July following the end of the performance period.

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

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

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

Relative TSR provides a good indicator of the value derived from capital growth and distributions to shareholders. Two peer groups are used. One peer group comprises ALS' direct global competitors, and so reflects how well ALS management does in a very competitive environment. The other peer group comprises the ASX100 index companies. These companies represent the alternative investment choices for our investors.

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

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### *Long Term Incentive Plan – audited (continued)*

The performance hurdles and vesting proportions for the awards granted in 2013, 2014 and 2015 are as follows:

#### 2013 Award Hurdles

Proportion of total performance rights that may be exercised if EPS growth hurdle is met	Compound annual diluted EPS growth over the period 1 April 2013 to 31 March 2016	Proportion of total performance rights that may be exercised if EBITDA hurdle is met	EBITDA margin of ALS Ltd relative to EBITDA margin of comparator companies over the period 1 April 2013 to 31 March 2016
0%	Less than 8% per annum	0%	Less than the 50th percentile
12.5% of total grant	8% per annum	25% of total grant	50th percentile or higher
Straight line vesting between 12.5% and 25%	Between 8% and 14% per annum		Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA)
25% of total grant	14% or higher per annum		

Proportion of total performance rights that may be exercised if TSR hurdle is met	TSR of ALS Ltd relative to TSRs of industry peer companies over the period 1 April 2013 to 31 March 2016	TSR of ALS Ltd relative to TSRs of companies in the ASX100 Index over the period 1 April 2013 to 31 March 2016
0%	Less than the 50th percentile	Less than the 50th percentile
12.5% per comparator group	50th percentile	50th percentile
Straight line vesting between 12.5% and 25% per comparator group	Between 50th percentile and 75th percentile	Between 50th percentile and 75th percentile
25% of total grant per comparator group	75th percentile or higher	75th percentile or higher
	Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), Mistras (USA), SGS (Switzerland) and Team Industrial Services (USA).	Comparator companies: Companies included in the ASX 100 Index as at 1 April 2013

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### Long Term Incentive Plan – audited (continued)

##### 2014 Award Hurdles

Proportion of total performance rights that may be exercised if EPS growth hurdle is met	Compound annual diluted EPS growth over the period 1 April 2014 to 31 March 2017	Proportion of total performance rights that may be exercised if EBITDA hurdle is met	EBITDA margin of ALS Ltd relative to EBITDA margin of comparator companies over the period 1 April 2014 to 31 March 2017
0%	Less than 5% per annum	0%	Less than the 50th percentile
12.5% of total grant	5% per annum	25% of total grant	50th percentile or higher
Straight line vesting between 12.5% and 25%	Between 5% and 9% per annum		Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain/Singapore), Exova (UK)
25% of total grant	9% or higher per annum		

Proportion of total performance rights that may be exercised if TSR hurdle is met	TSR of ALS Ltd relative to TSRs of industry peer companies over the period 1 April 2014 to 31 March 2017	TSR of ALS Ltd relative to TSRs of companies in the ASX100 Index over the period 1 April 2014 to 31 March 2017
0%	Less than the 50th percentile	Less than the 50th percentile
12.5% per comparator group	50th percentile	50th percentile
Straight line vesting between 12.5% and 25% per comparator group	Between 50th percentile and 75th percentile	Between 50th percentile and 75th percentile
25% of total grant per comparator group	75th percentile or higher	75th percentile or higher
	Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain/Singapore), Exova (UK)	Comparator companies: Companies included in the ASX 100 Index as at 1 April 2014



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### Long Term Incentive Plan – audited (continued)

##### 2015 Award Hurdles

Proportion of total performance rights that may be exercised if EPS growth hurdle is met	Compound annual diluted EPS growth over the period 1 April 2015 to 31 March 2018	Proportion of total performance rights that may be exercised if EBITDA hurdle is met	EBITDA margin of ALS Ltd relative to EBITDA margin of comparator companies over the period 1 April 2015 to 31 March 2018
0%	Less than 5% per annum	0%	Less than the 50th percentile
12.5% of total grant	5% per annum	25% of total grant	50th percentile or higher
Straight line vesting between 12.5% and 25%	Between 5% and 9% per annum		Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain/Singapore), Exova (UK)
25% of total grant	9% or higher per annum		

Proportion of total performance rights that may be exercised if TSR hurdle is met	TSR of ALS Ltd relative to TSRs of industry peer companies over the period 1 April 2015 to 31 March 2018	TSR of ALS Ltd relative to TSRs of companies in the ASX100 Index over the period 1 April 2015 to 31 March 2018
0%	Less than the 50th percentile	Less than the 50th percentile
12.5% per comparator group	50th percentile	50th percentile
Straight line vesting between 12.5% and 25% per comparator group	Between 50th percentile and 75th percentile	Between 50th percentile and 75th percentile
25% of total grant per comparator group	75th percentile or higher	75th percentile or higher
	Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain/Singapore), Exova (UK)	Comparator companies: Companies included in the ASX 100 Index as at 1 April 2015

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### *Long Term Incentive Plan – audited (continued)*

##### Measurement of the LTI Plan Hurdles

##### Underlying Earnings per Share

The growth in earnings per share is calculated by comparing the diluted underlying EPS achieved by the Group in the base year (e.g. year to March 2015) with that achieved in the final year of the performance period (e.g. year to March 2018).

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

Following finalisation of ALS' financial results for FY2015-16 the compound annual growth rate (CAGR) in the Company's diluted EPS over the three year period to March 2016 was negative 31.8% (from 68.5 cents to 21.7 cents) which is below the minimum threshold of an 8% increase. Thus no rights subject to the EPS hurdle will vest on 1 July 2016.

##### Underlying Earnings before Interest, Tax, Depreciation and Amortisation

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

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

Following finalisation of ALS' financial results for FY2015-16 the underlying EBITDA margin achieved by the Company over the three year period to March 2016 was 20.9%. As shown below this placed ALS at the 67th percentile when ranked within the group of industry peer companies. Thus the rights subject to the EBITDA hurdle (25% of the total number possible) will vest on 1 July 2016.

Company	Currency	Cumulative underlying EBITDA (m)	Cumulative Revenue (m)	EBITDA Margin %	Rank	Percentile
Core Laboratories	USD	921	2,956	31.1%	1	100.0%
SGS	CHF	3,668	17,425	21.1%	2	83.3%
<b>ALS</b>	<b>AUD</b>	<b>910</b>	<b>4,361</b>	<b>20.9%</b>	<b>3</b>	<b>66.7%</b>
Intertek	GBP	1,243	6,444	19.3%	4	50.0%
Bureau Veritas	EUR	2,453	12,739	19.3%	5	33.3%
Eurofins	EUR	802	4,586	17.5%	6	16.7%
Mistras	USD	191	1,864	10.3%	7	0.0%

##### Total Shareholder Return

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

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

The Company's performance over the three year period to March 2016 relative to both the industry peer and ASX100 comparator groups was below the 50th percentile required to achieve partial vesting. Thus no rights subject to the TSR hurdle will vest on 1 July 2016.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 8. Company Performance and Link to Shareholder Wealth – audited

##### Proportion of performance related and equity based remuneration

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

		Proportion of all at risk remuneration (STI & LTI) as a percentage of total remuneration		Proportion of performance rights (LTI) as a percentage of total remuneration	
		Calculated on remuneration actually received (table 5.1) %	Per accounting standards (table 5.2) %	Calculated on remuneration actually received (table 5.1) %	Per accounting standards (table 5.2) %
<b>Executives</b>					
Greg Kilmister	2016	0.0	17.6	0.0	17.6
	2015	25.6	23.9	7.4	5.3
Raj Naran	2016	15.1	20.8	0.0	6.7
	2015	13.8	13.9	2.9	3.0
Brian Williams	2016	0.0	11.0	0.0	11.0
	2015	16.1	15.7	4.0	3.5
Kristen Walsh	2016	0.0	10.1	0.0	10.1
	2015	24.6	25.6	2.2	3.6
Richard Stephens	2016	0.0	8.1	0.0	8.1
	2015	11.5	12.8	2.2	3.7
Paul McPhee (a)	2016	8.6	2.2	8.6	2.2
	2015	16.6	19.0	3.2	6.0

(a) Mr McPhee ceased employment with the Group in October 2015.

##### Consequences of performance on shareholders' wealth

The Board considers that the previous and current remuneration strategy including adjustments to the STI Plan KPIs and the upcoming LTI Plan hurdle results in executive pay that varies with performance.

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

Measure of financial performance	Fluctuation in financial performance is reflected in executives' pay via:	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Underlying profit * attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	99.5	135.4	171.9	238.3	222.4
Profit / (loss) attributable to equity holders of the Company	STI gateway, STI KPIs and LTI financial measures	(240.7)	(174.5)	154.4	227.3	222.4
Dividends paid or payable	LTI TSR measures	60.8	84.5	152.0	164.3	151.9
Share price at balance date (all shown on a post-share split basis)	LTI TSR measures	\$3.99	\$4.96	\$7.33	\$10.47	\$13.45

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

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### 9. KMP Equity Instruments and Transactions – audited

##### Ordinary shares

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

	Opening Balance	Purchases (1)	Acquired due to vesting of performance rights	Sales (1)	Other	Closing Balance
<b>Directors</b>						
Nerolie Withnall	20,507	5,303	-	-	-	25,810
Mel Bridges	33,502	15,078	-	-	-	48,580
Grant Murdoch	48,586	23,010	-	-	-	71,596
John Mulcahy	43,637	10,390	-	-	-	54,027
Charlie Sartain	-	122,524	-	-	-	122,524
Bruce Phillips	-	31,000	-	-	-	31,000
Greg Kilmister	1,130,207	320,168	-	-	-	1,450,375
Ray Hill (2)	140,000	-	-	-	(140,000)	-
Bruce Brown (2)	166,728	-	-	-	(166,728)	-
<b>Executives</b>						
Raj Naran	21,170	5,430	-	-	-	26,600
Brian Williams	109,274	27,751	-	-	-	137,025
Kristen Walsh	1,934	500	-	-	-	2,434
Richard Stephens	44,166	3,144	-	-	-	47,310
Paul McPhee (3)	64,269	-	21,630	-	(85,899)	-

(1) Includes shares acquired via the dividend reinvestment plan and 5 for 21 entitlement issue. All purchases and sales complied with the Board's Securities Trading Policy which permits trading by directors and executives during certain periods in the absence of knowledge of price-sensitive information.

(2) Mr Hill and Mr Brown retired from the Board in July 2015.

(3) Mr McPhee ceased employment with the Group in October 2015.

##### 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 (a)	Lapsed (a,b)	Closing Balance
<b>Director</b>					
Greg Kilmister	202,487	153,213	-	(61,185)	294,515
<b>Executives</b>					
Raj Naran	48,918	37,068	-	(14,890)	71,096
Brian Williams	54,918	41,186	-	(18,130)	77,974
Kristen Walsh	31,609	32,949	-	(6,525)	58,033
Richard Stephens	27,022	22,652	-	(6,120)	43,554
Paul McPhee (a)	60,421	41,186	(21,630)	(79,977)	-

(a) Mr McPhee ceased employment with the Group in October 2015. In accordance with the partial vesting provisions of the LTI Plan, 21,630 rights held by him vested and 63,482 rights lapsed upon termination.

(b) The number of rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment. Performance hurdle testing at 31 March 2015 of rights which were due to vest in July 2015 resulted in none of those rights vesting.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

## Remuneration report (continued)

### KMP Equity Instruments and Transactions – audited (continued)

#### Performance rights over ordinary shares granted as remuneration (continued)

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.

