

Annual Report 2017

INNOVATION | EXCELLENCE | GROWTH



Our Vision & Values

Success will be achieved by building on the Saunders culture of fostering enduring relationships with our clients, partners and employees.

We will always conduct our business with integrity and demonstrate a true commitment to safety, innovation and growth in order to deliver enhanced value to our clients and shareholders.

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OUR VISION IS TO CONSISTENTLY DELIVER PROJECT EXCELLENCE THAT ENABLES OUR CLIENTS TO MEET THEIR CHALLENGES TODAY AND INTO THE FUTURE.

SAFETY

Will not be compromised

INTEGRITY

In all of our decisions

AGILITY

We find solutions not excuses

COMMITMENT

To deliver all that we say

INNOVATION

At the core of our engineering culture

TEAMWORK

Together we are motivated to succeed

ACCOUNTABILITY

For our decisions individually & as a business



Saunders Capabilities

Saunders International Ltd (SND) is an ASX-listed company that provides construction, maintenance and civil engineering services to the energy, resources and infrastructure sectors.

With over 65 years experience, Saunders uses in-house expertise to deliver a comprehensive range of projects that includes design, manufacture, construction, installation and maintenance services.

Saunders is a company built on integrity with a commitment to safety, performance and excellence. Our success is driven by our ability to build strong relationships and mutually beneficial partnerships to produce positive outcomes for our clients, our people, and the wider community.



Over 65 years experience in Engineering, Procurement and Construction (EPC) for oil and gas, water and mining projects.

- SMP construction
- EPC construction
- Mechanical installation
- Turn key solutions for bulk liquid fuel storage terminals
- Manufacture and fabrication

Over 65 years experience as a technology leader in asset maintenance.

- Bulk liquid tank products and technologies, upgrades, maintenance and 24/7 service
- Marine port maintenance
- Commercial building maintenance
- Shutdown and maintenance
- Concrete repairs, waterproofing
- Blasting and protective coatings

Over 47 years experience in construction, maintenance and civil engineering services.

- Bridge construction
- Concrete tank construction
- Bridge maintenance
- Road works
- Civil works
- Precast manufacturing facility

Saunders Sustainability

Creating and sustaining positive engagement with customers, employees and the community is fundamental to our ability to deliver positive results for our shareholders.

Health and Safety

Safety is our prime commitment. Whilst we have achieved a third consecutive year without a Lost Time Injury we retain a focus on eliminating risks from everything we do. This year we undertook a major initiative to improve engagement at our daily pre-start and toolbox meetings, and worked with an external consultant to provide small group and individual coaching for our supervisors.

Customer Focus

Our customers remain at the centre of our business. Whilst the majority of our work is repeat business from established clients, we have also continued to grow our customer base based on providing a quality outcome, reliably delivered at a competitive price.



“Very pleased with all aspects of the project from award to completion”

MRWA Project Manager

People and Culture

Winning two major contracts for PNG and the creation of Saunders (PNG) Limited has given us the opportunity to engage with local personnel either directly or as subcontractors. This is a process that both creates opportunities for PNG nationals involved to learn from Saunders experience and expertise, whilst Saunders Australian personnel gain exposure to another culture that will stand us in good stead as we grow our international business.



Environment

This year our workshop has recycled over 160 tonnes of excess materials, whilst our operations and projects remain ‘reportable incident’ free for another year.

Systems

Robust systems and processes underpin consistent superior performance. During the past year we have combined our Quality, Safety and Environmental systems into an Integrated Management System that includes an increased focus on ensuring the interests of all stakeholders are addressed. The Integrated System has been successfully accredited to ISO9001 (Quality), ISO14001 (Environment) and AS 4801 (Health and Safety).

Chairman's Letter

23rd August 2017



Dear Shareholder,

I am pleased to present the Chairman's Letter for the 2017 Annual Report.

During this year, Saunders achieved a long held corporate objective to acquire a new business to generate significant future earnings from a different sector of the economy.

The opportunity to acquire the Civilbuild business emerged from a board and CEO initiative to identify opportunities in the road and rail infrastructure sector. Civilbuild, based in Newcastle, specialises in the design and construction of bridges and associated concrete components for road and rail infrastructure. The acquisition was completed on 31 March 2017 for \$6.32 million excluding earnout. We welcome Saunders Civilbuild's dedicated team of approximately 40 project managers, engineers and construction personnel. In addition to this very valuable people resource, the value of the acquired fixed assets including land and buildings and plant and equipment is comfortably in excess of the purchase price.

The financial results for Saunders for the year to 30 June 2017 were disappointing. The revenue was \$45.81 million, including a 3 month contribution of \$5.08 million from Civilbuild. The net profit after tax was \$1.43 million after some positive adjustments resulting from the Civilbuild acquisition. This profit result is a 50.5% reduction on the prior year, caused principally by lack of growth in core tank revenue and competitive pressure on margins.

It is encouraging to see that the strategy to develop a more diverse engineering capability has also enabled the Company to secure an expanded role in some recent contract wins at petroleum product terminals. The building of marketing, engineering and operations people resources and capability has contributed to recent contract wins with new customers and in PNG.

The total dividend for the year was 2 cents per share fully franked. The Company has ended the year in a strong financial position with cash and cash equivalents of \$10.98 million. To a large extent, the \$3.4 million reduction from the end of the prior year can be attributed to the cash component of the Civilbuild purchase.

Our strong safety culture and robust management systems have seen us continue to deliver great safety outcomes. TIFR was down this year by 19% on top of prior 2 year reductions of 32% and 50%. The alignment and integration of Civilbuild with Saunders safety culture, systems and expectations has been a priority. I wish to commend all the managers and employees across the whole Saunders Group for their focus and efforts during the whole of this year.

In conclusion, I wish to thank my fellow directors and on behalf of the board, I wish to thank all the Company's employees for their efforts during the past year.

A handwritten signature in black ink that reads "Tim Burnett". The signature is fluid and cursive.

Tim Burnett
Chairman

Board of Directors



MR TIMOTHY BURNETT

Chairman & Non-Executive Director

Mr Burnett has over 38 years' experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders International. Prior to joining Saunders, he was a Senior Manager with Brown & Root Inc for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia. Mr Burnett has a Bachelor of Engineering (Civil) degree from Melbourne University and a MBA degree from Harvard University. Mr Burnett has been a Director of Saunders since 1990 and he is not considered to be an Independent Director.



MR MARK BENSON

Managing Director & Chief Executive Officer

Mr Benson - GAICD - has 25 years' experience in executive management roles in the engineering and construction industry. His most recent role, prior to joining Saunders International, was General Manager of RCR Energy, a division of ASX Company RCR Tomlinson. In addition, he also held senior positions on several major utility alliances. Mr Benson holds an Advanced Diploma in Management from Ballarat University, along with an Advanced Diploma in Project Management, and has an electrical engineering background. Mr Benson has been a Director of Saunders since 10 August 2015 and Managing Director since 5 October 2015. He is not considered to be an Independent Director.



MR MALCOLM McCOMAS

Non-Executive Director

Malcolm McComas - BEc, LLB, SFFin, FAICD - is a company director and a former investment banker and lawyer. Malcolm has experience in equity and debt capital markets, mergers and acquisitions and has worked with many growth companies across a number of sectors over a career at County NatWest (now Citi Group) where he was Managing Director of investment banking for 10 years and at Grant Samuel where he was a Director for 11 years. Mr McComas is currently Chairman of Pharmaxis Limited and Fitzroy River Corporation Limited and a Director of Royalco Resources Limited. His community roles include Director of the Australian Leukaemia and Lymphoma Group (ALLG). Mr McComas has been a Director of Saunders since 5 September 2012, is Chairman of the Remuneration Committee and is considered to be an Independent Director.



