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Annual Report

**2022**

# Contents

2022 Performance Highlights	2
Sustainability	3
Our Commitment	5
Chairman & CEO Letters	7
Board & Executive Team	11
Our Company	13
Services & Sectors	15
Our Values	17
Our People	19
Financial Report	21
Director's Report	23
Auditor's independence Declaration	36
Independent Auditor's Report	37
Director's Declaration	41
Consolidation Statement of Profit or Loss & other comprehensive income	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Changes in Equity	44
Consolidated Statement of Cash Flows	45
Notes to the Financial Statements	46
Appendices	79
Corporate Governance Summary	81
Additional Shareholder Information	82
Corporate Directory	84

## ACKNOWLEDGEMENT TO COUNTRY

Saunders respectfully acknowledges the Traditional Owners and Custodians of the country and their connection to land, sea and community. We pay our respects to their cultures and to Elders past, present and emerging.

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# Performance Highlights

Record revenue and earnings achieved through global, environmental and economic uncertainty.

REVENUE

**\$129.9M**

EBIT

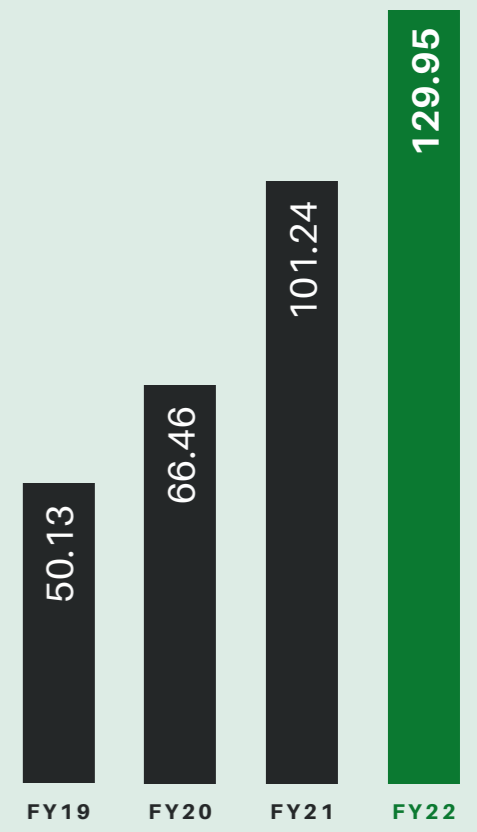
**\$9.4M**

CASH

**\$36.7M**

ORDER BOOK

**\$192.9M**



The outlook for Saunders remains positive

# Sustainability

Saunders' approach to Safety, Health, Environment and Quality (SHEQ) focuses on creating a workplace culture that promotes safety, integrity, innovation, teamwork and leadership.

Saunders' success in delivering consistent project excellence is shaped by our "OneTeam" culture and underpinned by our robust risk management systems. We proactively identify critical risks in our operations and implement strategies and systems to minimise the risk to our people, our customers and our communities.



## ENVIRONMENTAL

- Reduction of water consumption
- Waste management
- Recycling, re-use, repurpose
- Resource management
- Sustainable materials usage



## SOCIAL

- Diversity & social inclusion
- Mental health & wellbeing initiatives
- Promoting female participation
- Education & skills development
- Support of charitable organisations
- Engagement with various Indigenous vendors



## GOVERNANCE

- Formal strategy development
- Published policies & procedures
- Structured documents & safety systems
- Stakeholder engagement
- Formal commercial processes

# 4.3 million hours

WITHOUT A LOST TIME INJURY (LTI)



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# Our Commitment

As an Australian company, it is our responsibility to cultivate diversity and inclusion in our workplace. To empower all cultures and demographics and increase the representation of our First Nations peoples.

To represent Saunders' commitment to Indigenous inclusion, we approached First Nation artist, Sharon Smith to create an artwork that communicates the coming together of our two cultures.

This artwork hangs in our head office as a reminder of our company's dedication to togetherness and understanding of culture.

"When I paint, I think about how our ancestors worked and looked after the land. This painting represents our Indigenous heritage and an Australian company, Saunders International, coming together to listen, share our stories and work together to protect and maintain our environment. It's a part of healing and understanding the importance of belonging, which helps create a connection to community and culture. The travelling tracks in the painting represent meeting places where men and women come together as one."

- Sharon Smith (Wiradjuri Artist)

## CORPORATE CITIZENSHIP



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Dear Shareholder,

I present the Chairman's Letter for the 2022 Annual Report. FY22 has been a year of very significant achievements for Saunders.

The Company delivered an improved financial performance as detailed in this Annual Report. Saunders' market cap has been over \$100 million for most of 2022 to date. We have ended the year with a strong balance sheet supported by over \$36.7 million cash. We have continued to pay fully franked dividends and we have increased surety facility to cater for the growing value of the projects we are undertaking.

On the project front, a very significant achievement was to win a \$165 million contract to design and construct a US Defence Fuel Storage Facility near Darwin. During the year, Saunders also undertook several substantial projects at Australian defence facilities. These projects are confirming our capability to expeditiously deliver new defence infrastructure and upgrade existing defence fuel facilities.

We have faced several adverse headwinds during this last year.

Most of our construction work is conducted out-doors and the record rainfall and flooding events, especially in NSW, have adversely impacted productivity and increased costs, especially in our bridge building and concrete pre-casting operations. Continuous improvement is an ongoing objective for the Saunders Management Team. We are recalibrating our weather risk assessments and related commercial framework for climate change impacts going forward.

Other adverse headwinds during the year included Covid-related workforce absenteeism, supply chain logistic delays impacting optimum project planning and the tight supply of skilled workforce to meet our growth objectives.

The management team have worked exceptionally hard to upscale our capability, increase our workforce numbers and train new employees whilst dealing with the impacts of the headwinds. I have high praise for the quality, resilience and efforts of our management team and workforce. This is the main reason why we have delivered the improved financial result despite the headwinds.

Dramatic changes in the geopolitical security landscape have emerged in eastern Europe and the western Pacific Ocean in the last year. These ongoing conflicts and tensions have heightened awareness in Australia of the need to be more self-reliant in terms of industrial capability, fuel security storage and defence infrastructure. Saunders is well placed to benefit in the medium term from the opportunities that will come to market because of this changing security landscape.

The Company has started FY23 with the solid foundation of a substantial orderbook of \$193 million.

I am pleased that last year's acquisition of Plantweave has been successfully integrated and is contributing to the broader capabilities that we can offer industrial and defence clients. Our strategic plan is to grow Saunders size and diversify its capability. This is an active ongoing initiative. Objectives include water sector infrastructure, electrical power distribution infrastructure, industrial process automation and remote monitoring and control technology.

The safety of our employees is our highest priority. We continually review safety performance and invest in improvements of the safety processes and systems.

The Board and the Management Team are committed to the ongoing improvement of our systems, procedures and safety culture. I am pleased that proactive and ongoing management and employee involvement has enabled the Company to achieve an industry-leading TRIFR rate of 1.57.

I wish to thank our many long-term and loyal shareholders for their confidence in the Board and the Management Team to diversify the source of reliable income streams and grow financial performance of the Company into the future.

I thank my fellow directors and on behalf of the board, I wish to thank all Saunders employees for their efforts during the year.

Timothy Burnett  
Chairman

Dear Fellow Shareholders

Saunders has successfully delivered another a year of record revenue and increased earnings. I am proud to report that this has been achieved in a global environment of economic uncertainty, pandemic impacts, climate-related challenges, labour shortages and supply issues, further impacted by the Ukraine-Russia conflict. It is a tribute to our team of resilient people, who have individually and collectively contributed to these achievements for the third year in a row.

**KEY SUCCESSES**

In 2021, we were awarded the largest contract in the company's history, to build 11 fuel storage tanks within 22 months, in support of the US Defence Force. Project Caymus is progressing and scheduled to be on target for delivery. Recruitment of key personnel is complete and all major subcontracts for the tank construction phase are now in place. The project is 31% complete and the balance of plant works packages will be issued to the market over the coming months.

The PlantWeave acquisition is now complete, and the company is fully integrated into the Saunders Group. We are already seeing the benefits of providing our clients with industrial automation and cyber security solutions across several projects.

Our commitment to achieve Zero Harm, remains a key focus for Board and Management. The strong safety performance this year, has been achieved through greater emphasis on pro-active reporting measures, ongoing reviews of near-miss incidents, and regular management engagement with teams on-site. We work hard to prevent injuries before they occur. Our unique approach, in keeping with our 'Raise-the-Bar' initiative, is to encourage a culture of safety with direct on-site involvement from the Board and Executive team. Management members are rostered to routinely attend project sites and directly engage with the project teams at the daily pre-start team meeting and then on-site to view works in progress.

Our Total Recordable Injury Frequency Rate (TRIFR) is 1.57 and the company preserved its record of 4.3 million hours without a lost-time injury.

Our 70th anniversary celebrations were held across the country, where we handed 'Years of Service' awards to our staff. I am proud to report that our people who received these awards have stayed with the company for an average of 14 years. In addition, over 20 nationalities are represented within a total of 350 plus staff.

As part of our commitment to accelerating diversity and inclusion, and as an Australian company, I am pleased to say that we have had a defining moment in the company's 70-year history. Representing Saunders' commitment to indigenous inclusion, we engaged the talents of Wiradjuri Artist, Sharon Smith, to create an artwork exclusive to Saunders, that represents "the coming together of our two cultures. We listen, share our stories and work together to protect and maintain our environment." The original artwork proudly hangs in the Boardroom of our corporate office and will be represented graphically across our marketing collateral. It will serve as a constant reminder of our company's dedication to the healing, reconciliation and understanding of our Indigenous heritage.

**BUSINESS HIGHLIGHTS**

Revenue for the Group has increased by \$28.7m to \$129.9m. EBIT increased by \$1.3m to \$9.4m. The record revenue performance of the Group over the past 12 months is due to the combination of strong operational project execution across the business and increased opportunities within the markets where we operate. Our infrastructure service projects primarily based in NSW, were materially impacted by the severe flooding and weather events in the NSW regions.

Saunders' balance sheet remains robust, supported by strong cash generation across the Group and effective working capital management discipline.

The Group's cash at \$36.7m is an increase of \$12.9m, which was the result of \$19.8m cash generated from operating activities.

This was driven by the combination of working capital management discipline and the receipt of billings in advance for Project Caymus. The Group's bank guarantee and bond surety facilities have increased to \$30 million, a \$5 million increase on the previous year, providing the Group with the support needed for its current and future opportunities.

The decision from the Board to declare total dividends for the year of 3.0 cents is reflective of the strong operational performance reported. Final dividend declared for FY22 was 1.0 cent with a special dividend of 1.0 cent, which represents an earnings payout ratio of approximately 50.0% of reported NPAT.

**FUTURE PRIORITIES**

Saunders recognises the environmental and social risks that impact its activities and proactively reviews these, taking appropriate and prompt actions to manage these risks. Climate change and safety risks have been included in the internal management process governing our investment decisions.

The Group has revised its strategic plan to focus on pursuing targeted initiatives intended to drive medium to long-term growth. This includes increasing our support of the Defence, Oil and Gas, and Infrastructure sectors, while positioning the company to redirect and expand its current capabilities into the New Energy sector. As this sector grows, Saunders will be ready to provide the comprehensive, full-asset lifecycle solutions that will be required.

We start the new year well-positioned to take advantage of opportunities across our services and sectors.

We offer attractive retention and incentive plans to counter the competitive labour market, and tighter commercial conditions to ensure our projects are protected from the impact of increasing costs, constrained logistics and inclement weather.

Over the past two years, Saunders has demonstrated its ability to navigate these challenges and we are in a strong financial and operational position to continue to mitigate them. Despite the uncertainties of a tightening labour market, inflationary pressures, supply chain costs, likely ongoing impacts from COVID-19 and severe weather events, the outlook for Saunders remains positive.

To ensure that we sustain the anticipated growth rate of the company, we have recruited key project delivery personnel and continue to improve our systems and process efficiencies. We have a solid operational platform, and a dedicated, capable management team. At the current record levels of our order book and the pipeline of new opportunities, we are confident that we can deliver another year of continued revenue and earnings growth.

The resilience with which Saunders navigates the current challenges, are based on the strength of our relationships with shareholders and clients and the ability of our people to work as one team. As I celebrate 7 years at the helm of the company, I would like to say it has been my privilege to work with our shareholders and clients and to extend my heartfelt gratitude to all our teams whose hard work and loyalty have helped to achieve these successes in unprecedented times. It is because of our people that I am confident Saunders will continue to thrive in the coming year.