Director / 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 (c)	Number of rights lapsed (c,d)	% of rights lapsed (d)
Greg Kilmister (Director)	30 Jul 15	153,213	\$4.04	\$6.07	1 Jul 18	-	-	-
	29 Jul 14	97,015	\$5.40	\$8.71	1 Jul 17	-	-	-
	30 Jul 13	44,287	\$5.74	\$9.54	1 Jul 16	-	-	-
	31 Jul 12	61,185	\$5.28	\$11.03	1 Jul 15	-	(61,185)	100%
Raj Naran	30 Jul 15	37,068	\$4.04	\$6.07	1 Jul 18	-	-	-
	29 Jul 14	22,962	\$5.40	\$8.71	1 Jul 17	-	-	-
	30 Jul 13	11,066	\$5.74	\$9.54	1 Jul 16	-	-	-
	5 Sep 12	14,890	\$3.66	\$11.03	1 Jul 15	-	(14,890)	100%
Brian Williams	30 Jul 15	41,186	\$4.04	\$6.07	1 Jul 18	-	-	-
	29 Jul 14	25,258	\$5.40	\$8.71	1 Jul 17	-	-	-
	30 Jul 13	11,530	\$5.74	\$9.54	1 Jul 16	-	-	-
	5 Sep 12	18,130	\$3.66	\$11.03	1 Jul 15	-	(18,130)	100%
Kristen Walsh	30 Jul 15	32,949	\$4.04	\$6.07	1 Jul 18	-	-	-
	29 Jul 14	17,222	\$5.40	\$8.71	1 Jul 17	-	-	-
	30 Jul 13	7,862	\$5.74	\$9.54	1 Jul 16	-	-	-
	5 Sep 12	6,525	\$3.66	\$11.03	1 Jul 15	-	(6,525)	100%
Richard Stephens	30 Jul 15	22,652	\$4.04	\$6.07	1 Jul 18	-	-	-
	29 Jul 14	14,351	\$5.40	\$8.71	1 Jul 17	-	-	-
	30 Jul 13	6,551	\$5.74	\$9.54	1 Jul 16	-	-	-
	5 Sep 12	6,120	\$3.66	\$11.03	1 Jul 15	-	(6,120)	100%
Paul McPhee (c)	30 Jul 15	41,186	\$4.04	\$6.07	1 Jul 18	-	(41,186)	100%
	29 Jul 14	22,962	\$5.40	\$8.71	1 Jul 17	(7,654)	(15,308)	67%
	30 Jul 13	20,964	\$5.74	\$9.54	1 Jul 16	(13,976)	(6,988)	33%
	5 Sep 12	16,495	\$3.66	\$11.03	1 Jul 15	-	(16,495)	100%

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

(b) The issue price used to determine the number of rights offered in each year to all participants, including Mr Kilmister and other key management personnel, was the volume weighted average price of the Company's shares during the twenty 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 hurdle) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies.

(c) Mr McPhee ceased employment with the Group in October 2015. In accordance with the partial vesting provisions of the LTI Plan, 21,630 rights held by him vested and 63,482 rights lapsed upon termination.

(d) The number of rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment. Performance hurdle testing at 31 March 2015 of rights which were due to vest in July 2015 resulted in none of those rights vesting.

### Property leases

The Group has entered into property lease agreements in the USA with a company in which Mr Raj Naran holds a controlling interest. Lease rental expense in AUD-equivalents for the year was \$826,581 (2015: \$667,527) and the amount outstanding at the end of the year was Nil (2015: \$19,722).

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Remuneration report (continued)

#### *10. Outlook for 2016-17 FY Remuneration - unaudited*

Following the First Strike received at the 2015 AGM, the Directors have sought feedback from external stakeholders and closely analysed all components of Remuneration Strategy, Policy, Instruments and their outcomes on KMP pay. The result has been a number of changes.

Within the LTI Plan a new ROCE hurdle has been added. The TSR hurdle that used an industry peer group as a comparator for company performance was removed as the same industry peers are already included in the current EBITDA hurdle.

These changes will be built into the 2016 LTI awards.

The STI Plan now features a financial performance "gateway" hurdle that requires that the financial KPIs be met before the personal or non-financial KPIs yield a threshold payment.

In order to better manage cash flow and potential bad debts in the company, a debtor-days KPI has been introduced for relevant executives and managers.

With these changes, the STI plan will only reward when there is an acceptable financial result for shareholders.

Total remuneration packages for Executives and fees for Directors will remain unchanged for the 2016-17 FY.

The Directors believe that as a result executive pay is well balanced to focus management on the short as well as long term, and growth as well as sustainability.

Although the economic environment continues to be uncertain and global commodity prices are turbulent our strategy of growing non-cyclical business is expected to buffer this and together with the revitalised structures of the cyclical businesses lead to better financial performance. The Board notes that such cycles will continue to have an impact on overall remuneration strategies and will respond with adjusted remuneration strategy where this is required.

Consultation with shareholder advisory groups and use of external specialist consultants will continue to be a feature of our remuneration strategy and process to ensure that fair and affordable remuneration continues into the future.

*End of remuneration report*

# **ALS Limited and its subsidiaries**

## **Directors' report (continued)**

For the year ended 31 March 2016

### **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 13 key standards including identification and management of key environmental risks, emergency planning, reporting environmental incidents, and conducting monthly audits.

### **Initiatives**

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

### **Performance against environmental compliance requirements**

There were two reported breaches of environmental statutory requirements during the year. Penalties were imposed on ALS Life Sciences in Houston, Texas, who were fined US\$208,000, and ALS Life Sciences in Rochester, New York, who were fined US\$3,000. Both breaches related to incorrect waste classification and disposal under the US Resource Conservation and Recovery Act, which is administered by the US EPA. No prosecutions or legal action was taken against the Group for any environmental infringements.

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

### **Events subsequent to reporting date**

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

### **Likely developments**

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

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### 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
Nerolie Withnall	25,810
Greg Kilmister	1,450,375
Mel Bridges	48,580
Grant Murdoch	71,596
John Mulcahy	54,027
Charlie Sartain	122,524
Bruce Phillips	31,000

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

### 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 (1)		Audit Risk and Compliance Committee Meetings (2)		Remuneration Committee Meetings	
	A	B	A	B	A	B
Nerolie Withnall	14	14	5	5	2	2
Greg Kilmister	14	14	-	-	-	-
Mel Bridges*	14	11	5	4	2	2
Grant Murdoch	14	14	5	5	-	-
John Mulcahy	14	14	-	-	2	2
Charlie Sartain	14	13	5	5	-	-
Bruce Phillips^	10	10	-	-	1	1
Ray Hill (3)	4	4	2	2	-	-
Bruce Brown (3)	4	4	-	-	1	1

\* granted leave for 3 unscheduled Board meetings and 1 Audit, Risk & Compliance Committee meeting.

^ appointed to the Board effective 1 August 2015 and to the Remuneration Committee effective 26 February 2016.

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

**B** – Number of meetings attended

(1) Includes 2 Nomination Committee meetings. All Board members act as members of the Nomination Committee.

(2) All directors are permitted by the Committee's Charter to attend meetings of the Audit Risk & Compliance Committee. The numbers of meetings attended by non-members were: Messrs Kilmister (4), Mulcahy (4), Phillips (1) and Brown (2).

(3) Messrs Hill and Brown retired from the Board following the AGM on 30 July 2015.



# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### 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.

# ALS Limited and its subsidiaries

## Directors' report (continued)

For the year ended 31 March 2016

### Non-audit services

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

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Compliance 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 Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

*In thousands of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Audit services</b>		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of consolidated and company financial reports	561	530
Audit of subsidiary's financial report	-	15
<i>Other KPMG member firms:</i>		
Audit and review of financial reports	1,350	1,152
	1,911	1,697
Other auditors		
Audit and review of financial reports	43	65
	1,954	1,762
<b>Other services</b>		
Auditors of the Company		
<i>KPMG Australia</i>		
Other assurance and investigation services	109	29
Taxation services	161	185
<i>Other KPMG member firms:</i>		
Taxation services	387	376
Other assurance and investigation services	57	15
	714	605

## ALS Limited and its subsidiaries Directors' report (continued)

For the year ended 31 March 2016

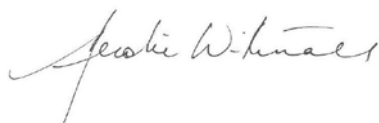
### Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 104 and forms part of the directors' report for the financial year ended 31 March 2016.

### Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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:



Nerolie Withnall  
Chairman

Brisbane  
30 May 2016



Greg Kilmister  
Managing Director

Brisbane  
30 May 2016

# ALS Limited and its subsidiaries

## Profit and loss statement

For the year ended 31 March 2016

In millions of AUD

	Note	Consolidated	
		2016	2015
<b>Continuing operations</b>			
Revenue from sale of goods		5.9	6.6
Revenue from rendering of services		1,359.0	1,415.6
		1,364.9	1,422.2
Raw materials and consumables purchased		(135.9)	(141.2)
Employee expenses		(678.0)	(679.1)
Occupancy costs		(111.2)	(103.6)
External service costs		(41.3)	(41.3)
Amortisation and depreciation		(101.6)	(95.5)
Impairment charges	6vi	(317.9)	(289.8)
Other expenses		(150.8)	(162.9)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		2.7	4.1
		(169.1)	(87.1)
<b>(Loss) before financing costs and income tax</b>			
Finance income		3.6	2.5
Finance expense		(38.1)	(35.6)
<b>Net finance expense</b>		(34.5)	(33.1)
		(203.6)	(120.2)
<b>(Loss) before income tax</b>			
Income tax expense	9	(36.1)	(51.5)
<b>(Loss) from continuing operations</b>		(239.7)	(171.7)
<b>Discontinued operations</b>			
Loss of discontinued operations (net of income tax)	31	-	(1.0)
<b>(Loss) for the year</b>		(239.7)	(172.7)
<b>Attributable to:</b>			
Equity holders of the Company		(240.7)	(174.5)
Non-controlling interest		1.0	1.8
<b>(Loss) for the year</b>		(239.7)	(172.7)
Basic earnings per share attributable to equity holders	10	(52.51)c	(41.13)c *
Diluted earnings per share attributable to equity holders	10	(52.51)c	(41.13)c *
Basic earnings per share attributable to equity holders from continuing operations	10	(52.51)c	(40.85)c *
Diluted earnings per share attributable to equity holders from continuing operations	10	(52.51)c	(40.85)c *
Dividends per share	22	13.50c	21.00c

The profit and loss statement is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

\* Prior period EPS comparatives have been restated for the impact on earnings per share of the FY16 rights issue undertaken in December 2015.