MR GREG FLETCHER

Non-Executive Director

Greg Fletcher - BComm - is a company Director having retired from the Deloitte partnership in 2009 to take on board roles. He is an Independent Director of ASX listed companies Yancoal Limited and Yancoal SCN Limited and is the Chairman of privately owned SMEG Australia Pty Ltd. He is the Chairman of the Audit and Risk Committee of a number of government-owned businesses and entities. Mr Fletcher has been a Director of Saunders since 1 July 2015 and he is considered to be an Independent Director.

Financial Report **2017**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

ACN 050 287 431



DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or the "Group") for the financial year ended 30 June 2017 and the independent audit report thereon.

DIRECTORS

The following persons are directors of Saunders International Limited:

Timothy Burnett
Mark Benson
Malcolm McComas
Gregory Fletcher

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

Steven Dadich was Company Secretary 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, 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 specialized services for the maintenance of commercial, industrial and marine infrastructure and assets.

REVIEW OF OPERATIONS

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

	2017 \$'000	2016 \$'000
Revenue	45,805	41,828
Profit before income tax	1,336	3,705
Income tax benefit / (expense)	92	(814)
Profit attributable to the member of Saunders International Limited	1,428	2,891

Operating and Financial Review

In February 2017, Saunders announced the acquisition of the business and assets of Civilbuild, a Newcastle based company specialising in the design and construction of bridges for road and rail infrastructure. The acquisition was completed on 31 March 2017 for \$6.32 million including earnout. The Saunders 2017 Financial Report reflects the acquisition and the Civilbuild financial performance has been consolidated from the completion date.

During the 2017 financial year, Saunders' revenue was \$45.81 million including a \$5.09 million contribution from Civilbuild. This represents a 9.5% increase on the prior year (FY2016: \$41.83 million). This increase essentially results from the Civilbuild revenue. The lack of revenue growth in tank design construction is attributed to client initiated delays in commencement of awarded contracts and slower than expected conversion of live tender projects into contracts. This has in part been offset by a strong profit contribution from our maintenance operations in FY2017.

The net profit after tax was \$1.43 million after some positive adjustments resulting from the Civilbuild acquisition, which was 50.5% lower than the previous corresponding period (FY2016: \$2.89 million). This was the result of reduced margins in the Engineering Construction group (resulting from the abovementioned delays), competitive pressures on margins and inclement weather experienced on some sites in February and March.

The activities of Saunders were generally Australia wide and the revenue was generated across all states and territories (except the ACT and Tasmania).

Basic earnings per share were 1.76 cents, a 52.2% decrease on FY2016 (3.68 cents).

Cash outflows from operating activities were \$0.32 million, a 120.4% decrease on FY2016 (\$1.57 million inflows).

The directors consider the Group to be in a strong financial position at year end with cash and cash equivalents of \$10.94 million (FY2016: \$14.35 million). The cash and cash equivalents of 30 June 2017 is equivalent to 12.78 cents per share (FY2016: 18.23 cps) and the Group has no interest bearing debt. Since the year end, out of this cash balance, the group has repaid a \$2.50 million interest free working capital loan from the previous Civilbuild owners. The net tangible assets per share is 23.07 cents (FY2016: 20.72 cents).

Outlook

The Group has experienced a good start to the new financial year which is the result of the solid foundations laid down in the last 12 to 18 months. The strategy to work closely with our customers and expand our geographical footprint is starting to deliver results.

Work in hand at 30 June 2017 was at \$46.0 million, an increase of 88% (FY2016: \$24.5 million) and tendering activity remains strong with the value of live tenders at \$216.0 million. The pipeline (yet to be tendered) is at \$298.0 million.

The Group has made good progress in building the order book and we will continue in FY2018 to work closely with our key clients to provide innovative engineering solutions. Our decision to expand internationally is already paying dividends with the award of two new projects in Papua New Guinea.

Saunders is still experiencing challenging business conditions, but we remain confident that our strategic direction will deliver benefits over the coming years as we convert some pipeline opportunities, continue with our diversification strategy and expand our maintenance operations.

Employees

During this financial year, the number of employees averaged at 185.

The directors wish to recognise the contribution made by all employees during this year.

Safety

The safety and welfare of our employees is our highest priority and is a cornerstone of all the Group's activities.

Continued management focus and active employee involvement helped the Group to an improved safety result over the previous year with a reduction of 19% in our TRIFR.

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 at 1.76 cents (2016: 3.68 cents) and the diluted earnings per share at 1.76 cents (2016: 3.65 cents).

DIVIDEND

The Board has declared a final dividend of 1.0 cents per share fully franked and payable on 18 September 2017 (FY2016 final dividend 2.0cps). The record date for determining dividends is 31 August 2017.

DIVIDEND REINVESTMENT PLAN

In accordance with the Dividend Reinvestment Plan (DRP) the Directors have decided to de-activate the DRP for the dividend payable on 18 September 2017. The Directors will re-visit the DRP in the future.

DIRECTORS ATTENDANCE AT MEETINGS

Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2017, held during the period that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Timothy Burnett	12	12	4	4	2	2
Mark Benson	12	12	-	-	-	-
Greg Fletcher	12	12	4	4	2	2
Malcolm McComas	12	11	4	4	2	2

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	<p>Non-executive Chairman</p> <p>Member of the Audit & Risk Committee</p> <p>Member of the Remuneration Committee</p> <p>Director since 28 November 1990</p> <p>BE, MBA, FAICD</p> <p>42 years of relevant industry experience</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year</p> <p>- Nil</p>	10,272,487
Mark Benson	<p>Managing Director from 5 October 2015</p> <p>Director since 10 August 2015</p> <p>AdvDipMan, AdvDipProjMgt, GAICD</p> <p>25 years of relevant industry experience</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year</p> <p>- Nil</p>	220,419
Malcolm McComas	<p>Non-executive Director</p> <p>Chairman of the Remuneration Committee</p> <p>Member of the Audit & Risk Committee</p> <p>Director since 4 September 2012</p> <p>B Ec, LLB, FAICD, SFFin</p> <p>35 years of relevant experience as a lawyer, investment banker and company director</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year –</p> <p>Pharmaxis Ltd (Chairman)</p> <p>BC Iron Ltd – Resigned November 2014</p> <p>Fitzroy River Corporation Ltd (Chairman)</p> <p>Royalco Resources Limited</p>	74,000

INFORMATION ON DIRECTORS (Cont'd)

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
Greg Fletcher	Non-Executive Director Chairman of the Audit & Risk Committee Member of the Remuneration Committee Director since 1 July 2015 BCom, CA - Chairman SMEG Australia Pty Ltd - Chairman of Audit and Risk Committees on a number of Government owned businesses Other listed company directorships - Director Yancoal SCN Limited - Director Yancoal Australia Limited - WDS Limited - resigned November 2015 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	4,763

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 2017. 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 400,000 options within The Employee Share Plan and 1,307,884 performance rights under the Saunders International Performance Rights Plan.