**Mark Benson**  
Managing Director

# The Board



**MR TIMOTHY BURNETT**  
Chairman and Non-Executive Director

Mr. Burnett has been Chairman of Saunders since 2007 and a Non-Executive Director since 28 November 1990. He served as Managing Director of Saunders for 15 years. He has a BE and MBA degree and over 49 years of relevant industry experience managing projects and companies in the field of Engineering and Construction. Mr. Burnett is a member of the Remuneration Committee and a member of the Audit and Risk Committee. Other listed company directorships in the 3 years immediately before the end of the financial year - NIL.



**MR MARK BENSON**  
Managing Director and Chief Executive Officer

AdvDipMan, AdvDipProjMgt, GAICD - Mr. Benson has over 29 years of relevant industry experience in executive management roles in Engineering & Construction. He served as General Manager of RCR Energy before joining Saunders and has been Managing Director and Non-Executive Director since 10 August 2015. Other listed company directorships in the 3 years immediately before the end of the financial year - NIL.



**MR GREG FLETCHER**  
Non Executive Director

Mr. Fletcher - Bcomm/CA - has been Saunders' Non-Executive Director since 1 July 2015. He is the Chairman of the Saunders Audit & Risk Committee and member of the Remuneration Committee. Mr. Fletcher is also the Chairman of the NSW Electoral Commission, NSW eHealth / HealthShare Audit & Risk Committee, a member of the NSW State Transit Authority, TAFE NSW and NSW Health Infrastructure Audit & Risk Committee. He is Co-Vice Chairman of Yancoal Australia Limited and was a partner of Deloitte Touche Tohmatsu until 31 May 2009, and Deloitte Touche Tohmatsu has been the registered auditor of Saunders since the year ended 30 June 2007. Other listed company directorships in the 3 years immediately before the end of the financial year - Director Yancoal SNC Limited



**MR NICK YATES**  
Non Executive Director

Mr. Yates - BE - has been a Non-Executive Director of Saunders since 16 September 2020. He is a member of the Audit & Risk Committee and a member of the Remuneration Committee. Nick has over 35 years of relevant industry experience. Other listed company directorships in the 3 years immediately before the end of the financial year - Interim Chairman of BSA Limited.

# Executive Team



**RUDY SHERIFF**  
Chief Financial Officer



**ANGELO DE ANGELIS**  
Executive General Manager



**RICK BURKE**  
Operations Manager



**MATTHEW REDMOND**  
Operations Manager



**JONATHON BROMILOW**  
General Manager -  
Saunders Civilbuild



**STEVE BAILEY**  
Operations Manager



**ROBERT HARVEY**  
General Manager -  
Saunders PlantWeave



**FRANK KRAFT**  
General Manager -  
Business Development & Strategy



**CLAUDE POFFANDI**  
Commercial Manager



**KALA NOTLEY**  
People & Capability Manager



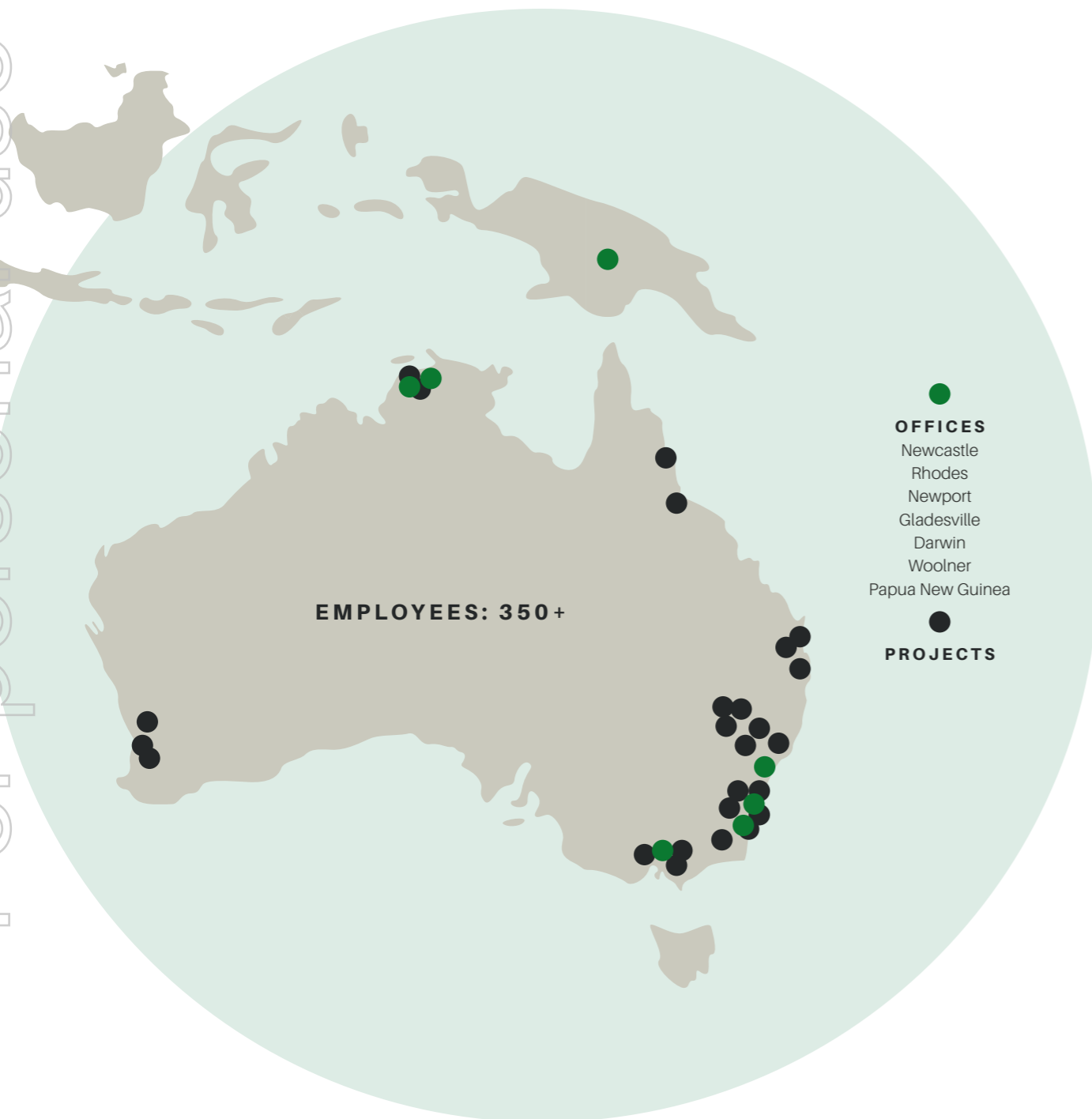
**WAYNE MASTELLO**  
SHEQ Manager



# Our Company

Saunders International Limited is a multi-disciplined engineering and construction company providing design, fabrication, construction, shutdown, maintenance and industrial automation services to leading organisations across Australia, and the Pacific Region. With over 70 years of experience, the Saunders Group provided innovative cost-effective solutions to the oil & gas, infrastructure, defence, water, power, new energy and mining & minerals sectors.

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We apply the experience of our capable team and innovative history to deliver excellence in everything we do.





Excellence  
in everything  
we do

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## Our Values

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Our core values reflect the principles and beliefs which shape the culture of our company and the approach to towards our business activities, our people, customers and the communities in which we operate.

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### ZERO HARM

#### ZERO HARM

We are committed to the practice of Zero Harm behaviour at work and at home

### ONETEAM

#### ONE TEAM

We are better together when we collaborate with each other and our customers

### RAISE THE BAR

#### EXCELLENCE

We commit to delivering excellence in everything we do



#### INNOVATION

We continually challenge ourselves to create innovative solutions for our customers



#### INTEGRITY

We hold ourselves to the highest standards and deliver on our commitments



#### RESPECT

We act with respect to our people, customers, communities and the environment

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# Our People

Our people continue to be the drivers of our success. Saunders' key priority is to ensure we provide an inclusive working environment where people feel safe, valued and able to meaningfully contribute to Saunders' growth.

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# FINANCIAL REPORT

FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2022

# Directors' Report

The Directors present their report on Saunders International Limited ("Saunders" or the "Group") for the financial year ended 30 June 2022 and the independent audit report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## DIRECTORS

The Directors as at the date of this Director's Report are:

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

Unless stated otherwise the above-named directors held office during the whole of the financial year and since the end of the financial year up to the date of this report.

## COMPANY SECRETARY

Rudy Sheriff acted in the Company Secretary role during the whole year and up to the date of this report.

## PRINCIPAL ACTIVITIES

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. The Group provides shut down solutions for industrial clients and through Saunders PlantWeave the Group are able to provide industrial automation and process controls activities.

## REVIEW OF OPERATIONS

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

	2022 \$'000	2021 \$'000
<b>Revenue</b>	<b>129,955</b>	101,242
<b>Profit before income tax</b>	<b>9,379</b>	8,085
<b>Income tax (expense)</b>	<b>(2,828)</b>	(2,543)
<b>Profit attributable to the members of Saunders International Limited</b>	<b>6,551</b>	5,542

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

	2022 \$'000	2021 \$'000
<b>Profit before income tax</b>	<b>9,379</b>	8,085
<b>Interest expense on loans and hire purchase finance charges</b>	<b>106</b>	95
<b>Depreciation of owned and hire purchase assets</b>	<b>1,590</b>	1,466
<b>Depreciation of right of use assets</b>	<b>656</b>	465
<b>EBITDA</b>	<b>11,731</b>	10,111

## REVIEW OF OPERATIONS (CONT.)

Saunders' revenue for the year is \$129.9 million, an increase of \$28.7m or 28.4% (FY21: \$101.2m). The NPAT was \$6.5 million, an improvement of \$1.0 million or 18.2% (FY21: \$5.5million), EBITDA was \$11.7 million, an improvement of \$1.6 million or 15.8% (FY21: \$10.1 million).

Earnings per share for the period was 6.24 cents (FY21: 5.36 cents).

Saunders has strengthened its financial position at year end with cash and cash equivalents of \$36.7 million (FY21: \$23.8 million). The Group has no interest-bearing loans, except for finance leases. Growth in larger project activity is expected to continue into FY23 with cash reserves gradually strengthening due to margin realisation.

The record revenue performance of the Group over the past 12 months is due to a combination of strong operational execution of projects across the Group and increased opportunities in the markets within which the Group operates.

The positive financial results were delivered in FY22 despite the evolving COVID-19 pandemic, major weather events and flooding across parts of NSW which materially impacted our Infrastructure Services.

## Key Highlights

- Safety performance remains strong as we continue to grow our employee numbers, achieving an industry leading performance with TRIFR of 1.57. The Group has commenced both Federal Safety Commission (FSC) and Defence Industry Security Program (DISP) accreditations.
- PlantWeave Technologies fully integrated within Saunders systems. Initial feedback from Saunders existing customers has been positive.
- 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.
- Leading Australian contractor for the construction and installation of Geodesic Dome Roofs for storage tanks, with seven roofs safely installed over the past year and a further 13 roofs to be installed over FY23.
- Strong financial results despite the changing operating landscape due to the COVID-19 pandemic and significant inclement weather in most parts of NSW materially impacting infrastructure services.
- Continued geographical expansion with new offices established in Victoria to support our long-term industrial customers, in the Northern Territory to support Project Caymus, other major projects and new opportunities in the region.
- Secured a further \$5 million increase to surety facility. The new \$30 million limit across our bank guarantees and surety facility will support our current orderbook and the strong pipeline of opportunities.
- Continued focus on Environmental, Social and Governance matters across the Group.

## Outlook

Saunders Work in Hand as at 30 June 2022 is \$192.89 million (FY21: \$83.34 million).

Tendering activity shows the value of live tenders as at 30 June 2022 was \$482 million. The pipeline (yet to be tendered) is at \$827 million. This strong pipeline of opportunities reflects the Group's diversification across each of the operating sectors and represents a mix of new and existing customers. The Group is well positioned on a number of significant near-term opportunities.

The Group has revised its strategic plan to focus on pursuing targeted initiatives intended to drive medium to long-term growth. This includes increasing our support of the Defence, Oil and Gas and Infrastructure sectors, while positioning the company to redirect and expand its current capabilities into the New Energy sector. As this sector grows, Saunders will be ready to provide the comprehensive, full asset lifecycle solutions that will be required.

We start the new year well-positioned to take advantage of opportunities across our services and sectors. We offer attractive retention and incentive plans to counter the competitive labour market, and tighter commercial conditions to ensure our projects are protected from the impact of increasing costs, constrained logistics and inclement weather.

