

ALS Inspection UK Limited

Annual report and financial statements

31 March 2018

Registered number 1218386

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Strategic Report

Principal activities

The Company's registered head office is in Knowsley, United Kingdom where it employs 128 people. The Company's principal activities are the inspection and analysis of metals, minerals and ores.

Business model

As part of the Australian stock exchange listed ALS Limited group of companies, ALS Inspection UK Limited is positioned in the Inspection Division. The Inspection Division inspects, weighs, samples, analyses and reports on the quantity and quality of commodities to produce findings that can be used for final commercial settlement purposes.

ALS Inspection UK Limited provides accurate, global Inspection & Analysis services for metals, minerals, ores, precious metals, ferro alloys and solid fuels. Teams of surveyors are strategically located in major ports, smelters, refineries and steelworks and warehouses around the world to undertake precise inspection and sampling of commodities. Samples are dispatched to Hub labs such as that in the UK with analytical results being used for commercial exchange purposes between buyer and seller.

ALS Inspection UK Limited boasts one of the foremost umpire and party analysis laboratories in the world. All sampling and sample preparation operations are undertaken to the highest of international standards and our laboratory is ISO 17025:2005 accredited.

Business review and results

The UK operation, the global hub for the Inspection Group, was again a strong performer within the global ALS Inspection network, processing significantly large sample numbers, obtaining competitive turnaround time, strong technical performance and quality recognition.

During FY 17/18 the UK business posted growth against the previous year, mainly on the back of strong performance within the UK laboratory. The business posted robust annual profitability for the year.

In line with financial performance trends, sample receipt volumes were higher than the previous year (+11%). Over FY16/17 and FY 17/18 the business invested AUD\$2.5 million into the laboratory facility infrastructure, capacity and instrumentation. An additional 50% capacity was created within this now world class modern facility. Improving market conditions combined with an aggressive marketing and sales strategy action plan resulted in an uptick in sample receipt which has continued and accelerated through FY 17/18 and into FY 18/19. At the time of reporting in FY 18/19 year-on year sample receipt volumes are currently +30% prior year.

Significant up-scaling headcount resources and maximizing shift patterns across the laboratory operation have been required in order to keep pace with business volumes and to ensure sufficient capacity exists and maintain service levels.

Market conditions and commodity pricing improved in FY 17/18 and the business responded accordingly.

Revenue relating to inspection services had a strong 12 month period with a number of large contracts secured globally.

In Asia FY17/18 was characterised by continued growth and expansion for the ALS Inspection China business. Geographically the business expanded into multiple new locations along the mainland China coastline, recruiting experienced inspectors in strategic ports. The business performs well from a quality of service perspective and year on year has grown market share.

Strategic Report (*continued*)

Key performance indicators

The Company's KPI's are, in addition to financial performance, measured by the following parameters:

- Sample throughput (numbers) in each laboratory
- Sample Turn Around Times (in all laboratory activities)
- Number of re-tests (accuracy)
- Commodity tonnages inspected

Principal risks and uncertainties

ALS is exposed to financial risks such as liquidity risk, interest rate risk, foreign exchange risk, and credit risk (counterparty exposure). Group treasury and cash management policies are in place to mitigate these risks, and key indicators are monitored monthly.

Standard geopolitical risks; heightened since the change of leaders in many key governments around the world. The Directors continue to monitor the position closely.

There remains a degree of uncertainty over world economic conditions and especially over general market liquidity. This includes the impact of potential trade wars on the volumes of commodities traded and the routes that said commodities flow and are traded across. There may also be changes in the trade dynamics of raw materials, especially coal and steel related raw materials.

The uncertainty surrounding the Brexit outcome has not affected trade with ALS Inspection UK Limited in a negative way to date, and the company has already begun planning for all outcomes to minimise any future risks.

Future developments

Inspection Division Outlook

The outlook is currently optimistic and positive. Market conditions and commodity pricing have improved with increasing volumes of core commodities being shipped and traded globally.

The business has created a 5 year development and growth strategy which will focus on network expansion to grow revenue and associated market share.

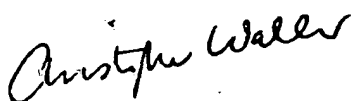
Focus will remain upon maintaining strong cost base management combined with a much greater emphasis upon strategic business development activity, geographic expansion, operational, standardisation and productivity initiatives.

Now that the UK laboratory expansion project has completed, the business is well placed to take advantage of the additional capacity and efficiencies this will bring.

There is the potential for identified geographic expansion by either acquisition, organic growth or by leveraging ALS Minerals Division service lines and network. Geographical expansion expected as follows:

South Korea
Mexico
Chile

By order of the board.



