

# Appendix 4D

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**Half Year Report**  
26<sup>th</sup> February 2021

# ASX Appendix 4D

## Half Year Result for announcements to the market

Saunders International Limited – ABN 14 050 287 431

### 1. REPORTING PERIOD

Financial half year ended (‘current period’)	Financial half year ended (‘previous corresponding period’)
31 December 2020	31 December 2019

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	December 2020 \$’000	December 2019 \$’000	Change \$’000	Change %
Revenue from Ordinary activities	53,349	29,641	23,708	80%
Net (Loss)/Profit after Tax	2,713	520	2,193	422%
Net (Loss)/Profit After Tax Attributable to Members	2,713	520	2,193	422%

A description of the figures reported above is contained in the attached Saunders International Ltd HY20 Financial Report.

### 3. DIVIDENDS

Dividend	Period	Payment Date	Amount per security cents	Franked amount per security at 30% tax
Interim Dividend	31 December 2020	12 April 2021	0.75	30%
Final Dividend	30 June 2020	N/A	-	-
Interim Dividend	31 December 2019	N/A	-	-

### 4. NET TANGIBLE ASSETS BACKING

Net Tangible Assets per share	Current Period cents	30 June 2020 cents	Previous Corresponding period cents
Net Tangible Assets per share	\$0.24	\$0.20	\$0.19

This Half Year Report should be read in conjunction with the Annual Report of Saunders International Limited as at 30 June 2020 together with any public announcements made by Saunders International Limited during the half year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### 5. REVIEW STATUS

The HY20 results are based on accounts which have been subject to a review by Deloitte Touche Tohmatsu and the Auditors’ Review Reports contains no qualifications.

### 6. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

No material control over any entity was gained or lost during the six months ended 31 December 2020.

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ABN 14 050 287 431

**INTERIM CONSOLIDATED FINANCIAL REPORT**

for the half-year ended

31 December 2020

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## DIRECTORS' REPORT

The directors of Saunders International Limited submit herewith the half-year financial report for the six months ended 31 December 2020.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names and particulars of the directors of the Company during or since the end of the half-year are:

- Timothy Burnett
- Mark Benson
- Gregory Fletcher
- Nicholas Yates

The above-named directors held office during and since the end of the half-year except for: Nicholas Yates – appointed 16 September 2020.

### COVID-19

Although Saunders has reported a solid result for the period ending 31 December 2020, COVID-19 has impacted the potential result. The pandemic has resulted in resourcing constraints across some of our sites due to border closures, logistics delays from our offshore supply chain and reduced productivity through the implementation of social distancing measures. The financial effects arising from these issues have been included in the interim results for the period ending 31 December 2020. Additionally, COVID-19 has factored in the contract award decisions by our customers due to the economic uncertainty.

The Group continues to ensure the safety of all our staff, our customers and the communities we operate within. Changes to the COVID-19 situation are continually communicated to all staff and the Group's policies and procedures are amended to comply with any new Government regulations and best practise.

### REVIEW OF OPERATIONS

A summary of the revenues and results is as follows: -

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Revenue</b>	<b>53,349</b>	29,641
<b>Profit before tax</b>	<b>4,031</b>	769
<b>Income tax (expense)</b>	<b>(1,318)</b>	(249)
<b>Profit attributable to the members of Saunders International Limited</b>	<b>2,713</b>	520

Reconciliation of profit before income tax to EBITDA (unaudited):

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Profit before income tax</b>	<b>4,031</b>	769
<b>Interest expense on loans and hire purchase finance charges</b>	<b>48</b>	38
<b>Depreciation of owned, hire purchase and right of use assets</b>	<b>940</b>	680
<b>EBITDA</b>	<b>5,019</b>	1,487

During the financial year, the principal activities of Saunders were the design, fabrication, construction and maintenance of bulk liquid storage facilities tanks and road and rail bridges.

The Group also manufactures precast concrete products for transport infrastructure projects and provides a range of specialised services for the maintenance of commercial, industrial and marine infrastructure assets.

Saunders' revenue for the half-year is \$53.3 million, an increase of \$23.71 million or 80% over (FY20-H1: \$29.6 million) and the NPAT was a profit of \$2.71 million, an improvement of \$2.19 million (FY20-H1: \$0.52 million), EBITDA for the half-year is \$5.02 million, an improvement of \$3.53 million (FY20-H1 : \$1.49 million).

Earnings per share for the period is 2.63 cents (FY20-H1 : 0.51 cents).

Saunders financial position strengthened at the half year with cash and cash equivalents of \$15.80m (FY2020: \$11.09m).