# ALS Limited and its subsidiaries

## Statement of comprehensive income

For the year ended 31 March 2016

In millions of AUD

	Note	Consolidated	
		2016	2015
<b>(Loss) for the year</b>		(239.7)	(172.7)
<b>Other comprehensive income *</b>			
<i>Items that are or may be reclassified subsequently to the profit and loss</i>			
Foreign exchange translation		(53.5)	30.5
Net gain/(loss) on hedge of net investments in foreign subsidiaries		(2.2)	(2.0)
Net gain/(loss) on cash flow hedges taken to equity		0.3	3.3
<b>Other comprehensive income for the year, net of income tax</b>		(55.4)	31.8
<b>Total comprehensive income for the year</b>		(295.1)	(140.9)
<b>Attributable to:</b>			
Equity holders of the company		(296.1)	(142.7)
Non-controlling interest		1.0	1.8
<b>Total comprehensive income for the year</b>		(295.1)	(140.9)

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

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

# ALS Limited and its subsidiaries

## Balance sheet

As at 31 March 2016

In millions of AUD

	Note	Consolidated	
		2016	2015
<b>Assets</b>			
Cash and cash equivalents	11	297.9	163.1
Trade and other receivables	12	271.7	313.5
Inventories	14	79.0	76.1
Income tax receivable		7.9	4.5
Other assets	15	35.0	41.5
<b>Total current assets</b>		<b>691.5</b>	<b>598.7</b>
<b>Non-current assets</b>			
Receivables	12	3.5	3.9
Investments accounted for using the equity method		20.6	15.0
Investment property	20	10.5	10.7
Deferred tax assets	16	23.8	22.1
Property, plant and equipment	17	457.3	491.9
Intangible assets	18	923.7	1,250.4
Other assets	15	14.0	14.2
<b>Total non-current assets</b>		<b>1,453.4</b>	<b>1,808.2</b>
<b>Total assets</b>		<b>2,144.9</b>	<b>2,406.9</b>
<b>Liabilities</b>			
Bank overdraft	11	-	0.1
Trade and other payables	19	150.9	158.4
Loans and borrowings	21	1.0	4.0
Employee benefits		39.8	39.2
<b>Total current liabilities</b>		<b>191.7</b>	<b>201.7</b>
<b>Non-current liabilities</b>			
Loans and borrowings	21	748.5	935.4
Deferred tax liabilities	16	8.7	6.7
Employee benefits		7.7	8.0
Other		2.7	26.7
<b>Total non-current liabilities</b>		<b>767.6</b>	<b>976.8</b>
<b>Total liabilities</b>		<b>959.3</b>	<b>1,178.5</b>
<b>Net assets</b>		<b>1,185.6</b>	<b>1,228.4</b>
<b>Equity</b>			
Share capital	22	1,452.7	1,134.1
Reserves		(51.4)	(23.1)
Retained earnings		(224.3)	104.5
<b>Total equity attributable to equity holders of the company</b>		<b>1,177.0</b>	<b>1,215.5</b>
<b>Non-controlling interest</b>		<b>8.6</b>	<b>12.9</b>
<b>Total equity</b>		<b>1,185.6</b>	<b>1,228.4</b>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

# ALS Limited and its subsidiaries

## Statement of changes in equity

For the year ended 31 March 2016

In millions of AUD

In millions of AUD		Consolidated							
	Note	Share Capital	Foreign Currency Translation	Other reserves	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
Comprehensive income for the period									
Profit or (loss)		-	-	-	-	(240.7)	(240.7)	1.0	(239.7)
Other comprehensive income:									
Foreign exchange translation differences		-	(53.5)	-	-	-	(53.5)	-	(53.5)
Net gain/(loss) on hedge of net investments in foreign subsidiaries		-	(2.2)	-	-	-	(2.2)	-	(2.2)
Net gain/(loss) on cash flow hedges taken to equity		-	-	0.3	-	-	0.3	-	0.3
Total other comprehensive income		-	(55.7)	0.3	-	-	(55.4)	-	(55.4)
Total comprehensive income for the period		-	(55.7)	0.3	-	(240.7)	(296.1)	1.0	(295.1)
Transactions with equity holders, recorded directly in equity									
Contributions and distributions to owners:									
Dividends to equity holders		22	-	-	-	(71.3)	(71.3)	(0.7)	(72.0)
Shares issued under non-renounceable rights issue (net of costs) <sup>1</sup> (96,968,595 ordinary shares at \$3.35 per share)			318.4	-	-	-	318.4	-	318.4
Fair value movement in reserve			-	-	5.1	-	5.1	-	5.1
Exercise of Put and Call option over non-controlling interest			-	-	20.9	(20.9)	-	-	-
Share-settled performance rights awarded during the year		34	-	-	1.4	-	1.4	-	1.4
Share-settled performance rights vested during the year		22, 34	0.2	-	(0.3)	0.1	-	-	-
Total contributions and distributions to owners			318.6	-	26.0	(92.1)	253.6	(0.7)	252.9
Changes in ownership interests									
Acquisition of non-controlling interest without change in control			-	-	-	4.0	4.0	(4.8)	(0.8)
Non-controlling interest ownership of subsidiary acquired			-	-	-	-	-	0.2	0.2
Total changes in ownership interests			-	-	-	4.0	4.0	(4.6)	(0.6)
Total transactions with owners			318.6	-	26.0	(88.1)	257.6	(5.3)	252.3
Balance at 31 March 2016			1,452.7	(57.4)	3.6	(224.3)	1,177.0	8.6	1,185.6

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

1. After tax costs attributable renounceable rights issue totalled \$6.4m

# ALS Limited and its subsidiaries

## Statement of changes in equity (continued)

For the year ended 31 March 2016

In millions of AUD

	Note	Share Capital	Foreign Currency Translation	Other reserves	Consolidated Employee share-based awards	Retained earnings	Total	Non-controlling Interest	Total Equity
<b>Balance 1 April 2014</b>		1,061.0	(30.2)	(26.0)	1.3	401.6	1,407.7	11.7	1,419.4
<b>Comprehensive income for the period</b>									
Profit or (loss)		-	-	-	-	(174.5)	(174.5)	1.8	(172.7)
Other comprehensive income:									
Foreign exchange translation differences		-	30.5	-	-	-	30.5	-	30.5
Net gain/(loss) on hedge of net investments in foreign subsidiaries		-	(2.0)	-	-	-	(2.0)	-	(2.0)
Net gain/(loss) on cash flow hedges taken to equity		-	-	3.3	-	-	3.3	-	3.3
Total other comprehensive income		-	28.5	3.3	-	-	31.8	-	31.8
<b>Total comprehensive income for the period</b>		-	28.5	3.3	-	(174.5)	(142.7)	1.8	(140.9)
<b>Transactions with equity holders, recorded directly in equity</b>									
Contributions by and distributions to owners:									
Dividends to equity holders	22	-	-	-	-	(122.7)	(122.7)	(0.6)	(123.3)
Shares issued under dividend reinvestment plan (3,543,523 ordinary shares at \$8.32 per share)		29.5	-	-	-	-	29.5	-	29.5
Shares issued under dividend reinvestment plan (3,439,764 ordinary shares at \$4.63 per share)		15.9	-	-	-	-	15.9	-	15.9
Shares issued under DRP underwriting arrangement (net of costs) <sup>2</sup> (6,010,746 ordinary shares at \$4.63 per share)		27.2	-	-	-	-	27.2	-	27.2
Treasury shares purchased and held in trust		-	-	-	-	-	-	-	-
Share-settled performance rights awarded during the year	34	-	-	-	0.6	-	0.6	-	0.6
Share-settled performance rights vested during the year	22, 34	0.5	-	-	(0.6)	0.1	-	-	-
<b>Total transactions with owners</b>		73.1	-	-	-	(122.6)	(49.5)	(0.6)	(50.1)
<b>Balance at 31 March 2015</b>		1,134.1	(1.7)	(22.7)	1.3	104.5	1,215.5	12.9	1,228.4

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

2. Cost attributable to DRP underwrite totalled \$0.6m



# ALS Limited and its subsidiaries

## Statement of cash flows

For the year ended 31 March 2016

*In millions of AUD*

	Note	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,536.2	1,658.9
Cash paid to suppliers and employees		(1,293.1)	(1,354.3)
Cash generated from operations		243.1	304.6
Interest paid		(38.1)	(35.6)
Interest received		3.6	2.5
Income taxes paid		(39.0)	(56.3)
<b>Net cash from operating activities</b>	30	<b>169.6</b>	<b>215.2</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(73.7)	(76.5)
Repayments/(loans) joint venture entity		0.5	(0.4)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)		(17.6)	(30.2)
Proceeds from sale of business operations		-	21.2
Acquisition of associate entity equity		(5.2)	-
Dividend from associate		2.9	1.3
Proceeds from sale of other non-current assets		5.1	1.6
<b>Net cash (used in) investing activities</b>		<b>(88.0)</b>	<b>(83.0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		32.0	73.0
Repayment of borrowings		(215.2)	(130.0)
Proceeds from issue of new issued capital		317.0	27.2
Lease payments		(2.4)	(2.6)
Dividends paid		(72.0)	(77.9)
<b>Net cash (used in)/from financing activities</b>		<b>59.4</b>	<b>(110.3)</b>
Net movement in cash and cash equivalents		141.0	21.9
Cash and cash equivalents at 1 April		163.0	136.2
Effect of exchange rate fluctuations on cash held		(6.1)	4.9
<b>Cash and cash equivalents at 31 March</b>	11	<b>297.9</b>	<b>163.0</b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 45 to 100.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

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12. Trade and other receivables	30. Reconciliation of cash flows from operating activities
13. Aging of trade receivables	31. Discontinued operations
14. Inventories	32. Acquisition of subsidiaries and non-controlling interests
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# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 1. Reporting entity

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 2016 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

### 2. Basis of preparation

#### (a) 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 30 May 2016.

#### (b) 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.

#### (c) 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

#### (d) Use of estimates and judgements

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

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

In particular the most significant uses of estimates and judgements are described in note 18 – Intangible assets and note 32 – Acquisitions of subsidiaries and non-controlling interests.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies

The accounting policies applied by the Group in this financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2015.

#### (a) Basis of consolidation

##### 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 brandnames, trademarks, customer contracts and relationships and in process research and development intangible assets. Where material, these items are recognised separately from goodwill.

##### 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### 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.

Where the Group enters a written put option in relation to a non-controlling interest in a controlled entity, the Group recognises a liability initially at its fair value (being the present value of the exercise price) with a corresponding amount recognised in equity within other reserves. All subsequent changes to the liability are also recognised in equity.

##### 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.

#### (b) 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (b) Foreign currency (continued)

##### **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.

#### (c) Derivative financial instruments

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

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value and changes therein are recognised immediately in the profit and loss statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 3(d)).

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (d) 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.

#### (e) Property, plant and equipment

##### Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 3(j)).

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 (see below). 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (e) Property, plant and equipment (continued)

##### **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.

##### **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.

##### **Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in note 3(q).

##### **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.

#### (f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see note 3(j)).



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (g) Inventories

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

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

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

#### (h) Cash and cash equivalents

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

#### (i) Intangible assets

##### Goodwill

Goodwill arising on the acquisition of a subsidiary or business is included in intangible assets. For the accounting policy on measurement of the goodwill at initial recognition, refer note 3(a).

##### 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 (see below) and impairment losses (see note 3(j)).

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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (i) Intangible assets (continued)

##### 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 Brandnames 3-5 Years
- Customer Relationships 5-6 Years
- Technology 4 Years

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

#### (j) Impairment

##### Financial assets

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

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

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

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

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (j) Impairment (continued)

##### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 3(g)) and deferred tax assets (see note 3(s)), 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 (see "Calculation of recoverable amount" below). 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.

##### Calculation of recoverable amounts

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

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

#### (k) Share capital

##### 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.

#### (l) 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (m) Employee benefits

##### **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.

##### **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.

##### **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.

##### **Share-based payment transactions**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally 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.

#### (n) 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.

#### (o) 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (p) Revenue

##### **Goods sold and services rendered**

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

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

##### **Dividend Income**

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

#### (q) Expenses

##### **Operating lease payments**

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

##### **Finance lease payments**

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

##### **Finance income and finance expense**

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

Finance expense comprise 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 3(d)). The interest expense component of finance lease payments is recognised in the profit and loss statement using the effective interest method.

##### **Foreign currency costs**

Foreign currency gains and losses are reported on a net basis.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (r) Determination and presentation of operating segments

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

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

Segment results that are reported to the CEO include items directly attributed to the segment as well as those that can be allocated on a reasonable basis. Segment contribution is calculated as earnings before interest, foreign currency gains and losses, and income tax. Unallocated items comprise mainly corporate assets, head office expenses, finance costs, income tax expense and taxation assets and liabilities. Inter-segment pricing is determined on an arms length basis.

Non-current assets disclosed in note 6 – Operating Segments - are comprised of the Group's non-current assets excluding receivables and deferred tax assets.

#### (s) Income tax

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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (s) Income tax (continued)

##### **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.

#### (t) 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.

#### (u) 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. Classification as a discontinued operation occurs upon cessation or disposal. When an operation is classified as a discontinued operation, the comparative profit and loss statement and statement of comprehensive income are restated as if the operation had been discontinued from the start of the comparative period.