C Walker
Director
20th December 2018

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Results

The profit for the year, after taxation, amounted to £6,466,657 (2017: £2,794,272 including an impairment of £1,798,000 in respect of the Company's investment in Beldutch Holdings BV).

Going Concern

The Company forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate for at least the next 12 months from the date of this report.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Proposed dividend

Dividends paid during the year comprise a final dividend of £50,000,000 in respect of the year ended 31st March 2018. (2017: £nil).

Directors

The directors who held office during the year were as follows:

C Walker
J Smyth
L Holy

All directors benefitted from qualifying third party indemnity provisions in place and at the date of this report.

Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with Company policies. Initiatives designed to minimise the Company's impact on the environment include the safe disposal of waste arising from operations, in particular that of laboratory waste.

Employees

The Company is committed to providing staff and management training designed to encourage the necessary attitudes and skills to foster good communication and consultation at all levels with a view to informing and involving staff in the progress of the Company and its future. Communication with all employees is conducted through the regular dissemination of relevant information, announcements and meetings with management.

The Company is committed to all aspects of staff training. This is achieved through on the job training and through other local and national training and development initiatives.

Employment of disabled persons

The Company operates an equal rights policy across all its subsidiaries.

Directors' report *(continued)*

Political contributions

The Company made no political donations nor incurred any political expenditure during the year (2017: £nil).

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

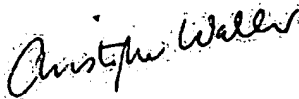
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



C Walker
Director

20th December 2018

Caddick Road
Knowsley Business Park
Prescot
Merseyside
L34 9HP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALS INSPECTION UK LIMITED

Opinion

We have audited the financial statements of ALS Inspection UK Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- (a) give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- (b) have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- (c) have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

21 December 2018

Profit and Loss Account
for year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	2	17,451	15,306
Cost of sales		(8,824)	(7,899)
Gross profit		8,627	7,407
Administrative expenses		(4,139)	(2,767)
Amounts written off investments	12	-	(1,798)
Operating profit		4,488	2,842
Income from shares in group undertakings	6	2,422	409
Other interest receivable and similar income	7	-	1
Interest payable and similar charges	8	(107)	-
Profit on ordinary activities before taxation		6,803	3,252
Tax on profit on ordinary activities	9	(336)	(458)
Profit for the financial year		6,467	2,794

All turnover and operating profits in both financial periods are derived from continuing operations.

The notes on pages 12 to 25 form part of the financial statements.

Other Comprehensive Income
for year ended 31 March 2018

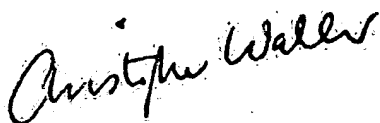
	Note	2018 £000	2017 £000
Profit for the year		6,467	2,794
Other comprehensive income			
Other comprehensive income for the year, net of income tax			
Total comprehensive income for the year		6,467	2,794

The notes on pages 12 to 25 form part of the financial statements.

Balance Sheet
at 31 March 2018

	Note	2018 £000	2017 £000	£000
Fixed assets				
Tangible assets	11	2,551		2,436
Investments	12	1,640		1,641
		<u>4,191</u>		<u>4,077</u>
Current assets				
Stocks	13	173	178	
Debtors	14	88,901	90,793	
Cash at bank and in hand	15	1,423	1,371	
		<u>90,497</u>	<u>92,342</u>	
Creditors: amounts falling due within one year	16	<u>(53,749)</u>	<u>(12,019)</u>	
Net current assets		<u>36,748</u>		<u>80,323</u>
Total assets less current liabilities		<u>40,939</u>		<u>84,400</u>
Provisions for liabilities				
Deferred tax liability	18	(163)	(91)	
		<u>(163)</u>	<u>(91)</u>	
Net assets		<u>40,776</u>		<u>84,309</u>
Capital and reserves				
Called up share capital	20	150		150
Profit and loss account		40,626		84,159
		<u>40,776</u>		<u>84,309</u>
Shareholders' funds		<u>40,776</u>		<u>84,309</u>

These financial statements were approved by the board of directors on 20th December 2018 and were signed on its behalf by:



C Walker
Director

Company registered number: 1218386

The notes on pages 12 to 25 form part of the financial statements.

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2016	150	81,365	81,515
Total comprehensive income for the period			
Profit or loss		2,794	2,794
Other comprehensive income			
Total comprehensive income for the period		2,794	2,794
Balance at 31 March 2017	150	84,159	84,309
Balance at 1 April 2017	150	84,159	84,309
Total comprehensive income for the period			
Profit or loss		6,467	6,467
Total comprehensive income for the period		6,467	6,467
Dividends		(50,000)	(50,000)
Total Contributions by and distributions to owners		(50,000)	(50,000)
Balance at 31 March 2018	150	40,626	40,776

The notes on pages 12 to 25 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

ALS Inspection UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, ALS Limited includes the Company in its consolidated financial statements. The consolidated financial statements of ALS Limited are available to the public and may be obtained from the address in note 25. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons: The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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 retranslated to the functional currency at the foreign exchange rate ruling at that date. 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 retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

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

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

2	buildings	10 to 100 years
3	plant and equipment	4 to 10 years
4	fixtures and fittings	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes (continued)

1 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Turnover

Turnover represents the value of services rendered excluding value added tax. Revenue from services rendered is recognised based on the stage of completion.