The increase in cash and cash equivalents is the result of the Group's continued focus of working capital, close management of capital and discretionary expenditure and generation of operating cash through delivery of projects across the Groups operations. The Group has no interest-bearing loans, except for finance leases.

Key highlights include:

- Strong Safety performance with over 3.0 million hours LTI free
- Proactive Response by all our employees to adapt to the continual changes presented by COVID-19
- Positive operating cash flow of \$5.35 million and strong balance sheet
- Successful fabrication and delivery of highly technical components as part of Sydney Trains iconic Sydney Harbour timber deck replacement project.
- Further penetration into the Defence sector with works currently being completed on four major Defence sites.
- Increased Saunders Aboriginal and Torres Strait Islander participation across our projects
- Saunders Team involved in charitable events and contributions for Food Bank, Red Cross and Westpac Rescue Helicopter.

## OUTLOOK

Saunders work in hand as at 31 January 2021 is \$91 million. The Group is seeing an increased level of new contract business enquiries across all of it's sectors and service markets. The recent increase of activity has been underpinned by the following:

- Federal Government launching the "Boosting Australia's Diesel Storage Program". The initiative is looking to increase Australia's diesel storage by up to 40% by 2024,
- The Defence Fuel Transformation Program (DFTP),
- Federal Government Bridge Replacement Program and
- NSW Government's "Fixing Country Bridges" program.

Tendering activity shows the value of live tenders at \$421 million, including \$105 million of preferred contractor status projects. The pipeline (yet to be tendered) is at \$393 million.

As a result of the strong operational delivery and first half performance Saunders revenue for the FY21 is expected to be between \$100-\$110 million with EBIT expected to between 7.0% to 8.0%. This expectation will be dependent on how the continued COVID-19 pandemic impacts our clients, our people and the impacts it may have on future contract awards.

#### DIVIDEND

The Board declared on 24 February 2021 that there will be an interim dividend payable of 0.75 cents per share fully franked for FY21-H1 (FY2-H1 Nil dividend paid). The dividend will be payable on 12 April 2021 with the record date for determining dividends on 17 March 2021.

#### DIVIDEND REINVESTMENT PLAN

The Board has resolved to re-activate the Dividend Reinvestment Plan (DRP). Further information will be sent to Shareholders by Link Market Services. For this DRP there will be no discount applied.

A copy of the DRP can be found on the Saunders International website (<https://saundersint.com/announcements-to-asx>).

#### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the half-year financial report.

#### ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Report Instrument 2016/191*, dated 24 March 2016, and in accordance with the Corporations Instrument amount in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the directors



Mark Benson  
Managing Director



Timothy Burnett  
Chairman

Sydney  
26 February 2021

The Board of Directors  
Saunders International Limited  
271 Edgar Street,  
Condell Park NSW 2200

26 February 2021

Dear Board Members

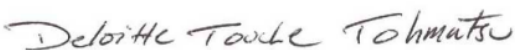
### **Saunders International Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Saunders International Limited.

As lead audit partner for the review of the financial statements of Saunders International Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**David Sartorio**  
Partner  
Chartered Accountants

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SAUNDERS INTERNATIONAL LIMITED

### *Conclusion*

We have reviewed the half-year financial report of Saunders International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9-21.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Directors' Responsibilities for the Half-year Financial Report*

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

### *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



David Sartorio  
Partner  
Chartered Accountants  
Parramatta, 26 February 2021

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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Continuing Operations</b>			
Revenue	5	53,349	29,641
Other income	9	617	55
Materials and third-party costs charged to projects		(33,424)	(16,333)
Employee benefits expense		(13,201)	(10,459)
Depreciation expense	5	(940)	(680)
Finance costs	5	(48)	(38)
Motor vehicle expenses		(152)	(94)
Occupancy and operating lease expense		(136)	(121)
Other expenses		(2,034)	(1,202)
Profit before tax		4,031	769
Income tax (expense)	6	(1,318)	(249)
<b>Profit for the period</b>		<b>2,713</b>	<b>520</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>2,713</b>	<b>520</b>
Attributable to:			
Equity holders of the parent		2,713	520
<b>Earnings per share</b>			
Basic (cents per share)	15	2.63 cents	0.51 cents
Diluted (cents per share)	15	2.58 cents	0.50 cents