#### (v) Earnings per share

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 3. Significant accounting policies (continued)

#### (w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

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

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

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



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 4. Financial and 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 Compliance Committee obtains assurance about the internal control and risk management environment through regular reports from the Risk and Compliance team.

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Credit risk

The Group has an established credit policy and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. There is no single customer making up a material percentage of the Group's revenue. Geographic concentrations of trade receivables are - Australia 29% (2015: 28%), Canada 7% (2015: 8%), USA 18% (2015: 19%), UK 11% (2015: 14%), and other countries 35% (2015: 31%). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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

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

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of the Deed of Cross Guarantee are provided in note 27.

#### Liquidity risk

The liquidity position of the Group is continuously managed using cash flow forecasts to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner. The Group is party to a number of bilateral debt facility and long term note agreements which provide funding for acquisitions and working capital (refer note 21).

Note 23 details the repayment obligations in respect of the amount of the facilities and derivatives utilised.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 4. Financial and capital risk management (continued)

#### **Risk management framework (continued)**

##### **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 23.

##### *Foreign exchange risk*

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

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

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

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

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

##### **Capital management**

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

Capital management involves the use of corporate forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The Group monitors gearing and treasury policy breaches and exceptions. The gearing ratio as at balance date is 27% (2015: 38%).

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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 5. Determination of fair value

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

#### Fair value hierarchy

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

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

#### Derivatives

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

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

#### Loans and borrowings

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

#### Trade and other receivables / payables

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

#### Finance leases

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

#### Share-based payment transactions

The fair value of share-based awards to employees is measured using Binomial Tree (Earnings per Share hurdle) and Monte-Carlo Simulation (Total Shareholder Return hurdle) valuation methodologies. Measurement inputs include the Company's share price on measurement date, expected volatility thereof, expected life of the awards, the Company's expected dividend yield and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Refer note 34 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 6. Operating Segments

The Group has 4 reportable segments, as described below, representing 4 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:

- ALS 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.
- ALS Minerals - provides assaying and analytical testing services and metallurgical services for mining and mineral exploration companies.
- ALS Energy - provides specialist services to the black coal and oil and gas industries such as coal sampling, analysis and certification, hydrocarbon formation evaluation services, specialist well services and related analytical testing.
- ALS Industrial - provides the energy, resources and infrastructure sectors with testing, inspection and asset care services.

*Discontinued segment:*

- Reward Distribution - distribution of non-food consumables to the healthcare, building services, hospitality and leisure industries. This segment was sold in October 2014 – refer note 31.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 6. Operating Segments (continued)

*In millions of AUD*

	ALS Life Sciences	ALS MInerals	ALS Energy	ALS Industrial	Reward Distribution (c)	Consolidated
<b>2016</b>						
Revenue from external customers	633.5	343.0	202.8	185.6	-	1,364.9
<b>Total revenue</b>	633.5	343.0	202.8	185.6	-	1,364.9
<b>Segment contribution (a)</b>	109.3	54.2	(12.5)	24.6	-	175.6
<b>Segment margin (b)</b>	17.3%	15.8%	(6.2)%	13.3%	-	12.9%
<b>Segment assets (d)</b>	668.6	610.0	247.4	226.0	-	1,752.0
<b>Segment liabilities</b>	86.4	54.0	19.8	25.6	-	185.8
<b>Amortisation and depreciation</b>	35.1	22.6	22.1	5.8	-	85.6

(a) Segment contribution represents the segment's profit before financing costs, net foreign exchange gains and losses, impairment losses, and income tax.

(b) Segment margin is calculated as segment contribution as a percentage of segment revenue.

(c) Reward Distribution was divested during October 2014 (refer note 31).

(d) Segment assets include an allocation of goodwill. This is consistent with reporting to the chief operating decision maker.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 6. Operating Segments (continued)

*In millions of AUD*

	ALS Life Sciences	ALS Minerals	ALS Energy	ALS Industrial	Reward Distribution (c)	Consolidated
<b>2015</b>						
Revenue from external customers	557.4	367.4	307.4	190.0	70.5	1,492.7
<b>Total revenue</b>	<b>557.4</b>	<b>367.4</b>	<b>307.4</b>	<b>190.0</b>	<b>70.5</b>	<b>1,492.7</b>
<b>Segment contribution (a)</b>	96.2	72.0	34.6	27.9	1.3	232.0
<b>Segment margin (b)</b>	17.3%	19.6%	11.2%	14.7%	1.8%	15.5%
<b>Segment assets</b>	653.9	649.5	621.8	222.7	-	2,147.9
<b>Segment liabilities</b>	81.2	61.0	51.4	22.8	-	216.4
<b>Amortisation and depreciation</b>	31.4	23.1	22.1	6.0	0.3	82.9

(a) Segment contribution represents the segment's profit before financing costs, net foreign exchange gains and losses and income tax.

(b) Segment margin is calculated as segment contribution as a percentage of segment revenue.

(c) Reward Distribution was divested during October 2014 (refer note 31).

(d) Segment assets include an allocation of goodwill. This is consistent with reporting to the chief operating decision maker.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 6. Operating Segments (continued)

*In millions of AUD*

	Consolidated	
	2016	2015
<b>i) Segment revenue reconciliation to the profit and loss statement</b>		
Total segment revenue	1,364.9	1,492.7
Elimination of discontinued operation	-	(70.5)
Total revenue per the profit and loss statement	1,364.9	1,422.2

*In millions of AUD*

	Consolidated	
	2016	2015
<b>ii) Segment contribution reconciliation to the profit and loss statement</b>		
Total segment contribution	175.6	232.0
Impairment and divestment losses (note 6 vi)	(317.9)	(289.8)
Amortisation of intangibles (excluding software)	(15.2)	(12.1)
Unallocated corporate expenses	(12.2)	(21.8)
Unallocated one-off and restructuring costs	(3.6)	-
Net financing costs	(34.5)	(33.1)
Net gain on foreign exchange (note 7)	4.2	5.9
Elimination of discontinued operation (before tax)	-	(1.3)
(Loss) before tax per the profit and loss statement	(203.6)	(120.2)

*In millions of AUD*

	Consolidated	
	2016	2015
<b>iii) Segment assets reconciliation to the balance sheet</b>		
Total segment assets	1,752.0	2,147.9
Corporate assets	14.3	13.6
Income tax receivable	7.9	4.5
Cash and cash equivalents	297.9	163.1
Fair value derivatives	19.1	19.8
Other current assets	29.9	35.9
Deferred tax assets	23.8	22.1
Total assets per the balance sheet	2,144.9	2,406.9

*In millions of AUD*

	Consolidated	
	2016	2015
<b>iv) Segment liabilities reconciliation to the balance sheet</b>		
Total segment liabilities	185.8	216.4
Corporate liabilities	15.3	15.8
Bank overdraft	-	0.1
Loans and borrowings	749.5	939.5
Deferred tax liabilities	8.7	6.7
Total liabilities per the balance sheet	959.3	1,178.5

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 6. Operating Segments (continued)

*In millions of AUD*

	Consolidated	
	2016	2015
<b>v) Segment amortisation and depreciation reconciliation to the profit and loss statement</b>		
Total segment amortisation and depreciation	85.6	82.9
Unallocated corporate amortisation and depreciation	16.0	12.9
Elimination of discontinued operation	-	(0.3)
Total amortisation and depreciation	101.6	95.5

*In millions of AUD*

	Consolidated	
	2016	2015
<b>vi) Impairment charges not recognised in segment contribution above</b>		
ALS Energy segment:		
Goodwill – Oil & Gas CGU (notes 7 & 18)	265.3	287.1
Other intangible assets – Oil & Gas CGU (notes 7 & 18)	41.5	-
Plant and equipment – Oil & Gas CGU (notes 7 & 17)	11.1	2.7
	317.9	289.8
Reward Distribution segment (discontinued):		
Other current assets (note 31)	-	2.3
	317.9	292.1
Income tax benefit thereon	(3.9)	(1.5)
Total impairment charges net of tax benefit	314.0	290.6

#### *Geographical segments*

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

*In millions of AUD*

	Consolidated			
	2016		2015	
	Revenues	Non-current assets	Revenues	Non-current assets
Australia	438.4	588.1	552.9	601.2
Canada	168.5	184.3	177.3	210.0
USA	228.4	267.9	248.4	331.4
Other countries	529.6	413.1	514.1	665.6
Total	1,364.9	1,453.4	1,492.7	1,808.2



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 7. Expenses from continuing operations

*In millions of AUD*

	Note	Consolidated	
		2016	2015
Equity-settled share-based payment transactions	34	1.4	0.6
Contributions to defined contribution post-employment plans		28.1	27.0
Impairment charges – Oil & Gas CGU	6vi	317.9	289.8
Loss/(gain) on sale of property plant and equipment		6.8	1.4
Net loss/(gain) on foreign exchange		(4.2)	(5.9)

### 8. Auditors' remuneration

*In thousands of AUD*

	Consolidated	
	2016	2015
<b>Audit services</b>		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of consolidated and company financial reports	561	530
Audit of subsidiary's financial report	-	15
<i>Other KPMG member firms:</i>		
Audit and review of financial reports	1,350	1,152
	1,911	1,697
Other auditors		
Audit and review of financial reports	43	65
	1,954	1,762
<b>Other services</b>		
Auditors of the Company		
<i>KPMG Australia</i>		
Other assurance and investigation services	109	29
Taxation services	161	185
<i>Other KPMG member firms:</i>		
Taxation services	387	376
Other assurance and investigation services	57	15
	714	605

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 9. Income tax expense

*In millions of AUD*

#### **Recognised in the profit and loss statement**

##### **Current tax expense from continuing operations**

Current year

Adjustments for prior years

##### **Deferred tax expense**

Origination and reversal of temporary differences

Total income tax expense in profit and loss statement

#### **Reconciliation between tax expense and pre-tax net profit/(loss)**

Profit/(loss) before tax from continuing operations

Income tax using the domestic corporation tax rate of 30%  
(2015: 30%)

Difference resulting from different tax rates in overseas  
countries

Increase in income tax expense due to:

Non-deductible expenses

Non-deductible new market expansion and acquisition  
related costs

Loss on disposal of the discontinuing operations

Tax losses of subsidiaries not recognised

Non resident withholding tax paid upon receipt of  
distributions from foreign related parties

Non-deductible goodwill impairment losses

Non-deductible impairment of other assets

Non-deductible amortisation of intangibles

Decrease in income tax expense due to:

Previously unrecognised tax losses utilised during the  
year

Share of associate entities net profit

Foreign statutory tax exemptions granted

Tax exempt revenues

Deductible financing costs

Other deductible items

Under / (over) provided in prior years

Income tax expense on pre-tax net profit/(loss)

#### **Deferred tax recognised directly in equity**

Relating to foreign currency translation reserve

Relating to share capital

Relating to hedging reserve

<b>Consolidated</b>	
<b>2016</b>	<b>2015</b>
28.9	42.0
4.8	0.8
33.7	42.8
2.4	8.7
2.4	8.7
36.1	51.5
(203.6)	(120.2)
(61.1)	(36.1)
(3.5)	(0.5)
3.0	2.6
-	0.2
-	0.7
3.8	2.0
0.3	2.8
79.6	86.1
12.5	-
3.9	3.6
(0.1)	-
(0.8)	(1.2)
(0.6)	(1.3)
(0.2)	(0.1)
(4.9)	(6.2)
(0.6)	(1.9)
4.8	0.8
36.1	51.5
0.3	2.1
1.4	-
(0.1)	(1.4)
1.6	0.7

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 10. Earnings per share

*Cents per share*

	<b>Consolidated</b>	
	<b>2016</b>	<b>Restated * 2015</b>
Basic earnings per share	(52.51)c	(41.13)c
Diluted earnings per share	(52.51)c	(41.13)c
Basic earnings per share from continuing operations	(52.51)c	(40.85)c
Diluted earnings per share from continuing operations	(52.51)c	(40.85)c
Basic earnings per share from discontinued operations	-	(0.28)c
Diluted earnings per share from discontinued operations	-	(0.28)c

\* Prior period EPS comparatives have been restated for the impact on earnings per share of the FY16 rights issue undertaken in December 2015.

