

APPENDIX 4D



HALF YEAR REPORT

24TH FEBRUARY 2022

ASX Appendix 4D

Half Year Results for Announcement 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 2021	31 December 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	December 2021 \$’000	December 2020 \$’000	Change \$’000	Change %
Revenue from Ordinary activities	46,399	53,349	(6,950)	(13.0%)
Net (Loss)/Profit after Tax	2,802	2,713	89	3%
Net (Loss)/Profit After Tax Attributable to Members	2,802	2,713	89	3%

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 2021	11 April 2022	1.00	30%
Final Dividend	30 June 2021	11 October 2021	1.75	30%
Interim Dividend	31 December 2020	12 April 2021	0.75	30%

4. NET TANGIBLE ASSETS BACKING

Net Tangible Assets per share	Current Period cents	30 June 2021 cents	Previous Corresponding period cents
Net Tangible Assets per share	\$0.28	\$0.27	\$0.24

This Half Year Report should be read in conjunction with the Annual Report of Saunders International Limited as at 30 June 2021 together with any public announcements made by Saunders International Limited during the half year ended 31 December 2021 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

5. REVIEW STATUS

The HY21 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

Saunders International acquired the assets of PlantWeave Technologies on 1 August 2021 with Saunders PlantWeave becoming a wholly owned subsidiary of Saunders International. There was no other material control over any entity gained or lost during the six months ended 31 December 2021.

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ABN 14 050 287 431

INTERIM CONSOLIDATED FINANCIAL REPORT

for the half-year ended

31 December 2021

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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 2021.

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

REVIEW OF OPERATIONS

COVID-19

Saunders continues to navigate well through the ever-changing COVID-19 pandemic. There were certain periods in the financial year when the business was impacted due to work stoppages and additional restrictions implemented by State and Federal governments. The financial impacts arising from these issues have been included in the interim results for the period ending 31 December 2021.

Saunders remains focused on the safety of all our staff, our customers and the communities we operate within.

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

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Revenue	46,399	53,349
Profit before tax	4,016	4,031
Income tax (expense)	(1,214)	(1,318)
Profit attributable to the members of Saunders International Limited	2,802	2,713

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

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit before income tax	4,016	4,031
Interest expense on loans and hire purchase finance charges	47	48
Depreciation of owned, hire purchase and right of use assets	1,084	940
EBITDA	5,147	5,019

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. Through Saunders PlantWeave the Group are able to provide industrial automation and process controls activities.

Saunders' revenue for the half-year is \$46.40 million, a decrease of (\$6.95 million) or (13%) over (FY21-H1: \$53.35 million) and the NPAT was a profit of \$2.80 million, an improvement of \$0.09 million (FY21-H1: \$2.71 million), EBITDA for the half-year is \$5.15 million, an improvement of \$0.13 million (FY21-H1: \$5.02 million).

Earnings per share for the period is 2.69 cents (FY21-H1: 2.63 cents).

The operational teams have continued to successfully deliver projects contributing to an improvement in gross margin in the period. The positive operational project delivery coupled with the proactive culture of working capital management embedded into the Group has resulted in the strengthening of Saunders' financial position at the half year. Additionally, the Group continues to negotiate advanced payments on new contracts which contributed to an increase in our cash and cash equivalents to \$30.54 million (FY21: \$23.82 million). The Group has no interest-bearing loans, except for finance leases and insurance premium funding.

Key highlights include:

- Strong Safety performance with 3.7 million hours LTI free.
- Secured \$165 million contract with Crowley for the design and construction of fuel storage tanks and EPCM services for the construction of a US Defence Fuel Storage facility in Darwin.
- Strong operating cash flow of \$9.15 million and strengthened balance sheet.
- Acquired and successfully integrated Saunders PlantWeave.
- Increased Bank Guarantee and Surety facilities from \$20 million to \$25 million to support future growth.
- Leading Australian contractor for the construction and installation of Geodesic Dome Roofs, with seven roofs safely installed over the past year.