## Employees

The Group's total workforce managed by Saunders was approximately 350.

Saunders remain focused on investing in people and capability to ensure the achievement of our vision and strategic objectives.

The directors wish to take this opportunity to thank the entire Saunders Team for their continued dedication in safely delivering the financial results through another challenging year.

## REVIEW OF OPERATIONS (CONT.)

### Safety & Environment

The Group is committed to the safety of our people and customers and the communities in which we operate. During the year, Saunders Total Recordable Injury Frequency Rate (TRIFR) was 1.57.

The Group has continued to preserve its lost time injury free record of zero after circa 4.3 million hours. The environment has always been a focus for the Group, and we continue the journey of improving our sustainability and climate change initiatives.

The Group recognises the material environmental and social risks that are relevant to its activities and takes action to manage those risks. Discussion across a range of sustainability related topics, including climate change and safety, occur frequently at Board meetings. Climate change risk has been included in the internal management process governing investment decisions.

The Board provides oversight and strategic direction to sustainability and has ultimate responsibility for our Company's consideration of climate-related risk. It is guided by our Audit and Risk Committee.

### Earnings per share

The basic and diluted earnings per share is calculated using the weighted average number of shares. This shows the basic earnings per share of 6.24 cents (FY21: 5.36 cents) and diluted earnings per share of 6.07 cents (FY21: 5.21 cents).

### DIVIDEND

The Board declared on 24 August 2022 that there will be a final dividend payable of 1.00 cents per share fully franked and special dividend of 1.00 cents per share fully franked (FY21 0.75 cents per share final dividend : 1.00 cents per share special dividend paid). Both dividends will be payable on 10th October 2022 with the record date for determining dividends on 13th September 2022.

The board has decided to deactivate the (DRP) Dividend reinvestment plan and it will not be offered in this dividend payment.

### DIRECTORS ATTENDANCE AT MEETINGS

#### Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2022, held during the period that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Timothy Burnett	10	10	4	4	4	4
Mark Benson	10	10	4	4	4	4
Greg Fletcher	10	10	4	4	4	4
Nicholas Yates	10	10	4	4	4	4

## INFORMATION ON DIRECTORS

Information on the directors who held office during and since the end of the financial year is as follows:-

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Timothy Burnett	<ul style="list-style-type: none"> <li>Non-executive Chairman</li> <li>Member of the Audit &amp; Risk Committee</li> <li>Member of the Remuneration Committee</li> <li>Director since 28 November 1990</li> <li>BE, MBA</li> <li>49 years of relevant industry experience</li> <li>Other listed company directorships in the 3 years immediately before the end of the financial year Nil</li> </ul>	11,686,311
Mark Benson	<ul style="list-style-type: none"> <li>Managing Director from 5 October 2015</li> <li>Director since 10 August 2015</li> <li>AdvDipMan, AdvDipProjMgt, GAICD</li> <li>29 years of relevant industry experience</li> <li>Other listed company directorships in the 3 years immediately before the end of the financial year Nil</li> </ul>	2,295,824
Greg Fletcher	<ul style="list-style-type: none"> <li>Non-Executive Director</li> <li>Chairman of the Audit &amp; Risk Committee</li> <li>Member of the Remuneration Committee</li> <li>Director since 1 July 2015</li> <li>BCom, CA</li> <li>Chairman of the NSW Electoral Commission, NSW eHealth/ HealthShare Audit and Risk Committees</li> <li>Member of the NSW State Transit Authority, TAFE NSW and NSW Health Infrastructure Audit and Risk Committees</li> <li>Other listed company directorships - Co Vice Chairman Yancoal Australia Limited</li> <li>Other listed company directorships in the 3 years immediately before the end of the financial year - Director Yancoal SNC Limited</li> <li>Greg was a Partner of Deloitte Touche Tohmatsu until 31 May 2009, and Deloitte Touche Tohmatsu has been the registered auditor of Saunders since the year ended 30 June 2007</li> </ul>	5,599
Nicholas Yates	<ul style="list-style-type: none"> <li>Non-Executive Director</li> <li>Member of the Audit &amp; Risk Committee</li> <li>Member of the Remuneration Committee</li> <li>Director since 16 September 2020</li> <li>35 years of relevant industry experience</li> <li>BE</li> <li>Other listed company directorships in the 3 years immediately before the end of the financial year - Interim Chairman - BSA Limited</li> </ul>	35,211

## AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, contains information about the remuneration of Saunders International Limited's directors and its key management personnel for the financial year ended 30 June 2022. The Remuneration Report sets out, in accordance with section 300A of the Corporations Act: (i) the Group's governance relating to remuneration, (ii) the policy for determining the nature and amount or value of remuneration of key management personnel; (iii) the various components or framework of that remuneration; (iv) the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions; (v) the relationship between the policy and the performance of the Group.

Key management personnel are the non-executive directors, the executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the entity.

### Remuneration Policy and Governance

The board of directors, through the Remuneration Committee, review and approve remuneration of the non-executive directors, the managing director and key management personnel. Remuneration policy is determined by the needs of the Group and the individual talents, capabilities and experience of relevant executives, and the need to attract and retain talent are considered important factors in assessing remuneration.

### Non-executive Directors

Non-executive directors are paid fees and where applicable compulsory superannuation contributions are made on their behalf. The current fees are based on the level of fees for comparable listed companies and were reviewed during the year.

The non-executive directors have not been granted options and have not participated in the Employee Share Plan or the Performance Rights Plan.

### Managing Director

The managing director is remunerated on a salary package basis which is a component of a formal employment contract. The salary package is considered to be appropriate for the experience and expertise needed for the position and is comparable to other similar sized companies and business units of larger companies. The salary package contains a fixed component and a variable bonus component. The bonus is based on an annual performance appraisal as conducted by the remuneration committee of the board of directors. The performance is measured against a range of objectives set annually by the board. The important objectives are safety, quality, personnel development, quantitative Group financial performance and certain other (subjective and objective) criteria.

The managing director has also participated in the Employee Share Plan and the Performance Rights Plan. Mark Benson holds 269,100 options within the Employee Share Plan and 1,660,852 performance rights under the Saunders International Performance Rights Plan.

### Key Management Personnel

Key management personnel are remunerated based on a number of factors, including experience, qualifications, job level and over performance of the company and individual. The remuneration includes a variable short-term incentive (STI), between 10%-60% of salary component. This incentive rewards the key management personnel achieving; financial and operational key performance indicators; progress with the delivery of the Group's business plan and strategic objectives; and specific goals in relation to the development of people within the Group and its profile within the business community.

Examples of key performance indicators measured to assess STI for the Key Management Personnel and Managing Director include:

- achievement of target work in hand levels at 30 June of each year to ensure the sustainability of revenue in subsequent years;
- targets set in relation to the achievement of the Group's business plan such as the diversification of the business and entry into new markets; and
- targets set for safety performance based on Total Recordable Injury Free.

These indicators form approximately 50% of assessable STI with the remaining 50% focussed on the Financial Performance of the Group; EBIT and Cash at hand.

Key management personnel as disclosed on page 29 of the remuneration report have participated in the Employee Share Plan.

## AUDITED REMUNERATION REPORT (CONT.)

### Long-Term Incentive

The board of directors have considered the issue of long-term incentive as a component of the remuneration of executive directors and key management personnel.

Saunders operates two Long-Term Incentive ("LTI") plans, which are described below:

- Employee Share Plan
- Performance Rights Plan

As of the date of this report a number of executive officers' own shares in the Group or interests via the Employee Share Plan and the Performance Rights Plan.

The breadth and depth of share ownership fosters an alignment of objectives between shareholders and directors and management of the Group.

### Employee Share Plan

Under the Employee Share Plan (ESP), the Group provides interest free loans to employees to acquire shares in Saunders International Limited, at a specified price per share. The loans are secured by the shares acquired by the eligible employees. The shares will vest and the loans will be repaid, upon a specified anniversary of the issue of the shares. If an eligible employee's employment with the Group is terminated prior to the specified anniversary of the issue of the shares, the shares will be forfeited, and the Group will be entitled to the total amount raised pursuant to the divestment of the shares. The shares are accounted for as in substance options.

Each employee share option converts into one ordinary share of Saunders International Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the year 110,560 options were granted to Key Management Personnel (CEO and CFO) under the ESP. The aggregate fair value of the options granted is \$41,681 as set out on page 31. The CFO, who is not a director, has an interest in 141,460 shares under the Employee Share Plan. In addition, other employees own 1,539,868 shares.

### Performance Rights Plan

The Saunders International Rights Plan was approved by the Board and approved by shareholders at the Annual General Meeting in November 2015.

The features of the long-term incentive comprise the grant of equity in the form of Performance Rights which vest over a three year period. The maximum number of Performance Rights will vest only if stretch objectives for each tranche are achieved. Half of the Performance Rights will vest if the on-target objectives are achieved. The end of the measurement period for a tranche of Performance Rights will be extended by up to two years at the Board's discretion if significantly less than target vesting would have been achieved for that tranche at the end of the measurement period, adjusted for the pro-rata increase in hurdles to take into account the additional time. The two vesting conditions that will be used will be relative total shareholder return (RTSR) and normalised earnings per share growth (NEPSG).

RTSR will be measured by comparing the Group's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX. TSR is the percentage return generated from an investment in a Group's shares over the measurement period assuming that dividends are reinvested into the Group's shares. For Tranches 10, 12, 14, 16 and 18 the targets were based on a three-year NPAT or EBIT forecast. For Tranche 10 (FY2017) \$3.5 million was On Target NPAT. For Tranche 12 (FY2018) \$5.0 million was On Target NPAT. For Tranche 14 (FY2019) \$3.3 million was On Target EBIT. For Tranche 16 (FY2020) \$3.3 million was On Target EBIT. For Tranche 18 (FY2021) \$4.0 million was On Target EBIT. NEPSG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2021) for Tranche 20. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

For the phase in tranches where the measurement period is less than three years, performance will be evaluated by the Board's assessment of the establishment of strategic foundations for superior TSR and NESPG over the long-term. For future grants, it is currently intended that the qualitative vesting conditions will be removed (but retaining TSR and NESPG), and that measurement periods will be no shorter than 3 years.

The vesting scale will be applied to the tranches subject to objective measurement of Saunders performing relative to the comparator group and NESPG, as appropriate, with the vesting scale ranging continuously from 0% for very poor performance to 100% for very good performance with 50% for on-target performance.

The long-term incentive is aimed at aligning remuneration with the longer-term performance of the Group and retaining the long-term services of the key management personnel.



## AUDITED REMUNERATION REPORT (CONT.)

### Performance Rights Plan (Cont.)

During the year 328,141 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is \$224,221 as set out on page 31. A further 107,871 Performance rights were granted to the CFO under the LTI Plan. The aggregate fair value of the Performance Rights granted to the CFO is \$73,627 as set out on page 31.

### Key Terms of Employment Contracts

The Group entered into an executive service agreement with Mark Benson as Managing Director and Chief Executive Officer effective 5 October 2015. The remuneration component of the agreement is in line with relevant industry comparables. The variable component (Performance Bonus) can range anywhere between 0% to 60% of the fixed component based on performance measured against a range of key performance indicators and targets, set annually by the directors. The attainment of realistically achievable performance and targets on a weighted average measure would result in a bonus of 30% of the fixed component and bonus above and below this would result from overall superior or poorer performance.

The executive service agreement contains the following key terms: -

**Annual Salary:** Total fixed remuneration of \$553,566

**Performance Bonus:** Variable, ranging from 0% to 60% of total fixed annual remuneration, based on performance measured against a range of key performance indicators

**Long-term Incentive:** Variable, ranging from 0% to 40% of total fixed annual remuneration, based on performance measured against a range of key performance indicators

**Notice Period:** Six months' notice

Executive officers are employed under ongoing employment arrangements. Their employment thus entails between three to six months' notice. This is considered appropriate because they have many years of service with the Group and are shareholders of the company.

### Relationship between Remuneration Policy and Company Performance

The remuneration of executive officers contains an annual cash bonus. The total cash bonus paid in a year is discretionary and is closely related to and determined by the current profit levels of the Group.