#### *Basic and diluted earnings per share*

The calculations of both basic and diluted earnings per share were based on the loss attributable to equity holders of the Company of \$240.7m (2015: \$174.5m).

#### *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 loss attributable to equity holders of the Company from continuing operations of \$240.7m (2015: \$173.3m).

#### *Basic and diluted earnings per share from discontinued operations*

The calculations of both basic and diluted earnings per share from discontinued operations were based on the loss attributable to equity holders of the Company from discontinued operations of \$nil (2015: \$1.2m).

#### *Weighted average number of ordinary shares (Basic and diluted)*

<i>In millions of shares</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
Issued ordinary shares at 1 April	22	407.2	394.3
Effect of shares issued Dec 2015 (Institutional rights issue)		28.0	-
Effect of shares issued Dec 2015 (Retail rights issue)		23.2	-
Effect of shares issued July 2014 (DRP)		-	3.5
Effect of shares issued Dec 2014 (DRP)		-	2.1
Effect of shares issued Dec 2014 (DRP underwriting)		-	2.4
Weighted average number of ordinary shares at 31 March (Basic)		458.4	402.3
Effect of performance rights granted to employees as compensation		1.0	0.7
Weighted average number of ordinary shares at 31 March (Diluted)		459.4	403.0

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 11. Cash and cash equivalents

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Bank balances	277.9	163.1
Bank fixed rate deposits	20.0	-
Cash and cash equivalents in the balance sheet	297.9	163.1
Bank overdrafts repayable on demand	-	(0.1)
Cash and cash equivalents in the statement of cash flows	297.9	163.0

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

### 12. Trade and other receivables

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Current</b>		
Trade receivables	242.2	283.8
Other receivables	29.5	29.7
	271.7	313.5
<b>Non-current</b>		
Security deposits	3.0	2.9
Loans owing by associates and joint venture	0.5	1.0
	3.5	3.9

### 13. Aging of trade receivables

*In millions of AUD*

Current	127.3	146.0
30 days	47.6	62.1
60 days	19.1	20.4
90 days and over	57.3	63.0
Total	251.3	291.5
Allowance for impairment of trade receivables		
Opening balance	7.7	7.7
Impairment loss recognised/(reversal of impairment loss)	1.4	-
Closing balance	9.1	7.7

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

Exposures to currency risks related to trade and other receivables are disclosed in note 23.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 14. Inventories

*In millions of AUD*

Raw materials and consumables  
Work in progress  
Finished goods

Consolidated	
2016	2015
37.4	36.8
28.0	24.4
13.6	14.9
79.0	76.1

### 15. Other assets

*In millions of AUD*

#### Current

Prepayments  
Fair value derivatives  
Other

Consolidated	
2016	2015
26.0	31.1
5.1	5.6
3.9	4.8
35.0	41.5

#### Non-current

Fair value derivatives

14.0	14.2
14.0	14.2

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 16. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In millions of AUD</i>	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	7.7	5.1	6.1	4.0	1.6	1.1
Land and buildings	-	-	0.3	0.5	(0.3)	(0.5)
Unrealised FX losses/(gains)	12.0	11.2	5.0	9.9	7.0	1.3
Provisions and other payables	13.3	17.6	-	-	13.3	17.6
Undeducted equity raising costs	1.8	0.9	-	-	1.8	0.9
Undeducted capital expenditure	-	0.1	-	-	-	0.1
Fair value derivatives	-	-	1.5	1.7	(1.5)	(1.7)
Intangible assets	-	-	3.8	-	(3.8)	-
Inventories	-	-	4.5	4.0	(4.5)	(4.0)
Other items	2.3	1.0	0.9	0.5	1.4	0.5
Tax value of loss carry-forwards recognised	0.1	0.1	-	-	0.1	0.1
Tax assets / liabilities	37.2	36.0	22.1	20.6	15.1	15.4
Set off of tax	(13.4)	(13.9)	(13.4)	(13.9)	-	-
Net tax assets / liabilities	23.8	22.1	8.7	6.7	15.1	15.4

#### Unrecognised deferred tax assets

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

*In millions of AUD*

	Consolidated	
	2016	2015
Tax losses	16.5	12.8

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 17. Property, plant and equipment

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Freehold land and buildings:</b>		
At cost	199.0	197.4
Accumulated depreciation	(36.0)	(29.7)
	<b>163.0</b>	<b>167.7</b>
<b>Plant and equipment:</b>		
At cost	782.5	783.3
Accumulated depreciation	(572.4)	(547.5)
	<b>210.1</b>	<b>235.8</b>
<b>Leasehold improvements:</b>		
At cost	138.9	134.9
Accumulated depreciation	(80.0)	(75.3)
	<b>58.9</b>	<b>59.6</b>
<b>Leased plant and equipment:</b>		
At capitalised cost	12.5	12.8
Accumulated depreciation	(5.5)	(5.4)
	<b>7.0</b>	<b>7.4</b>
<b>Capital works in progress</b>	<b>18.3</b>	<b>21.4</b>
<b>Total property, plant and equipment, at net book value</b>	<b>457.3</b>	<b>491.9</b>

### Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Freehold land and buildings:</b>		
Carrying amount at the beginning of the year	167.7	148.5
Additions	1.0	12.9
Additions through entities acquired	2.5	0.4
Transfer from capital works in progress	1.0	6.8
Depreciation	(6.1)	(5.5)
Disposals	-	(0.5)
Effect of movement in foreign exchange	(3.1)	5.1
Carrying amount at end of year	<b>163.0</b>	<b>167.7</b>

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 17. Property, plant and equipment (continued)

#### Reconciliations (continued)

*In millions of AUD*

#### Plant and equipment:

Carrying amount at the beginning of the year	235.8	243.1
Additions	56.8	48.0
Additions through entities acquired	2.1	1.3
Transfers from capital works in progress	1.7	1.2
Transfer from leased plant and equipment	-	-
Impairment loss - Oil & Gas CGU	(11.1)	(2.7)
Disposal	(4.5)	(2.2)
Depreciation	(67.8)	(65.6)
Effect of movement in foreign exchange	(2.9)	12.7
Carrying amount at end of year	210.1	235.8

#### Leasehold improvements:

Carrying amount at the beginning of the year	59.6	60.0
Additions	10.4	6.6
Additions through entities acquired	0.2	0.1
Transfer from capital works in progress	1.3	-
Disposal	(1.2)	(1.1)
Depreciation	(10.2)	(10.1)
Effect of movement in foreign exchange	(1.2)	4.1
Carrying amount at end of year	58.9	59.6

#### Leased plant and equipment:

Carrying amount at the beginning of the year	7.4	8.0
Additions	-	-
Additions through entities acquired	-	-
Transfer to plant and equipment	(0.1)	-
Disposal	-	(0.2)
Depreciation	(0.3)	(0.4)
Effect of movement in foreign exchange	-	-
Carrying amount at end of year	7.0	7.4

#### Capital works in progress:

Carrying amount at the beginning of the year	21.4	22.1
Additions	2.8	8.4
Additions through entities acquired	0.1	0.1
Transfers out of capital works in progress	(5.7)	(9.9)
Effect of movement in foreign exchange	(0.3)	0.7
Carrying amount at end of year	18.3	21.4

Consolidated	
2016	2015
235.8	243.1
56.8	48.0
2.1	1.3
1.7	1.2
-	-
(11.1)	(2.7)
(4.5)	(2.2)
(67.8)	(65.6)
(2.9)	12.7
210.1	235.8
59.6	60.0
10.4	6.6
0.2	0.1
1.3	-
(1.2)	(1.1)
(10.2)	(10.1)
(1.2)	4.1
58.9	59.6
7.4	8.0
-	-
-	-
(0.1)	-
-	(0.2)
(0.3)	(0.4)
-	-
7.0	7.4
21.4	22.1
2.8	8.4
0.1	0.1
(5.7)	(9.9)
(0.3)	0.7
18.3	21.4



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 18. Intangible assets

*In millions of AUD*

	Goodwill	Purchased trademarks and brandnames	Consolidated Customer Relationships	Technology	Software	Total
Balance at 1 April 2015	1,186.3	8.4	45.5	2.0	8.2	1,250.4
Additions through business combinations	13.0	-	0.6	-	0.7	14.3
Impairment (a)	(265.3)	(5.9)	(34.2)	(1.4)	-	(306.8)
Additions	-	-	-	-	2.7	2.7
Transfer	(5.1)	-	5.1	-	0.5	0.5
Disposal	-	-	-	-	(0.2)	(0.2)
Amortisation	-	(2.5)	(12.1)	(0.6)	(2.0)	(17.2)
Effect of movements in foreign exchange	(20.2)	-	0.2	-	-	(20.0)
Balance at 31 March 2016	908.7	-	5.1	-	9.9	923.7

Balance at 1 April 2014	1,352.6	8.8	42.5	1.5	7.3	1,412.7
Additions through business combinations	21.8	-	2.1	-	-	23.9
Impairment (a)	(287.1)	-	-	-	-	(287.1)
Additions	-	0.7	2.7	0.5	1.8	5.7
Transfer	-	(0.2)	-	0.2	1.7	1.7
Disposal	-	(0.3)	-	-	(0.8)	(1.1)
Amortisation	-	(2.2)	(9.4)	(0.5)	(1.9)	(14.0)
Effect of movements in foreign exchange	99.0	1.6	7.6	0.3	0.1	108.6
Balance at 31 March 2015	1,186.3	8.4	45.5	2.0	8.2	1,250.4

- (a) The goodwill impairment loss recognised relates to the ALS Energy reportable segment and has been included in impairment losses in the profit and loss statement. During the year ended 31 March 2016 the ALS Oil & Gas cash generating unit achieved earnings results well below management's expectations stemming from a sharp deterioration in market conditions in the oilfield services sector related to falling world oil prices. There is much uncertainty as to the timing and strength of any recovery in the sector which has caused management to reassess earnings forecasts used in estimating the recoverable amount of goodwill attaching to this cash generating unit. Based on this assessment a total impairment loss (goodwill and other intangibles) of \$306.8m (2015: \$287.1) was recognised (refer note 6vi).

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 18. Intangible assets (continued)

#### Impairment tests for cash generating units containing goodwill

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

*In millions of AUD*

	Consolidated	
	2016	2015
ALS Minerals	356.3	366.5
ALS Life Sciences - Australia	48.4	53.5
ALS Life Sciences - North America	110.6	112.2
ALS Life Sciences - South America	34.8	39.3
ALS Life Sciences - Europe	69.6	59.6
ALS Food Pharma - Europe	34.9	35.8
ALS Life Sciences - Asia	19.6	20.4
ALS Coal	77.3	78.0
ALS Oil & Gas	-	270.5
ALS Industrial	156.8	150.0
Other cash generating units	0.4	0.5
	<b>908.7</b>	<b>1,186.3</b>

Due to the increasing interdependency of the cash flows generated from within the previously separate ALS Industrial and ALS Tribology CGU's, a new combined ALS Industrial CGU has been recognised for the global industrial services businesses. Comparatives have been restated for the new combined ALS Industrial CGU.

With the exception of the ALS Oil & Gas CGU, the recoverable amounts of the CGU in all of the Group's remaining cash-generating units exceed carrying amounts and are based on value in use calculations. The goodwill within the ALS Oil & Gas CGU was impaired during the current financial period and accordingly its carrying value was written down to nil being its recoverable amount based on value in use calculations.

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 FY2017, and forecasts drawn from FY2018 through to FY2021 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. With the exception of the ALS Oil & Gas CGU a discounted terminal cash flow value is calculated post FY2021 using a nominal growth rate of 2.75%. In respect of the ALS Oil & Gas CGU a discounted terminal cashflow value is calculated post FY2021 using a nominal growth rate of 2.6%. Growth rates are consistent with the prior year. Directors believe these terminal growth rates are an appropriate estimate of the long-term average growth rates achievable in the industries in which the Group participates. The following nominal pre-tax discount rates have been used in discounting the projected cash flows.