Notes to the financial statements are included on pages 13 to 20

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		15,797	11,085
Trade and other receivables		16,145	13,297
Contract Assets		6,038	6,711
Inventories		362	374
Other		626	38
<b>Total Current Assets</b>		<b>38,968</b>	<b>31,505</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		10,362	10,209
Right-of-use assets		2,319	2,085
Deferred tax assets		895	2,215
<b>Total Non-Current Assets</b>		<b>13,576</b>	<b>14,509</b>
<b>Total Assets</b>		<b>52,544</b>	<b>46,014</b>
<b>Current Liabilities</b>			
Trade and other payables		13,300	14,246
Contract Liabilities		7,629	4,588
Lease Liabilities		622	568
Provisions		2,685	2,034
Current tax liability		128	146
Borrowings		640	-
<b>Total Current Liabilities</b>		<b>25,004</b>	<b>21,582</b>
<b>Non-Current Liabilities</b>			
Provisions		272	234
Borrowings		-	-
Lease Liabilities		1,669	1,540
<b>Total Non-Current Liabilities</b>		<b>1,941</b>	<b>1,774</b>
<b>Total Liabilities</b>		<b>26,945</b>	<b>23,356</b>
<b>Net Assets</b>		<b>25,599</b>	<b>22,658</b>
<b>Equity</b>			
Issued capital	13	19,979	19,701
Shares buy-back reserve	13	(351)	(351)
Share based payments reserve		650	776
Retained earnings		5,321	2,532
<b>Total Equity</b>		<b>25,599</b>	<b>22,658</b>

Notes to the financial statements are included on pages 13 to 20

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued Capital	Treasury Shares issued under employee share plan	Share Based Payments Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2019</b>	19,701	(351)	581	1,266	21,197
Profit for the period				520	520
<i>Transactions with owners in their capacity as owners</i>					
Dividend paid	-	-	-	-	-
Share based payments expense	-	-	93	-	93
<b>Balance at 31 December 2019</b>	19,701	(351)	674	1,786	21,810
<b>Balance at 30 June 2020</b>	19,701	(351)	776	2,532	22,658
Profit for the period	-	-	-	2,713	2,713
<i>Transactions with owners in their capacity as owners</i>					
Dividend paid	-	-	-	-	-
Rights & share issues net of costs and income tax expense	278	-	(354)	-	(76)
Share based payments expense	-	-	228	76	304
<b>Balance at 31 December 2020</b>	19,979	(351)	650	5,321	25,599

Notes to the financial statements are included on pages 13 to 20

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	59,776	32,577
Payments to suppliers and employees	(54,378)	(30,995)
Interest received	1	-
Finance costs paid	(48)	-
Income taxes refunded / (paid)	-	-
Net cash inflow / (outflow) from operating activities	5,351	1,582
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(844)	(205)
Proceeds received in sale of assets	7	2
Payments for right-of-use assets	(32)	-
Net cash used in investing activities	(869)	(203)
<b>Cash flows from financing activities</b>		
Proceeds from Borrowings	1,173	522
Repayment of borrowings	(534)	(261)
Repayment of lease liabilities	(277)	(242)
Net cash used in financing activities	362	19
<b>Net increase / (decrease) in cash and cash equivalents</b>	4,844	1,398
<b>Cash and cash equivalents at the beginning of the period</b>	11,085	8,030
Effects of exchange rate fluctuations on cash held	(132)	(7)
<b>Cash and cash equivalents at the end of the financial period</b>	15,797	9,421

Notes to the financial statements are included on pages 13 to 20

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The interim financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The interim financial statements have been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

All amounts are presented in Australian dollars.

#### Rounding off of amounts

The Group is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report Instrument 2016/191, dated 24 March 2016, and in accordance with the Corporations Instrument amounts in the directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

#### Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half-year ended 31 December 2020. There will be no material impact of these new standards or amendments to the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group.

### 3. SIGNIFICANT CHANGES FROM THE ANNUAL FINANCIAL STATEMENTS

#### Government Grants

During the half-year, the Group became eligible for certain government support in response to the coronavirus pandemic, as explained in Note 9. The Group's accounting policy for government grants is explained below.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, wage subsidies received under the JobKeeper scheme are presented as other income in profit or loss. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT CHANGES FROM THE ANNUAL FINANCIAL STATEMENTS (CONT)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### 4. REVENUE

Revenue stream	Revenue recognition	Australia \$'000	PNG \$'000	Half-year Ended 31 Dec 2020 \$'000	Half-Year Ended 31 Dec 2019 \$'000
Engineering & Construction	Over time	21,315	-	21,315	1,482
Services	Over time	16,059	-	16,059	15,481
Fabrication & Construction	Over time	15,974	-	15,974	12,676
<b>Total revenue</b>		<b>53,348</b>	<b>-</b>	<b>53,348</b>	<b>29,639</b>

