

A background photograph of a welder in a dark industrial setting. The welder is wearing blue protective clothing and a black leather work boot. Bright orange sparks are flying from the welding point, creating a dramatic, high-contrast scene. The welder's hands are visible, holding a welding torch.

Annual  
Report

**20  
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# Our Vision

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We are driven by a commitment to safety, innovation, excellence and growth while delivering high quality engineered solutions across the complete asset life cycle.



# Our Values

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## Saunders Company Values



### **SAFETY**

One team, one goal,  
zero harm

### **INTEGRITY**

In all of our decisions

### **INNOVATION**

Application of information,  
imagination & initiative

### **TEAMWORK**

Passionate people working  
together to deliver excel-lence

### **LEADERSHIP**

The courage to shape our future

## Values Aligned Employee Behaviours

- Safety first culture imbedded in everything we do
- Empowered to stop work
- In our behaviour at work and home

- Be accountable for our actions, results, successes and failures
- Be honest and reliable
- Deliver on our commitments

- Continually challenge ourselves to improve
- Anticipate and create solutions that meet our customers' needs and exceed their expectations
- Collaborate with others to bring ideas to life

- Inspire others to reach their full potential
- Collaborate with ourselves and our customers in finding solutions
- Recognise and reward high performance

- Show personal drive - Engage with and motivate others
- Demonstrate the leadership to speak up and challenge the status quo
- Give clear, candid and timely feedback



# 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

Sustainability is a three-legged stool of people, planet and profit  
Saunders manages all three through the triple bottom line concept.



## Triple Bottom Line

Our business strives to use sustainable development to positively affect the environment, business growth and society.

## 2018 - 2019 Focus

Our focus in 2018 - 2019 is on society. Saunders is striving to improve gender diversity in our workplaces.

Diversity has the following benefits:

1. Improves our ability to attract the best people
2. Widens our talent pool
3. Inclusive workforces create higher satisfaction levels which in turn increases employee engagement, resulting in increased performance
4. Is a true representation of our customer base
5. Shows leadership in our industry

## Actions

In 2018 - 2019 we are committed to:

- Attracting female employees to Saunders in non-traditional roles
- Setting up our female employees for success
- Providing ongoing management support

## Success

In 2018 we have been successful in attracting high quality female candidates to project roles. We will maintain our efforts into 2019.



# Chairman's Letter

22nd August 2018



Dear Shareholder,

I present the Chairman's Letter for the 2018 Annual Report. The revenue of \$75 million was at a record level for the company and 64% above the prior year.

This revenue included 12 months contribution from Civilbuild, confirming the decision to make the acquisition and demonstrating its ability to be an important contributor to the Group's profitability in the future.

The revenue included several large tank construction projects and a strong contribution from maintenance operations. It is pleasing that the decision to compete for work in PNG and the Pacific Islands contributed to the revenue for the year.

The net loss after tax of \$2.84 million is a disappointing outcome. Two projects incurred significant client delays and increased costs which contributed to this loss. The Group has developed a good understanding of the underlying issues and has put in place measures to mitigate such issues in future.

The above loss also includes a provision of \$1.45 million for a restructure of the tank related business and processes, which is being progressively rolled out.

The restructure underway will deliver long term benefits to the Group. The objective is to position the business to be leaner and more agile so that it can operate profitably in the current competitive and cyclical marketplace.

On 6 September 2017, Saunders successfully completed a placement to institutional investors of 5.5 million new shares at \$0.50 each to raise a gross amount of \$2.75 million. The placement received strong support from existing institutional shareholders as well as new institutional and sophisticated investors.

On 12 October 2017, Saunders announced that it had completed a 1 for 8 underwritten rights issue and 11.60 million new shares at \$0.50 per share were issued to raise a gross amount of \$5.80 million. The rights issue was strongly supported by Saunders shareholders and was 33% oversubscribed.

The placement and rights issue together raised a net amount of \$7.9 million cash after the costs of the capital raising.

The total dividend for the year was 1 cent per share, this being the interim dividend paid in September 2017. No final dividend is being paid.

The safety of our employees is our highest priority and we continually review safety performance and invest in improvements of the safety processes and systems. I am pleased that proactive and ongoing management and employee involvement has enabled the Group to achieve a 12% reduction in the TRIFR key performance indicator.

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

A handwritten signature in black ink that reads "Tim Burnett". The signature is written in a cursive, flowing style.

**Tim Burnett**  
Chairman



# Board of Directors

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## 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 company Yancoal SCN Limited, Co-Vice Chairman of Yancoal Australia Limited, Chairman of privately owned SMEG Australia Pty Ltd and the Director of TAFE NSW Commission. 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 **2018**

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**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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 2018 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: -

	2018 \$'000	2017 \$'000
<b>Revenue</b>	<b>75,368</b>	<b>45,805</b>
<b>(Loss)/Profit before restructure costs</b>	<b>(2,766)</b>	<b>1,336</b>
<b>Restructure costs</b>	<b>(1,447)</b>	<b>-</b>
<b>(Loss)/Profit after restructure costs</b>	<b>(4,213)</b>	<b>1,336</b>
<b>Income tax benefit / (expense)</b>	<b>1,373</b>	<b>92</b>
<b>(Loss)/Profit attributable to the members of Saunders International Limited</b>	<b>(2,840)</b>	<b>1,428</b>

	2018 \$'000	2017 \$'000
<b>(Loss)/Profit attributable to the members of Saunders International Limited</b>	<b>(2,840)</b>	<b>1,428</b>
<b>Add: Restructure costs net of tax</b>	<b>1,013</b>	<b>-</b>
<b>Underlying (Loss)/Profit excluding restructure costs net of tax</b>	<b>(1,827)</b>	<b>1,428</b>

## Operating and Financial Review

Over this past year we have achieved significant growth in revenue with our full year revenue at \$75.37 million which was a 64.5% increase on the prior year (FY2017: \$45.81 million). We believe that our strategic position as a market leader in the bulk liquid storage sector and our diversification strategy into the transport infrastructure sector will continue to provide growth opportunities over the coming years. This increased revenue is a result of the full year of Civilbuild's contribution, multiple large tank construction projects both nationally and internationally and continued strong performance from our maintenance operations in FY2018.

The Group's decision to enter construction and maintenance work in PNG is paying dividends with one project complete and the other nearing practical completion. During the year we also undertook a tank construction project in New Caledonia. The group will continue to pursue opportunities in the pacific region and build on its current success.

## Operating and Financial Review

The result has been primarily impacted by two loss-making projects, due mainly to client delays and increased cost to complete these projects. Practical completion has now been achieved on one of these jobs in Victoria and a provision has been made in respect to the other job in NSW that is ongoing.

The financial result also includes a provision of \$1.45 million for a significant restructure, with the underlying result being a net loss after tax of \$1.83 million. During the year, the Group developed a business improvement plan to improve the tank related business processes and project delivery performance. The restructure has commenced by 30 June 2018 and involves significant changes and improvements to position the Group to operate profitably in the current competitive and cyclical market conditions. The long-term benefits will enable the business to be more agile and innovative. A business improvement manager has been engaged to ensure this process is implemented effectively.

The loss per share was 3.03 cents, a 272.2% decrease on FY2017 (1.76 cents earnings per share).

Cash outflows from operating activities were \$1.37 million, a 328.1% decrease on FY2017 (\$0.32 million outflows), driven mainly by the two loss making projects mentioned above.

The directors consider the Group to be in a strong financial position at year end with cash and cash equivalents of \$12.38 million (FY2017: \$10.94 million). The cash and cash equivalents of 30 June 2018 is equivalent to 13.23 cents per share (FY2017: 13.50 cents per share) and the Group has no interest-bearing loans. 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 23.12 cents (FY2017: 23.07cents).