Executive officer's remuneration is aligned with the long-term Group performance via the shareholdings that these individuals retain in the Group.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2022:

	30 June 2022 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2018 \$'000
Revenue	129,955	101,242	66,462	50,126	75,368
Net profit/(loss) before income tax	9,379	8,085	1,853	(2,260)	(4,213)
Net profit/(loss) after income tax	6,551	5,542	1,266	(1,610)	(2,840)

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Share price at end of year	1.02	0.79	0.48	0.33	0.47
Interim dividend (cents per share)	1.00	0.75	0.00	0.00	1.00
Final dividend (cents per share)	2.00	1.75	0.00	0.00	0.00
Basic earnings/(losses) per share	6.24	5.36	1.23	(1.72)	(3.03)
Diluted earnings/(losses) per share	6.07	5.21	1.20	(1.72)	(3.03)

All dividends above were franked to 100% at 30% corporate tax rate.

## AUDITED REMUNERATION REPORT (CONT.)

Particulars of Directors and Executive Officers interests, including interests under the ESP and Performance Rights Plan during the year ended 30 June 2022 were:

	Fully paid ordinary shares 2021	Fully paid ordinary shares issued/purchased during 2022	Fully paid ordinary shares 2022	Share options 2021	Share options vested during 2022	Share options granted during 2022	Share options at end 2022	Performance rights at end 2021	Performance rights granted during 2022	Performance rights vested during 2022	Performance rights at end 2022
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
<b>Non-Executive Directors</b>											
Timothy Burnett	11,686,311	-	11,686,311	-	-	-	-	-	-	-	-
Greg Fletcher	5,420	179	5,599	-	-	-	-	-	-	-	-
Nicholas Yates	70,422	(35,211)	35,211	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>11,762,153</b>	<b>(35,032)</b>	<b>11,727,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>											
Mark Benson <sup>1</sup>	1,075,278	1,220,546	2,295,824	650,000	(450,000)	69,100	269,100	2,405,273	328,141	(1,072,562)	1,660,852
Rudy Sheriff <sup>2</sup>	43,374	200,986	244,360	150,000	(50,000)	41,460	141,460	655,691	107,871	(256,009)	507,553
<b>TOTAL</b>	<b>1,118,652</b>	<b>1,421,532</b>	<b>2,540,184</b>	<b>800,000</b>	<b>(500,000)</b>	<b>110,560</b>	<b>410,560</b>	<b>3,060,964</b>	<b>436,012</b>	<b>(1,328,571)</b>	<b>2,168,405</b>
<b>GRAND TOTAL</b>	<b>12,896,266</b>	<b>1,386,500</b>	<b>14,267,305</b>	<b>800,000</b>	<b>(500,000)</b>	<b>110,560</b>	<b>410,560</b>	<b>3,060,964</b>	<b>436,012</b>	<b>(1,328,571)</b>	<b>2,168,405</b>

1. Managing Director & CEO,  
2. Chief Financial Officer

**AUDITED REMUNERATION REPORT (CONT.)**

The following table summarises the value of options and performance rights granted during the financial year, in relation to options granted to key management personnel as part of their remuneration:

	Share options granted during 2022	Share options forfeited during 2022	Share options vested during 2022	Performance rights granted during 2022	Performance rights forfeited during 2022	Performance rights vested during 2022
	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$
<b>Non-Executive Directors</b>						
Timothy Burnett	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
Nicholas Yates	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>						
Mark Benson <sup>1</sup>	26,051	-	-	224,221	-	-
Rudy Sheriff <sup>2</sup>	15,630	-	-	73,627	-	-
<b>TOTAL</b>	<b>41,681</b>	<b>-</b>	<b>-</b>	<b>297,848</b>	<b>-</b>	<b>-</b>
<b>GRAND TOTAL</b>	<b>41,681</b>	<b>-</b>	<b>-</b>	<b>297,848</b>	<b>-</b>	<b>-</b>

The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a Black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year, as disclosed on page 31, have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date. Further details are set out in Note 12.

1. Managing Director & CEO,
2. Chief Financial Officer

**AUDITED REMUNERATION REPORT (CONT.)**
**Remuneration of Executive Officers and Key Management Personnel**
**2022**

	Short-term Benefits			Post-employment Benefits	Long-term employee benefits	Total	Percentage of remuneration related to performance	Cash Bonus as a percentage of maximum achievable <sup>5</sup>
	Cash Fees/Salary	Cash Bonus <sup>3</sup>	Non-monetary Benefit <sup>4</sup>	Super-annuation	Equity settled share based payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>								
Timothy Burnett	104,545	-	-	10,455	-	115,000	-	-
Greg Fletcher	68,182	-	-	6,818	-	75,000	-	-
Nicholas Yates	68,182	-	-	6,818	-	75,000	-	-
<b>TOTAL</b>	<b>240,909</b>	<b>-</b>	<b>-</b>	<b>24,091</b>	<b>-</b>	<b>265,000</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>								
Mark Benson <sup>1</sup>	516,813	280,404	13,185	23,568	111,300	945,270	29.66%	85.99%
Rudy Sheriff <sup>2</sup>	326,637	97,141	6,192	23,568	34,932	488,470	19.89%	89.99%
<b>TOTAL</b>	<b>843,450</b>	<b>377,545</b>	<b>19,377</b>	<b>47,136</b>	<b>146,232</b>	<b>1,433,740</b>		
<b>GRAND TOTAL</b>	<b>1,084,359</b>	<b>377,545</b>	<b>19,377</b>	<b>71,227</b>	<b>146,232</b>	<b>1,698,740</b>		

No director or senior management person appointed during the year received a payment as part of his or her remuneration for agreeing to hold the position. Non-executive directors have no entitlement to cash bonus or non-monetary benefits. The key management personnel are also the senior managers of the Group. The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a Black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

1. Managing Director & CEO,
2. Chief Financial
3. Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year.
4. Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.
5. Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board in August of each year.

AUDITED REMUNERATION REPORT (CONT.)

2021

	Short-term Benefits			Post-employment Benefits Super-annuation	Long-term employee benefits Equity settled share based payments	Total	Percentage of remuneration related to performance	Cash Bonus as a percentage of maximum achievable <sup>5</sup>
	Cash Fees/Salary	Cash Bonus <sup>3</sup>	Non-monetary Benefit <sup>4</sup>					
<b>Non-Executive Directors</b>	\$	\$	\$	\$	\$	\$	%	%
Timothy Burnett	116,986	-	-	11,114	-	128,100	-	-
Greg Fletcher	58,493	-	-	5,557	-	64,050	-	-
Nicholas Yates	46,459	-	-	4,414	-	50,873	-	-
<b>TOTAL</b>	<b>221,938</b>	<b>-</b>	<b>-</b>	<b>21,085</b>	<b>-</b>	<b>243,023</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>								
Mark Benson <sup>1</sup>	507,956	303,999	16,447	21,694	176,735	1,026,831	29.61%	93.22%
Rudy Sheriff <sup>2</sup>	296,495	91,025	8,755	21,694	39,264	457,233	19.91%	91.72%
<b>TOTAL</b>	<b>804,451</b>	<b>395,024</b>	<b>25,202</b>	<b>43,388</b>	<b>215,999</b>	<b>1,484,064</b>		
<b>GRAND TOTAL</b>	<b>1,026,389</b>	<b>395,024</b>	<b>25,202</b>	<b>64,473</b>	<b>215,999</b>	<b>1,727,087</b>		

1. Managing Director & CEO,

2. Chief Financial Officer

3. Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year.

4. Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.

5. Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board in September of each year.

Subsequent Events

Subsequent to the end of the financial year, there continues to be considerable economic impacts in Australia and globally arising from the outbreak of the COVID-19 virus including pressures on resource availability and material escalation. The Group looks to mitigate these risks by contingency planning as far as practicable and its flexible model allows management to quickly take action to react to any such risks as they arise.

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

There have been no other matters or circumstances occurring subsequent to the end of the financial year, that have 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.

Environmental Regulation and Performance

Saunders International is subject to a range of environmental regulations. In line with our Safety, Health and Quality objectives, Saunders strives to continually improve its environmental performance.

The Group recognises the material environmental and social risks that are relevant to its activities and takes action to manage those risks. Discussion across a range of sustainability related topics, including climate change, occur frequently at Board meetings. Climate change risk has been included in the internal management process governing investment decisions.

The Board provides oversight and strategic direction to sustainability and has ultimate responsibility for our Company's consideration of climate-related risk. It is guided by our Audit and Risk Committee.

During the financial year, Saunders International, were compliant with the reporting requirements under relevant legislation. There were no incidents which required reporting.

Future Developments

Details around the Operating and Financial Review and Outlook are disclosed on page 22 and 23.

Indemnification of Officers and Auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group, the Group secretary, and all executive officers of the Group and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services are outlined in Note 24 to the financial statements. During this financial year there was \$4,075 paid or payable for non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 35 of the annual report.

### Rounding Off of Amounts

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

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



Mark Benson  
Director  
Sydney, 24 August 2022



Timothy Burnett  
Director  
Sydney, 24 August 2022

# Auditor's Independence Declaration

## Deloitte.

Deloitte Touche Tohmatsu  
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Eclipse Tower  
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The Board of Directors  
Saunders International Limited  
L2 Building F, Rhodes Corporate Park  
1 Homebush Bay Drive  
Rhodes NSW 2138

24 August 2022

Dear Board Members,

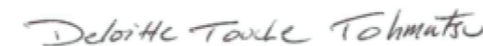
### Auditor's Independence Declaration to Saunders International Limited

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 audit of the financial report of Saunders International Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



David Sartorio  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

## Independent Auditor's Report to the Members of Saunders International Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Saunders International Limited (the "Company" and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recognition of revenue and contract assets and contract liabilities on construction contracts</p> <p>Refer to Note 1(c) 'Construction Contracts', Note 1(i) 'Revenue', Note 2 'Critical accounting judgements and key sources of estimation uncertainty', Note 3 'Revenue' and Note 10 'Contract Assets and Contract Liabilities'.</p> <p>As at 30 June 2022 the Group's revenue from construction contracts is \$130 million.</p> <p>Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following:</p> <ul style="list-style-type: none"> <li>• Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;</li> <li>• Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;</li> <li>• Estimation of project contingencies; and</li> <li>• Estimation of stage of completion including determination of project completion date.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and key controls in respect of the recognition of revenue and contract assets and contract liabilities on construction contracts; and</li> <li>• Testing a sample of contracts and:             <ul style="list-style-type: none"> <li>▪ agreed the contract terms to the initial contract price;</li> <li>▪ tested contractual entitlements for changes, variations and claims recognised within contract revenue to supporting documentation, and by reference to the underlying contract,</li> <li>▪ assessed management's basis for estimates of unapproved variations and claims brought to account within contract revenue,</li> <li>▪ tested a sample of costs incurred to date to supporting documentation;</li> <li>▪ assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel;</li> <li>▪ recalculated the percentage of completion based on costs incurred to date relative to total forecast costs;</li> <li>▪ assessed appropriateness of contingency allowances within forecast costs;</li> <li>▪ evaluated exposure to liquidated damages for late delivery of works; and</li> <li>▪ challenged management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 1(c), 1(i), 2, 3 and 10 to the financial statements.</p>

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in page 27 to 33 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



David Sartorio  
Partner  
Chartered Accountants  
Parramatta, 24 August 2022

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# Directors' Declaration

The directors declare that: -

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standard, as stated in Note 1 to the financial statements;
- (c) 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 Group, and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors



Mark Benson  
Director  
Sydney, 24 August 2022



Timothy Burnett  
Director  
Sydney, 24 August 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
Revenue	3	129,955	101,242
Other income	4	897	704
Materials and third-party costs charged to projects		(87,552)	(58,838)
Employee benefits expense	4	(27,709)	(28,100)
Depreciation expense	4	(2,246)	(1,931)
Motor vehicle expense		(365)	(317)
Occupancy and operating lease expense		(468)	(237)
Finance costs	4	(106)	(95)
Other expenses		(3,027)	(4,343)
<b>Profit / (loss) before income tax</b>		<b>9,379</b>	<b>8,085</b>
Income tax (expense)/benefit	5	(2,828)	(2,543)
<b>Profit / (loss) for the year attributable to shareholders of the parent entity</b>		<b>6,551</b>	<b>5,542</b>
Other comprehensive income		-	-
<b>Total comprehensive profit / (loss) attributable to shareholders of the parent entity</b>		<b>6,551</b>	<b>5,542</b>
<b>Earnings/(losses) per share</b>			
Basic (cents per share)	14	6.24	5.36
Diluted (cents per share)	14	6.07	5.21