Notes (continued)

1 Accounting policies (continued)

1.11 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. 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. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	2018 £000	2017 £000
Rendering of services	17,451	15,306
Total turnover	17,451	15,306

By geographical market

	2018 £000	2017 £000
Europe	8,961	7,447
Rest of the world	8,490	7,859
Total turnover	17,451	15,306

3 Expenses and auditor's remuneration

Included in profit are the following:

	2018 £000	2017 £000
Loss/(gain) on foreign currencies	433	(522)

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	41	39

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Operations	95	89
Administration	28	26
	<u>123</u>	<u>115</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	3,232	2,868
Social security costs	364	291
Contributions to defined contribution plans	170	154
	<u>3,766</u>	<u>3,313</u>

5 Directors' remuneration

No directors received any emoluments during the current or prior financial period in respect of their services to this company.

6 Income from shares in group undertakings

	2018 £000	2017 £000
Dividend income	2,422	409
	<u>2,422</u>	<u>409</u>

7 Other interest receivable and similar income

	2018 £000	2017 £000
Interest receivable on financial assets at amortised cost	-	1
Total interest receivable and similar income	<u>-</u>	<u>1</u>

Interest receivable and similar income includes income from group undertakings of £nil. (2017: £1,038).

8 Interest payable and similar charges

	2018 £000	2017 £000
Interest payable	107	-
Total interest payable and similar charges	107	-

Interest payable and similar charges includes charges from group undertakings of £106,907. (2017: £nil).

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period	798		937	
Adjustments in respect of prior periods	(534)		(512)	
Total current tax		264		425
<i>Deferred tax (see note 19)</i>				
Origination and reversal of timing differences	45		11	
Adjustment in respect of prior periods	27		27	
Change in tax rate	-		(5)	
Total deferred tax		72		33
Total tax		336		458

	£000	2018 £000	£000	£000	2017 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	264	72	336	425	33	458
Total tax	264	72	336	425	33	458

Analysis of current tax recognised in profit and loss

	2018 £000	2017 £000
UK corporation tax	264	425
Double taxation relief	(115)	(161)
Foreign tax	115	161
Total current tax recognised in profit and loss	264	425

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	6,467	2,794
Total tax expense/(credit)	336	458
Profit excluding taxation	6,803	3,252
Tax using the UK corporation tax rate of 19% (2017: 20%)	1,293	650
Fixed asset differences	13	17
Reduction in tax rate on deferred tax balances	(5)	(7)
Tax exempt revenues/non-deductible expenses	(458)	283
Under / (over) provided in prior years	(507)	(485)
Total tax expense included in profit or loss	336	458

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

10 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Fixtures & fittings £000	Under construction £000	Total £000
Cost					
Balance at 1 April 2017	1,502	3,100	991	584	6,177
Other acquisitions	517	379	45	(558)	383
Disposals	(1)				(1)
Balance at 31 March 2018	2,018	3,479	1,036	26	6,559
Depreciation and impairment					
Balance at 1 April 2017	425	2,338	978		3,741
Depreciation charge for the year	95	160	12		267
Disposals					
Balance at 31 March 2018	520	2,498	990		4,008
Net book value					
At 1 April 2017	1,077	762	13	584	2,436
At 31 March 2018	1,498	981	46	26	2,551

Notes (continued)

11 Tangible fixed assets (continued)

Tangible fixed assets under construction

Replacement roof completed in April 2018, costing £46,826.

Land and Buildings

The net book value of land and buildings comprises:

	2018 £000	2017 £000
Long leasehold	1,498	1,077
	<u>1,498</u>	<u>1,077</u>

12 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning of year	1,641
Additions	
Disposals (Rounding)	(1)
At end of year	<u>1,640</u>

The Company has the following investments in subsidiaries and jointly controlled entities:

	Aggregate Profit orCountry of of capital loss forincorporation and the year reserves			Registered Office Address	Class of shares held	Ownership 2017 & 2018
	£000	£000				%
OMAC Laboratories Limited	7,655	1,533	Republic of Ireland	IDA Business Park, Dublin Road, Loughrea, Co. Galway	Ordinary	100%
Beldutch Holdings BV	2,505	(64)	Holland	Geyssendorfferweg 58, 3088 GK Rotterdam	Ordinary	100%
Stewart Assay and Environmental Laboratories-LLC	2,179	231	Kyrgyzstan	Kalinin 2, Kara Balta, 724411	Ordinary	63.5%
ALS Group LLC	3,199	644	Mongolia	Mongol Nekhmel building, 2 nd khoroo, Chinggis Avenue, Khan-Uul District Ulaanbaatar 17042,	Ordinary	70%
ALS Inspection Netherlands BV	956	(26)	Holland	Geyssendorfferweg 58, 3088 GK Rotterdam	Ordinary	100%
ALS Inspection Deutschland GMBH	199	27	Germany	Mülheimer Str. 193 · 47058 Duisburg	Ordinary	100%
ALS Inspection Belgium NV	2,054	2	Belgium	Vosveld 8A Wijnegem Antwerp B-2110	Ordinary	100%
ALS Inspection South Africa (Pty) Limited	2,084	688	South Africa	Unit5, 89 King Dinizulu Rd Durban 4001	Ordinary	100%
Stewart Group Assayers Limited	(18)	(6)	United Kingdom	Caddick Road, Knowsley Business Park, Prescot, UK L34 9HP	Ordinary	100%

ALS Kazakhstan LLC	1,988	(1,554)	Kazakhstan	181/3 Abay ave., Ust-Kamenogorsk, Kazakhstan, 070006	Ordinary	100%
Alex Stewart Tes Bretby BV	1,021	6	Holland	Geyssendorfferweg 58, 3088 GK Rotterdam	Ordinary	100%
Stewart Geochemical and Assay LLC	2,669	637	Russia	b.1, 8, Nauchny proezd, Moscow	Ordinary	50%
ALS Inspection China Limited	828	285	China	Room D503, No.110, The Sixth street, TEDA District, Tianjin, China	Ordinary	50%

13 Stocks

	2018 £000	2017 £000
Raw materials and consumables	173	178
	<u>173</u>	<u>178</u>

Raw materials and consumables recognised as cost of sales in the year amounted to £885,930 (2017: £768,426).

14 Debtors

	2018 £000	2017 £000
Trade debtors	2,584	2,776
Amounts owed by group undertakings	85,535	87,363
Taxation and social security	31	100
Prepayments and accrued income	751	554
	<u>88,901</u>	<u>90,793</u>
Due within one year	88,901	90,793
Due after more than one year	<u>88,901</u>	<u>90,793</u>

15 Cash and cash equivalents/bank overdrafts

	2018 £000	2017 £000
Cash at bank and in hand	1,423	1,371
Cash and cash equivalents	<u>1,423</u>	<u>1,371</u>

Notes (continued)

16 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,381	1,601
Amounts owed to group undertakings	51,143	9,816
Taxation and social security	539	262
Accruals and deferred income	686	340
	<u>53,749</u>	<u>12,019</u>

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 £000	2017 £000
Creditors falling due within less than one year		
Amounts owed to group undertakings	2,568	-
	<u>2,568</u>	<u>-</u>

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	2017 £000	Liabilities 2018 £000	2017 £000	Net 2018 £000	2017 £000
Accelerated capital allowances			163	91	163	91
Other						
Tax (assets) / liabilities			163	91	163	91
Net tax (assets) / liabilities			163	91	163	91

Notes (continued)

19 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £169,881 (2017: £154,400)

Termination benefits

Redundancy costs of £nil were incurred in the year (2017 £18,750).

20 Capital and reserves

Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
150,000 ordinary shares of £1 each	150	150
	<u>150</u>	<u>150</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	52	61
Between one and five years	124	157
More than five years	1,059	1,036
	<u>1,235</u>	<u>1,254</u>

During the year £55,344 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £49,336).

22 Commitments

Capital commitments

The Company had contractual commitments to purchase tangible fixed assets at the year end of £94,794 (2017: £102,539).

Notes (continued)

23 Related parties

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2018	2017	2018	2017
	£000	£000	£000	£000
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	62	80	3,764	2,893
Other related parties	215	13	121	201
	<u>277</u>	<u>93</u>	<u>3,885</u>	<u>3,094</u>

	Debtors outstanding		Creditors outstanding	
	2018	2017	2018	2017
	£000	£000	£000	£000
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	2,256	2,286	529	586
Other related parties	83,279	85,077	50,614	9,230
	<u>85,535</u>	<u>87,363</u>	<u>51,143</u>	<u>9,816</u>

24 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Stewart Holdings Management Limited. The ultimate parent company and controlling party is ALS Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by ALS Limited, incorporated in Australia. Registered office is located at 32, Shand Street, Stafford QLD 4053. No other group financial statements include the results of the Company. The consolidated financial statements of ALS Limited are available to the public and can be accessed from the company's website at www.alsglobal.com.