On the 6 September 2017, Saunders successfully completed a placement to institutional investors of 5.50 million new shares at \$0.50 each to raise a gross amount of \$2.75 million. On 12 October 2017, Saunders announced that it had completed a 1 for 8 underwritten rights issue and 11.59 million new shares at \$0.50 per share were issued to raise a gross amount of approximately \$5.70 million. The placement and the rights issue were strongly supported by current shareholders and institutions with interest generated from new institutions for the placement.

## Outlook

In recent months Saunders has secured \$10.1 million in new and extended contracts bringing our current order book to \$42.4 million at 30 June 2018. Tendering activity shows the value of live tenders at \$170.87 million. The pipeline (yet to be tendered) is at \$339.32 million.

Our international projects in Papua New Guinea and New Caledonia, have performed well with the business tendering further opportunities with these clients.

Whilst Saunders management is expecting market conditions to remain challenging in the short term in our tank construction group, we are confident that our expansion into the mining and infrastructure sector and the recent business improvement process will deliver positive results over the coming years through increased pipeline and sound operational delivery.

The outlook for the Civilbuild is positive with a strong pipeline of suitable opportunities emerging from continuing and new road and rail infrastructure projects in NSW.

## Employees

The Group's total workforce average was approximately 212 an increase of 15% on 12 months earlier. The increase in employee numbers is due to the increased levels of activity in the infrastructure and tank construction groups.

Saunders remain focused on attracting, developing and retaining high calibre employees who live our values and actively contribute to the achievement of our vision and strategic objectives.

The directors wish to recognise and thank 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. The business is continually reviewing current practises with a view to improve current processes and systems. We are currently evaluating an enterprise wide Loss Prevention System.

Continued management focus and active employee involvement helped the Group to an improved safety result over the previous year with a reduction of 12% in our TRIFR (FY2017 19% reduction on previous year).

## Earnings per share

The basic and diluted earnings per share is calculated using the weighted average number of shares. This shows the basic losses per share at 3.03 cents (2017: 1.76 cents earnings per share) and the diluted losses per share at 3.03 cents (2017: 1.76 cents earnings per share).

## DIVIDEND

The Board has declared that due to the financial performance in FY2018 there will not be a final dividend payable for FY2018. (FY2017 final dividend 1.0 cents per share).

## DIRECTORS ATTENDANCE AT MEETINGS

### Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2018, 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	11	11	4	4	4	4
Mark Benson	11	11	-	-	-	-
Greg Fletcher	11	11	4	4	4	4
Malcolm McComas	11	10	4	4	4	4

## INFORMATION ON DIRECTORS

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

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Timothy Burnett	Non-executive Chairman Member of the Audit & Risk Committee Member of the Remuneration Committee Director since 28 November 1990 BE, MBA, FAICD 43 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	11,556,548

## 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
Mark Benson	Managing Director from 5 October 2015 Director since 10 August 2015 AdvDipMan, AdvDipProjMgt, GAICD 25 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	446,482
Malcolm McComas	Non-executive Director Chairman of the Remuneration Committee Member of the Audit & Risk Committee Director since 4 September 2012 B Ec, LLB, FAICD, SFFin 35 years of relevant experience as a lawyer, investment banker and company director Other listed company directorships in the 3 years immediately before the end of the financial year – Pharmaxis Ltd (Chairman) BC Iron Ltd – Resigned November 2014 Fitzroy River Corporation Ltd (Chairman) Royalco Resources Limited	83,250
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 - Co Vice Chairman Yancoal Australia Limited - Director TAFE NSW Commission - 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	5,360



## 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 2018. 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 450,000 options within The Employee Share Plan and 859,943 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 14 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 675,000 shares and have an interest in 533,750 shares under the Employee Share Plan. In addition, other employees own 542,500 shares.

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

## AUDITED REMUNERATION REPORT (Cont'd)

### **Employee Share Plan**

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

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

During the year 153,750 options were granted to Key Management Personnel under the ESP. The aggregate fair value of the options granted is \$31,270 as set out on page 15.

### **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 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.

During the year 419,753 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is \$117,903 as set out on page 15.

## 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 \$510,000
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 officer's remuneration is aligned with the long-term Group performance via the shareholdings that these individuals retain in the Group.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2018:

	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Revenue	75,368	45,805	41,828	43,954	69,359
Net (loss)/profit before income tax	(4,213)	1,336	3,705	6,324	9,106
Net (loss)/profit after income tax	(2,840)	1,428	2,891	4,431	6,375

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Share price at end of year	0.47	0.50	0.50	0.60	0.88
Interim dividend (cents per share)	1.00	2.00	2.00	2.00	2.00
Final dividend (cents per share)	0.00	1.00	2.00	4.00	4.00
Basic (losses)/earnings per share	(3.03)	1.76	3.68	5.64	8.14
Diluted (losses)/earnings per share	(3.03)	1.76	3.65	5.60	8.13

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 2018 were:

	Fully paid ordinary shares 2017	Fully paid ordinary shares issued/purchased during 2018	Fully paid ordinary shares 2018	Share options 2017	Share options vested during 2018	Share options granted during 2018	Share options at end 2018	Performance rights 2017	Performance rights granted during 2018	Performance Rights vested during 2018	Performance rights at end 2018
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
<b>Non-executive Directors</b>											
Timothy Burnett	10,272,487	1,284,061	11,556,548	-	-	-	-	-	-	-	-
Malcolm McComas	74,000	9,250	83,250	-	-	-	-	-	-	-	-
Greg Fletcher	4,763	597	5,360	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>10,351,250</b>	<b>1,293,908</b>	<b>11,645,158</b>	-	-	-	-	-	-	-	-
<b>Executive Officers</b>											
Mark Benson <sup>1</sup>	220,419	226,163	446,582	400,000	-	50,000	450,000	1,059,621	419,753	(583,431)	895,943
Rudy Sheriff <sup>2</sup>	-	-	-	-	-	50,000	50,000	-	127,572	-	127,572
David Griffiths <sup>3</sup>	-	-	-	30,000	-	3,750	33,750	-	48,355	-	48,355
Robert Patterson <sup>4</sup>	652,142	-	652,142	75,000	-	9,375	84,375	-	26,793	-	26,793
Ian McLoughlin <sup>5</sup>	10,587	11,911	22,498	275,000	-	34,375	309,375	-	46,663	-	46,663
Jonathon Bromilow <sup>6</sup>	-	-	-	50,000	-	6,250	56,250	-	45,474	-	45,474
<b>TOTAL</b>	<b>883,148</b>	<b>238,074</b>	<b>1,121,222</b>	<b>830,000</b>	-	<b>153,750</b>	<b>983,750</b>	<b>1,059,621</b>	<b>714,610</b>	<b>(583,431)</b>	<b>1,190,800</b>
<b>GRAND TOTAL</b>	<b>11,234,398</b>	<b>1,531,982</b>	<b>12,766,380</b>	<b>830,000</b>	-	<b>153,750</b>	<b>983,750</b>	<b>1,059,621</b>	<b>714,610</b>	<b>(583,431)</b>	<b>1,190,800</b>

1.CEO Managing Director, 2. Chief Financial Officer (20<sup>th</sup> November 2017) 3. GM Business Development & Strategy 4. GM Engineering and Construction/Key Account Manager 5.GM Construction and Asset Services, 6. GM Saunders Civilbuild.