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	18	36,746	23,816
Trade and other receivables	6	28,946	10,258
Contract Assets	10	9,340	2,884
Inventories		189	163
Other current Assets		192	151
<b>Total current assets</b>		<b>75,413</b>	<b>37,272</b>
<b>Non-current assets</b>			
Property Plant and equipment	7	12,086	10,473
Right-of-use assets	8	3,674	2,534
Intangible asset	20	321	-
Deferred tax assets	5	-	63
<b>Total non-current assets</b>		<b>16,081</b>	<b>13,070</b>
<b>TOTAL ASSETS</b>		<b>91,494</b>	<b>50,342</b>
<b>Current liabilities</b>			
Trade and other payables	9	35,500	10,725
Contract liabilities	10	13,023	5,684
Provisions	11	4,427	2,642
Current tax liability	5	2,089	524
Lease liabilities	8	1,191	704
<b>Total current liabilities</b>		<b>56,230</b>	<b>20,279</b>
<b>Non-current liabilities</b>			
Provisions	11	839	237
Lease liabilities	8	2,328	1,719
Deferred tax liabilities	5	72	-
<b>Total non-current liabilities</b>		<b>3,239</b>	<b>1,956</b>
<b>TOTAL LIABILITIES</b>		<b>59,469</b>	<b>22,235</b>
<b>NET ASSETS</b>		<b>32,025</b>	<b>28,107</b>
<b>Equity</b>			
Issued capital	12	22,482	20,687
Treasury shares under employee share plan	12	(1,806)	(674)
Share based payments reserve	12	384	736
Retained earnings	13	10,965	7,358
<b>Total equity</b>		<b>32,025</b>	<b>28,107</b>

43 The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Issued Capital \$'000	Treasury Shares \$'000	Share Based Payments Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2020	19,701	(351)	776	2,532	22,658
Profit for the year	-	-	-	5,542	5,542
Total comprehensive income	-	-	-	5,542	5,542
Transactions with owners in their capacity as owners					
Dividends paid	385	-	-	(793)	(408)
Shares issued during the year	323	(323)	-	-	-
Shares based payments vested / lapsed	278	-	(355)	77	-
Share-based payments expense	-	-	315	-	315
<b>Balance at 30 June 2021</b>	<b>20,687</b>	<b>(674)</b>	<b>736</b>	<b>7,358</b>	<b>28,107</b>
<b>Balance at 1 July 2021 (as previously reported)</b>	<b>20,687</b>	<b>(674)</b>	<b>736</b>	<b>7,358</b>	<b>28,107</b>
Profit for the year	-	-	-	6,551	6,551
Total comprehensive income	-	-	-	6,551	6,551
Transactions with owners in their capacity as owners					
Dividends paid	93	-	-	(2,944)	(2,851)
Shares issued (net of forfeiture/lapsing) during the year	1,132	(1,132)	-	-	-
Shares vested during the year	570	-	(570)	-	-
Share-based payments expense	-	-	218	-	218
<b>Balance at 30 June 2022</b>	<b>22,482</b>	<b>(1,806)</b>	<b>384</b>	<b>10,965</b>	<b>32,025</b>

The accompanying notes form part of these financial statements.

Saunders International Annual Report 2022 44



# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		126,504	120,756
Payments to suppliers and employees		(105,496)	(105,102)
Interest received		-	2
Finance costs paid		(105)	(95)
Income taxes (paid)		(1,140)	-
Net cash inflow / (outflow) from operating activities	18	19,763	15,561
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(3,124)	(1,751)
Proceeds from sale of assets		30	26
Payments for business acquisition		(185)	-
Net cash used in investing activities		(3,279)	(1,725)
<b>Cash flows from financing activities</b>			
Dividends paid		(2,851)	(408)
Proceeds of borrowings		1,407	1,173
Repayment of borrowings		(1,407)	(1,173)
Repayments of lease liabilities		(798)	(600)
Net cash used in financing activities		(3,649)	(1,008)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>12,835</b>	<b>12,828</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>23,816</b>	<b>11,085</b>
Effects of exchange rate fluctuations on cash held		95	(97)
<b>Cash and cash equivalents at the end of the financial year</b>	18	<b>36,746</b>	<b>23,816</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1. SUMMARY OF ACCOUNTING POLICIES

### Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards ('AAS'). Compliance with AAS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24th August 2022.

### Basis of Preparation

The financial statements for the Group have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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

### (a) Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

### Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and amendments to standards have been published that are not mandatory for reporting period commencing 1 July 2021 and not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Cash and Cash Equivalents

Cash of the Group comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (c) Construction Contracts

The Group recognises a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the amount invoiced exceeds the revenue recognised to date then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and the receipt of payment is always expected to be less than one year.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (d) Employee Benefits

A liability of the Group is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### (e) Income Tax

#### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred Tax

Deferred tax is recognised on temporary differences between the tax base of an asset or liability and its carrying amount in the financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in profit and loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (f) Leases

#### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## 1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

### (f) Leases (Cont.)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss, as described in Note 1(l).

## 1. SUMMARY OF ACCOUNTING POLICIES

### (g) Plant and Equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Note 7 provides more detail. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Freehold Land is not depreciated.

The following estimated useful lives are used in the calculation of depreciation: -

Buildings	40 years
Plant and Equipment	3 - 20 years
Office Furniture and Equipment	3 - 7 years

### (h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectations in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

### (i) Revenue

#### Engineering and Construction revenue

The Group derives revenue from the long-term construction of tanks across Australia and the Pacific region. Contracts entered into may be for the construction of one or several inter-linked pieces of large infrastructure. These contracts include two performance obligations being:

1. The design and provision of plans for the construction of tanks; and
2. The construction, site establishment, erection, commissioning and testing of tanks.

Each tank is referred to as a project. Where contracts are entered into for the design and construction of several projects the total transaction price is allocated across each performance obligation based on stand-alone selling prices. The transaction price typically contains a fixed lump sum amount. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligations are fulfilled over time and as such revenue is recognised over time. This is because as work is performed on the assets being designed or constructed they are controlled by the customer and have no alternative use to the Saunders Group, with the Group having a right to payment for the performance to date. Thus control of the goods and services is transferred to the customer over time.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (i) Revenue (Cont.)

Revenue earned is typically invoiced monthly or in some cases on achievement of milestones or in line with costs incurred. Invoices are paid on commercial terms, which may include the customer withholding a retention amount until finalisation of the construction. Where payment is received prior to or post recognition of revenue using the percentage cost of completion method, revenue is deferred or accrued for on the balance sheet.

#### Services revenue

##### Fixed price contracts

For fixed price services contracts, revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. For the majority of fixed price contracts the Group has assessed the services provided to be one performance obligation. The transaction price typically contains a fixed lump sum amount. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, and the Group enhances assets which the customer controls as the Group performs. Thus control of the goods and services is transferred to the customer over time. Revenue is recognised as the services are provided using cost as the measure of progress.

Customers are in general invoiced on a monthly basis for an amount that is in line with costs incurred. Payment is received following invoicing on normal commercial terms. Where payment is received prior to or post recognition of revenue using the percentage cost of completion method, revenue is deferred or accrued for on the balance sheet.

##### Cost plus contracts

For cost plus services contracts, revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. The Group has assessed the services provided to be one performance obligation.

Performance obligations are fulfilled over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, and Group enhances assets which the customer controls as the Group performs. Thus control of the goods and services are transferred to the customer over time.

Customers are in general invoiced on a monthly basis for an amount that is which is calculated on a cost plus basis that are aligned with the stand alone selling prices for each performance obligation. As the amount the Group is entitled to invoice to a customer corresponds directly with the value provided to the customer under the Group's performance completed to date, the Group has applied the practical expedient under AASB 15 and recognised revenue in the amount that they are entitled to invoice. Payment is received on normal commercial terms.

##### Fabrication and construction revenue

Fabrication and construction revenue arises from contracts maintained by the Group to fabricate components and construct bridges. These contracts include two performance obligations being:

1. The design and provision of plans for the construction of bridges; and
2. The fabrication, construction, site establishment, erection, commissioning and testing of bridges.

The transaction price typically contains a fixed lump sum amount. The total transaction price is allocated across each performance obligation based on stand-alone selling prices. It is normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

Each performance obligation is fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have alternative use and for which the Group has right to payment for performance to date. In some cases, the fabrication of bridge components can be contracted for by itself and in these cases, revenue will be recorded over time. Revenue is recognised as the services are provided using cost as the measure of progress.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (i) Revenue (Cont.)

Customers are in general invoiced on a monthly basis for an amount that is in line with costs incurred. Payment is received following invoice on normal commercial terms. Where payment is received prior to or post recognition of revenue using the percentage cost of completion method, revenue is deferred or accrued for on the balance sheet.

#### Variable consideration

Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. When calculating the estimates of variable consideration, the Group considers available information including historic performance on similar contracts and other information regarding events that affect the variability that are out of the control of the Group.

Where modifications in design or contract requirements are entered into, these are treated as a continuation of the original contract in accordance with the contract modification guidance in AASB 15, and the transaction price and measure of progress is updated to reflect these. Where the price of the modification has not been confirmed, this is treated as variable consideration and an estimate is made of the amount of revenue to recognise whilst also considering the constraint requirement.

#### Tender and contract costs

Costs incurred prior to the commencement of a contract that give rise to resources that will be used in the anticipated delivery of the contract and are expected to be recovered are capitalised. Typically, these are design costs. Where these contract assets are capitalised, they are amortised over the course of the contract consistent with the transfer of service to the customer. Tenders costs which are capitalised are only costs incremental in the winning of a contract.

### (j) Financial Assets

Financial assets All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI) :

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (j) Financial Assets (Cont.)

#### (i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit- impaired financial assets (i.e. assets that are credit- impaired on initial recognition) , the effective interest rate is the rate that exactly discounts estimated future cash receipts ( including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit- impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit- impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit- impaired ( see below) . For financial assets that have subsequently become credit- impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit- impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit- impaired financial assets, the Group recognises interest income by applying the credit- adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit- impaired.

Interest income is recognised in profit or loss and is included in the other income line item (note 4).

#### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ( so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the other income line item.

The directors of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. Refer to Note 6 for the risk profile of amounts due from customers based on the Group's provision matrix.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (l) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment or loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (m) Issues Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income tax. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (n) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- i. has power over the investee;
- ii. is exposed, or has rights, to variable returns from its involvement with the investee; and
- iii. has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

## 1. SUMMARY OF ACCOUNTING POLICIES

### (n) Basis of consolidation (Cont.)

- i. the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- ii. potential voting rights held by the Company, other vote holders or other parties;
- iii. rights arising from other contractual arrangements; and
- iv. any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASB's).

### (o) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date); and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (o) Business combinations (Cont.)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another AASB.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### (p) Share Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-Merton model, which requires the input of highly subjective assumptions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## 1. SUMMARY OF ACCOUNTING POLICIES

### (q) Government Grants

During the Financial year, the Group became eligible for certain government support in response to the coronavirus pandemic, as explained in Note 4. 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.

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.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Saunders' accounting policies, which are described in Note 1, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Construction contracts

Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following:

- Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;
- Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;
- Estimation of project contingencies; and
- Estimation of stage of completion including determination of project completion date.

### 3. REVENUE

Revenue stream	Revenue recognition	Australia \$'000	PNG \$'000	Total 2022 \$'000	Australia \$'000	PNG \$'000	Total 2021 \$'000
Engineering & Construction	Over time	73,073	-	73,073	36,026	-	36,026
Services	Over time	24,518	-	24,518	35,918	-	35,918
Fabrication & Construction	Over time	32,364	-	32,364	29,297	-	29,297
Interest Received	Point in time	-	-	-	1	-	1
<b>Total revenue</b>		<b>129,955</b>	<b>-</b>	<b>129,955</b>	<b>101,242</b>	<b>-</b>	<b>101,242</b>

### 4. PROFIT FOR THE YEAR

	Note	2022 \$'000	2021 \$'000
<b>Other income</b>			
JobSaver/JobKeeper subsidy (Government grants)	25	744	598
Profit on sale of asset		26	5
Other		127	101
		897	704
Profit before income tax has been arrived at after (crediting)/charging the following expenses:			
Cost of sales		109,250	82,058

The cost of sales figure above is the relates to labour, materials and subcontractors cost directly related to deriving the revenue for the Group in the financial year.