Division	Pre-tax (nominal) discount rate	
	2016	2015
ALS Minerals	12.8%	13.8%
ALS Life Sciences - Australia	12.3%	11.1%
ALS Life Sciences - North America	7.8%	9.5%
ALS Life Sciences - South America	17.7%	15.1%
ALS Life Sciences - Europe	8.4%	8.3%
ALS Food Pharma - Europe	11.6%	11.3%
ALS Life Sciences - Asia	14.4%	13.4%
ALS Coal	11.5%	12.4%
ALS Oil & Gas	12.0%	12.7%
ALS Industrial	13.2%	13.0%

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 18. Intangible assets (continued)

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

#### ALS Coal CGU

The estimated recoverable amount of the ALS Coal CGU exceeded its carrying value by approximately \$18.0 million. The Company has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (whilst holding all other assumptions constant):

- (a) the pre-tax discount rate would need to increase by 1.3 per cent to 12.8 per cent; or
- (b) the compound average growth rate across the five year forecast period would need to decrease by 3.1 percentage points to 5.9 per cent.

### 19. Trade and other payables

*In millions of AUD*

	Consolidated	
	2016	2015
Trade payables	44.5	44.7
Other payables and accrued expenses	106.4	113.7
	150.9	158.4

### 20. Investment property

*In millions of AUD*

	Consolidated	
	2016	2015
Carrying amount at the beginning of the year	10.7	10.8
Additions	-	-
Depreciation	(0.2)	(0.1)
Carrying amount at end of year	10.5	10.7

Investment property comprises a commercial property leased to a third party. The current lease expires in September 2017. See note 24 for further information.

Fair value of the property is estimated to be \$15.4m (2015: \$15.4m) based on a capitalisation rate of 9.5%.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 21. 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 23.

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Current Liabilities</b>		
Bank loans	-	3.0
Finance lease liabilities	1.0	1.0
	<b>1.0</b>	<b>4.0</b>
<b>Non-current liabilities</b>		
Bank loans	-	65.9
Long term notes	747.7	867.4
Finance lease liabilities	0.8	2.1
	<b>748.5</b>	<b>935.4</b>

#### Bank loans

Current bank loans comprise the portion of the Group's bank loans repayable within one year. Funding available to the Group from undrawn facilities at 31 March 2016 amounted to \$104.5m (2015: \$249.7m).

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans at balance date is nil (2015: 1.6%).

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

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

#### Long term notes

In previous periods the Company's controlled entities ALS Group General Partnership and ALS Canada Ltd have issued long term, fixed rate notes to investors in the US Private Placement market. These issuances occurred in December 2010, July 2011, and again in September 2013. The notes are denominated in US dollars and Canadian dollars and mature as follows - due December 2017: \$40.3m; due July 2019: \$246.9m; due December 2020: \$212.2m; and due July 2022: \$248.3m.

Certain of the Long Term Notes are designated as part of a fair value hedge in relation to the interest rate risk (refer note 23), their carrying value includes a fair value adjustment uplift of \$14.0m (2015: 14.2m) being the revaluation of the debt for the risk being hedged. This fair value loss in the carrying value of the Notes is offset by gains on interest rate swap instruments which are designated as an effective fair value hedge and recognised as a fair value derivative receivable (refer note 15).

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 3.8% (2015: 3.8%).

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 22. Capital and reserves

#### Reconciliation of movement in capital

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Issued and paid up share capital</b>		
504,214,901 ordinary shares fully paid (2015: 407,246,306)	1,452.7	1,134.1
<i>Movements in ordinary share capital</i>		
Balance at beginning of year	1,134.1	1,061.0
96,968,595 shares issued under non-renounceable rights issue in December 2015 (net of costs)	318.4	
3,543,523 shares (2014: 3,937,994) issued under the Dividend Reinvestment Plan in July 2014	-	29.5
21,630 Treasury shares vested and issued to employees (2015: 48,621)	0.2	0.5
3,439,764 shares (2014: 4,121,199) issued under the Dividend Reinvestment Plan in December 2014	-	15.9
6,010,746 shares (2014: 5,289,576) issued under Dividend Reinvestment Plan underwriting arrangements in December 2014	-	27.2
Balance at end of year	1,452.7	1,134.1

As at the end of year, the total number of treasury shares held by the ALS Limited LTI Plan Trust was 571,042 (2015: 592,672). 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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 22. Capital and reserves (continued)

#### 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 3(m) and 34.

Other reserves comprises 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:

<i>In millions of AUD</i>	<b>Cents per share</b>	<b>Franked amount (cents)</b>	<b>Total amount</b>	<b>Date of payment</b>
<b>2016</b>				
Interim 2016 ordinary	7.5	1.875	30.5	18 Dec 2015
Final 2015 ordinary	10.0	2.5	40.8	1 July 2015
			<u>71.3</u>	
<b>2015</b>				
Interim 2015 ordinary	11.0	1.1	43.8	19 Dec 2014
Final 2014 ordinary	20.0	10.0	78.9	2 July 2014
			<u>122.7</u>	

Dividend declared after the end of the financial year:

Final 2016 ordinary	6.0	2.4	<u>30.3</u>	1 July 2016
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The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 March 2016 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%.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 22. Capital and reserves (continued)

#### Dividends (continued)

*In millions of AUD*

#### Dividend franking account

30% franking credits available to shareholders of ALS Limited for subsequent financial years

Consolidated	
2016	2015
2.2	(3.1) *

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

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

\* The prior period franking account balance (adjusted for the items above) shows a deficit because the Company was due to receive an income tax refund in early FY2016. Excluding the impact of that refund, the Group's franking account had a surplus balance of 0.7m as at 31 March 2015.

The final FY16 dividend declared after balance date will be franked to 40% using franking credits in existence at balance date and arising from the Company's tax instalments to be paid during the year ending 31 March 2017.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 23. Financial instruments

#### Liquidity risk

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

#### CONSOLIDATED

As at 31 March 2016

In millions of AUD

#### Non-derivative financial liabilities

Bank overdraft

Trade and other payables

Finance lease liabilities

Long term notes

Bank loans

#### Derivative financial instruments

**Total**

	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank overdraft	-	-	-	-	-	-
Trade and other payables	150.9	-	-	-	-	150.9
Finance lease liabilities	0.5	0.5	0.9	-	-	1.9
Long term notes	15.6	15.5	69.9	516.8	263.2	881.0
Bank loans	0.2	0.2	0.3	-	-	0.7
Derivative financial instruments	(1.9)	(1.7)	(3.2)	(7.2)	-	(14.0)
<b>Total</b>	<b>165.3</b>	<b>14.5</b>	<b>67.9</b>	<b>509.6</b>	<b>263.2</b>	<b>1,020.5</b>

#### CONSOLIDATED

As at 31 March 2015

In millions of AUD

#### Non-derivative financial liabilities

Bank overdraft

Trade and other payables

Finance lease liabilities

Option liability

Long term notes

Bank loans

#### Derivative financial instruments

**Total**

	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank overdraft	0.1	-	-	-	-	0.1
Trade and other payables	158.4	-	-	-	-	158.4
Finance lease liabilities	0.6	0.5	1.4	0.8	-	3.3
Option liability	-	-	-	39.5	-	39.5
Long term notes	18.0	18.0	35.8	418.2	566.5	1,056.5
Bank loans	1.6	1.6	3.3	66.7	-	73.2
Derivative financial instruments	(2.0)	(2.0)	(3.5)	(5.9)	(1.1)	(14.5)
<b>Total</b>	<b>176.7</b>	<b>18.1</b>	<b>37.0</b>	<b>519.3</b>	<b>565.4</b>	<b>1,316.5</b>

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.



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 23. Financial instruments (continued)

#### 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*

	2016						
	USD	CAD	NOK	EUR	PLN	DKK	GBP
Trade and other receivables	16.9	-	0.1	2.5	0.1	-	0.3
Cash at bank	42.5	-	0.6	4.3	0.1	-	1.6
Bank loan	-	-	-	-	-	-	-
Long term notes	-	(65.2)	-	(0.3)	-	-	-
Trade and other payables	(3.0)	-	-	-	-	-	(0.1)
Gross balance sheet exposure	56.4	(65.2)	0.7	6.5	0.2	-	1.8
Derivative financial instruments*	-	-	-	-	-	-	-
<b>Net exposure</b>	56.4	(65.2)	0.7	6.5	0.2	-	1.8

##### CONSOLIDATED

*In millions of AUD*

	2015						
	USD	CAD	CZK	EUR	PLN	DKK	GBP
Trade and other receivables	12.9	-	-	1.2	0.3	-	0.3
Cash at bank	67.0	-	-	2.9	0.1	0.3	2.3
Bank loan	-	-	-	-	-	-	-
Long term notes	-	(67.1)	-	-	-	-	-
Trade and other payables	(4.0)	-	-	(0.2)	-	-	(0.1)
Gross balance sheet exposure	75.9	(67.1)	-	3.9	0.4	0.3	2.5
Derivative financial instruments*	-	-	(18.7)	(20.9)	-	-	-
<b>Net exposure</b>	75.9	(67.1)	(18.7)	(17.0)	0.4	0.3	2.5

\* Amounts represent the notional amounts of cross currency interest rate swaps used for hedging of net investments in foreign operations.

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

#### 31 March spot rate

	2016	2015
USD	0.7654	0.7625
CAD	0.9969	0.9685
NOK	6.3896	6.1453
CZK	18.3091	19.4798
EUR	0.6765	0.7078
PLN	2.8784	2.8912
GBP	0.5318	0.5151

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 23. Financial instruments (continued)

#### Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the above balances at 31 March would have increased (decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

*In millions of AUD*

As at 31 March 2016

	<b>Consolidated</b>	
	<b>Profit</b>	<b>Equity</b>
USD	(5.1)	-
CAD	-	5.9
NOK	(0.1)	-
EUR	(0.6)	-
GBP	(0.2)	-
	<b>(6.0)</b>	<b>5.9</b>

As at 31 March 2015

USD	(6.9)	-
CAD	-	6.1
CZK	-	1.7
EUR	(0.4)	1.9
GBP	(0.2)	-
	<b>(7.5)</b>	<b>9.7</b>

A 10 percent weakening of the Australian dollar against the above balances at 31 March would have increased (decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

*In millions of AUD*

As at 31 March 2016

	<b>Consolidated</b>	
	<b>Profit</b>	<b>Equity</b>
USD	6.3	-
CAD	-	(7.2)
NOK	0.1	-
EUR	0.7	-
GBP	0.2	-
	<b>7.3</b>	<b>(7.2)</b>

As at 31 March 2015

USD	8.5	-
CAD	-	(7.5)
CZK	-	(2.1)
EUR	0.4	(2.3)
GBP	0.3	-
	<b>9.2</b>	<b>(11.9)</b>

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 23. Financial instruments (continued)

#### Interest rate risk

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

*In millions of AUD*

#### Fixed rate instruments

Financial assets

Financial liabilities

Effect of interest rate contracts\*

Consolidated	
2016	2015
20.0	-
(749.5)	(870.5)
176.3	159.9
(553.2)	(710.6)
277.9	163.1
-	(69.0)
(176.3)	(159.9)
101.6	(65.8)

#### Variable rate instruments

Financial assets

Financial liabilities

Effect of interest rate contracts\*

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

#### Sensitivity analysis

##### Fair value sensitivity analysis for fixed rate instruments

The Group has designated interest rate contracts as hedging instruments under a fair value hedge accounting model in relation to its fixed rate long term notes. The interest rate contracts swap the fixed interest payable on a portion of the loan notes to variable interest rates for the term of the debt. In accordance with the Group's accounting policy (refer note 3(d)) 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 2016, the change in fair value of interest rate contracts was (\$0.3) million (2015: \$6.8 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 (2015: 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 2015.