**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 2018	Share options forfeited during 2018	Share options vested during 2018	Performance rights granted during 2018	Performance rights forfeited during 2018	Performance rights vested during 2018
	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$
<b>Non-executive Directors</b>						
Timothy Burnett	-	-	-	-	-	-
Malcolm McComas	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>						
Mark Benson <sup>1</sup>	9,600	-	-	117,903	-	160,757
Rudy Sheriff <sup>2</sup>	11,350	-	-	35,833	-	-
David Griffiths <sup>3</sup>	720	-	-	13,582	-	-
Robert Patterson <sup>4</sup>	1,800	-	-	7,526	-	-
Ian McLoughlin <sup>5</sup>	6,600	-	-	13,107	-	-
Jonathon Bromilow <sup>6</sup>	1,200	-	-	12,773	-	-
<b>TOTAL</b>	<b>31,270</b>	<b>-</b>	<b>-</b>	<b>200,724</b>	<b>-</b>	<b>160,757</b>
<b>GRAND TOTAL</b>	<b>31,270</b>	<b>-</b>	<b>-</b>	<b>200,724</b>	<b>-</b>	<b>160,575</b>

The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a Black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year, as disclosed on page 16, 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. Chief Financial Officer (20<sup>th</sup> November 2017) 3. GM Business Development & Strategy 4. GM Engineering & Construction/Key Account Manager  
5.GM Construction & Asset Services, 6. GM Saunders Civilbuild.

**AUDITED REMUNERATION REPORT (Cont'd)**

**Remuneration of Executive Officers and Key Management Personnel**

2018	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 <sup>8</sup>
	Cash Fees/Salary	Cash Bonus <sup>6</sup>	Non-monetary Benefit <sup>7</sup>	Superannuation	Equity settled share based payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-executive Directors</b>								
Timothy Burnett	115,069	-	-	10,776	-	125,845	-	-
Greg Fletcher	57,534	-	-	6,113	-	63,647	-	-
Malcolm McComas	67,050	-	-	-	-	67,050	-	-
<b>TOTAL</b>	<b>239,653</b>	<b>-</b>	<b>-</b>	<b>16,889</b>	<b>-</b>	<b>256,542</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>								
Mark Benson <sup>1</sup>	490,440	-	-	25,040	120,422	635,902	18.9%	0%
Rudy Sheriff <sup>2</sup>	184,701	34,720	15,644	10,333	16,223	261,621	19.5%	n/a
David Griffiths <sup>3</sup>	214,955	10,256	-	20,049	7,120	252,380	6.9%	n/a
Robert Patterson <sup>4</sup>	117,585	6,971	14,624	14,434	8,256	161,870	9.4%	n/a
Ian McLoughlin <sup>5</sup>	190,029	19,167	14,921	25,764	25,042	274,923	16.1%	n/a
Jonathon Bromilow <sup>6</sup>	204,129	14,203	-	19,211	8,305	245,848	9.2%	n/a
<b>TOTAL</b>	<b>1,401,839</b>	<b>85,317</b>	<b>45,189</b>	<b>114,831</b>	<b>185,368</b>	<b>1,832,544</b>		
<b>GRAND TOTAL</b>	<b>1,641,492</b>	<b>85,317</b>	<b>45,189</b>	<b>131,720</b>	<b>185,368</b>	<b>2,089,086</b>		

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

1. CEO Managing Director. 2. Chief Financial Officer - The amount of remuneration covers the period from 20 November 2017 to 30 June 2017. 3. GM Business Development & Strategy. 4. GM Engineering & Construction/Key Account Manager. 5. GM Construction & Asset Services 5. GM Saunders Civilbuild. 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 in September 2018.

AUDITED REMUNERATION REPORT (Cont'd)

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 <sup>8</sup>
	Cash Fees/Salary	Cash Bonus <sup>6</sup>	Non-monetary Benefit <sup>7</sup>	Superannuation	Equity settled share based payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-executive Directors</b>								
Timothy Burnett	112,875	-	-	10,723	-	123,598	-	-
Greg Fletcher	55,929	-	-	5,871	-	61,800	-	-
Malcolm McComas	60,000	-	-	-	-	60,000	-	-
<b>TOTAL</b>	<b>228,804</b>	<b>-</b>	<b>-</b>	<b>16,594</b>	<b>-</b>	<b>245,398</b>	<b>-</b>	<b>-</b>
<b>Executive Officers</b>								
Mark Benson <sup>1</sup>	410,288	207,000	39,568	35,000	185,714	877,570	44.8%	74%
David Griffiths <sup>2</sup>	192,575	29,542	-	18,295	2,428	242,840	13.2%	n/a
Robert Patterson <sup>3</sup>	213,841	16,038	14,263	26,730	2,428	273,300	6.8%	n/a
Ian McLoughlin <sup>4</sup>	185,394	23,174	11,328	23,174	2,428	245,498	10.4%	n/a
Jonathon Bromilow <sup>5</sup>	50,556	-	-	4,803	8,096	63,455	12.8%	n/a
<b>TOTAL</b>	<b>1,052,654</b>	<b>275,754</b>	<b>65,159</b>	<b>108,002</b>	<b>201,094</b>	<b>1,702,663</b>		
<b>GRAND TOTAL</b>	<b>1,281,458</b>	<b>275,754</b>	<b>65,159</b>	<b>124,596</b>	<b>201,094</b>	<b>1,948,061</b>		

1. CEO Managing Director

2. GM Commercial.

3. GM Engineering and Construction / Key Account Manager

4. GM Construction and Asset Services

5. GM Civilbuild

6. Cash bonuses are disclosed in 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.

### **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**

Details around the Operating and Financial Review and Outlook are disclosed on page 7 and 8. 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 was \$14,979 paid or payable for non-audit services.

### **Auditor's Independence Declaration**

The auditor's independence declaration is included on page 19 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, 22 August 2018



Timothy Burnett  
Director  
Sydney, 22 August 2018



## Auditor's Independence Declaration

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Eclipse Tower  
Level 19  
60 Station Street  
Parramatta NSW 2150  
PO Box 38  
Parramatta NSW 2124 Australia

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22 August 2018

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.

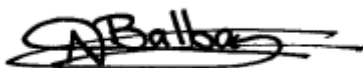
As lead audit partner for the audit of the financial statements of Saunders International Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 2018, 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 2018 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><b>Recognition of revenue and work in progress on construction contracts</b></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 2018 the Group's revenue from construction contracts is \$75.3 million.</p> <p>Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following:</p> <ul style="list-style-type: none"> <li>• Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;</li> <li>• Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;</li> <li>• Estimation of project contingencies; and</li> <li>• Estimation of stage of completion including determination of project completion date.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes and key controls in respect of the recognition of revenue and work in progress on construction contracts; and</li> <li>• Testing a sample of contracts and: <ul style="list-style-type: none"> <li>• agreed the contract terms to the initial contract price;</li> <li>• tested contractual entitlements for changes, variations and claims recognised within contract revenue to supporting documentation, and by reference to the underlying contract,</li> <li>• assessed management's basis for estimates of unapproved variations and claims brought to account within contract revenue,</li> <li>• tested a sample of costs incurred to date to supporting documentation;</li> <li>• assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel;</li> <li>• recalculated the percentage of completion based on costs incurred to date relative to total forecast costs;</li> <li>• assessed appropriateness of contingency allowances within forecast costs;</li> <li>• evaluated exposure to liquidated damages for late delivery of works; and</li> <li>• challenged management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 1(b), 1(h), 2, 3 and 10 to the financial statements.</p>
<p><b>Recognition of restructuring provision</b></p> <p><i>Refer to Note 11 'Provisions'.</i></p> <p>As at 30 June 2018 the Group has recognised a provision for restructuring for \$1.4 million.</p> <p>In considering whether a constructive obligation to restructure has arisen, management have had regard to the detailed formal plan for the restructure and actions taken to raise a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the requirements for raising a restructuring provision are in accordance with the relevant accounting standards;</li> <li>• Reading the formal restructure plan prepared by management and considering whether the information is sufficiently detailed to meet the constructive obligation required to recognise a restructuring provision;</li> <li>• Verifying with management and obtaining evidence to support that a valid expectation has been raised in those affected by the restructure; and</li> <li>• Assessing the reasonableness of the estimated costs associated with the various components of the restructuring provision to supporting information.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 11 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 2018, 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 11 to 17 of the Directors' Report for the year ended 30 June 2018.