Key Management Personnel

Key management personnel are remunerated on salary packages which are considered appropriate for the positions they hold and their experience. The remuneration includes a variable bonus which is determined annually based upon Group and individual performance.

Key management personnel as disclosed on page 13 of the remuneration report have participated in the Employee Share Plan.

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. Key management personnel, who are not directors, collectively own approximately 652,000 shares and have an interest in 430,000 shares under the Employee Share Plan. In addition, other employees own 775,000 shares.

The breadth and depth of share ownership fosters an alignment of objectives between shareholders and directors and management of the Group. The Board of directors have also introduced a separate long-term incentive component of remuneration for senior executives.

AUDITED REMUNERATION REPORT (Cont'd)***Employee Share Plan***

Under the Employee Share Plan, 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 95,000 options were granted to Key Management Personnel under the ESP. The aggregate fair value of the options granted is \$15,380 as set out on page 14.

Performance Right 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 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 (FY2016) for tranches 1 to 8 and (FY2017) for tranches 9 and 10 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 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.

During the year 476,190 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is \$185,714 as set out on page 14.

AUDITED REMUNERATION REPORT (Cont'd)
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 new 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 \$500,000
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 one to three months' notice. This is considered appropriate because they have many years of service with the Group and are shareholders of the Group.

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 officers 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 2017:

	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Revenue	45,805	41,828	43,954	69,359	60,508
Net profit before income tax	1,336	3,705	6,324	9,106	8,262
Net profit after income tax	1,428	2,891	4,431	6,375	5,783

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Share price at end of year	0.50	0.50	0.60	0.88	0.73
Special dividend (cents per share)	-	-	-	-	-
Interim dividend (cents per share)	1.00	2.00	2.00	2.00	2.00
Final dividend (cents per share)	1.00	2.00	4.00	4.00	3.00
Basic earnings per share	1.76	3.68	5.64	8.14	7.41
Diluted earnings per share	1.75	3.65	5.60	8.13	7.36

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

AUDITED REMUNERATION REPORT (Cont'd)

Particulars of Directors and Executive Officers interests, including interests under the ESP and Performance Rights Plan during the year ended 30 June 2017 were:

	Fully paid ordinary shares 2016	Fully paid ordinary shares issued/purchased during 2017	Fully paid ordinary shares 2017	Share options 2016	Share options vested during 2017	Share options granted during 2017	Share options at end 2017	Performance rights 2016	Performance rights granted during 2017	Performance Rights vested during 2017	Performance rights at end 2017
	Number	Number	Number	Number	Number	Number	Number	Number	Number		Number
Non-executive Directors											
Timothy Burnett	9,702,531	569,956	10,272,487	-	-	-	-	-	-	-	-
Malcolm McComas	-	74,000	74,000	-	-	-	-	-	-	-	-
Greg Fletcher	4,500	263	4,763	-	-	-	-	-	-	-	-
TOTAL	9,707,031	644,219	10,351,250	-	-	-	-	-	-	-	-
Executive Officers											
Mark Benson ¹	-	220,419	220,419	400,000	-	-	400,000	1,047,770	476,190	(216,076)	1,307,884
David Griffiths ²	-	-	-	15,000	-	15,000	30,000	-	-	-	-
Robert Patterson ³	652,142	-	652,142	60,000	-	15,000	75,000	-	-	-	-
Ian McLoughlin ⁴	-	-	-	260,000	-	15,000	275,000	-	-	-	-
Johnathon Bromilow ⁵	-	-	-	-	-	50,000	50,000	-	-	-	-
TOTAL	652,142	220,419	872,561	735,000	-	95,000	830,000	1,047,770	476,190	(216,076)	1,307,884
GRAND TOTAL	10,359,173	864,638	11,223,811	735,000	-	95,000	830,000	1,047,770	476,190	(216,076)	1,307,884

1. CEO Managing Director, 2. GM Commercial, 3. GM Engineering and Construction, 4. GM Asset Services East, 5. GM Saunders Civilbuild (From 1 April 2017)

AUDITED REMUNERATION REPORT (Cont'd)

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 2017	Share options forfeited during 2017	Share options vested during 2017	Performance rights granted during 2017	Performance rights forfeited during 2017	Performance rights vested during 2017
	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$
Non-executive Directors						
Timothy Burnett	-	-	-	-	-	-
Malcolm McComas	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-
Executive Officers						
Mark Benson ¹	-	-	-	185,714	-	-
David Griffiths ²	2,428	-	-	-	-	-
Robert Patterson ³	2,428	-	-	-	-	-
Ian McLoughlin ⁴	2,428	-	-	-	-	-
Johnathon Bromilow ⁵	8,096	-	-	-	-	-
TOTAL	15,380	-	-	185,714	-	-
GRAND TOTAL	15,380	-	-	185,714	-	-

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 10, 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. CEO Managing Director, 2. GM Commercial, 3. GM Engineering and Construction, 4. GM Asset Services East, 5. GM Saunders Civilbuild (From 1 April 2017)

AUDITED REMUNERATION REPORT (Cont'd)
Remuneration of Executive Officers and Key Management Personnel

2017	Short-term Benefits			Post-employment Benefits	Long term employee benefits	Total	Percentage of remuneration related to performance	Percentage of remuneration related to performance which vested in the year ⁸
	Cash Fees/Salary	Cash Bonus ⁶	Non-monetary Benefit ⁷	Superannuation	Equity settled share based payments			
	\$	\$	\$	\$	\$	\$	%	%
Non-executive Directors								
Timothy Burnett	112,875	-	-	10,723	-	123,598	-	-
Greg Fletcher	55,929	-	-	5,871	-	61,800	-	-
Malcolm McComas	60,000	-	-	-	-	60,000	-	-
TOTAL	228,804	-	-	16,594	-	245,398	-	-
Executive Officers								
Mark Benson ¹	387,274	207,000	36,500	35,000	185,714	851,488	46.1	74%
David Griffiths ²	192,575	29,542	-	18,295	2,428	242,840	13.2	n/a
Robert Patterson ³	213,841	16,038	14,263	26,730	2,428	273,300	6.8	n/a
Ian McLoughlin ⁴	185,394	23,174	11,328	23,174	2,428	245,498	10.4	n/a
Johnathon Bromilow ⁵	50,556	-	-	4,803	8,096	63,455	12.8	n/a
TOTAL	1,029,640	275,754	62,091	108,002	201,094	1,676,581		
GRAND TOTAL	1,258,444	275,754	62,091	124,596	201,094	1,921,979		

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. CEO Managing Director. 2. GM Commercial. 3. GM Engineering and Construction. 4. GM Asset Services East. 5. GM Saunders Civilbuild. The amount of remuneration covers the period from 1 April 2017 to 30 June 2017. 6. Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year. 7. Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package. 8. Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board at the end of the financial year.