	2022 \$'000	2021 \$'000
<b>Depreciation Expense:</b>		
Buildings	27	27
Plant and equipment	1,364	1,262
Right-of-use-assets	656	465
Office furniture and equipment	199	177
	2,246	1,931
<b>Finance costs:</b>		
Finance cost on lease liabilities	106	95
<b>Employee benefits expense:</b>		
Post-employment benefits - defined contributions	2,114	1,743
Payroll tax expense	1,305	1,348
Workers compensation insurance	596	726
Employee Share Plan	218	315
Salary and wages (net of recharge to work-in-progress)	23,476	23,968
	27,709	28,100

### 5. INCOME TAX

	2022 \$'000	2021 \$'000
<b>Income tax recognised in profit</b>		
<b>Income tax expense comprises:</b>		
Current income tax (benefit) / expense	2,693	391
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	135	2,152
<b>Total income tax expense</b>	<b>2,828</b>	<b>2,543</b>
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:		
Profit before taxation	9,379	8,085
Income tax at 30%	2,814	2,426
Other	14	117
<b>Total income tax expense</b>	<b>2,828</b>	<b>2,543</b>
<b>Current tax liability</b>	<b>(2,089)</b>	<b>(524)</b>

The income tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

#### Deferred Tax Balances

The deferred tax expense above is itemised as follows:

**5. INCOME TAX (CONT.)**

2022	Opening balance \$'000	(Charged)/ Credited to income \$'000	Recognised directly to equity \$'000	Closing balance \$'000
<b>Deferred tax assets</b>				
Employee benefits	736	145	-	881
Restructure provision	129	579	-	708
Contract assets	4	(3)	-	1
Lease liabilities	306	(88)	-	218
Tax losses	43	36	-	79
Share issue costs	63	-	-	63
Accruals and other payables	353	(72)	-	281
Deferred tax assets	1,634	597	-	2,231
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(1,186)	(834)	-	(2,020)
Right of use asset	(366)	104	-	(262)
Other	(19)	(2)	-	(21)
Deferred tax liabilities	(1,571)	(732)	-	(2,303)
Net deferred tax liabilities	63	(135)	-	(72)

2021	Opening balance \$'000	(Charged)/ Credited to income \$'000	Recognised directly to equity \$'000	Closing balance \$'000
<b>Deferred tax assets</b>				
Employee benefits	620	116	-	736
Restructure provision	90	38	-	129
Contract assets	41	(37)	-	4
Lease liabilities	366	(59)	-	306
Tax losses	1,591	(1,548)	-	43
Share issue costs	63	-	-	63
Accruals and other payables	403	(50)	-	353
Deferred tax assets	3,174	(1,540)	-	1,634
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(589)	(597)	-	(1,186)
Right of use asset	(370)	4	-	(366)
Other	-	(19)	-	(19)
Deferred tax liabilities	(959)	(612)	-	(1,571)
Net deferred tax liabilities	2,215	(2,152)	-	63

**6. TRADE AND OTHER RECEIVABLES**

	2022 \$'000	2021 \$'000
Trade receivables (i)	28,946	10,258

A provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customer's future credit risk. On that basis, the credit loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows:

Provision matrix	2022 Australia	2022 PNG	2021 Australia	2021 PNG
Current	0.0%	0.0%	0.0%	0.0%
1 to 30 days	0.0%	0.0%	0.0%	0.0%
30 to 60 days	0.0%	0.0%	0.0%	0.0%
60 to 90 days	0.0%	0.0%	0.2%	0.0%
Over 90 days	0.0%	0.0%	0.5%	0.0%
Contract assets	0.0%	0.0%	0.1%	0.0%

	2022 Australia \$'000	2022 PNG \$'000	2022 Total Group \$'000	2021 Australia \$'000	2021 PNG \$'000	2021 Total Group \$'000
<b>Receivables</b>						
Current	25,038	319	25,357	8,256	282	8,538
1 to 30 days	2,304	-	2,304	1,354	-	1,354
30 to 60 days	148	-	148	115	-	115
60 to 90 days	768	-	768	114	-	114
Over 90 days	369	-	369	137	-	137
<b>Total receivables</b>	<b>28,627</b>	<b>319</b>	<b>28,946</b>	9,976	282	10,258
<b>Contract assets (Note 10)</b>	<b>9,340</b>	<b>-</b>	<b>9,340</b>	2,884	-	2,884
Allowance based on historic credit losses	-	-	-	6	-	-
Adjustment for expected changes in credit risk <sup>1</sup>	-	-	-	(6)	-	-
<b>Credit loss allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>37,967</b>	<b>319</b>	<b>38,286</b>	12,860	282	13,142

<sup>1</sup> Adjustment to reflect the lower credit risk and probability of default relating to customers that are over 90 days past due.

Trade receivables and contract assets are written off when there has been a significant change in the risk characteristics of a debtor and there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

- (i) The average credit period on sale of goods and rendering of services is approximately 35 days. No interest is charged on trade receivables. Each receivable 60 days overdue has been reviewed to assess whether there is a risk that it might be irrecoverable.



## 7. PROPERTY, PLANT AND EQUIPMENT

### Impairment Testing

Saunders International Limited reviews the carrying amounts of its tangible assets annually at each reporting date to determine whether there is any impairment. As at 30 June 2022 the directors reviewed the future budgets of the Group to determine whether there are any indications of impairment. No indicators of impairment were noted and no impairment losses are recorded.

	Land at cost \$'000	Buildings at cost \$'000	Plant and Equipment at cost \$'000	Office furniture and equipment at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 1 July 2020	3,400	1,150	14,095	1,030	19,675
Additions	-	-	1,664	87	1,751
Disposals	-	-	(100)	-	(100)
Balance at 30 June 2021	3,400	1,150	15,659	1,117	21,326
Business acquisition	-	-	-	16	16
Additions	-	-	2,980	144	3,124
Disposals	-	-	(85)	-	(85)
Balance at 30 June 2022	3,400	1,150	18,554	1,277	24,381
<b>Accumulated depreciation</b>					
Balance at 1 July 2020	-	94	8,782	590	9,466
Disposals	-	-	(79)	-	(79)
Depreciation expense	-	27	1,262	177	1,466
Balance at 30 June 2021	-	121	9,965	767	10,853
Reclassification to right-of-use assets	-	-	(67)	-	(67)
Disposals	-	-	(81)	-	(81)
Depreciation expense	-	27	1,364	199	1,590
Balance at 30 June 2022	-	148	11,181	966	12,295
<b>Net book value</b>					
As at 30 June 2021	3,400	1,029	5,694	350	10,473
As at 30 June 2022	3,400	1,002	7,373	311	12,086

## 8. LEASES (GROUP AS LESSEE)

The Group has entered into an office lease and a number of motor vehicle leases. The office lease has fixed annual rent increases. The motor vehicle leases do not reflect any rent increases over the term of the lease. The average lease term for office leases is 3.6 years. The average lease term for motor vehicles and other equipment is 4.5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased asset may not be used as security for borrowing purposes.

This note provides information for leases where the Group is a lessee.

## 8. LEASES (GROUP AS LESSEE) (CONT.)

Amounts recognised in the consolidated income statement

The Consolidated Income Statement includes the following amounts relating to leases:

	2022 \$'000	2021 \$'000
Depreciation Charge for Right of Use Assets	656	465
<b>Total Depreciation Charge for Right of Use Assets</b>	<b>656</b>	<b>465</b>
<b>Other cost relating to leases</b>		
Interest expense on lease liabilities (included in Finance Costs)	106	95
Expenses relating to leases of low value assets	24	22
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	74	38
<b>Total costs relating to leases</b>	<b>204</b>	<b>155</b>

Amounts recognised in the balance sheet

This Balance Sheet shows the following amounts in relation to leases:

	2022 \$'000	2021 \$'000	\$'0
<b>Right of Use Assets</b>			
<b>Gross amount</b>			
Opening balance, 1 July 2020	1,285	1,315	2,600
Reallocation	57	(57)	-
Additions	-	914	914
<b>Balance as at 30 June 2021</b>	<b>1,342</b>	<b>2,172</b>	<b>3,514</b>
Reclassification from property, plant and equipment	-	-	-
Additions	73	1,790	1,863
<b>Balance as at 30 June 2022</b>	<b>1,415</b>	<b>3,962</b>	<b>5,377</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 July 2020	270	245	515
Reallocation	14	(14)	-
Depreciation expense	94	371	465
<b>Balance as at 30 June 2021</b>	<b>378</b>	<b>602</b>	<b>980</b>
Reclassification from property, plant and equipment	188	(121)	67
Depreciation expense	294	362	656
<b>Balance as at 30 June 2022</b>	<b>860</b>	<b>843</b>	<b>1,703</b>
<b>Net book value</b>			
As at 30 June 2021	964	1,570	2,534
As at 30 June 2022	555	3,119	3,674

## 8. LEASES (GROUP AS LESSEE) (CONT.)

	2022 \$'000	2021 \$'000
<b>Lease Liabilities</b>		
Current	1,191	704
Non-Current	2,328	1,719
<b>Total Lease Liabilities</b>	<b>3,519</b>	<b>2,423</b>

	2022 \$'000	2021 \$'000
<b>Maturity Analysis</b>		
Year 1	1,191	704
Year 2	1,005	716
Year 3	646	530
Year 4	416	360
Year 5	261	113
Onwards	-	-
	<b>3,519</b>	<b>2,423</b>

## 9. TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade payables (i)	17,267	8,212
Other payables	1,731	-
Goods and services tax payable	1,960	351
Accruals and other payables	14,542	2,162
	<b>35,500</b>	<b>10,725</b>

(i) Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days. For most suppliers no interest is charged on the trade payables for the first 45 days from the date of the invoice.

## 10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022 \$'000	2021 \$'000
Contract assets related to contracts	9,340	2,884
Contract liabilities relating to contracts	13,023	5,684

### Contract assets

Contract assets are balances due from customers under long-term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to accounts receivable when these have been invoiced to a customer.

## 10. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT.)

### Contract liabilities

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage cost complete method. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was \$5.68 million (FY21: \$4.59 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was nil (FY21: nil). Partially satisfied performance obligations continue to incur revenue and costs in the period.

### Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 30 June 2022 and 30 June 2021 are set out below.

Revenue stream	2022 \$'000	2021 \$'000
Engineering & Construction	127,941	30,799
Services	17,981	9,032
Fabrication & Construction	46,973	43,499
<b>Total work in hand</b>	<b>192,895</b>	<b>83,330</b>

Contracts in the different sectors have different lengths. The average duration of contracts is 12 – 24 months, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes, however more of the revenue noted above is expected to be earned within 12 months.

## 11. PROVISIONS

	2022 \$'000	2021 \$'000
<b>Current</b>		
Employee benefits	2,155	2,104
Other provisions	2,272	538
	<b>4,427</b>	<b>2,642</b>
<b>Non-current</b>		
Employee benefits	782	237
Other provisions	57	-
	<b>839</b>	<b>237</b>

## 12. ISSUED CAPITAL

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2022 Number	2021 Number
<b>Ordinary shares</b>		
Ordinary shares at beginning of financial year	103,990,067	102,848,127
Shares issued under Dividend Reinvestment Plan	112,880	1,044,471
Shares issued under Employee Share and Performance Rights Plans	1,654,588	564,969
Treasury shares vested during the year	622,703	-
Net Treasury shares issued during the year	(485,028)	(467,500)
Ordinary shares at end of financial year	105,895,210	103,990,067

	2022 \$'000	2021 \$'000
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	20,687	19,701
Shares issued under Dividend Reinvestment Plan	93	385
Shares issued Performance Rights Plan	436	278
Shares issued under Employee Share Plan	134	-
Net treasury shares issued during the year	1,132	323
Balance at end of financial year	22,482	20,687

	2022 Number	2021 Number
<b>Treasury shares under employee share plan</b>		
Balance at beginning of financial year	2,345,625	1,878,125
Treasury shares vested during the year	(622,703)	-
Net Treasury shares issued during the year	485,028	467,500
Balance at end of financial year	2,207,950	2,345,625

	2022 \$'000	2021 \$'000
<b>Treasury shares under employee share plan</b>		
Balance at beginning of financial year	(674)	(351)
Net Treasury shares issued during the year	(1,132)	(323)
Balance at end of financial year	(1,806)	(674)

### Reserves

#### Nature and purpose of reserves

- (a) Treasury shares under employee share plan  
The value of shares bought back are allocated to this reserve
- (b) Share-based payments reserve  
The share-based payments reserve is for the fair value of options granted and recognised to date but not yet exercised, and treasury shares purchased and recognised to date which have not yet vested.

## 12. ISSUED CAPITAL (CONT.)

### Employee Share Plan

The Board has approved and implemented an Employee Share Plan ("ESP").