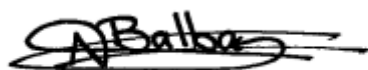
In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### *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

## 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, 22 August 2018



Timothy Burnett  
Director  
Sydney, 22 August 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the Financial Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Revenue	3	75,368	45,805
Other income	4	282	1,375
Materials and third-party costs charged to projects		(46,264)	(21,843)
Employee benefits expense	4	(27,178)	(18,734)
Depreciation expense	4	(1,043)	(726)
Motor vehicle expenses		(362)	(276)
Occupancy and operating lease expenses	4	(952)	(882)
Acquisition costs	4	-	(740)
Restructure costs	4	(1,447)	-
Other expenses		(2,617)	(2,643)
<b>(Loss)/Profit before income tax</b>		<b>(4,213)</b>	1,336
Income tax benefit	5	1,373	92
<b>(Loss)/Profit for the year</b>		<b>(2,840)</b>	1,428
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(2,840)</b>	1,428
<b>(Losses)/Earnings per share</b>			
Basic (cents per share)	14	<b>(3.03)</b>	1.76
Diluted (cents per share)	14	<b>(3.03)</b>	1.76

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
as at 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	19(a)	12,377	10,942
Trade and other receivables	6	6,590	11,896
Amounts recoverable from contracts	9	3,540	-
Inventories		277	290
Current tax asset	5	241	90
Other		108	557
<b>Total current assets</b>		<b>23,133</b>	<b>23,775</b>
<b>Non-current assets</b>			
Property Plant and equipment	7	10,166	10,086
Deferred tax assets	5	1,855	259
<b>Total non-current assets</b>		<b>12,021</b>	<b>10,345</b>
<b>Total assets</b>		<b>35,154</b>	<b>34,120</b>
<b>Current liabilities</b>			
Trade and other payables	8	7,147	8,295
Deferred revenue	9	-	1,111
Provisions	11	3,515	1,784
Borrowings	23	90	2,500
<b>Total current liabilities</b>		<b>10,752</b>	<b>13,690</b>
<b>Non-current liabilities</b>			
Provisions	11	585	411
Borrowings	23	327	-
<b>Total non-current liabilities</b>		<b>912</b>	<b>411</b>
<b>Total liabilities</b>		<b>11,664</b>	<b>14,101</b>
<b>Net assets</b>		<b>23,490</b>	<b>20,019</b>
<b>Equity</b>			
Issued capital	12	19,652	11,588
Shares buy-back reserve under employee share plan	12	(351)	(351)
Share based payments reserve	12	623	460
Retained earnings	13	3,566	8,322
<b>Total equity</b>		<b>23,490</b>	<b>20,019</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the Financial Year Ended 30 June 2018

	Issued capital \$'000	Shares (Issued)/Vested Under Employee share plan \$'000	Share Based Payments reserve \$'000	Retained earnings \$'000	Total \$'000
Opening Balance	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
<b>Balance at 30 June 2017</b>	<b>11,588</b>	<b>(351)</b>	<b>460</b>	<b>8,322</b>	<b>20,019</b>
Loss for the year	-	-	-	(2,840)	(2,840)
Total comprehensive income	-	-	-	(2,840)	(2,840)
Dividends paid	-	-	-	(1,916)	(1,916)
Share capital issued under institutional placement and rights issue	8,447	-	-	-	8,447
Share issue costs	(542)	-	-	-	(542)
Income tax relating to share issue costs	159	-	-	-	159
Share-based payments expense	-	-	163	-	163
<b>Balance at 30 June 2018</b>	<b>19,652</b>	<b>(351)</b>	<b>623</b>	<b>3,566</b>	<b>23,490</b>

The accompanying notes form part of these financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the Financial Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		83,861	47,860
Payments to suppliers and employees		(85,075)	(48,243)
Interest received, and other costs of finance paid		62	230
Income taxes paid		(215)	(171)
Net cash (used in) / provided by operating activities	19(b)	(1,367)	(324)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	7	(706)	(744)
Payments for Business Acquisition	25	-	(3,774)
Cash received on asset sales		19	-
Net cash used in investing activities		(687)	(4,518)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(1,916)	(2,424)
(Repayment of)/Proceeds from borrowings		(2,500)	2,500
Payments relating to finance leases		(19)	-
Proceeds from issue of shares		7,905	1,361
Net cash provided by / (used in) financing activities		3,470	1,437
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,416</b>	<b>(3,405)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>10,942</b>	<b>14,347</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		19	-
<b>Cash and cash equivalents at the end of the financial year</b>	19(a)	<b>12,377</b>	<b>10,942</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and 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 22 August 2018.

#### 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.

#### 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.

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

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 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants	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 17 Insurance Contracts	1 January 2021	30 June 2021
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

**Impact of adoption of AASB 9 Financial Instruments**

AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 July 2018. The Group does not intend to early adopt the standard. Retrospective application is required with some exceptions.

Restatement of comparatives is not required; however, the comparative period can be restated if it can be done so without the use of hindsight. The Group has undertaken an assessment of the classification and measurement impacts of the new standard but does not expect the new standard to have a significant impact on the classification of its financial assets.

**Impact of adoption of AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. This standard will become mandatory for reporting periods beginning on or after 1 July 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Significant judgments and estimates are used in determining the impact, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. The implementation project is ongoing and therefore all impacts are current estimates which are subject to finalisation prior to final implementation

*Construction revenue*

The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognised over time, however the new standard provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications which all impart a higher threshold of probability for recognition. Revenue is currently recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur for these modifications.

*Services revenue*

Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes. Under AASB 15, these are predominantly to be recognised over time with reference to inputs on satisfaction of the performance obligations. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time therefore revenue continues to be recognised over time. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

*Tender costs & contract costs*

Currently under AASB 111 Construction Contracts, costs incurred during the tender process are capitalised within net contract debtors when it is deemed probable the contract will be won. Under the new standard costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project.

*Conclusion*

The expectation is that the above adjustments, across all controlled entities, are accounted for as a cumulative catch up on the original contract under AASB 15. The Group has analysed each contract and determined the higher recognition thresholds in the new standard might lead to a currently estimated adjustment reducing equity by around \$0.61 million (after tax).

The new standard also introduces expanded disclosure requirements and changes in presentation, particularly in relation to key judgements and future revenue expected to be generated. These are expected to change the nature and extent of the Group's disclosure about its revenue from contracts with customers and associated assets, particularly in the year of adoption of the new standard.

AASB 15 needs to be implemented either fully retrospectively, which would require restatement of comparatives, or using the cumulative effect method, which would not require a restatement of comparatives, upon the effective date of 1 July 2018. AASB 15 contains a number of practical expedients for the full retrospective approach including the option to omit the restatement impact of completed contracts that begin and end within the same annual reporting period and/or completed at the beginning of the earliest period presented.

The Group is in the process of assessing the available options for transition but expects to adopt a modified retrospective approach on 1 July 2018.

**Impact of adoption of AASB 16 Leases**

AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases and the related interpretations.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$0.4 million, refer to Note 18: Leases.