OUTLOOK

Saunders work in hand as at 31 January 2021 is at record levels at \$223 million and will underpin the Group's performance for the remainder of FY22 into FY23. There continues to be an increased level of new project opportunities across Saunders' operating sectors, which are forecast to continue to grow as a result of significant public and private investment in infrastructure. The short-term opportunities for the Group remain consistent from FY21 with a continued focus on:

- Australia's Diesel Storage Program – there are currently eight projects to be awarded within the grant program.
- Defence – expanding on our services offering in this high growth sector.
- Continued involvement in the NSW Government's "Fixing Country Bridges" program.

Tendering activity shows the value of live tenders at \$513 million, including \$190 million of preferred contractor status projects. The pipeline (yet to be tendered) is at \$516 million.

Saunders has entered the second half of FY22 with a strong platform for growth, which will continue into FY23. Although, uncertainty remains due to COVID-19 the Group is confident that its strong order book and the forecast growth in the sectors we operate in, will lead to continuing to report strong earnings.

Saunders' revised revenue for the FY22 is expected to be between \$115-\$130 million with EBIT expected to be between 6.5% to 7.5%. As always, this revised guidance will be dependent on project delays and any further impacts of COVID-19 on our clients, employees and our supply chains.

DIVIDEND

The Board declared on 22 February 2022 that there will be an interim dividend payable of 1.00 cents per share fully franked for FY22-H1 (FY21-H1 0.75 cents dividend paid). The dividend will be payable on 11 April 2022 with the record date for determining dividends on 15 March 2022.

DIVIDEND REINVESTMENT PLAN

The Board has resolved for the Dividend Reinvestment Plan (DRP) to remain active. 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

Sydney
24 February 2022



Timothy Burnett
Chairman

The Board of Directors
Saunders International Limited
Level 2, 1F Homebush Bay Drive
Rhodes NSW 2138

24 February 2022

Dear Board Members

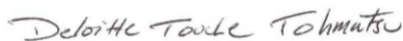
Saunders International Limited

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 2021, 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

Report on the Half-Year Financial Report

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 2021, and the condensed consolidated statement of profit or loss and other 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:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of 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*.

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

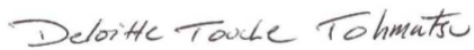
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation 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 2021 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*.

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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



David Sartorio
Partner
Chartered Accountants
Parramatta, 24 February 2022

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Continuing Operations			
Revenue	5	46,399	53,349
Other income	5	836	617
Materials and third-party costs charged to projects		(26,851)	(33,424)
Employee benefits expense		(13,870)	(13,201)
Depreciation expense	5	(1,084)	(940)
Finance costs	5	(47)	(48)
Motor vehicle expenses		(136)	(152)
Occupancy and operating lease expense		(222)	(136)
Other expenses		(1,009)	(2,034)
Profit before tax		4,016	4,031
Income tax (expense)	6	(1,214)	(1,318)
Profit for the period		2,802	2,713
Other comprehensive income		-	-
Total comprehensive income for the period		2,802	2,713
Attributable to:			
Equity holders of the parent		2,802	2,713
Earnings per share			
Basic (cents per share)	15	2.69 cents	2.63 cents
Diluted (cents per share)	15	2.62 cents	2.58 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 2021

	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current Assets			
Cash and cash equivalents		30,537	23,816
Trade and other receivables		5,114	10,258
Contract Assets		7,076	2,884
Inventories		391	163
Other		810	151
Total Current Assets		43,928	37,272
Non-Current Assets			
Property, plant and equipment		10,711	10,473
Right-of-use assets		2,147	2,534
Intangible asset	19	321	-
Deferred tax assets		374	63
Total Non-Current Assets		13,553	13,070
Total Assets		57,481	50,342
Current Liabilities			
Trade and other payables		10,694	10,725
Contract Liabilities		8,323	5,684
Lease Liabilities		728	704
Provisions		3,594	2,642
Current tax liability		2,053	524
Borrowings		768	-
Total Current Liabilities		26,160	20,279
Non-Current Liabilities			
Provisions		707	237
Lease Liabilities		1,350	1,719
Total Non-Current Liabilities		2,057	1,956
Total Liabilities		28,217	22,235
Net Assets		29,264	28,107
Equity			
Issued capital	13	21,195	20,687
Treasury share reserve	14	(674)	(674)
Share based payments reserve	14	577	736
Retained earnings		8,166	7,358
Total Equity		29,264	28,107