Under the ESP, the Group provides interest free loans to employees to acquire shares in Saunders International Limited, at a specified price per share. The loans are secured by the shares acquired by the eligible employees. The shares will vest and the loans will be repaid, upon a specified anniversary of the issue of the shares. If an eligible employee's employment with the Group is terminated prior to the specified anniversary of the issue of the shares, the shares will be forfeited, and the Group will be entitled to the total amount raised pursuant to the divestment of the shares. The shares are accounted for as in substance options.

Each employee share option converts into one ordinary share of Saunders International Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

At balance date, a total of 17 tranches of the ESP have been issued.

Tranche 8: Offer of 400,000 shares in January 2016 with all offers accepted. The tranche has been modified, by the Board in February 2020, to vest in February 2022. During the financial year, 400,000 shares vested and there was no forfeiture.

Tranche 9: During the financial year 65,000 shares vested and there was no forfeiture.

Tranche 10: During the financial year 145,000 shares vested and there was no forfeiture.

Tranche 11: During the financial year 95,000 shares vested and there was no forfeiture.

Tranche 12: During the financial year 165,000 shares vested and 15,000 shares were forfeited.

Tranche 13: During the financial year 45,000 shares were forfeited.

Tranche 14: During the financial year 45,000 shares were forfeited.

Tranche 15: During the financial year 50,000 shares were forfeited.

Tranche 16: During the financial year 235,000 new shares were issued and there was no forfeiture.

Tranche 17: During the financial year 485,428 new shares were issued and there was no forfeiture.

The fair value of the share options granted during the financial year is included in below table. Options have been valued using the Black Scholes pricing model. Expected volatility is based on the historical share price volatility over the past 3 years.

One individual employee holds more than 200,000 options under the ESP.

## 12. ISSUED CAPITAL (CONT.)

Details of the fair value assumptions used are as follows:

	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 15	Tranche 16	Tranche 17
Grant Date	Jan 2016	Feb 2016	Feb 2017	Oct 2017	Feb 2018	Feb 2019	Feb 2020	Feb 2021	Aug 2021	Feb 2022
Grant Price	\$0.58	\$0.58	\$0.58	\$0.50	\$0.59	\$0.33	\$0.38	\$0.69	\$0.80	\$1.02
Opening Volume	400,000	65,000	145,000	95,000	180,000	320,000	442,500	607,500	-	-
New grants	-	-	-	-	-	-	-	-	235,000	485,428
Exercised	(400,000)	(65,000)	(145,000)	(95,000)	(165,000)					
Forfeitures	-	-	-	-	(15,000)	(45,000)	(45,000)	(50,000)	-	-
Closing Volume	-	-	-	-	-	275,000	397,500	557,500	235,000	485,428
Exercise Price	\$0.58	\$0.58	\$0.58	\$0.50	\$0.59	\$0.33	\$0.38	\$0.69	\$0.80	\$1.02
Expected Volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Option Life	6 years	6 years	5 years	5 years	4 years	4 years	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	2.05%	1.72%	2.00%	2.75%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
Grant date fair value	\$0.22	\$0.21	\$0.22	\$0.19	\$0.23	\$0.12	\$0.15	\$0.27	\$0.31	\$0.39

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date. Tranche 8 was extended until February 2022 as set out above.

## 12. ISSUED CAPITAL (CONT.)

### Movement in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	2,255,000	0.53	1,788,125	0.48
Granted during the year	720,428	0.95	612,500	0.69
Forfeited during the year	(155,000)	0.48	(145,625)	0.47
Exercised during the year	(870,000)	0.57	-	-
Balance at end of year	1,950,428	0.67	2,255,000	0.53
Exercisable at end of year	-	-	-	-

### Performance Rights Plan

The Saunders International Rights Plan was approved by the Board and approved by shareholders at the Annual General Meeting in October 2015.

The features of the long-term incentive comprises the grant of equity in the form of Performance Rights which vest over a three year period. The maximum number of Performance Rights will vest only if stretch objectives for each tranche are achieved. Half of the Performance Rights will vest if the target objectives are achieved. The end of the measurement period for a tranche of Performance Rights will be extended by up to two years at the Board's discretion if significantly less than target vesting would have been achieved for that tranche at the end of the measurement period, adjusted for the pro-rata increase in hurdles to take into account the additional time. The two vesting conditions that will be used will be relative total shareholder return (RTSR) and normalised earnings per share growth (NEPSG).

RTSR will be measured by comparing the Group's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX. TSR is the percentage return generated from an investment in a Group's shares over the measurement period assuming that dividends are reinvested into the Group's shares. NEPSG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year to normalised EPS for the final year of the measurement period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

For the phase in tranches where the measurement period is less than three years, performance will be evaluated by the Board's assessment of the establishment of strategic foundations for superior TSR and NESPG over the long-term. For future grants, it is currently intended that the qualitative vesting conditions will be removed (but retaining TSR and NESPG), and that measurement periods will be no shorter than 3 years.

The vesting scale will be applied to the tranches subject to objective measurement of Saunders performing relative to the comparator group and NEPSG, as appropriate, with the vesting scale ranging continuously from 0% for very poor performance to 100% for very good performance with 50% for on-target performance.

The long-term incentive is aimed at aligning remuneration with the longer term performance of the Group and retaining the long-term services of the key management personnel.

## 12. ISSUED CAPITAL (CONT.)

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 is 4,394,557 of which 1,169,559 have vested and 287,904 have lapsed as at 30 June 2022.

Details of the fair value assumptions used are as follows:

	Tranche 10	Tranche 12	Tranche 13	Tranche 14	Tranche 15	Tranche 16	Tranche 17	Tranche 18	Tranche 19	Tranche 20
Grant Date	1 Sept 2016	1 Sept 2017	1 Sept 2018	1 Sept 2018	1 Sept 2019	1 Sept 2019	1 Sept 2020	1 Sept 2020	1 Sept 2021	1 Sept 2021
Grant Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Opening Volume	238,095	306,747	401,299	401,299	590,979	590,979	374,373	374,373	-	-
New grants	-	-	-	110,023	157,595	157,595	-	-	345,600	345,600
Lapsed	(97,482)	(140,072)	(50,350)	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-
Vested	(140,613)	(166,675)	(350,949)	(511,322)	-	-	-	-	-	-
Closing Volume	-	-	-	-	748,574	748,574	374,373	374,373	345,600	345,600
Exercise Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expected Volatility	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%
Option Life	0 years	0 years	0 years	0 years	0.17 years	0.17 years	1.17 years	1.17 years	2.18 years	2.18 years
Dividend value	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
Risk Free Interest Rate	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%
Grant date fair value	\$0.46	\$0.49	\$0.34	\$0.34	\$0.29	\$0.29	\$0.52	\$0.52	\$0.70	\$0.70

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date and number of options granted were outstanding at the end of the year. The weighted average exercise price of the Performance Rights is \$0.00 per right and the share price on grant date was \$0.46 per share for tranche 10, \$0.49 per share for tranches 12, \$0.34 per share for tranches 13 and 14, \$0.29 per share for tranches 15 and 16, \$0.52 per share for tranches 17 and 18; and \$0.70 per share for tranches 19 and 20. Remaining period refers to the remaining contractual life of the Performance Rights prior to their expiry. Tranches 10, 12, 13 and 14 expired during the current year and therefore, these tranches have nil remaining period at the end of the year. As at year end, tranches 15 and 16 have 0.17 year, tranches 17 and 18 have 1.17 years and tranches 19 and 20 have 2.18 years contractual life remaining prior to their expiry. The Performance Rights outstanding at the end of the year has a weighted average remaining contractual life of 0.90 year.

## 13. RETAINED EARNINGS

	2022 \$'000	2021 \$'000
Balance at beginning of financial year	7,358	2,532
Profit for the year	6,551	5,542
Dividends provided for or paid	(2,944)	(793)
Share based payments vested/lapsed	-	77
Balance at end of financial year	10,965	7,358

## 14. EARNINGS PER SHARE

	2022 Cents per share	2021 Cents per share
Basic earnings/(losses) per share	6.24	5.36
Diluted earnings/(losses) per share	6.07	5.21

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2022 \$'000	2021 \$'000
Net profit/(loss)	6,551	5,542
Earnings used in the calculation of basic and diluted EPS	6,551	5,542
	2022 No.'000	2021 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	104,955	103,340

### 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	104,955	103,340
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	2,955	3,035
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	107,910	106,375

(a) During the year ended 30 June 2022 a portion of the potential ordinary shares associated with the employee share option plan as set out in Note 13 are dilutive and therefore included in 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.

## 15. DIVIDENDS

	2022		2021	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
Fully paid ordinary shares				
Final dividend (prior year): Fully franked at a 30% tax rate	1.75	1,863	-	-
Interim dividend (current year): Fully franked at a 30% tax rate	1.00	1,081	0.75	793
	2.75	2,944	0.75	793
<b>Unrecognised amounts</b>				
Fully paid ordinary shares				
Final dividend (current year):	2.00	2,162	1.75	1,863

The Board declared on 24 August 2022 that there will be a final dividend payable of 1.00 cents per share fully franked and special dividend of 1.00 cents per share fully franked (FY21 0.75 cents final dividend and 1.00 cents special dividend). Both dividends will be payable on 10th October 2022 with the record date for determining dividends on 13th September 2022.

	2022 \$'000	2021 \$'000
Adjusted franking account balance	3,098	1,666

## 16. SEGMENT INFORMATION

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

In the current period 3 customers made up 53% of the revenue earned (2021: 3 customers made up 36% of the revenue earned). These customers accounted for \$69,220,000 of the Groups' total revenue.

## 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are a number of commercial claims and exposures that may arise from the normal course of the Group's business in respect of which no provision has been made.

## 18. NOTES TO THE STATEMENT OF CASH FLOWS

	2022 \$'000	2021 \$'000
<b>(a) Cash and cash equivalents</b>		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	36,746	23,816
<b>(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities</b>		
Profit for the year	6,551	5,542
Share-based payments expense	218	315
Depreciation	2,246	1,931
Gain on disposal of non-current assets	(26)	(5)
Unrealised foreign exchange loss	(95)	97
(Increase)/decrease in assets:		
Current tax liability	1,565	377
Deferred tax assets	63	2,152
Deferred tax liabilities	72	-
Trade and other receivables	(18,687)	3,039
Contract assets	(6,466)	3,827
Inventories	(26)	211
Other assets	(41)	(112)
Increase/(decrease) in liabilities:		
Trade and other payables	24,806	(3,520)
Contract liabilities	7,340	1,095
Provisions	2,243	612
<b>Net cash inflow from operating activities</b>	<b>19,763</b>	<b>15,561</b>
<b>(c) Financing facilities</b>		
The Group's principal financing facilities for the provision of bank guarantees as described in Note 19 is secured by a fixed and floating charge over the assets of the Group.		
Amount used	18,551	10,121
Amount unused	11,449	9,879
	<b>30,000</b>	<b>20,000</b>

The facilities have financial covenants relating to the Group's capital adequacy ratio and its leverage ratio. During the financial year, the total facilities increased from \$20 million to \$30 million.

## 18. NOTES TO THE STATEMENT OF CASH FLOWS (CONT.)

### (d) Asset and liabilities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Balance at 1 July 2021 \$'000	Financing Cash Flows (i) \$'000	Non -Cash Movement in Finance Leases \$'000	Balance at 30 June 2022 \$'000
Lease liabilities	2,423	(798)	1,894	3,519

(i) Financing cash flows comprise of repayment of borrowings and payments in relation to finance leases.

## 19. FINANCIAL INSTRUMENTS

The Group has three significant categories of financial instruments which are described below together with the policies and risk management processes which the Group utilises:

### (a) Cash and cash equivalents

The Group has a credit risk policy to protect against the risk of debtor default. The majority of the Group's debtors are long-term customers and are multinational oil and gas companies, government authorities and large Australian corporations where the credit risk is considered to be low. New customers are assessed for credit risk using credit references and reports from credit agencies as necessary.

### (b) Debtors and credit risk management

The Group has a credit risk policy to protect against the risk of debtor default. The majority of the Group's debtors are long-term customers and are multinational oil and gas companies, government authorities and large Australian corporations where the credit risk is considered to be low. New customers are assessed for credit risk using credit references and reports from credit agencies as necessary.

### (c) Bank guarantees

The Group has a preference to provide bank guarantees to customers in lieu of the cash retention required under contracts. This preference is pursued subject to specific contract requirements and the Group's bank facility requirements.

### Capital risk management

The Group's capital structure currently consists of equity and retained earnings and there is no external long-term debt or short-term debt. The operating cash flows of the Group are used to finance short-term capital. The capital risk management is continuously reviewed as the Group has surplus cash available for investment.