The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management and operational strategies following the anticipated completion of a project.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made as projects are tendered for. As such the Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight-line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease's life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- repayment of the principal portion of all lease liabilities will be classified as financing activities.

AASB 16 needs to be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease. The Group is in the process of assessing the available options for transition but expects to adopt a modified retrospective approach on 1 July 2019.

**(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.

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.

**(g) Provisions (cont.)**

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

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

**(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).

Interest revenue

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

**(i) Financial Assets**Loans 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 AASB's). 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 AASB 139, 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 AASB 112 *Income Taxes* and AASB 119 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

**(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) Comparative amounts**

When required by accounting standards, comparative amounts have been adjusted to conform to changes in presentation for the current financial year.

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

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

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

**Key Sources of Estimation Uncertainty**

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

Construction contracts

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

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

Restructuring provision

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

### 3. REVENUE

Revenue from continuing operations consisted of the following items:

Revenue from rendering of services  
Interest received

	2018 \$'000	2017 \$'000
Revenue from rendering of services	75,300	45,577
Interest received	68	228
	<b>75,368</b>	<b>45,805</b>

### 4. PROFIT FOR THE YEAR

#### Other income

Discounts and rebates  
Discount on acquisition (Note 25)  
Profit on sale of asset

	2018 \$'000	2017 \$'000
Discounts and rebates	263	20
Discount on acquisition (Note 25)	-	1,355
Profit on sale of asset	19	-
	<b>282</b>	<b>1,375</b>

Profit before income tax has been arrived at after charging the following expenses:

Cost of sales

Depreciation

Plant and equipment  
Office furniture and equipment

Transaction costs written off (Note 25)

Finance costs

Restructure Provision (Note 11)

Operating lease rental expenses:

Lease payments

Employee benefits expense:

Post-employment benefits – defined contributions  
Payroll tax expense  
Employee Share Plan<sup>1</sup>  
Salary and wages

Cost of sales	<b>70,287</b>	35,142
Depreciation		
Plant and equipment	964	676
Office furniture and equipment	79	50
	<b>1,043</b>	726
Transaction costs written off (Note 25)	-	740
Finance costs	6	-
Restructure Provision (Note 11)	<b>1,447</b>	-
Operating lease rental expenses:		
Lease payments	<b>952</b>	882
Employee benefits expense:		
Post-employment benefits – defined contributions	<b>2,000</b>	1,326
Payroll tax expense	<b>1,256</b>	935
Employee Share Plan <sup>1</sup>	<b>163</b>	199
Salary and wages	<b>23,759</b>	16,274
	<b>27,178</b>	<b>18,734</b>

1. comparative amounts have been adjusted to conform to changes in presentation for the current financial year.

## 5. INCOME TAX

	2018 \$'000	2017 \$'000
<b>Income tax recognised in (loss)/profit</b>		
<b>Income tax expense comprises:</b>		
Current income tax expense	385	102
R&D tax concession	(321)	(304)
Deferred tax expense relating to the origination and reversal of temporary differences	(1,437)	110
<b>Total income tax (benefit) / expense</b>	<b>(1,373)</b>	<b>(92)</b>
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:		
(Loss)/Profit before taxation	(4,213)	1,336
Income tax at 30%	(1,264)	401
Deferred tax asset in relation to transaction costs not brought to account	-	170
Effect of different rates of tax in foreign jurisdictions	63	-
Non-taxable gain on acquisition	-	(407)
Other	149	48
R&D tax concession	(321)	(304)
<b>Total income tax (benefit) / expense</b>	<b>(1,373)</b>	<b>(92)</b>
<b>Current tax asset – income tax receivable</b>	<b>241</b>	<b>90</b>

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

### Deferred Tax Balances

The deferred tax expense above is itemised as follows:

	Opening balance \$'000	(Charged)/ Credited to income \$'000	Recognised directly to equity \$'000	Closing balance \$'000
<b>2018</b>				
<b>Deferred tax assets</b>				
Employee benefits	724	(27)	-	697
Restructure Provision	-	522	-	522
Amounts recoverable from contracts	-	221	-	221
Tax Losses	-	735	-	735
Share issue costs	-	(31)	159	128
Accruals and other	161	(19)	-	142
<b>Deferred tax asset</b>	<b>885</b>	<b>1,401</b>	<b>159</b>	<b>2,445</b>
<b>2018</b>				
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(626)	71	-	(555)
Other	-	(35)	-	(35)
<b>Deferred tax liabilities</b>	<b>(626)</b>	<b>36</b>	<b>-</b>	<b>(590)</b>
<b>Net deferred tax asset</b>	<b>259</b>	<b>1,437</b>	<b>159</b>	<b>1,855</b>

5. INCOME TAX (continued)

	Opening balance \$'000	Charged to income \$'000	Acquisition \$'000	Closing Balance \$'000
<b>2017</b>				
<b>Deferred tax assets</b>				
Employee benefits	749	(156)	131	724
Accruals and other	115	46	-	161
Deferred tax asset	864	(110)	131	885
<b>2017</b>				
<b>Deferred tax liabilities</b>				
Property, plant and equipment	-	-	(626)	(626)
Deferred tax liability	-	-	(626)	(626)
Net deferred tax asset	864	(110)	(495)	259

6. TRADE AND OTHER RECEIVABLES

	2018 \$'000	2017 \$'000
Trade receivables(i)	6,590	11,896

- (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	484	96
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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 2018 the directors reviewed the future budgets of the Group to determine whether there are any indications of impairment. No indicators of impairment were noted and no impairment losses are recorded.

	Land at cost \$'000	Buildings at cost \$'000	Plant and Equipment at cost \$'000	Office furniture and equipment at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2016</b>	-	-	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	-	-	-	-	-
<b>Balance at 30 June 2017</b>	3,400	1,150	12,281	792	17,623
Additions	-	-	1,229	40	1,269
Disposals	-	-	(146)	-	(146)
<b>Balance at 30 June 2018</b>	3,400	1,150	13,364	832	18,746
<b>Accumulated depreciation</b>					
<b>Balance at 1 July 2016</b>	-	-	6,294	493	6,787
Disposals	-	-	-	-	-
Depreciation expense	-	7	693	50	750
<b>Balance at 30 June 2017</b>	-	7	6,987	543	7,537
Disposals	-	-	(28)	-	(28)
Depreciation expense	-	29	991	51	1,071
<b>Balance at 30 June 2018</b>	-	36	7,950	594	8,580
<b>Net book value</b>					
As at 30 June 2017	3,400	1,143	5,294	249	10,086
As at 30 June 2018	3,400	1,114	5,414	238	10,166

## 8. TRADE AND OTHER PAYABLES

	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade payables (i)	6,018	5,916
Goods and services tax payable	233	245
Accruals	896	1,543
Deferred consideration (ii) (Note 25)	-	591
	<b>7,147</b>	<b>8,295</b>

- (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 for Civilbuild acquisition.

**9. AMOUNTS RECOVERABLE FROM CONTRACTS/DEFERRED REVENUE**

	2018 \$'000	2017 \$'000
Amounts recoverable from construction contracts (Note 10)	3,540	-
Revenue received in advance under construction contracts (Note 10)	-	1,111

**10. CONSTRUCTION CONTRACTS**

	2018 \$'000	2017 \$'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	96,568	31,541
Less: progress billings	(93,028)	(32,652)
	3,540	(1,111)
Recognised and included in the financial statements as amounts recoverable from construction contracts (Note 9)	3,540	-
Recognised and included in the financial statements as revenue received in advance under construction contracts (Note 9)	-	1,111
At 30 June 2018, \$147,000 cash retentions were held by customers for contract work (2017: \$Nil). Advances received from customers for contract work amounted to \$Nil (2017: \$Nil).		