### 5. PROFIT/(LOSS) FOR THE PERIOD

The operating profit before income tax includes the following items of revenue and expense:

	Half-Year Ended 31 Dec 2020 \$'000	Half-Year Ended 31 Dec 2019 \$'000
<b>Revenue</b>		
Sales revenue	53,348	29,639
Interest revenue	1	2
<b>Total revenue</b>	<b>53,349</b>	<b>29,641</b>
<b>Other income</b>		
JobKeeper subsidy (Government grants)	598	-
Others	19	55
	<b>617</b>	<b>55</b>
<b>Expenses</b>		
Cost of sales	44,554	24,897
Depreciation of:		
- Buildings	14	-
- Plant and equipment	578	469
- Computer, furniture and fixtures	90	5
- Right of use assets	258	206
<b>Total depreciation expense</b>	<b>940</b>	<b>680</b>
<b>Total Finance on lease liabilities costs</b>	<b>48</b>	<b>38</b>

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. INCOME TAX EXPENSE

	Half-Year Ended 31 Dec 2020 \$'000	Half-Year Ended 31 Dec 2019 \$'000
Current tax relating to current period	(2)	-
Deferred tax	1,320	249
<b>Total Income Tax Expense/(Benefit)</b>	<b>1,318</b>	<b>249</b>
Income tax expense recognized directly in equity	-	-

### 7. DIVIDENDS PAID OR PROPOSED

	Half-Year Ended 31 Dec 2020 \$'000	Half-Year Ended 31 Dec 2019 \$'000
<b>Dividends Paid</b> Declared final fully franked ordinary dividend of NIL cents per share (FY19 : NIL cents per share).	-	-
<b>Dividends Proposed</b> The directors proposed that there will be an interim dividend paid to shareholders for the half year ended 31 December 2020 of 0.75 cent (FY20 H1: NIL Dividends paid). The dividend was approved on 24 February 2021, and the dividend will be payable on 12 April 2021.	-	-

### 8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Contract dispute

In the ordinary course of business, the Group receives claims against it which may involve litigation. In the event that a claim is successful, it is expected to be adequately covered by the insurance policies held by the Group. Where the outcome is probable and can be reasonably quantified, provision is made in these financial statements.

Proceedings have recently commenced against the group in relation to a legal matter, which the entity intends to defend. In the event the action is successful it is expected that the group's insurance policy will respond accordingly.

Bank guarantees and Surety Bonds as 31 December 2020 amounted to \$9.39 million. (31 December 2019: \$3.91 million).

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

The Group has benefited from government support package as a result of COVID-19 during the period.

#### *JobKeeper Scheme (Australia)*

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of \$0.6 million (2019: nil) were received under the Australian Federal Government's JobKeeper scheme. The entity became eligible for the Scheme from May 2020 and as of September no longer received any payments under the Scheme. The Group remains registered under the Scheme if its circumstances were to change until the scheduled completion on 28 March 2021. The amounts were paid to employees in line with government's objectives of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve. The amounts received have been recognised as other income in the statement of profit or loss.

### 10. EMPLOYEE SHARE PLAN

During the period NIL (FY20 H1: NIL) Treasury Shares were issued to employees under the existing Employee Share Plan.

### 11. PERFORMANCE RIGHTS PLAN

The Managing Director and Key Management Personnel participate in the Saunders International Performance Rights Plan. This plan is part of the long term incentive component of the Managing Director and members of the senior leadership team's remuneration package. During the period a total number of 748,747 (FY20 H1: 1,181,958) Performance Rights were issued under the plan.

### 12. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the half year 31 December 2020, there continues to be considerable economic impacts in Australia and globally arising from the outbreak of the COVID-19 virus and Government actions to reduce the spread of the virus. The Group continues to closely monitoring the developments and the implications of the spread of the COVID-19 virus, the advice from health and government authorities and the World Health Organisation.

Saunders has and continues to actively monitor the rapidly changing impact of COVID-19 (Coronavirus) across the Group's operations. The Group has taken decisive action and a pro-active approach to the current situation ensuring that the safety of our teams has been at the forefront of all decisions.

Saunders has implemented a rigorous set of company procedures and protocols to ensure safe operational continuity. To date, there has been no confirmed cases of COVID-19 at Saunders and the Group is well prepared if this position is to change.

Saunders has monitored the outcomes of these impacts on our projects and work sites, which include:

- Reduced productivity across some sites (including Saunders' precast facility) due to the increased requirements to ensure that relevant social distancing guidelines are being adhered to
- Delayed receipt of material due to impacts of freight channels for our international supply chain other logistic constraints
- Interstate travel restrictions preventing specialist project personnel from being able to attend certain sites

Saunders continues to work through the detailed scenarios and business continuity planning to minimise these supply chain and other operational business interruptions.