AUDITED REMUNERATION REPORT (Cont'd)

2016	Short-term Benefits			Post-employment Benefits	Long term employee benefits	Total	Percentage of remuneration related to performance	Percentage of remuneration related to performance which vested in the year ⁹
	Cash Fees/Salary	Cash Bonus ⁷	Non-monetary Benefit ⁸	Superannuation	Equity settled share based payments			
	\$	\$	\$	\$	\$	\$	%	%
Non-executive Directors								
Timothy Burnett	123,599	-	-	-	-	123,599	-	-
Greg Fletcher (Appointed 1/07/15)	55,929	-	-	5,871	-	61,800	-	-
Malcolm McComas	56,000	-	-	-	-	56,000	-	-
TOTAL	235,528	-	-	5,871	-	241,399	-	-
Executive Officers								
John Power ¹	298,092	30,491	1,524	13,058	-	343,165	8.9	50%
Mark Benson ²	368,774	234,667	32,850	32,083	162,229	830,603	47.8	85%
Andrew Auzins ³	210,258	-	13,180	24,203	-	247,641	-	n/a
Robert Patterson ⁴	213,841	27,025	15,049	26,730	707	283,352	9.8	n/a
Ian McLoughlin ⁵	185,394	22,750	14,575	23,174	5,200	251,093	11.1	n/a
Yong Wang ⁶	134,914	6,300	14,273	14,857	471	170,815	4.0	n/a
TOTAL	1,411,273	321,233	91,451	134,105	168,607	2,126,669		
GRAND TOTAL	1,646,801	321,233	91,451	139,976	168,607	2,368,068		

1. Managing Director – Resigned as Managing Director on 4/10/15. Resigned as Director on 12/11/15.
2. CEO Managing Director – Appointed 5/10/15.
3. General Manager- Maintenance – Fully retired 30/04/16.
4. GM Commercial.
5. GM Engineering Construction & Facility Maintenance.
6. Engineering Manager.
7. Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year.
8. Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.
9. Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board at the end of the financial year.

Changes in State of Affairs

There was no significant change in the state of affairs of the Group during the financial year.

Subsequent Events

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

Future Developments

Disclosure of other information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

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 as 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 27 to the financial statements. During this financial year there were no amounts paid or payable for non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 18 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, 23 August 2017



Timothy Burnett
Director
Sydney, 23 August 2017

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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23 August 2017

Dear Board Members

Saunders International Limited

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

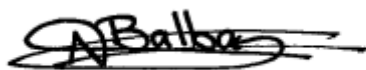
As lead audit partner for the audit of the financial statements of Saunders International Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Nathan Balban
Partner
Chartered Accountants

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 2017, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 work in progress on construction contracts</p> <p><i>Refer to Note 1(b) 'Construction Contracts', Note 1(h) 'Revenue', Note 2 'Critical accounting judgements and key sources of estimation uncertainty', Note 3 'Revenue' and Note 10 'Construction Contracts'.</i></p> <p>As at 30 June 2017 the Group's revenue from construction contracts is \$45.6 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"> • Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations; • 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. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management's processes and key controls in respect of the recognition of revenue and work in progress on construction contracts; and • Testing a sample of contracts and: <ul style="list-style-type: none"> ▪ agreed the contract terms to the initial contract price; ▪ tested a sample of costs incurred to date to supporting documentation; ▪ assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel; ▪ recalculated the percentage of completion based on costs incurred to date relative to total forecast costs; ▪ obtained evidence of approved variations to supporting documentation; ▪ assessed appropriateness of contingency allowances within forecast costs; ▪ evaluated exposure to liquidated damages for late delivery of works; and ▪ challenged management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes. <p>We also assessed the appropriateness of the disclosures in notes 1(b), 1(h), 2, 3 and 10 to the financial statements.</p>
<p>Acquisition of Civilbuild Pty Ltd and Civilbuild Precast Pty Ltd</p> <p><i>Refer to Note 25 'Business Combination'.</i></p> <p>On 1 April 2017 the Group acquired the assets and liabilities of Civilbuild Pty Ltd and Civilbuild Precast Pty Ltd.</p> <p>Significant judgment was required by management in determining the fair value of the assets and liabilities acquired, and the corresponding determination of the bargain purchase recognised in profit or loss.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the Sale & Purchase Agreement to understand the transaction and ensure appropriate accounting; • Evaluating the purchase price allocation performed by management including the assessment of the fair values applied to the assets and liabilities acquired; • Subjecting the key assumptions to sensitivity analysis, • Engaging our valuation specialists to assess the key assumptions and methodology used by management in determining the valuation of the separately identifiable assets acquired; • Recalculating the valuation of the purchase consideration, including the amount attributable to the equity component; • Verifying the calculation of the deferred liability amount based on the normalised financial performance of the acquired business between acquisition date and year end; and • Recalculating the amount of the bargain purchase recognised in profit or loss. <p>We also assessed the appropriateness of the disclosures in Note 25 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 2017, 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, related safeguards.

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 pages 10 to 16 of the Directors' Report for the year ended 30 June 2017.

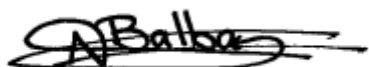
In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

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

DELOITTE TOUCHE TOHMATSU



Nathan Balban
Partner
Chartered Accountants
Sydney, 23 August 2017

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, 23 August 2017



Timothy Burnett
Director
Sydney, 23 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Financial Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Revenue	3	45,805	41,828
Other income	4	1,375	66
Materials and third-party costs charged to projects		(21,843)	(15,814)
Employee benefits expense	4	(17,212)	(18,099)
Depreciation expense	4	(726)	(619)
Motor vehicle expenses		(276)	(365)
Occupancy and operating lease expenses	4	(882)	(1,110)
Acquisition costs	4	(740)	-
Other expenses		(4,165)	(2,182)
Profit before income tax		1,336	3,705
Income tax benefit / (expense)	5	92	(814)
Profit for the year		1,428	2,891
Other comprehensive income		-	-
Total comprehensive income for the year		1,428	2,891
Earnings per share			
Basic (cents per share)	14	1.76	3.68
Diluted (cents per share)	14	1.76	3.65

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	19(a)	10,942	14,347
Trade and other receivables	6	11,896	7,085
Inventories		290	171
Current tax asset	5	90	28
Other		557	95
Total current assets		23,775	21,726
Non-current assets			
Property Plant and equipment	7	10,086	1,806
Deferred tax assets	5	259	864
Total non-current assets		10,345	2,670
Total assets		34,120	24,396
Current liabilities			
Trade and other payables	8	8,295	3,269
Deferred revenue	9	1,111	1,416
Provisions	11	1,784	2,009
Borrowings	24	2,500	-
Total current liabilities		13,690	6,694
Non-current liabilities			
Provisions	11	411	405
Total non-current liabilities		411	405
Total liabilities		14,101	7,099
Net assets		20,019	17,297
Equity			
Issued capital	12	11,588	7,927
Shares buy-back reserve under employee share plan	12	(351)	(336)
Share based payments reserve	12	460	388
Retained earnings	13	8,322	9,318
Total equity		20,019	17,297

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2017

	Issued capital \$'000	Shares (Issued)/Vested Under Employee share plan \$'000	Share Based Payments reserve \$'000	Retained earnings \$'000	Total \$'000
Opening Balance	7,914	(413)	216	11,198	18,915
Profit for the year	-	-	-	2,891	2,891
Total comprehensive income	-	-	-	2,891	2,891
Treasury shares vested during the current year	13	77	-	-	90
Dividends paid	-	-	-	(4,771)	(4,771)
Shares issued during the current year	-	-	-	-	-
Share-based payments expense	-	-	172	-	172
Balance at 30 June 2016	7,927	(336)	388	9,318	17,297
Profit for the year	-	-	-	1,428	1,428
Total comprehensive income	-	-	-	1,428	1,428
Dividends paid	-	-	-	(2,424)	(2,424)
Shares Issued on Business Acquisition (Note 25)	2,284	-	-	-	2,284
Shares Issued under DRP (Note 12)	1,235	-	-	-	1,235
Shares issued during the current year	142	(15)	(127)	-	-
Share-based payments expense	-	-	199	-	199
Balance at 30 June 2017	11,588	(351)	460	8,322	20,019