**11. PROVISIONS**

	2018 \$'000	2017 \$'000
<u>Current</u>		
Employee benefits	2,068	1,784
Restructure Provision (i)	1,447	-
	3,515	1,784
<u>Non-current</u>		
Employee benefits	315	141
Lease make good	270	270
	585	411

- (i) The restructure provision is inclusive of but not limited to; right sizing the business and redundancies, operational improvements and relocation of plant and equipment to Newcastle.

12. ISSUED CAPITAL

102,730,469 fully paid ordinary shares (2017: 85,639,278)

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

**Ordinary shares**

Ordinary shares at beginning of financial year  
Ordinary shares issued during the current year  
Ordinary shares at end of financial year

2018 \$'000	2017 \$'000
19,301	11,237
2018 Number	2017 Number
85,639,278	78,720,000
17,091,191	6,919,278
<b>102,730,469</b>	<b>85,639,278</b>

**Fully paid ordinary shares**

Balance at beginning of financial year  
Shares issued on business acquisition at fair value (i) (Note 25)  
Shares issued under DRP  
Share capital issued under institutional placement and rights issue (ii)  
Share issue costs  
Tax on share issue costs  
Balance at end of financial year

2018 \$'000	2017 \$'000
11,588	7,927
-	2,284
-	1,235
8,447	142
(542)	-
159	-
<b>19,652</b>	<b>11,588</b>

**Treasury shares under employee share plan**

Balance at beginning of financial year  
Treasury shares vested during the year  
Share issued during the year  
Balance at end of financial year

(351)	(336)
-	-
-	(15)
<b>(351)</b>	<b>(351)</b>
<b>19,301</b>	<b>11,237</b>

Issued capital

- (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.
- (ii) Saunders successfully completed a placement to institutional investors of 5,500 thousand new shares at \$0.50 each to raise a gross amount of \$2,750 thousand.

Saunders also completed a 1 for 8 underwritten rights issue for 11,593,206 shares at \$0.50 per share, including 200,625 of treasury shares issued under the employee share plan to raise a gross amount of \$5,697 thousand, net of employee share plan issues.

**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 4: During the financial year 70,000 shares forfeited. The tranche has been modified to vest February 2019.

Tranche 5: During the financial year 70,000 shares forfeited. The tranche has been modified to vest February 2019.

Tranche 6: During the financial year 60,000 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: During the financial year 95,000 shares forfeited.

Tranche 10: During the financial year 140,000 shares forfeited.

Tranche 11: Offer of 173,125 in October 2017 with all offers accepted. During the financial year 26,875 shares forfeited.

Tranche 12: Offer of Offer of 310,000 in February 2018 with all offers accepted. During the financial year 110,000 shares forfeited.

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

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	Tranche 11	Tranche 12
<b>Grant Date</b>	Feb 2013	Feb 2014	Feb 2015	Oct 2015	Jan 2016	Feb 2016	Feb 2017	Oct 2017	Feb 2018
<b>Grant Price</b>	\$0.83	\$0.85	\$0.72	\$0.59	\$0.58	\$0.58	\$0.58	\$0.50	\$0.59
<b>Opening Volume</b>	150,000	150,000	140,000	200,000	400,000	210,000	355,000	-	-
<b>New grants</b>	-	-	-	-	-	-	-	173,125	320,000
<b>Forfeitures</b>	(70,000)	(70,000)	(60,000)	-	-	(95,000)	(140,000)	(26,875)	(110,000)
<b>Closing Volume</b>	80,000	80,000	80,000	200,000	400,000	115,000	215,000	146,250	210,000
<b>Exercise Price</b>	\$0.83	\$0.85	\$0.72	\$0.59	\$0.58	\$0.58	\$0.58	\$0.50	\$0.59
<b>Expected Volatility</b>	45%	45%	45%	45%	45%	45%	45%	45%	45%
<b>Option Life</b>	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years
<b>Dividend Yield</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Risk Free Interest Rate</b>	3.00%	5.15%	6.25%	1.88%	2.05%	1.72%	2.00%	2.75%	2.82%
<b>Grant date fair value</b>	\$0.39	\$0.39	\$0.31	\$0.22	\$0.22	\$0.21	\$0.22	\$0.19	\$0.23

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 and Tranche 5 until February 2019 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.

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	1,605,000	0.65	1,250,000	0.67
Granted during the year	493,125	0.59	355,000	0.58
Forfeited during the year	(571,875)	0.66	-	-
Exercised during the year	-	-	-	-
Balance at end of year	1,526,250	0.62	1,605,000	0.65
Exercisable at end of year	-	-	-	-

### 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 and certain Key Management Personnel participate in the Saunders International Rights Plan. This plan is part of the long term incentive component of the respective remuneration packages. The total number of Performance Rights issued under the plans is 2,283,338 of which 1,047,770 have vested as at 30 June 2018.

Details of the fair value assumptions used are as follows:

	Tranche 1 & 2	Tranche 3	Tranche 6 & 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12
<b>Grant Date</b>	2 June 2016	2 June 2016	2 June 2016	2 June 2016	1 Sept 2017	1 Sept 2017	1 Sept 2018	1 Sept 2018
<b>Grant Price</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Opening Volume</b>	388,954	194,477	186,197	62,066	-	-	-	-
<b>New grants</b>	-	-	-	-	238,095	238,095	379,689	379,689
<b>Vested</b>	(388,954)	(194,477)	(186,197)	(62,066)	-	-	-	-
<b>Closing Volume</b>	-	-	-	-	238,095	238,095	379,689	379,689
<b>Exercise Price</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expected Volatility</b>	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%
<b>Option Life</b>	1.25 years	1.25 years	0.25 years	0.25 years	1.25 years	1.25 years	2.25 years	2.25 years
<b>Dividend value</b>	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
<b>Risk Free Interest Rate</b>	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%
<b>Grant date fair value</b>	\$0.41	\$0.41	\$0.47	\$0.47	\$0.46	\$0.46	\$0.49	\$0.49

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, \$0.52 per share for tranches 9 and 10 and \$0.46 for tranches 11 and 12. The share options outstanding at the end of the year has a weighted average remaining contractual life of 0.25 years.

### 13. RETAINED EARNINGS

	2018 \$'000	2017 \$'000
Balance at beginning of financial year	8,322	9,318
(Loss)/Profit for the year	(2,840)	1,428
Dividends provided for or paid	(1,916)	(2,424)
Balance at end of financial year	<b>3,566</b>	8,322

### 14. EARNINGS PER SHARE

	2018 Cents per share	2017 Cents per share
Basic (losses)/earnings per share	(3.03)	1.76
Diluted (losses)/earnings per share	(3.03)	1.76

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:

	2018 \$'000	2017 \$'000
<b>Net (loss)/profit</b>	<b>(2,840)</b>	1,428
Earnings used in the calculation of basic EPS	<b>(2,840)</b>	1,428

Weighted average number of ordinary shares for the purposes of basic earnings per share

	2018 No.'000	2017 No.'000
	<b>93,586</b>	81,073

#### 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

	<b>93,586</b>	81,073
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Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)

	-	79
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Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share

	<b>93,586</b>	81,152
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- (a) During the year ended 30 June 2018 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 anti-dilutive, and have not been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

15. DIVIDENDS

	2018		2017	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend (2017):				
Fully franked at a 30% tax rate	1.0	856	2.0	1,574
Interim dividend (2018):				
Fully franked at a 30% tax rate	1.0	1,060	1.0	850
	<b>2.0</b>	<b>1,916</b>	<b>3.0</b>	<b>2,424</b>
<b>Unrecognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend (2018):	-	-	1.0	856

On 22 August 2018, the directors declared that there will not be a final dividend paid to shareholders for the financial year ended 30 June 2018.