Although Saunders has reported a solid result for the period ending 31 December 2020, COVID-19 has impacted the potential result. The pandemic has resulted in resourcing constraints across some of our sites as result of border closures, logistics delays from our offshore supply chain and reduced productivity due to the implementation of social distancing measures. The financial effects arising from these issues have been included in the interim results for the period ending 31 December 2020.

The directors are not aware of any matter or circumstance, not already disclosed, occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The Board declared on 24 February 2021 that there will be an interim dividend payable of 0.75 cents per share fully franked for FY21-H1. (FY21-H120 Nil dividend paid). The dividend will be payable on 12 April 2021 with the record date for determining dividends on 17 March 2021

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. SHARE CAPITAL

105,291,221 issued ordinary shares  
(June 2020: 104,726,252)

Less: 1,878,125 Treasury shares issued under  
employee share plan (June 2020: 1,878,125)

Issued and fully paid ordinary shares  
(June 2020: 102,848,127)

Number of Ordinary Shares	Half-Year Ended 31 Dec 2020 \$'000	Full-Year Ended 30 June 2020 \$'000
105,291,221	19,979	19,701
(1,878,125)	(351)	(351)
<b>103,413,096</b>	<b>19,628</b>	<b>19,350</b>

June 2020 – Issued Ordinary Shares

Rights and Shares Issued

Less: Employee share plan issued

**December 2020 – Issued Ordinary Shares**

Number of Ordinary Shares	\$'000
104,726,252	19,701
564,969	278
(1,878,125)	(351)
<b>103,413,096</b>	<b>19,628</b>

The Managing Director and certain Key Management Personnel participate in the Saunders International Rights Plan. This plan is part of the long term incentive component of the respective remuneration packages. The total number of Performance Rights issues under the plan was 564,969 as at 31 December 2020.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. TREASURY SHARES AND RESERVES

	Half-Year Ended 31 Dec 2020 \$'000	Full-Year Ended 30 Jun 2020 \$'000
Treasury Shares	(351)	(351)
Share-based payments reserve	650	581
	299	230
<b>Share Based Payments Reserve Movement</b>		
Balance at Beginning of period	776	623
Share based payments expense	228	7
Shares issued	(354)	(49)
Balance at end of period	650	581
<b>Treasury Shares Under Employee Share Plan</b>		
Balance at Beginning of period	(351)	(351)
Treasury shares issued	-	-
Treasury shares vested	-	-
Balance at end of period	(351)	(351)

**Treasury shares** are ordinary shares in the company which are offered to employees under the Employee Share Plan and are deducted from equity until the vesting date of the shares.

#### Share-based Payments reserve

The share-based payments reserve is for the fair value of options and performance rights granted and recognised to date but not yet exercised, and treasury shares purchased and recognised to date which have not yet vested.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. EARNINGS PER SHARE

	Half-Year Ended 31 Dec 2020 Cents per share	Half-Year Ended 31 Dec 2019 Cents per share
Basic earnings per share	2.63	0.51
Diluted earnings per share	2.58	0.50
	2020 \$000	2019 \$000
Net profit for the period	2,713	520
	Number	Number
<b>Basic earnings per share</b>		
Weighted average number of issued and paid ordinary shares for the purpose of basic earnings per share	103,219,656	102,848,127
<b>Diluted earnings per share</b>		
Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS	103,219,656	102,848,127
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	1,794,847	1,785,763
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	105,014,503	104,633,890

(a) During the half year ended 31 December 2020 the potential ordinary shares associated with the employee share option plan as set out in Note 13 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights are dilutive and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

### 16. REVENUE BY BUSINESS SEGMENTS

The Group operates in one reporting segment being the design, construction, and maintenance of steel storage tanks, concrete bridges and structural mechanical piping.

In the current period 2 customers made up 35% of the revenue earned (FY20 H1: 2 customers made up 28% of the revenue earned).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest Dec 2020	Ownership Interest Jun 2020
<b>Parent Entity</b>			
Saunders International Limited	Australia		
<b>Subsidiaries</b>			
Saunders Asset Services Pty Limited	Australia	100%	100%
Saunders Civilbuild Pty Ltd	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Australia	100%	100%
Saunders PNG Limited	PNG	100%	100%

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models. The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair value

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The directors of Saunders International Limited declare that:

- a) in the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Mark Benson  
Managing Director



Timothy Burnett  
Chairman

Sydney  
26 February 2021