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Financial Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		47,860	42,268
Payments to suppliers and employees		(48,243)	(40,235)
Interest received and other costs of finance paid		230	357
Income taxes paid		(171)	(821)
Net cash (used in) / provided by operating activities	19(b)	(324)	1,569
Cash flows from investing activities			
Payments for plant and equipment	7	(744)	(439)
Payments for Business Acquisition	25	(3,774)	-
Cash received on asset sales		-	24
Net cash used in investing activities		(4,518)	(415)
Cash flows from financing activities			
Dividends paid to shareholders		(2,424)	(4,771)
Proceeds from borrowings		2,500	-
Proceeds from issue of shares		1,361	90
Net cash provided by / (used in) financing activities		1,437	(4,681)
Net (decrease) / increase in cash and cash equivalents		(3,405)	(3,527)
Cash and cash equivalents at the beginning of the financial year		14,347	17,874
Cash and cash equivalents at the end of the financial year	19(a)	10,942	14,347

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 Interpretations, and comply with other requirements of the law.

For the purpose of preparing the 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 23 August 2017.

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.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values 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. Refer to Note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised accounting standards

In the current year, 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 the current annual reporting period. There has been no material impact of these changes on the Group's accounting policies.

Impact of adoption of AASB 15 Revenue from Contracts with Customers

The AASB has issued AASB15 *Revenue from Contracts with Customers*, with an effective date of 1 January 2018. This new standard will apply to the Group for the first time for the year ended 30 June 2019. The key principle of this standard is that an entity will identify separate performance obligations and recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces far more prescriptive and detailed implementation guidance than was included in AASB 118, particularly in relation to the identification of separable performance obligations and revenue recognition criteria, including disclosures. Management is still in the process of completing its AASB 15 impact study, including assessment and documentation of the key changes and implications to revenue recognition policies and disclosures for the financial statements, for the year ended 30 June 2019.

Impact of adoption of AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective. The AASB 16 will be effective for annual periods beginning on or after 1 January 2019. This new standard will apply to the Group for the first time for the year ended 30 June 2020. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Impact of adoption of AASB 16 Leases (cont.)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. Furthermore, extensive disclosures are required by AASB 16.

At 30 June 2017, the Group has non-cancellable operating lease commitments of \$1.5 million. AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 18 to the financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact.

(a) 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.

(b) Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the proportion of that contract costs incurred for work performed to date in relation to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) 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 as 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.

(d) 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.

(d) Income Tax (cont.)

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.

(e) Leased Assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(f) 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

(g) 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.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from time and material contracts is recognised at the contractual rates as labour hours are derived and direct expenses incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy outlined in Note 1(b).

(h) Revenue (cont.)Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(i) Financial AssetsLoans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(j) 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.

(k) 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.

(l) Contributed Equity

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.

(m) 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:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- 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:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of
- the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- 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 IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(n) 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 IAS 12 *Income Taxes* and IAS 19 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 IFRS 2 at the acquisition date); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

(n) 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 IFRS.

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 IAS 39, or IAS 37 *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.

(o) 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.

(p) **Adoption of new and revised Accounting Standards**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Management is still assessing the impact on reported results on adoption of these pronouncements. Adoption of these pronouncements may result in changes to information currently disclosed in the financial statement. The Group does not intend to adopt any of these pronouncements before their effective dates.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014 - 2016 Cycle	1 January 2017	30 June 2018
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

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

Revenue is recognised on each project by reference to the stage of completion of the project. The method of calculating the percentage completion of the project involves an element of judgement based on future project costs and profitability of each project. The information used to forecast these costs is based on historical events and current economic data on a customer by customer basis. The value of construction contracts which are in progress at the statement of financial position date is calculated in accordance with Note 1(b).

Fair value of net assets acquired

The fair value of property acquired as part of the acquisition of Civilbuild has been determined based on independent third party valuations. The fair value of plant and equipment acquired as part of the business combination has been estimated based on director valuations supported by third party valuations adjusted for other relevant considerations. Any reassessment of fair values would impact the discount on acquisition.

3. REVENUE

	2017 \$'000	2016 \$'000
Revenue from continuing operations consisted of the following items:		
Revenue from rendering of services	45,577	41,471
Interest received	228	357
	45,805	41,828

4. PROFIT FOR THE YEAR

	2017 \$'000	2016 \$'000
Other income		
Discounts and rebates	20	42
Discount on acquisition (Note 25)	1,355	-
Profit on sale of asset	-	24
	1,375	66
Profit before income tax has been arrived at after charging the following expenses:		
Cost of sales	35,142	34,185
Depreciation		
Plant and equipment	676	561
Office furniture and equipment	50	58
	726	619
Transaction costs written off (Note 25)	740	-
Operating lease rental expenses:		
Lease payments	882	1,110
Employee benefits expense:		
Post-employment benefits – defined contributions	1,326	1,503
Payroll tax expense	935	1,003
Employee Share Plan	199	172
Salary and wages	14,752	15,421
	17,212	18,099

5. INCOME TAX

	2017 \$'000	2016 \$'000
Income tax recognised in profit		
Income tax expense comprises:		
Current income tax expense	102	984
R&D tax concession	(304)	(299)
Deferred tax expense relating to the origination and reversal of temporary differences	110	129
Total income tax (benefit) / expense	(92)	814
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financials as follows:		
Profit before taxation	1,336	3,705
Income tax at 30%	401	1,113
Deferred tax asset in relation to transaction costs not brought to account	170	-
Non-taxable gain on acquisition	(407)	-
Other	48	-
R&D tax concession	(304)	(299)
Total income tax (benefit) / expense	(92)	814
Current tax asset – income tax receivable	90	28

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:

	Opening balance \$'000	(Charged)/ Credited to income \$'000	Acquisition \$'000	Closing balance \$'000
2017				
Deferred tax assets				
Employee benefits	749	(156)	131	724
Accruals and other	115	46	-	161
Deferred tax asset	864	(110)	131	885
2017				
Deferred tax liabilities				
Property, plant and equipment	-	-	(626)	(626)
Deferred tax liability	-	(110)	(626)	(626)
Net deferred tax asset	864	(110)	(495)	259
2016				
Deferred tax assets				
Employee benefits	876	(127)		749
Accruals and other	117	(2)		115
Deferred tax asset	993	(129)		864

6. TRADE AND OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
Trade receivables(i)	11,896	7,085

- (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. On the basis of this review, management has provided for trade receivable balances which may be at risk of being irrecoverable.

Ageing of past due but not impaired.