### Categories of financial instruments

	2022 \$'000	2021 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	36,746	23,816
Accounts receivables	28,946	10,258
	65,692	34,074
<b>Financial liabilities</b>		
Trade and other payables	18,998	8,212
Lease Liabilities	3,519	2,423
	22,517	13,148

### Obligations under finance leases

#### Leasing arrangements

The Group leased certain of its construction equipment under finance leases. The average lease term is 4.2 years. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

## 19. FINANCIAL INSTRUMENTS (CONT.)

### Financial risk management objectives

The Group's exposure to market risk mainly arising from interest rate risk, is disclosed (including currency risk, fair value interest rate risk and price risk) and cash flow interest rate risk is disclosed in the interest rate sensitivity analysis below. Credit risk is monitored monthly through continuous management of the ongoing projects.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term liquidity management requirements. The Group manages liquidity risk by continually monitoring and maintaining adequate banking facilities. Cash flows are monitored and matched to the maturity profiles of financial assets and liabilities.

### Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or pay. The table includes both interest and principal cash flows.

2022	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 2 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash and cash equivalents	0.54%	36,746	-	-	36,746
Trade receivables	-	27,661	916	369	28,946
<b>Financial liabilities</b>					
Trade payables and other payables	-	4,668	12,947	1,383	18,998
Lease liabilities	5.0%	100	201	3,218	3,519
<b>2021</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.52%	23,816	-	-	23,816
Trade receivables	-	9,896	231	131	10,258
<b>Financial liabilities</b>					
Trade payables and other payables	-	3,625	4,476	111	8,212
Lease liabilities	4.8%	58	115	2,250	2,423

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit or loss would increase or decrease by \$163,203 (2021: \$149,825).

### Foreign currency risk

The Group manages its foreign currency risk arising from significant supplier contracts in foreign currencies by holding foreign currency. As a result of operations in Papua New Guinea the Group's statement of financial position can be affected by movements in the PGK/A\$ exchange rate. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Where possible, Saunders does not take on foreign exchange risk. At 30 June 2022, the Group had no forward contracts.

The Group also mitigates its exposure to foreign currency risk by minimising excess foreign currency balances in overseas jurisdictions not required for working capital. At 30 June 2022, the Group had A\$688,969 (2021: \$690,432) of cash in PGK. At reporting date, if the PKG/AUD exchange rate had moved by 5%, with all other variables held constant, the group's profit or loss would increase or decrease by \$34,539 (2021: \$34,609).

## 19. FINANCIAL INSTRUMENTS (CONT.)

### Fair value of financial instruments

No financial asset or financial liability is held at fair value. The directors consider the fair value of the financial assets and financial liabilities to approximate their carrying amounts.

## 20. 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 nature of this amount is Goodwill arising from the acquisition of PlantWeave Technologies. There remains an element of deferred cash payments which may or may not be payable under the earn-out plan.

## 21. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The board of directors approves on an annual basis the amounts of compensation for directors and key management personnel with reference to the Group's performance and general compensation levels in equivalent companies and industries.

### (a) Remuneration of Directors and Key Management Personnel

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,481,281	2,258,480
Post-employment benefits	71,227	131,964
Share-based payments	146,232	247,136
	1,698,740	2,637,580

The names of and positions held by the key management are set out on page 31 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report. Note, the Group has reviewed and amended the positions classified as key management positions, the 2021 comparatives figures are reflective of the prior financial year key management positions.

### (b) Other Transactions with Key Management Personnel

There were no transactions with directors and other key management personnel apart from those disclosed in this note.

### (c) Directors' and Key Management Equity Holdings

Refer to the table on page 31 of the Remuneration Report.

## 22. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2022	2021
Saunders Civilbuild Pty Ltd	Bridge construction and maintenance	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Real property investments	Australia	100%	100%
Saunders Asset Services Pty Ltd	Maintenance	Australia	100%	100%
Saunders PNG Limited	Tank construction and maintenance	PNG	100%	100%
Saunders PlantWeave Pty Ltd	Industrial automation	Australia	100%	-

## 23. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See Note 1 for a summary of the significant accounting policies relating to the Group.

### Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

### Tax consolidation

The company and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The company is the head entity within the tax-consolidated group. In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.



## Summary financial information

The individual financial statements for the parent entity, Saunders International Limited show the following aggregate amounts:

Financial Position	2022 \$'000	2021 \$'000
<b>Assets</b>		
Current assets	58,355	31,562
Non-current assets	17,473	11,895
<b>Total assets</b>	<b>75,828</b>	<b>43,457</b>
<b>Liabilities</b>		
Current liabilities	42,644	15,672
Non-current liabilities	1,563	1,170
<b>Total liabilities</b>	<b>44,207</b>	<b>16,842</b>
<b>Equity</b>		
Issued capital	22,482	20,687
Shares buy-back reserve under employee share plan	(1,806)	(674)
Share based payments reserve	384	736
Retained earnings	10,561	5,866
<b>Total equity</b>	<b>31,621</b>	<b>26,615</b>

Financial Performance	2022 \$'000	2021 \$'000
Profit for the year	7,640	4,560
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>7,640</b>	<b>4,560</b>

## 24. REMUNERATION OF AUDITOR

	2022 \$'000	2021 \$'000
Audit or review of the financial report	185,000	135,000
PNG tax services	4,075	8,188
	<b>189,075</b>	<b>143,188</b>

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

## 25. 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 \$744 thousand (2021: \$598 thousand) were received under the Australian Federal Government's Job Saver scheme. The entity became eligible for the Scheme and in March 2022 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.

## 26. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, there continues to be considerable economic impacts in Australia and globally arising from the outbreak of the COVID-19 virus including pressures on resource availability and material escalation. The Group looks to mitigate these risks by contingency planning as far as practicable and its flexible model allows management to quickly take action to react to any such risks as they arise.

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

There have been no other matters or circumstances occurring subsequent to the end of the financial year, that have 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.

## 27. ADDITIONAL COMPANY INFORMATION

### General Information

Saunders International Limited is incorporated and operating in Australia.

Saunders International Limited's registered office and its principal place of business is as follows:

### Registered office

Suite 2.04, Level 2 Building F  
Rhodes Corporate Park, 1 Homebush Bay Drive  
Tel: (02) 9792 2444

### Principal place of business

Suite 2.04, Level 2 Building F  
Rhodes Corporate Park, 1 Homebush Bay Drive  
Tel: (02) 9792 2444

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# APPENDICES

CORPORATE GOVERNANCE  
ASX SHAREHOLDER INFORMATION  
CORPORATE DIRECTORY

# Corporate Governance

The Board of Saunders International Limited has adopted a suite of Corporate Governance Practices to ensure that the company effectively identifies, monitors and manages risks, with the appropriate disclosures.

In developing and adopting the Practices, the Board considered the fourth edition of the ASX Corporate Governance Principles and Recommendations. The Board incorporates the Principles and Recommendations into its Practices to the extent that they are appropriate, taking into account the Company's size, activities and resources. The Board has adopted the following Charters, Policies and Codes: -

## THE BOARD CHARTER

The Board Charter sets out matters relating to the responsibilities of the Board and its directors and matters relating to the composition of the Board and appointment of directors.

## BOARD COMMITTEES AND THEIR CHARTERS

In order to better manage its responsibilities, the Board has established an Audit and Risk Committee and a Remuneration Committee. Each committee has adopted a Charter approved by the Board.

## POLICIES AND CODES OF CONDUCT

The Company has adopted Policies and Codes of Conduct which are available on the Company's website.

## CORPORATE GOVERNANCE STATEMENT AND APPENDIX 4G

The Company reports on an annual basis, its compliance and/or reasons for non-compliance with the fourth edition of the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement and the Appendix 4G have been released on the ASX

The Corporate Governance Statement and the Appendix 4G have been released on the ASX Announcements platform and are on the Company's website" no paragraph break between ASX Announcements.

Further information on the above Charters Policies and Codes can be found on the Company's website

[www.saundersint.com/investors/corporate-governance/](http://www.saundersint.com/investors/corporate-governance/)

## SHAREHOLDER INFORMATION

### NO. OF HOLDERS OF EQUITY SECURITIES

#### Ordinary Share Capital

There are 105,895,210 fully paid ordinary shares held by 554 individual shareholders. In addition, there are 2,207,950 shares issued to employees under the Employee Share Purchase Plan (ESP). There ESP shares are not included for the purpose of calculating the totals and percentages used in this section. There are no options issued.

### SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
NAOS Asset Management	25,347,755	23.94%
Mr. Desmond Bryant	24,316,811	22.96%
Anacacia Pty Ltd (Wattle Fund)	12,371,553	11.68%
Mr. Timothy Burnett	11,686,311	11.04%

### DISTRIBUTION OF SHARES

Range	No. of Holders
1 to 1,000	87
1,001 to 5,000	136
5,001 to 10,000	75
10,001 to 100,000	204
100,000 and over	52
<b>Total</b>	<b>154</b>

### TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage	
NATIONAL NOMINEES LIMITED	28,261,715	26.69%	
MR DESMOND BRYANT	13,322,343	12.58%	
ANACACIA PTY LTD	WATTLE FUND	10,731,123	10.13%
DEBRY PTY LTD	8,677,667	8.19%	
TIVOLICO PTY LTD	6,878,987	6.50%	
MARLOT PTY LTD	4,807,324	4.54%	
MR JOHN POWER	3,401,453	3.21%	
EFFJAY HOLDINGS PTY LIMITED	<DESMOND BRYANT FAMILY A/C>	2,316,801	2.19%
BENSON FAMILY HOLDINGS P/L	BENSON FAMILY	1,980,824	1.87%
PACBAY PTY LTD	<STEPHEN WOOD FAMILY A/C>	1,931,344	1.82%
R & B INVEST PTY LTD	1,669,607	1.58%	
SAGIMO HOLDINGS PTY LTD	1,301,208	1.23%	
MRS KARYN MAY MCCLELLAND	1,229,012	1.16%	
DONALD CANT PTY LTD	1,057,931	1.00%	
ANACACIA PTY LTD	<WATTLE FUND A/C>	1,002,155	0.95%
PARMELIA PTY LTD	<REILLY FAMILY SUPER FUND A/C>	755,969	0.71%
WOODSCENIC PTY LTD	<WOOD A/C>	688,985	0.65%
ANACACIA CAPITAL PTY LTD	<WATTLE FUND A/C>	638,275	0.60%
MR ROBERT GRABURN PATTERSON	553,530	0.52%	
FLAGSTAFF SUPERANNUATION PTY LTD	<FLAGSTAFF SUPER FUND>	419,134	0.40%
<b>Total</b>	<b>91,625,387</b>	<b>86.52%</b>	



# Corporate Directory

## Saunders International Sydney

ABN 14 050 287 431  
Level 2, 1F Homebush Bay Drive,  
Rhodes NSW 2138  
Phone (02) 9792 2444

## Saunders Civilbuild

ABN 86 617 431 562  
74 Kalaroo Rd,  
Redhead NSW 2290  
Phone (02) 4946 0266

## Saunders PlantWeave

ABN 14 652 303 305  
Unit 10, 47-48 Buffalo Rd,  
Gladesville NSW 2111  
Phone (02) 9848 4488

## Saunders (PNG) Limited

1-114512  
Ground Floor, Century 21 House  
Lot 51, Section 35 Kunai Street  
Hohola National Capital District,  
Papua New Guinea

## Saunders Asset Services

ABN 95 610 760 426  
Saunders Property Group  
ABN 39 617 486 021

Lot 4740, 2 Cochrane Rd,  
East Arm NT 0822

Unit 6 / 5 Bishop St,  
Woolner NT 0820

Unit 2 / 100 Champion Rd,  
Newport VIC 3015

## Board of Directors

Timothy Burnett - Chairman  
Mark Benson - Managing Director  
Greg Fletcher - Non-Executive Director  
Nick Yates - Non-Executive Director  
Rudy Sheriff - Company Secretar

## Auditors

Deloitte Touche Tohmatsu  
Eclipse Tower, Level 19  
60 Station Street,  
Parramatta NSW 2150

## Principal Banker

Commonwealth Bank  
Corporate Financial Services  
Level 1, 430 Forest Rd,  
Hurstville NSW 2220

## Share Register Link Market Services Limited

Level 12, 680 George Street,  
Sydney NSW 2000  
Phone (02) 8280 7111

## Stock Exchange Listing

Australia Securities Exchange  
20 Bridge St,  
Sydney NSW 2000

## Website

[www.saundersint.com](http://www.saundersint.com)

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**saundersint.com**

For the financial year ended 30 June 2022

ACN 050 287 431