	2018 \$'000	2017 \$'000
Adjusted franking account balance	1,614	2,282

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 2 customers made up 32% of the revenue earned (2017: 4 customers made up 71.1% of the revenue earned). The first customer accounted for \$14,695,840 and the second customer \$9,200,693.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**Contract dispute**

There are no contingent liabilities and contingent assets in the current year (2017: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 31<sup>st</sup> December 2018, with an option to extend the lease by two years to 31<sup>st</sup> December 2020.

Non-cancellable operating lease commitments

No longer than 1 year

Longer than 1 and not longer than 5 years

	2018 \$'000	2017 \$'000
	67	156
	37	136
	-	-
	<b>104</b>	292
	300	609
	-	309
	<b>300</b>	918

19. NOTES TO THE STATEMENT OF CASH FLOWS

2018 \$'000	2017 \$'000
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(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	12,377	10,942
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(b) Reconciliation of (loss)/profit for the year to net cash flows from operating activities

(Loss) Profit for the year	(2,840)	1,428
Share-based payments expense	163	199
Depreciation	1,043	726
Restructure costs	1,447	-
Non-cash transactions relating to business acquisitions	-	(1,355)
Changes in net assets and liabilities (net of acquisition):	-	-
(Increase)/decrease in assets:	-	-
Current tax asset	(151)	(62)
Deferred tax asset	(1,437)	110
Trade and other receivables	5,306	(4,811)
Amounts recoverable from contracts	(3,540)	-
Inventories	13	(119)
Other assets	449	(462)
Increase/(decrease) in liabilities:	-	-
Trade and other payables	(1,167)	4,658
Deferred revenue	(1,111)	20
Provisions	458	(656)
Net cash (outflow) / inflow from operating activities	(1,367)	(324)

(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	2,706	3,532
Amount unused	7,294	6,468
	10,000	10,000

(d) Asset and liabilities

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

Note	Balance at 1 July 2017 \$'000	Cash	Non-Cash	Balance at 30 June 2018 \$'000	
		Financing cash flows (i) \$'000	Movement in finance leases \$'000		
<b>Borrowing</b>	23	2,500	(2,521)	438	417

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

## 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

	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	12,377	10,942
Loans and receivables	6,590	11,896
	<b>18,967</b>	22,838
<b>Financial liabilities</b>		
Trade payables and accruals	7,147	8,295
Borrowings	417	2,500
	<b>7,564</b>	10,795

### Obligations under finance leases

#### (a) Leasing arrangements

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

#### (b) Finance lease liabilities

	2018 \$'000	2017 \$'000
<b>Minimum Lease Payments</b>		
Not later than one year	90	-
Later than one year but not later than five years	327	-
	<b>417</b>	-

## 20. FINANCIAL INSTRUMENTS (cont.)

### Financial risk management objectives

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

### Liquidity risk management

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

### Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 2 years \$'000	Total \$'000
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.16%	11,375	1,002	-	12,377
Trade receivables	-	5,314	792	484	6,590
<b>Financial liabilities</b>					
Trade payables and accruals	-	5,003	2,114	30	7,147
Borrowings	12.2%	8	16	393	417
<b>2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.83%	9,940	1,002	-	10,942
Trade receivables	-	10,567	1,315	14	11,896
<b>Financial liabilities</b>					
Trade payables and accruals	-	7,137	1,094	64	8,295
Borrowings	0.00%	2,500	-	-	2,500

### 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 \$123,769 (2017: \$126,445).

### 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.





## 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	
			2018	2017
Saunders Civilbuild Pty Ltd	Bridge construction and maintenance	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Real property investments	Australia	100%	100%
Saunders Asset Services Pty Ltd	Maintenance	Australia	100%	100%
Saunders PNG Limited	Tank construction and maintenance	PNG	100%	100%

## 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	7,679
Discount on acquisition	1,355
Purchase consideration	6,324

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.

**(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.

**(c) Purchase consideration**

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

(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**

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

**(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

	2018 \$'000	2017 \$'000
<b>Assets</b>		
Current assets	17,792	17,714
Non-current assets	14,514	10,298
<b>Total assets</b>	<b>32,306</b>	28,012
<b>Liabilities</b>		
Current liabilities	8,389	6,937
Non-current liabilities	176	1,407
<b>Total liabilities</b>	<b>8,565</b>	8,344
<b>Equity</b>		
Issued capital	19,301	11,588
Shares buy-back reserve under employee share plan	-	(351)
Share based payments reserve	623	460
Retained earnings	3,817	7,971
<b>Total equity</b>	<b>23,741</b>	19,668

#### Financial Performance

	2018 \$'000	2017 \$'000
(Loss)/Profit for the year	(2,238)	1,078
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(2,238)</b>	1,078

**27. REMUNERATION OF AUDITOR**

	2018 \$	2017 \$
Audit or review of the financial report	135,000	135,000
PNG tax services	14,979	-
	<b>149,979</b>	135,000

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

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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 assess, 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 Charters approved by the Board.


## **Policies and Codes of Conduct**

The Company has adopted a number of Policies and Codes of Conduct as follows: -

- Security 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. The Corporate Governance Statement follows and the Appendix 4G has been released on the ASX Announcements platform.



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

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

## CORPORATE GOVERNANCE STATEMENT (22 AUGUST 2018)

The ASX has released the third edition of the Corporate Governance Principles and Recommendations. There are 8 principles and 29 recommendations in this document. The following tables set out the Company's position in relation to the principles and recommendations. The board of the company has approved this document.

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
<b>PRINCIPLE 1:</b>	<p><b>LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 1</b>	<p>The Company has a Board Charter which addresses Recommendation 1.1 in that it identifies the respective roles and responsibilities of the board and management and it identifies those matters expressly reserved for the board and those delegated to management.</p>
<b>Recommendation 1.2 to 1.4</b>	<p>The Company complies with Recommendations 1.2 to 1.4 concerning the appointment and engagement of directors and the accountability of the company secretary.</p>
<b>Recommendation 1.5</b>	<p>The Company does not comply with Recommendation 1.5, gender diversity. However, the Company does comply with the Workplace Gender Equality Act for the latest reporting period as confirmed by written advice from the Workplace Gender Equality Agency, a copy of which is on the Company's website.</p> <p>The Company does not follow Recommendation 1.5 and therefore it does not have a written policy. The reasons for not following this recommendation include that the Company has a small number of employees (200 approx.), and a small board (4 persons). The Company considers that it is unrealistic or not in its interest to establish measurable objectives for gender diversity across its workforce. However, the Company's Recruitment Strategy ensures that appropriate selection criteria based on qualifications, experience and diverse skills are used when hiring new staff. Additionally, the Company's Harassment and Discrimination Strategy embraces the principle of equal opportunity for all regardless of gender, race, sexual preference, family responsibilities and any other attributes.</p> <p>The Company has been successful in attracting several high quality female candidates to project roles in the last year and has set a goal to further improve gender diversity in this year.</p>
<b>Recommendation 1.6</b>	<p>The Company does not comply with Recommendation 1.6 in that although it does have a formal process for the periodic evaluation of the performance of the board, this does not extend to its committees and individual directors. Because the board is small, the preferred method for evaluation of the committee and individual directors is ongoing comment and review between board members.</p>
<b>Recommendation 1.7</b>	<p>The Company does comply with Recommendation 1.7 in that it does have a formal process for the evaluation of the CEO and senior executives and this is conducted annually with the latest being in June-August 2018.</p>



PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
<b>PRINCIPLE 2:</b>	<p><b>STRUCTURE THE BOARD TO ADD VALUE</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 2.1</b>	The board does not have a nomination committee. The board is a small board (currently 4 persons) and therefore it is able to effectively undertake the relevant tasks such as addressing succession issues and ensuring the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
<b>Recommendation 2.2</b>	The board discloses the skills and experience of its directors on its website and in each annual report.
<b>Recommendation 2.3</b>	The Company discloses on its website which directors are considered by the board to be independent directors and also the length of service as a director of the Company.
<b>Recommendation 2.4</b>	A majority of the board should be independent directors. The Company does not comply with this recommendation in that only 50% of the currently serving directors are independent. The Company considers the composition to be in its best interests. The size of the Company and the specialist nature of its activities is best served by a small board with an adequate component of Company and industry specific knowledge.
<b>Recommendation 2.5</b>	The chair should be an independent director. The Company does not comply with this recommendation in that the Chairman is not independent. The Company considers this to be appropriate and in its best interests. The size of the Company and specialist nature of its activities is best served by a chairman who has Company and industry specific knowledge and significant equity in the Company.
<b>Recommendation 2.6</b>	The Company has a process to induct a new director which is customized to meet each director's needs. The Company encourages directors to maintain their skills and knowledge as needed.
<b>PRINCIPLE 3:</b>	<p><b>ACT ETHICALLY AND RESPONSIBLY</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 3.1:</b>	The Company has a Code of Conduct for Directors and Senior Executives and this is disclosed on the Company website.

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
<b>PRINCIPLE 4:</b>	<p><b>SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 4.1:</b>	<p>The Company has an Audit and Risk Committee. The charter of this committee is disclosed on the website. The committee is composed of a majority of independent directors and is chaired by an independent director who is not the chairman of the board.</p> <p>The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.</p>
<b>Recommendation 4.2:</b>	<p>With respect to the latest financial year, the CEO and the CFO have confirmed to the board, in a written statement, that: -</p> <ul style="list-style-type: none"> <li>• The financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operating results of the Company.</li> <li>• These views are founded on a sound system of internal control and risk management that implements the policies adopted by the board.</li> </ul>
<b>Recommendation 4.3:</b>	<p>The Company ensures that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.</p>
<b>PRINCIPLE 5:</b>	<p><b>MAKE TIMELY AND BALANCED DISCLOSURE</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 5.1:</b>	<p>The Company has a written Continuous Disclosure Policy which is disclosed on the Company's website.</p>
<b>PRINCIPLE 6:</b>	<p><b>RESPECT THE RIGHTS OF SECURITY HOLDERS</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 6.1</b>	<p>The Company discloses information about itself and its corporate governance via its website.</p>
<b>Recommendations 6.2 and 6.3</b>	<p>The Company has a Shareholder Communication Policy which addresses these recommendations.</p>
<b>Recommendation 6.4</b>	<p>The Company gives security holders the option to receive communications electronically.</p>

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
<b>PRINCIPLE 7:</b>	<p><b>RECOGNIZE AND MANAGE RISK</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 7.1:</b>	<p>The Company does have an Audit and Risk Committee. See notes on the Recommendation 4.1 concerning the composition of the committee.</p> <p>The charter of the committee is disclosed via the Company's website.</p> <p>The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.</p>
<b>Recommendation 7.2:</b>	<p>The Company does comply with this recommendation in that it has a Risk Management Framework. This framework was reviewed by the board during the last financial year.</p>
<b>Recommendation 7.3:</b>	<p>The Company does not have an all embracing internal audit function. The Company does have comprehensive internal audit processes with respect to certain classes of risk, namely OHS and Quality.</p> <p>Other risks are monitored and managed by management and this process is overseen by the board.</p>
<b>Recommendation 7.4:</b>	<p>The Company considers that its material exposure to economic, environmental and social sustainability risks are low and within the spectrum of what would be typical for a company of its size and activities.</p>
<b>PRINCIPLE 8:</b>	<p><b>REMUNERATION FAIRLY AND RESPONSIBLY</b></p> <p>The Company complies with this principle and recommendations to the extent as described below: -</p>
<b>Recommendation 8.1:</b>	<p>The Company has a remuneration committee which has a charter which is disclosed via the Company's website.</p> <p>The remuneration committee is composed of a majority of independent non-executive directors and is chaired by an independent director.</p> <p>The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.</p>
<b>Recommendation 8.2:</b>	<p>The Company discloses annually, information about the remuneration of non-executive directors, the managing director and key management personnel in the Remuneration Report section of the Annual Report.</p>
<b>Recommendation 8.3:</b>	<p>The Company discloses annually, information about its Employee Share Plan and Performance Rights Plan in the notes to the Financial Statements contained in the Annual Report.</p>

# Additional Stock Exchange Information

As at 17th August 2018

## NUMBER OF HOLDERS OF EQUITY SECURITIES

### Ordinary Share Capital

There are 102,730,469 fully paid ordinary shares held by 763 individual shareholders. In addition there are 2,586,207 shares issued to employees under the Employee Share Purchase Plans (ESP). These 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	23,955,912	23.32%
Timothy Burnett	11,556,548	11.25%

## DISTRIBUTION OF SHARES

Range	No. of Holders
1 - 1,000	57
1,001 - 5,000	168
5,001 - 10,000	120
10,001 - 100,000	352
100,000 and over	66
<b>TOTAL</b>	<b>763</b>

## THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage
National Nominees Limited	19,864,946	19.34%
Mr Desmond Bryant	19,712,587	19.19%
Anacacia Pty Ltd (Wattle Fund A/C)	7,738,272	7.53%
Tivolico Pty Ltd	6,802,604	6.62%
Marlot Pty Ltd	4,753,944	4.63%
Debry Pty Ltd	4,243,325	4.13%
Mr John Power	3,401,453	3.31%
Pacbay Pty Ltd	1,894,709	1.84%
Corliaj Pty Ltd (Civilbuild Constructions Pty Ltd Superannuation Fund A/C)	1,317,300	1.28%
Sagimo Holdings Pty Ltd	1,286,760	1.25%
Mrs Karyn May McClelland	1,215,366	1.18%
Donald Cant Pty Ltd	1,057,931	1.03%
Anacacia Pty Ltd (Wattle Fund A/C)	1,002,155	0.98%
Active Air Spares Pty Ltd	860,000	0.84%
Parmelia Pty Ltd (Reilly Family Super Fund A/C)	723,628	0.70%
Woodscenic Pty Ltd	688,985	0.67%
Mr Robert Graburn Patterson	652,142	0.63%
Mr Trevor Ross Kennedy	646,976	0.63%
Anacacia Capital Pty Ltd (Wattle Fund A/C)	631,188	0.61%
Pocry Investments Pty Limited (Pocry Investment A/C)	583,379	0.57%

<b>TOP 20 SHAREHOLDERS</b>	<b>79,077,650</b>	<b>76.98%</b>
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# 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 Civilbuild**  
74 Kalaroo Road,  
Redhead NSW 2290  
Telephone (02) 4946 0266

**Saunders (PNG) Limited**  
Ground Floor, Century 21 House  
Lot 51, Section 35  
Kunai Street, Hohola  
National Capital District,  
Papua New Guinea

**Share Register**  
Link Market Services Limited  
Level 12, 680 George Street,  
Sydney NSW 2000  
Telephone (02) 8280 7111

**Stock Exchange Listing**  
Australian Securities Exchange  
20 Bridge Street,  
Sydney NSW 2000

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

**Email**  
[mail@saundersint.com](mailto:mail@saundersint.com)