60 days over the due date	96	375
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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 2017 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
Gross carrying amount					
Balance at 1 July 2015	-	-	8,379	703	9,082
Additions	-	-	378	61	439
Disposals	-	-	(889)	(39)	(928)
Balance at 30 June 2016	-	-	7,868	725	8,593
Additions	-	-	706	38	744
Additions through Business Acquisition (Note 25)	3,400	1,150	3,707	29	8,286
Disposals	-	-	-	-	-
Balance at 30 June 2017	3,400	1,150	12,281	792	17,623
Accumulated depreciation					
Balance at 1 July 2015	-	-	6,622	468	7,090
Disposals	-	-	(889)	(33)	(922)
Depreciation expense	-	-	561	58	619
Balance at 30 June 2016	-	-	6,294	493	6,787
Disposals	-	-	-	-	-
Depreciation expense	-	7	693	50	750
Balance at 30 June 2017	-	7	6,987	543	7,537
Net book value					
As at 30 June 2016	-	-	1,574	232	1,806
As at 30 June 2017	3,400	1,143	5,294	249	10,086

8. TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Current		
Trade payables (i)	5,916	1,732
Goods and services tax payable	245	216
Accruals	1,543	1,321
Deferred consideration (ii) (Note 25)	591	-
	8,295	3,269

- (i) The average credit period on purchases of goods is 1 month. No interest is charged on the trade payables. The Group has a policy that all payables are paid within the agreed credit timeframe.
- (ii) Represents earn out of \$266,000 and Work in Progress purchased of \$325,000.

9. DEFERRED REVENUE

	2017 \$'000	2016 \$'000
Revenue received in advance under construction contracts (Note 10)	1,111	1,416

10. CONSTRUCTION CONTRACTS

	2017 \$'000	2016 \$'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	31,541	42,478
Less: progress billings	(32,652)	(43,894)
	(1,111)	(1,416)
Recognised and included in the financial statements as revenue received in advance under construction contracts (Note 9)	1,111	1,416
At 30 June 2017, no cash retentions were held by customers for contract work (2016: \$nil). Advances received from customers for contract work amounted to \$Nil (2016: \$1,540,000).		

11. PROVISIONS

	2017 \$'000	2016 \$'000
<u>Current</u>		
Employee benefits	1,784	2,009
<u>Non-current</u>		
Employee benefits	141	135
Lease make good	270	270
	411	405

12. ISSUED CAPITAL

	2017 \$'000	2016 \$'000
85,639,278 fully paid ordinary shares (2016: 78,720,000)	11,237	7,591
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	2017 Number	2016 Number
Ordinary shares		
Ordinary shares at beginning of financial year	78,720,000	78,560,000
Ordinary shares issued during the current year	6,919,278	160,000
Ordinary shares at end of financial year	85,639,278	78,720,000
	2017 \$'000	2016 \$'000
Fully paid ordinary shares		
Balance at beginning of financial year	7,927	7,914
Shares issued on business acquisition at fair value (i) (Note 25)	2,284	-
Shares issued under DRP	1,235	-
Shares issued during the year	142	13
Balance at end of financial year	11,588	7,927
	2017	2016
Treasury shares under employee share plan		
Balance at beginning of financial year	(336)	(413)
Treasury shares vested during the year	-	77
Share issued during the year	(15)	-
Balance at end of financial year	(351)	(336)
Issued capital	11,237	7,591

(i) Shares were issued at the market value on the day of settlement. The contract for the purchase stated a cap and collar amount to which the shares would be issued.

Reserves`

Nature and purpose of reserves

(a) Share buyback reserve

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.

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 10 tranches of the ESP have been issued.

Tranche 3: During the financial year 10,000 shares forfeited. 160,000 shares vested

Tranche 4: During the financial year 10,000 shares forfeited and have now been extended to February 2018

Tranche 5: During the financial year 10,000 shares forfeited

Tranche 6: During the financial year 10,000 shares forfeited

Tranche 7: Offer of 200,000 in October 2015 with all offers accepted

Tranche 8: Offer of 400,000 in January 2016 with all offers accepted

Tranche 9: Offer of 230,000 in February 2016 with all offers accepted. 20,000 shares forfeited

Tranche 10: Offer of 355,000 in February 2017 with all offers accepted.

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

Two individual employees hold more than 200,000 options under the ESP.

Details of the fair value assumptions used are as follows:

	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10
Grant Date	Feb 2013	Feb 2014	Feb 2015	Oct 2015	Jan 2016	Feb 2016	Feb 2017
Grant Price	\$0.83	\$0.85	\$0.72	\$0.59	\$0.58	\$0.58	\$0.58
Opening Volume	160,000	160,000	150,000	-	-	-	-
New grants	-	-	-	200,000	400,000	230,000	355,000
Forfeitures	(10,000)	(10,000)	(10,000)	-	-	(20,000)	-
Closing Volume	150,000	150,000	140,000	200,000	400,000	210,000	355,000
Exercise Price	\$0.83	\$0.83	\$0.71	\$0.71	\$0.58	\$0.58	\$0.58
Expected Volatility	45%	45%	45%	45%	45%	45%	45%
Option Life	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	7.50%	7.50%	10.00%	5.60%
Risk Free Interest Rate	3.00%	5.15%	6.25%	1.88%	2.05%	1.72%	1.72%
Grant date fair value	\$0.12	\$0.12	\$0.16	\$0.12	\$0.12	\$0.07	\$0.06

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date except for an extension of Tranche 4 until February 2018 as set out above.

Movement in share options during the year

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

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	1,250,000	0.67	690,000	0.72
Granted during the year	355,000	0.58	830,000	0.60
Forfeited during the year	-	-	(110,000)	0.73
Exercised during the year	-	-	(160,000)	0.48
Balance at end of year	1,605,000	0.65	1,250,000	0.67
Exercisable at end of year	-	-	-	-

The following share options were exercised during the year:

	2017			2016		
	Exercise date	Number of options exercised	Share price at exercise date	Exercise date	Number of options exercised	Share price at exercise date
Tranche 3	-	-	-	3 Mar 2016	160,000	56 cents

Performance Right 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 (FY2016) for tranches 1 to 8 and (FY2017) for tranches 9 and 10 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.

The Managing Director participates in the Saunders International Rights Plan. This plan is part of the long term incentive component of his remuneration package. The total number of Performance Rights issued under the plans is 1,523,960 of which 216,076 have vested.

Details of the fair value assumptions used are as follows:

	Tranche 1 & 2	Tranche 3	Tranche 4 & 5	Tranche 6 & 7	Tranche 8	Tranche 9	Tranche 10
Grant Date	2 June 2016	2 June 2016	2 June 2016	2 June 2016	2 June 2016	1 Sept 2017	1 Sept 2017
Grant Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Opening Volume	388,954	194,477	216,076	186,197	62,066	-	-
New grants	-	-	-	-	-	238,095	238,095
Vested	-	-	(216,076)	-	-	-	-
Closing Volume	388,954	194,477	-	186,197	62,066	238,095	238,095
Exercise Price	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expected Volatility	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%
Option Life	2.25 years	2.25 years	0.25 years	1.25 years	1.25 years	2.25 years	2.25 years
Dividend value	\$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%
Grant date fair value	\$0.41	\$0.41	\$0.53	\$0.47	\$0.47	\$0.46	\$0.46

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 option is \$0.00 per option and the share price on grant date was \$0.54 per share for tranches 1 to 8 and \$0.52 per share for tranches 9 and 10. The share options outstanding at the end of the year has a weighted average remaining contractual life of 1.25 years. Tranche 4 and 5 were vested in September 2016.