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Issued Capital	Treasury Shares issued under employee share plan	Share Based Payments Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2020	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
Balance at 31 December 2020	19,979	(351)	650	5,321	25,599
Balance at 30 June 2021	20,687	(674)	736	7,358	28,107
Profit for the period				2,802	2,802
<i>Transactions with owners in their capacity as owners</i>					
Dividend paid	63	-	-	(1,863)	(1,800)
Rights & share issues net of costs and income tax expense	445	-	(314)	-	131
Share based payments expense	-	-	155	(131)	24
Balance at 31 December 2021	21,195	(674)	577	8,166	29,264

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities		
Receipts from customers	55,324	59,776
Payments to suppliers and employees	(46,123)	(54,378)
Interest received	-	1
Finance costs paid	(47)	(48)
Net cash inflow / (outflow) from operating activities	9,154	5,351
Cash flows from investing activities		
Payments for property, plant and equipment	(922)	(844)
Proceeds received in sale of assets	12	7
Payments for right-of-use assets	-	(32)
Payments for business acquisition	(185)	-
Net cash used in investing activities	(1,095)	(869)
Cash flows from financing activities		
Dividends paid to shareholders	(1,800)	-
Proceeds from Borrowings	1,407	1,173
Repayment of Borrowings	(639)	(534)
Repayment of lease liabilities	(345)	(277)
Net cash inflow/(outflow) from financing activities	(1,377)	362
Net increase / (decrease) in cash and cash equivalents	6,682	4,844
Cash and cash equivalents at the beginning of the period	23,816	11,085
Effects of exchange rate fluctuations on cash held	39	(132)
Cash and cash equivalents at the end of the financial period	30,537	15,797

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 2021 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 2021. 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 JobSaver/JobKeeper schemes 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	Half-year Ended 31 Dec 2021 \$'000	Half-Year Ended 31 Dec 2020 \$'000
Engineering & Construction	Over time	19,686	21,315
Services	Over time	10,994	16,059
Fabrication & Construction	Over time	15,719	15,974
Total revenue		46,399	53,348

5. PROFIT/(LOSS) FOR THE PERIOD

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

	Note	Half-Year Ended 31 Dec 2021 \$'000	Half-Year Ended 31 Dec 2020 \$'000
Revenue			
Sales revenue		46,399	53,348
Interest revenue		-	1
Total revenue		46,399	53,349
Other income			
JobSaver/JobKeeper subsidy (Government grants)	9	744	598
Others		92	19
		836	617
Expenses			
Cost of sales		37,701	44,554
Depreciation of:			
- Buildings		14	14
- Plant and equipment		650	578
- Computer, furniture and fixtures		101	90
- Right of use assets		319	258
Total depreciation expense		1,084	940
Total finance on lease liabilities costs		47	48

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

	Half-Year Ended 31 Dec 2021 \$'000	Half-Year Ended 31 Dec 2020 \$'000
Current tax relating to current period	1,511	(2)
Deferred tax	(297)	1,320
Total Income Tax Expense/(Benefit)	1,214	1,318

7. DIVIDENDS PAID OR PROPOSED

	Half-Year Ended 31 Dec 2021 \$'000	Half-Year Ended 31 Dec 2020 \$'000
Dividends Paid Declared final fully franked ordinary dividend of 0.75 cent per share and a special fully franked dividend of 1.00 cents per share (FY21 : NIL cents per share).	1,863	-
Dividends Proposed The directors proposed that there will be an interim dividend paid to shareholders for the half year ended 31 December 2021 of 1.00 cent (FY21 H1: 0.75 cents Dividends paid). The dividend was approved on 22 February 2022, and the dividend will be payable on 11 April 2022.	-	-

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 Group 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 2021 amounted to \$15.70 million. (31 December 2020: \$9.391 million). The Group has combined Bank guarantees and Surety Bond facilities of \$25.00 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.

JobSaver Scheme (Australia)

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of \$0.74 million (2020: \$0.59 million) were received under the NSW Governments JobSaver scheme. The entity became eligible for the Scheme from August 2021 and as of September 2021 no longer received any payments under the Scheme. 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 (FY21 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 691,199 (FY21 H1: 748,747) Performance Rights were issued under the plan.

12. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the half year 31 December 2021, there continues to be considerable economic impacts in Australia and globally arising from continued mutations of COVID-19 virus and Government actions to reduce the spread of the virus.

As COVID-19 continues to evolve Saunders will monitor the impact on the business and ensure it continues to comply with all Government regulations and advise whilst continuing to communicate COVID-19 procedures and protocols to our teams, customers and communities to ensure their safety remains our first priority.

Saunders continues to work through the detailed scenarios and business continuity planning to minimise these supply chain and other operational business interruptions. The financial effects arising from these issues have been included in the interim results for the period ending 31 December 2021.

The Board declared on 22 February 2022 that there will be an interim dividend payable of 1.00 cents per share fully franked for FY22-H1 (FY21-H1 0.75 cents dividend paid). The dividend will be payable on 11 April 2022 with the record date for determining dividends on 15 March 2022.

The directors are not aware of any other matter or circumstance, not already disclosed, occurring subsequent to the end of the financial half 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

107,710,301 issued ordinary shares
(June 2021: 106,335,692)

Less: 2,466,250 Treasury shares issued under
employee share plan (June 2021: 2,345,625)

Issued and fully paid ordinary shares
(June 2021: 103,990,067)

Number of Ordinary Shares	Half-Year Ended 31 Dec 2021 \$'000	Full-Year Ended 30 June 2021 \$'000
107,710,301	21,869	21,361
(2,466,250)	(674)	(674)
105,244,051	21,195	20,687

June 2021 – Issued Ordinary Shares

Rights and Shares Issued

Less: Employee share plan issued

December 2021 – Issued Ordinary Shares

Number of Ordinary Shares	\$'000
103,990,067	20,687
1,374,609	508
(120,625)	-
105,244,051	21,195

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 issued under the plan was 1,169,559 as at 31 December 2021. There was a further issue of 120,625 shares as part of the Saunders Employee share. Under the dividend reinvest plan further 84,425 shares were issued in the period.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TREASURY SHARES AND RESERVES

	Half-Year Ended 31 Dec 2021 \$'000	Full-Year Ended 30 Jun 2021 \$'000
Treasury Shares	(674)	(674)
Share-based payments reserve	577	736
	(97)	62
Share Based Payments Reserve Movement		
Balance at Beginning of period	736	776
Share based payments expense	155	315
Shares issued	(314)	(355)
Balance at end of period	577	736
Treasury Shares Under Employee Share Plan		
Balance at Beginning of period	(674)	(351)
Treasury shares issued	-	(323)
Treasury shares vested	-	-
Balance at end of period	(674)	(674)

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 2021 Cents per share	Half-Year Ended 31 Dec 2020 Cents per share
Basic earnings per share	2.69	2.63
Diluted earnings per share	2.62	2.58
	2021 \$000	2020 \$000
Net profit for the period	2,802	2,713
	Number	Number
Basic earnings per share		
Weighted average number of issued and paid ordinary shares for the purpose of basic earnings per share	104,306,909	103,219,656

Diluted earnings per share

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	104,306,909	103,219,656
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	2,806,512	1,794,847
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	107,113,421	105,014,503

(a) During the half year ended 31 December 2021 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, structural mechanical piping, industrial automation and controls.

In the current period 5 customers made up 39% of the revenue earned (FY21-H1: 2 customers made up 35% of the revenue earned).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest Dec 2021	Ownership Interest Jun 2021
Parent Entity			
Saunders International Limited	Australia		
Subsidiaries			
Saunders Asset Services Pty Limited	Australia	100%	100%
Saunders Civilbuild Pty Ltd	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Australia	100%	100%
Saunders PlantWeave	Australia	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.

19. INTANGIBLE ASSETS

On 30 July 2021, the Group acquired Plantweave Technologies (PlantWeave), a specialist in industrial process automation and electrical solutions. The purchase was made with the Group's cash reserves and resulted in recognition of intangible assets of \$321,313.

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

Sydney
24 February 2022



Timothy Burnett
Chairman