*In millions of AUD*

	Consolidated			
	Profit		Equity	
	50 bp increase	50bp decrease	50 bp increase	50 bp decrease
As at 31 March 2016				
Variable rate instruments	1.4	(1.4)	-	-
Interest rate contracts	(0.9)	0.9	-	-
Cash flow sensitivity (net)	0.5	(0.5)	-	-
As at 31 March 2015				
Variable rate instruments	0.5	(0.5)	-	-
Interest rate contracts	(0.8)	0.8	-	-
Cash flow sensitivity (net)	(0.3)	0.3	-	-

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 23. Financial instruments (continued)

#### 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 \$783.1m (2015: \$938.8m). The basis for determining fair values is disclosed in note 5. The fair value at 31 March 2016 of derivative assets (2015: asset) held for risk management, which are the Group's only financial instruments carried at fair value, was a net loss of \$0.8m (2015: \$4.3m gain) measured using Level 2 valuation techniques as defined in the fair value hierarchy shown in note 5. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

### 24. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Less than one year	30.9	28.7
Between one and five years	61.8	59.2
More than five years	12.8	11.0
	<b>105.5</b>	<b>98.9</b>

The Group leases property, plant and equipment under operating leases expiring over terms of up to six years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Some leases provide for additional rent payments that are based on a local price index.

During the year ended 31 March 2016 \$56.5m was recognised as an expense in the profit and loss statement in respect of operating leases (2015: \$58.2m).

#### Leases as lessor

The Group leases out its investment property held under operating lease (see note 20). The future minimum lease payments receivable under non-cancellable leases are as follows:

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Less than one year	2.0	1.9
Between one and five years	1.1	3.1
	<b>3.1</b>	<b>5.0</b>

During the year ended 31 March 2016 \$1.7m was recognised as rental income in the profit and loss statement (2015: \$1.7m).

### 25. Capital commitments

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Capital expenditure commitments</b>		
Plant and equipment contracted but not provided for and payable within one year	13.5	12.0

### 26. Contingencies

The directors are of the opinion that there are no material contingent liabilities at 31 March 2016.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 27. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) 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
- ALS Industrial Power Services Pty Ltd
- Australian Laboratory Services Pty Ltd
- Ecowise Australia Pty Ltd
- Ecowise Environmental Pty Ltd
- ALS South American Holdings Pty Ltd (joined during the current financial period)

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 2016 is set out below.

### Summary profit and loss statement and retained profits

*In millions of AUD*

	Consolidated	
	2016	2015
Profit before tax	91.9	108.9
Income tax expense	(17.7)	(21.0)
Profit after tax	74.2	87.9
Retained profits at beginning of year	30.9	35.4
Retained earnings adjustment*	(17.6)	30.3
Dividends recognised during the year	(71.3)	(122.7)
Retained profits at end of year	16.2	30.9

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 27. Deed of cross guarantee (continued)

#### Statement of comprehensive income

*In millions of AUD*

Profit for the period  
**Total comprehensive income for the period**

<b>Consolidated</b>	
<b>2016</b>	<b>2015</b>
74.2	87.9
<b>74.2</b>	<b>87.9</b>

#### Balance Sheet

*In millions of AUD*

##### Assets

Cash and cash equivalents  
Trade and other receivables  
Inventories  
Other

##### Total current assets

Receivables  
Investments accounted for using the equity method  
Investment property  
Deferred tax assets  
Property, plant and equipment  
Intangible assets  
Other investments

##### Total non-current assets

##### Total assets

##### Liabilities

Trade and other payables  
Loans and borrowings  
Income tax payable  
Employee benefits

##### Total current liabilities

Loans and borrowings  
Employee benefits  
Other

##### Total non-current liabilities

##### Total liabilities

##### Net assets

##### Equity

Share capital  
Reserves  
Retained earnings

##### Total equity

<b>Consolidated</b>	
<b>2016</b>	<b>2015</b>
57.6	52.0
89.4	95.3
14.5	12.9
3.2	5.0
<b>164.7</b>	<b>165.2</b>
170.0	132.3
16.2	15.0
10.5	10.7
20.3	20.7
147.7	160.7
369.5	366.7
766.1	505.1
<b>1,500.3</b>	<b>1,211.2</b>
<b>1,665.0</b>	<b>1,376.4</b>
35.8	41.5
0.5	0.5
2.0	(3.9)
28.1	27.0
<b>66.4</b>	<b>65.1</b>
94.7	128.7
7.0	7.4
29.0	34.8
<b>130.7</b>	<b>170.9</b>
<b>197.1</b>	<b>236.0</b>
<b>1,467.9</b>	<b>1,140.4</b>
1,452.7	1,134.1
(1.0)	(24.6)
16.2	30.9
<b>1,467.9</b>	<b>1,140.4</b>

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 28. Parent entity disclosures

#### Result of parent entity

*In millions of AUD*

Profit for the period  
Total comprehensive income for the period

2016	2015
89.6	80.2
89.6	80.2

#### Financial position of parent entity at year end

*In millions of AUD*

Current assets  
Total assets

2016	2015
74.2	63.0
1,766.6	1,417.0

Current liabilities  
Total liabilities

9.1	9.9
297.9	283.2

#### Net assets

1,468.7	1,133.8
---------	---------

Share capital  
Reserves  
Retained earnings

1,452.7	1,134.1
2.5	1.3
13.5	(1.6)

#### Total equity

1,468.7	1,133.8
---------	---------

#### Parent entity capital commitments

*In millions of AUD*

Plant and equipment contracted but not provided for and payable within one year

2016	2015
1.4	-
1.4	-

#### 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 21 and 27 for details.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 29. Consolidated entities

The Group's significant controlled entities are listed below:

	Country of Incorporation
<b>Parent entity</b>	
ALS Limited	Australia
<b>Subsidiaries</b>	
Australian Laboratory Services Pty Ltd	Australia
ACIRL Proprietary Ltd	Australia
ACIRL Quality Testing Services Pty Ltd	Australia
Ecowise Australia Pty Ltd	Australia
ALS Industrial Australia Pty Ltd	Australia
ALS Industrial Pty Ltd	Australia
ALS Industrial Power Services Pty Ltd	Australia
ALS Metallurgy Pty Ltd	Australia
ALS South American Holdings Pty Ltd	Australia
ALS Canada Ltd	Canada
ALS Corpro Canada Limited	Canada
ALS Testing Services Group, Inc	USA
ALS Group General Partnership	USA
ALS Group USA, Corp	USA
ALS USA, Inc	USA
ALS Services USA, Corp	USA
Reservoir Group Limited	United Kingdom
Reservoir Group LLC	USA
ALS Technichem (Singapore) Pte Ltd	Singapore
ALS Chemex South Africa (Proprietary) Ltd	South Africa
Abilab Burkina SARL	Burkina Faso
Group de Laboratoire ALS MALI SARL	Mali
ALS Scandinavia AB	Sweden
ALS Inspection UK Limited	United Kingdom
Corpro Systems Ltd	United Kingdom
ALS Chemex de Mexico S.A. de C.V.	Mexico
ALS Patagonia S.A.	Chile
ALS Peru S.A.	Peru
Corpro Systems FZE (Dubai)	UAE

The above entities were wholly owned at the end of the current year. For comparative years all above entities were wholly owned except for ALS South American Holdings Pty Ltd in which the Group had an 80% interest.



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 30. Reconciliation of cash flows from operating activities

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Profit/(loss) for the period	(239.7)	(172.7)
Adjustments for:		
Amortisation and depreciation	101.6	95.8
Finance charges on capitalised leases	0.2	0.2
(Profit)/loss on sale of property plant and equipment	6.8	0.3
Share-settled performance rights amounts recognised during the year	0.3	0.6
Share of associates and joint venture net profit	(2.7)	(4.1)
Impairment charges (note 6vi)	317.9	289.8
Net non-cash expenses	7.6	7.7
<b>Operating cashflow before changes in working capital and provisions</b>	<b>192.0</b>	<b>217.6</b>
(Increase)/decrease in trade and other receivables	26.4	2.1
(Increase)/decrease in inventories	(3.7)	(6.6)
(Decrease)/increase in trade and other payables	(41.8)	6.9
(Decrease)/increase in taxation provisions	(3.3)	(4.8)
<b>Net cash from operating activities</b>	<b>169.6</b>	<b>215.2</b>

### 31. Discontinued operations

In October 2014 the Group sold its Reward Distribution operating segment via a share sale arrangement.

Information attributable to discontinued operations is as follows:

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Discontinued operations</b>		
Revenue	-	70.5
Amortisation and depreciation	-	(0.3)
Other Expenses	-	(68.9)
Results from operating activities	-	1.3
Income tax expense	-	(0.4)
Results from operating activities, net of income tax	-	0.9
Loss on sale of discontinued operations (impairment of other current assets – refer note 6vi)	-	(2.3)
Income tax benefit on loss on sale of discontinued operations	-	0.4
	-	(1.0)
		<b>Restated *</b>
Basic earnings per share from discontinued operations	-	(0.28)c
Diluted earnings per share from discontinued operations	-	(0.28)c

\* Prior period EPS comparatives have been restated for the impact on earnings per share of the FY16 rights issue undertaken in December 2015.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 31. Discontinued operations (continued)

*In millions of AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from discontinued operations</b>		
Net cash from operating activities	-	4.3
Net cash from investing activities	-	(0.3)
Net cash from financing activities	-	(0.6)
Net cash from discontinued operations	-	3.4
 <b>Effect of disposal on the financial position of the Group</b>		
Cash and cash equivalents	-	(0.5)
Property, plant and equipment	-	(1.1)
Inventories	-	(15.8)
Trade and other receivables	-	(17.3)
Deferred tax assets	-	(1.0)
Current tax liabilities	-	0.1
Employee benefits	-	2.7
Loans and borrowings	-	0.2
Trade and other payables	-	9.5
Deferred tax liabilities	-	0.1
Net identifiable assets and liabilities	-	(23.1)
Consideration received, satisfied in cash	-	21.2

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 32. Acquisitions of subsidiaries and non-controlling interests

#### Business Combinations

<i>In millions of AUD</i>	<b>Interest Acquired</b>	<b>Date acquired</b>	<b>Consideration</b>
<b>2016</b>			
Controlvet Group	100%	April 2015	10.7
Maverick Testing Group	100%	February 2016	7.4
Other acquisitions during the year			2.4
			<u>20.5</u>

If the acquisitions had occurred on 1 April 2015, management estimates that Group revenue would have been \$1,371,338,000 and net loss after tax would have been \$240,632,000.

<i>In millions of AUD</i>	<b>Interest Acquired</b>	<b>Date acquired</b>	<b>Consideration</b>
<b>2015</b>			
Ellington & Associates Inc.	100%	April 2014	11.2
Other acquisitions during the year			15.5
			<u>26.7</u>

If the acquisitions had occurred on 1 April 2014, management estimates that Group revenue would have been \$1,495,657,000 and net profit after tax would have been \$174,064,000.

#### Controlvet Group net assets at acquisition date

<i>In millions of AUD</i>	<b>Fair Value 2016</b>
Property, plant and equipment	3.9
Inventories	0.3
Identifiable intangible assets	1.3
Trade and other receivables	3.2
Cash and cash equivalents	0.3
Trade and other payables	(2.8)
Interest bearing loans and borrowings	(1.0)
Employee benefits	(0.3)
Current tax liabilities	(0.1)
Net identifiable assets and liabilities	4.8
Goodwill on acquisition	5.9
Consideration paid, satisfied in cash	10.7
Cash (acquired)	(0.3)
Net cash outflow	<u>10.4</u>

Directly attributable transaction costs of \$31,000 were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2016 the Controlvet Group contributed revenue of \$8,834,000 and a net profit after tax of \$1,287,000 to the consolidated net loss after tax for the year.