13. RETAINED EARNINGS

	2017 \$'000	2016 \$'000
Balance at beginning of financial year	9,318	11,198
Profit for the year	1,428	2,891
Dividends provided for or paid	(2,424)	(4,771)
Balance at end of financial year	8,322	9,318

14. EARNINGS PER SHARE

	2017 Cents per share	2016 Cents per share
Basic earnings per share	1.76	3.68
Diluted earnings per share	1.76	3.65

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

	2017 \$'000	2016 \$'000
Net profit	1,428	2,891
Earnings used in the calculation of basic EPS	1,428	2,891

	2017 No.'000	2016 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	81,073	78,613

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	81,073	78,613
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	79	542
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	81,152	79,155

- (a) During the year ended 30 June 2017 the potential ordinary shares associated with the employee share option plan as set out in Note 12 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights, as set out in Note 12 are dilutive, and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

15. DIVIDENDS

	2017		2016	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend (2016):				
Fully franked at a 30% tax rate	2.0	1,574	4.0	3,173
Interim dividend (2017):				
Fully franked at a 30% tax rate	1.0	850	2.0	1,601
	3.0	2,424	6.0	4,774
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend (2017):	1.0	856	2.0	1,574

On 23 August 2017, the directors declared a fully franked final dividend of 1 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 18 September 2017.

	2017 \$'000	2016 \$'000
Franking account balance	2,648	3,926
Impact on franking account balance of dividends not recognised	(366)	(686)
Adjusted franking account balance	2,282	3,240

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 4 customers made up 71.1% of the revenue earned (2016: 2 customers made up 39.4% of the revenue earned). The first customer accounted for \$15,186,354, the second customer \$6,062,843, the third customer \$5,673,000 and the fourth for \$5,658,391.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contract dispute

There are no contract disputes in the current year (2016:Nil)

18. LEASES

Operating Leases

Motor Vehicle

Operating leases relate to motor vehicles. These leases are non-cancellable leases of less than five-year term, with rent payable monthly in advance. The monthly lease payments are fixed for the term of the leases. Additional charges are required if proposed kilometres travelled are exceeded. There is no renewal of terms or purchase options at the end of the term of the leases.

Non-cancellable operating lease commitments

No longer than 1 year
Longer than 1 year and not longer than 5 years
Longer than 5 years

Workshop Property

The Group is committed to a lease of the workshop property and offices that it occupies at Condell Park, Sydney until 31st December 2020.

Non-cancellable operating lease commitments

No longer than 1 year
Longer than 1 and not longer than 5 years

	2017 \$'000	2016 \$'000
	156	157
	136	109
	-	-
	292	266
	609	355
	309	-
	918	355

19. NOTES TO THE STATEMENT OF CASH FLOWS

2017	2016
\$'000	\$'000

(a) Cash and cash equivalents

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	10,942	14,347
---------------------------	--------	--------

(b) Reconciliation of profit for the year to net cash flows from operating activities

Profit for the year	1,428	2,891
Share-based payments expense	199	172
(Gain)/ Loss on disposal/revaluation of non-current asset	-	(18)
Depreciation	726	619
Non-cash transactions relating to business acquisitions	(1,355)	-
Changes in net assets and liabilities (net of acquisition):		
(Increase)/decrease in assets:		
Increase/(decrease) in current tax liability	-	(107)
(Increase)/decrease in current tax asset	(62)	(28)
Decrease in deferred tax balances	110	129
Trade and other receivables	(4,811)	(2,071)
Inventories	(119)	530
Other assets	(462)	8
Increase/(decrease) in liabilities:		
Trade and other payables	4,658	1,245
Deferred revenue	20	(1,379)
Provisions	(656)	(422)
Net cash from operating activities	(324)	1,569

(c) Financing facilities

The Group's principal financing facilities for the provision of bank guarantees as described in Note 20 is secured by a fixed and floating charge over the assets of the Group.

Amount used	3,532	3,128
Amount unused	6,468	3,872
	10,000	7,000

20. 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 deposits its cash and cash equivalents with Australian banks. Funds can be deposited in cheque accounts, cash management accounts and term deposits. The policy is to utilise at least two Australian banks for cash management accounts and term deposits. The policy with term deposits is to provide for liquidity with a range of maturities up to 6 months.

(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 except for an interest-free vendor loan. 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

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	10,942	14,347
Loans and receivables	11,896	7,085
	22,838	21,432
Financial liabilities		
Trade payables and accruals	8,295	3,269
Borrowings	2,500	-

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.

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 2 years	Total
	%	\$'000	\$'000	\$'000	\$'000
2017					
Financial assets					
Cash and cash equivalents	0.83%	9,940	1,002	-	10,942
Trade receivables	-	10,567	1,315	14	11,896
Financial liabilities					
Trade payables and accruals	-	7,137	1,094	64	8,295
Borrowings	0.00%	2,500	-	-	2,500
2016					
Financial assets					
Cash and cash equivalents	2.64%	6,347	8,000	-	14,347
Trade receivables	-	3,211	3,853	21	7,085
Financial liabilities					
Trade payables and accruals	-	3,214	-	55	3,269

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 \$126,445 (2016: \$161,108).

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.

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

	2017 \$	2016 \$
Short-term employee benefits	1,596,289	2,059,485
Post-employment benefits	124,596	139,976
Share-based payments	201,094	168,607
	1,921,979	2,368,068

The names of and positions held by the key management are set out on page 15 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report.

(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 13 of the Remuneration Report.

22. RELATED PARTY TRANSACTIONS

The Group leases a property containing its workshop and offices from a Group ultimately beneficially owned by some directors and key management personnel of the Group. The details of this lease are contained in Note 18. These directors and key management personnel have interest in the related party Group as follows:

Timothy Burnett	34%
-----------------	-----

The rental rate for the year was the market rental as assessed by a Certified Practising Valuer on 1 January 2017 plus CPI adjustment and the Lease Term extended until 31 December 2019. Rent paid during the year amounted to \$685,247 (2016: \$642,785).

23. BORROWINGS

Non-interest-bearing loan for business acquisition

A Non-Interest-Bearing loan was obtained from the Vendor of Civilbuild Pty Limited for working capital and was repaid on 31 July 2017.

	2017 \$'000	2016 \$'000
Non-interest-bearing loan for business acquisition	2,500	-
A Non-Interest-Bearing loan was obtained from the Vendor of Civilbuild Pty Limited for working capital and was repaid on 31 July 2017.	2,500	-

24. 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	
			2017	2016
Saunders Civilbuild Pty Ltd	Bridge construction and maintenance	Australia	100%	Nil
Saunders Property (NSW) Pty Ltd	Real property investments	Australia	100%	Nil
Saunders Asset Services Pty Ltd	Maintenance	Australia	100%	100%
Saunders PNG Limited	Tank construction and maintenance	PNG	100%	Nil

25. BUSINESS COMBINATION

(a) Summary of the acquisition

On 1 April 2017 the Group, through its newly incorporated wholly owned companies Saunders Civilbuild Pty Ltd and Saunders Property NSW Pty Ltd, acquired the business and various assets of the Civilbuild group of companies (Civilbuild Pty Ltd and Civilbuild Precast Pty Ltd). The consideration for the acquisition was \$6,324,000, comprising cash, shares in Saunders International and a deferred payment of \$266,000 based on the normalised financial performance of the acquired business between acquisition date and 30 June 2017. No further deferred consideration will be payable.

Civilbuild is a Newcastle, NSW based civil engineering business established in 1969 and it specialises in the design and construction of bridges and associated precast concrete components. Civilbuild has a strong relationship with local government and industry and has constructed more than 200 bridges over its 40+ year history. Its offices, factories and precast operations are based in Newcastle where it produces beams, planks, abutments and parapets for Civilbuild projects and for infrastructure projects being undertaken by other contractors. The business has a dedicated team of approximately 40 Engineers, Project Managers and Construction staff with extensive industry experience who have transferred to Saunders.

The acquisition of this niche engineering and construction business is strategically important in that it should enable Saunders to deliver more sustainable growth across multiple sectors and through market cycles. The acquisition will diversify Saunders' sources of earnings and give it greater exposure to the growth of new road and rail infrastructure projects.

The assets and liabilities recognised as a result of the acquisition are as follows:

	2017 Fair Value
	\$'000
Work in Progress	325
Land and Buildings	4,550
Plant and equipment	3,736
Employee benefits	(437)
Deferred Tax Liability	(495)
Net identifiable assets acquired	<u>7,679</u>
Discount on Acquisition	<u>1,355</u>
Purchase Consideration	<u>6,324</u>

The discount on acquisition is attributable to the fact that the fair value of the net assets acquired is higher than the purchase consideration and Saunders did not pay any goodwill for the business.

The initial accounting for the acquisition of Civilbuild has only been provisionally determined at the end of the reporting period.

(b) Revenue and profit contribution

The acquired business contributed revenues of \$5,087,000 and a net gain before tax of \$262,000 to the group for the period from 1 April 2017 to 30 June 2017.

Had this business combination been effected at 1 July 2016, the directors estimate that the additional revenue contribution to the Group from continuing operations would have been approximately \$20,000,000.

(c) Purchase consideration

Consideration to acquire business	\$'000
Cash consideration	3,774
Fair value of shares in Saunders International issued	2,284
Deferred consideration (i)	266
Purchase consideration	<u>6,324</u>

(i) Under the contingent consideration arrangement, the group is required to pay the vendors an additional \$266,000, based on the normalised financial performance of the acquired business between acquisition date and year end. No further deferred consideration will be payable.

(d) Purchase consideration – cash outflow

Outflow of cash to acquire business	\$'000
Cash consideration	3,774
Net outflow of cash – investing activities	<u>3,774</u>

(e) Acquisition-related costs

Acquisition-related costs of \$740,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows in the year ended 30 June 2017.

26. 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

Assets

Current assets

Non-current assets

Total assets

Liabilities

Current liabilities

Non-current liabilities

Total liabilities

Equity

Issued capital

Shares buy-back reserve under employee share plan

Share based payments reserve

Retained earnings

Total equity

	2017 \$'000	2016 \$'000
Current assets	17,714	21,726
Non-current assets	10,298	2,670
Total assets	28,012	24,396
Current liabilities	6,937	6,694
Non-current liabilities	1,407	405
Total liabilities	8,344	7,099
Issued capital	11,588	7,927
Shares buy-back reserve under employee share plan	(351)	(336)
Share based payments reserve	460	388
Retained earnings	7,971	9,318
Total equity	19,668	17,297

Financial Performance

Profit for the year

Other comprehensive income

Total comprehensive income

	2017 \$'000	2016 \$'000
Profit for the year	1,078	2,891
Other comprehensive income	-	-
Total comprehensive income	1,078	2,891

27. REMUNERATION OF AUDITOR

Audit or review of the financial report

	2017 \$	2016 \$
Audit or review of the financial report	135,000	110,000
	135,000	110,000

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

28. SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

29. 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

271 Edgar Street
Condell Park NSW 2200
Tel: (02) 9792 2444

Principal place of business

271 Edgar Street
Condell Park NSW 2200
Tel: (02) 9792 2444

Corporate Governance

The Board of Saunders has adopted a suite of Corporate Governance Practices to ensure that the Company is effectively directed and managed, risks are identified, monitored and assessed, and appropriate disclosures made.

In developing and adopting the Practices, the Board considered the third addition 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 a number of Policies and Codes of Conduct as follows: -

- Securities Trading Policy - Directors and Senior Executives
- Shareholder Communication Policy
- Continuous Disclosures Policy
- Code of Conduct for Directors and Senior Executives

Corporate Governance Statement and Appendix 4G

The Company reports on an annual basis, its compliance and/or reasons for non-compliance with the third edition of the ASX Corporate Governance Principles and Recommendations.



Further information on the above Charters Policies and Codes can be found on the Company's website:
saundersint.com/investors/corporate-governance/

Additional Stock Exchange Information

As at 4th August 2017

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 83,053,071 fully paid ordinary shares held by 866 individual shareholders. In addition, there are 2,586,207 fully paid ordinary shares issued to entities associated with the vendors of the Civilbuild business, which are escrowed until 31 March 2018. There are 1,605,000 shares issued to employees under the Employee Share Purchase Plans (ESP). These escrowed and ESP shares are not included for the purposes of calculating the totals and percentages used in this section. There are no options issued.

SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
Mr. Desmond Bryant	23,837,580	28.70%
Timothy Burnett	10,272,487	12.37%

DISTRIBUTION OF SHARES

Range	No. of Holders
1 - 1,000	53
1,001 - 5,000	178
5,001 - 10,000	152
10,001 - 100,000	410
100,000 and over	73
TOTAL	866

THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage
Mr Desmond Bryant	23,516,366	28.70%
Tivolico Pty Ltd	6,046,759	7.28%
Anacacia Pty Ltd (Wattle Fund A/C)	5,459,580	6.57%
Marlot Pty Ltd	4,225,728	5.09%
Mr John Power	3,023,513	3.64%
JP Morgan Nominees Australia Limited	3,022,230	3.64%
Sagimo Holdings Pty Ltd	1,286,760	1.55%
Mrs Karyn May McClelland	1,215,366	1.46%
Corliaj Pty Ltd (Civilbuild Contructions Pty Ltd Superannuation Fund A/C)	1,193,554	1.44%
Donald Cant Pty Ltd	940,383	1.13%
Anacacia Pty Ltd (Wattle Fund A/C)	890,804	1.07%
AET SFS Pty Ltd (NEOC A/C)	875,126	1.05%
Mr Trevor Ross Kennedy	746,976	0.90%
Active Air Spares Pty Ltd	700,000	0.84%
Mr Robert Graburn Patterson	652,142	0.79%
Fretensis Pty Ltd	600,000	0.72%
Parmelia Pty Ltd (Reilly Family Super Fund A/C)	599,251	0.72%
Anacacia Capital Pty Ltd (Wattle Fund A/C)	561,056	0.68%
Civilbuild Development Pty Ltd (Wood Superannuation Fund A/C)	530,584	0.64%
IMAJ Pty Ltd (Super Fund A/C)	500,000	0.60%
TOP 20 SHAREHOLDERS	56,586,178	68.12%



Corporate Directory

Saunders International Limited
ABN 14 050 287 431

Saunders Asset Services
ABN 95 610 760 426

Saunders Civilbuild
ABN 86 617 431 562

Saunders (PNG) Limited
1-114512

Saunders Property Group
ABN 39 617 486 021

Board of Directors
Timothy Burnett – Chairman
Mark Benson – Managing Director
Malcolm McComas – Director
Greg Fletcher – Director

Secretary
Steven Dadich

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 Road,
Hurstville NSW 2220

**Registered Office &
Principal Administrative Office**
Saunders International Limited
271 Edgar Street,
Condell Park NSW 2200
Telephone (02) 9792 2444
Facsimile (02)9771 2640

Saunders Asset Services
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Telephone (08) 9481 5820

Saunders Civilbuild
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