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 32. Acquisitions of subsidiaries and non-controlling interests (continued)

#### Maverick Testing Group net assets at acquisition date

*In millions of AUD*

	Fair Value 2016
Property, plant and equipment	0.6
Inventories	0.2
Trade and other receivables	1.3
Trade and other payables	(0.2)
Net identifiable assets and liabilities	1.9
Goodwill on acquisition	5.5
Consideration paid, satisfied in cash	7.4
Cash (acquired)	-
Net cash outflow	7.4

In the period to 31 March 2016 the Maverick Group contributed revenue of \$1,647,000 and a net profit after tax of \$94,000 to the consolidated net loss after tax for the year.

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

#### Other acquirees' net assets at acquisition dates

*In millions of AUD*

	Fair Value 2016	Fair Value * 2015
Property, plant and equipment	0.4	2.4
Identifiable intangible assets	-	2.1
Trade and other receivables	0.4	2.8
Other current assets	0.1	1.0
Cash and cash equivalents	0.3	1.7
Interest-bearing loans and borrowings	-	(2.6)
Employee benefits	(0.1)	(0.5)
Trade and other payables	(0.2)	(1.3)
Current tax liabilities	(0.1)	(0.7)
Net identifiable assets and liabilities	0.8	4.9
Goodwill on acquisition	1.6	21.8
Consideration paid, satisfied in cash	2.4	26.7
Cash (acquired)	(0.3)	(1.7)
Net cash outflow	2.1	25.0

\* The comparatives disclose all 2015 acquisitions.

Directly attributable transaction costs of nil (2015: nil) relating to these acquisitions were included in administration and other expenses in the profit and loss statement. In the period to 31 March 2016 the other acquirees contributed revenue of \$971,000 and a net profit after tax of \$77,000 to the consolidated net loss after tax for the year.

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

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 33. Key management personnel disclosures

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

#### **Non-executive directors**

Nerolie Withnall (Chairman)  
 Mel Bridges  
 Grant Murdoch  
 John Mulcahy  
 Charlie Sartain (appointed 1 February 2015)  
 Bruce Phillips (appointed 1 August 2015)

#### **Former non-executive directors**

Ray Hill (retired 30 July 2015)  
 Bruce Brown (retired 30 July 2015)

#### **Executives**

Raj Naran (GGM<sup>^</sup>, ALS Life Sciences)  
 Brian Williams (GGM, ALS Minerals)  
 Kristen Walsh (GGM, ALS Industrial)  
 Richard Stephens (Chief Financial Officer)

#### **Former Executive**

Paul McPhee (former GGM ALS Energy - ceased employment with the Group in October 2015.)

<sup>^</sup> GGM = Group General Manager

#### **Executive Director**

Greg Kilmister (Managing Director and CEO)

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

*In AUD*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Short term employee benefits	6,029,590	6,883,991
Post-employment benefits	299,954	255,983
Value of share-based awards	647,668	260,577
Termination benefits	469,762	-
Other long term benefits	6,011	6,097
	<b>7,452,985</b>	<b>7,406,648</b>

#### **Related party transaction**

The Group has entered into property lease agreements in the USA with a company in which Mr Naran holds a controlling interest. Lease rental expense in AUD-equivalent for the year was \$826,581 (2015: \$667,527) and the amount outstanding at the end of the year was Nil (2015: \$19,722).

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 34. Share-based payments

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

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

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

#### Equity-settled performance rights

Performance-hurdle rights granted year ended 31 March:	2016	2015	2014	2013	
Date of grant	30-07-15	29-07-14	30-07-13	05-09-12	31-07-12
Testing date for performance hurdles	31-03-18	31-03-17	31-03-16	31-03-15	31-03-15
Vesting date and testing date for service condition	01-07-18	01-07-17	01-07-16	01-07-15	01-07-15
<b>Number of rights:</b>					
Opening balance 1 April 2015	-	391,675	179,320	159,295	61,185
Granted	612,625	-	-	-	-
Vested & exercised (a)	-	(7,654)	(13,976)	-	-
Lapsed (a)	(67,545)	(38,173)	(13,008)	(159,295)	(61,185)
Closing balance 31 March 2016	545,080	345,848	152,336	-	-

(a) Performance-hurdle rights lapsed due to hurdles not being met or on cessation of employment. In accordance with the partial vesting provisions of the LTI Plan, 21,630 rights held by an executive vested upon termination. Hurdle testing at 31 March 2015 of rights granted in July 2012 resulted in no rights vesting.

Service-based rights granted year ended 31 March:	2016	2016	2016	2015
Date of grant	01-12-15	01-11-15	30-07-15	29-07-14
Vesting date and testing date for service condition	01-12-18	01-11-18	01-07-18	01-07-17
<b>Number of rights:</b>				
Opening balance 1 April 2015	-	-	-	84,772
Granted	10,000	135,514	63,852	-
Lapsed (b)	-	-	(12,767)	(24,692)
Closing balance 31 March 2016	10,000	135,514	51,085	60,080

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

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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 34. Share-based payments (continued)

#### Cash-settled performance rights

<b>Performance-hurdle rights granted year ended 31 March:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Date of grant	30-07-15	29-07-14	30-07-13	05-09-12
Testing date for performance hurdles	31-03-18	31-03-17	31-03-16	31-03-15
Vesting date and testing date for service condition	01-07-18	01-07-17	01-07-16	01-07-15
<b>Number of rights:</b>				
Opening balance 1 April 2015	-	45,174	27,753	29,385
Granted	72,540	-	-	-
Lapsed (a)	-	-	-	(29,385)
Closing balance 31 March 2016	72,540	45,174	27,753	-

(a) Performance-hurdle rights lapsed due to hurdles not being met. Hurdle testing at 31 March 2015 of rights granted in July 2012 resulted in no rights vesting.

<b>Service-based rights granted year ended 31 March:</b>	<b>2016</b>	<b>2015</b>
Date of grant	30-07-15	29-07-14
Vesting date and testing date for service condition	01-07-18	01-07-17
<b>Number of rights:</b>		
Opening balance 1 April 2015	-	17,990
Granted	10,436	-
Lapsed (b)	-	(3,444)
Closing balance 31 March 2016	10,436	14,546

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

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.

# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 34. Share-based payments (continued)

#### Vesting conditions – performance hurdle rights

Vesting conditions in relation to the performance-hurdle rights granted in July 2015 are set out below:

Employees must be employed by the Group on the vesting date (1 July 2018). The rights vest only if Earnings Per Share ("EPS"), relative Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") or relative Total Shareholder Return ("TSR") hurdles are achieved by the Company over the specified performance period. 25 percent of each employee's rights are subject to EPS measurement, 25 percent are subject to EBITDA measurement and 50 percent are subject to two TSR measurements. The performance hurdles and vesting proportions for each measure are as follows:

Proportion of total performance rights that may be exercised if EPS growth hurdle is met	Compound annual diluted EPS growth over the period 1 April 2015 to 31 March 2018	Proportion of total performance rights that may be exercised if EBITDA hurdle is met	EBITDA margin of ALS Ltd relative to EBITDA margin of comparator companies over the period 1 April 2015 to 31 March 2018
0%	Less than 5% per annum	0%	Less than the 50th percentile
12.5% of total grant	5% per annum	25% of total grant	50th percentile or higher
Straight line vesting between 12.5% and 25%	Between 5% and 9% per annum		Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA), Applus (Spain/Singapore), Exova (UK)
25% of total grant	9% or higher per annum		

Proportion of total performance rights that may be exercised if TSR hurdle is met	TSR of ALS Ltd relative to TSRs of industry peer companies over the period 1 April 2015 to 31 March 2018	TSR of ALS Ltd relative to TSRs of companies in the ASX100 Index over the period 1 April 2015 to 31 March 2018
0%	Less than the 50th percentile	Less than the 50th percentile
12.5% per comparator group	50th percentile	50th percentile
Straight line vesting between 12.5% and 25% per comparator group	Between 50th percentile and 75th percentile	Between 50th percentile and 75th percentile
25% of total grant per comparator group	75th percentile or higher	75th percentile or higher
	Comparator companies: Bureau Veritas (France), Core Laboratories (USA), Eurofins (France & Germany), Intertek (UK), SGS (Switzerland), Mistras (USA) Applus (Spain/Singapore), Exova (UK)	Comparator companies: Companies included in the ASX 100 Index as at 1 April 2015

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 Remuneration Committee.



# ALS Limited and its subsidiaries

## Notes to the financial statements

For the year ended 31 March 2016

### 34. Share-based payments (continued)

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

The fair value of services received in return for rights granted during the year ended 31 March 2016 is based on the fair value of the rights granted measured using Binomial Tree (EPS and EBITDA hurdles and service condition) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies with the following inputs:

	Granted 2016	Granted 2015
<b>Equity-settled rights</b>		
Date of grant	30 July 2015	29 July 2014
Weighted average fair value at date of grant of performance-hurdle rights	\$4.04	\$5.40
Weighted average fair value at date of grant of service-based rights	\$4.83	\$6.52
Share price at date of grant	\$5.48	\$7.50
Expected volatility	40%	35%
Expected life	2.9 years	2.9 years
Risk-free interest rate	1.93%	2.70%
Dividend yield	4.30%	4.80%
<b>Cash-settled rights</b>		
Date of grant	30 July 2015	29 July 2014
Weighted average fair value at date of grant of performance-hurdle rights	\$4.04	\$5.40
Weighted average fair value at date of grant of service-based rights	\$4.83	\$6.52
Share price at date of grant	\$5.48	\$7.50
Expected volatility	40%	35%
Expected life	2.9 years	2.9 years
Risk-free interest rate	1.93%	2.70%
Dividend yield	4.30%	4.80%

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.

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

<i>In millions of AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
Equity-settled rights	7	1.4	0.6
Cash-settled rights	7	-	-
Total expenses recognised as employee costs		1.4	0.6
Carrying amount of liabilities for cash-settled rights		0.2	0.1

### 35. Events subsequent to balance date

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

## ALS Limited and its subsidiaries

### Directors' declaration

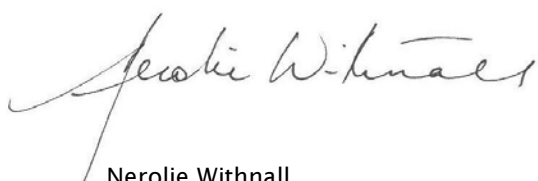
In the opinion of the directors of ALS Limited ("the Company"):

1. The consolidated financial statements and notes numbered 1 to 35, 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 2016 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 2(a);
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 31 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 Class Order 98/1418.

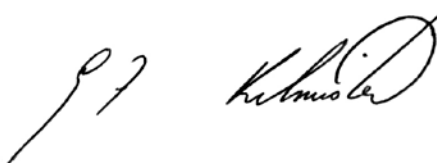
The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2016.

Signed in accordance with a resolution of the directors:



Nerolie Withnall  
Chairman

Brisbane  
30 May 2016



Greg Kilmister  
Managing Director

Brisbane  
30 May 2016



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

### **Report on the financial report**

We have audited the accompanying financial report of ALS Limited (the Company), which comprises the consolidated balance sheet as at 31 March 2016, and consolidated profit and loss statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 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 year's end or from time to time during the financial year.

#### *Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 13 to 33 of the Directors' Report for the year ended 31 March 2016. 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 auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration disclosures that are contained in the sections of the Remuneration Report of ALS Limited for the year ended 31 March 2016 that are described as audited, comply with Section 300A of the *Corporations Act 2001*.



KPMG



Simon Crane  
*Partner*

Brisbane  
30 May 2016



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

To: the directors of ALS Limited

We declare that, to the best of our knowledge and belief, in relation to the audit for the financial year ended 31 March 2016 there have been:

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

*KPMG*

KPMG

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

Simon Crane  
*Partner*

Brisbane  
30 May 2016