Annual Report 2020

SAUNDERS
INTERNATIONAL

Saunders Capabilities

Saunders International Ltd (SND) is an ASX-listed company that provides construction, maintenance and civil engineering services to the oil and gas, energy, resources, defence and infrastructure sectors. With over 69 years' experience, Saunders uses in-house expertise to deliver a comprehensive range of projects that includes design, manufacture, construction, installation and maintenance services.

Our Vision

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

ONE TEAM ZERO HARM ONE GOAL

Our Values

SAFETY

One team, one goal, zero harm
- Safety first culture embedded in everything we do
- Empowered to stop work
- In our behaviour at work and home

INTEGRITY

In all of our decisions
- Be accountable for our actions, results, successes & failures
- Be honest & reliable
- Deliver on our commitments

INNOVATION

Application of information, imagination & innovation
- Continually challenge ourselves to improve
- Anticipate & create solutions that meet our customers' needs & exceed their expectations
- Collaborate with others to bring ideas to life

LEADERSHIP

The courage to shape our future
- Show personal drive - engage with & motivate others
- Demonstrate the leadership to speak up & challenge the status quo
- Give clear, candid & timely feedback

TEAMWORK

Passionate people working together to deliver excellence
- Inspire others to reach their full potential
- Collaborate with ourselves & our customers in finding solutions
- Recognise & reward high performance


SERVICES

ENGINEERING
&
DESIGN

TANK
CONSTRUCTION &
MAINTENANCE

INDUSTRIAL
MAINTENANCE &
SHUTDOWNS



STRUCTURAL
MECHANICAL
& PIPING
(SMP)

EPC CONSTRUCTION
MECHANICAL
ELECTRICAL
CIVIL

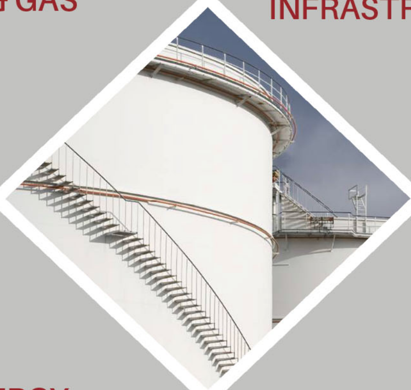
CIVIL WORKS
PRECAST FABRICATION
BRIDGE
CONSTRUCTION

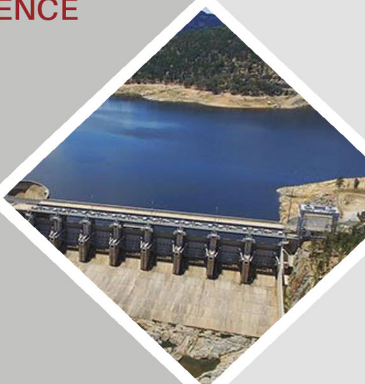
SECTORS

OIL & GAS

INFRASTRUCTURE

DEFENCE

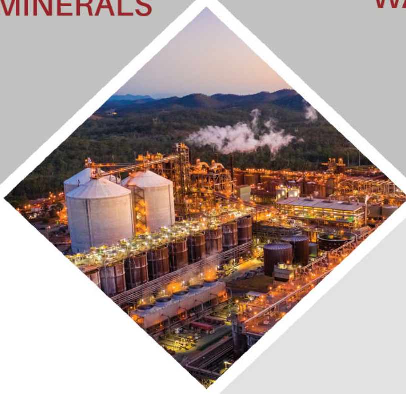




ENERGY

MINING & MINERALS

WATER

Our People

Saunders remains focused on investing in our people and our capabilities to ensure the achievement of our vision and strategic objectives. The progression of our "OneTeam" culture, introduced in FY19, has assisted the Company through the sudden changes experienced with the COVID-19 pandemic.

The directors wish to take this opportunity to thank all employees for their efforts in FY20, in what has been a challenging period. The swift response to the pandemic has been exceptional with limited impacts to all our projects and operations.

Chairman's Letter

Dear Shareholder,

I present the Chairman's Letter for the 2020 Annual Report.

The revenue in FY20 of $66 million was 33% more than the $50 million achieved in the prior year. The net profit after tax for FY20 was $1.3 million which is an improvement over the net loss of $1.6 million recorded in FY19.

The above improvement in revenue and profit validates the FY19 restructure and adoption of the new operating model, organisational structure and strategic direction that are being progressively implemented. Revenue and profit in FY20 were generated from the expanded range of services that Saunders is able to offer to its clients.

In the second half of FY20, Saunders faced the challenges of the COVID-19 pandemic. I am very pleased with the proactive way in which the management team swiftly implemented a wide range of appropriate policies, protocols and measures to ensure the safety of its employees, clients and the communities in which it operates. This action has contributed to Saunders being able to continue safely working at all worksites, albeit with some delays and reduced productivity.

During FY20, Saunders was awarded a record value of new contracts, enabling it to start FY21 with an order book of $110 million. This order book is composed of significant contracts for customers in a diverse range of sectors, including defence, water, road, rail, mineral processing and oil and gas.

The ongoing focus on working capital management has enabled Saunders to finish FY20 with a strong balance sheet including $11 million of cash and cash equivalents and no interest-bearing debt except for financial leases.

The outlook for Saunders is positive. Most of the business sectors and clients relevant to Saunders are forecast to increase their capital expenditure over the coming years. New road, rail and water infrastructure is forecast to grow with government spending increasing to bolster economic activity. The defence sector is forecast to expand its infrastructure for liquid fuel storage across many defence bases. The Federal Government is proposing to increase the capacity of strategic liquid fuel storage on Australian soil. Saunders wil continue to grow the range of services it can offer to clients in these business sectors.

The safety of our employees is our highest priority. 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 Company to achieve the milestone of 2.7 million manhours without a lost time injury. The board and management are commited to continual improvement of our systems, procedures and safety culture.

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

Timothy Burnett
Chairman

Board of Directors

MR. TIMOTHY BURNETT

Chairman & Non-Executive Director

Prior to his current role, Mr. Burnett served as Managing Director of SND for 15 years. He has been a Non-Executive Director of the company since November 1990 and has over 46 years of relevant industry experience managing projects and companies in the field of Engineering & Construction. Mr. Burnett is a member of the Saunders Audit & Risk Committee and a member of the Remuneration Committee.

Other listed company directorships in the 3 years immediately before the end of the financial year - NIL

MR. MARK BENSON

Managing Director & Chief Executive Officer

AdvDipMan, AdvDipProjMgt, GAICD - Mr. Benson has over 27 years of relevant industry experience in executive management roles in Engineering & Construction. He served as General Manager of RCR Energy before joining SND and has been Managing Director and Non-Executive Director since October 2015.

Other listed company directorships in the 3 years immediately before the end of the financial year - NIL

MR. GREG FLETCHER

Non-Executive Director

Mr. Fletcher - BComm - has been SND's Non-Executive Director since July 2015. He is the Chairman of the Saunders Audit & Risk Committee and a member of the Remuneration Committee. Mr. Fletcher is also Vice Chairman of Yancoal Australia Limited, Chairman of SMEG Australia Pty Ltd, a Director TAFE NSW Commission and Chairman and member of the Audit & Risk Committees of several NSW government owned entities. He was a partner of Deloitte Touche Tohmatsu until May 2009, and Deloitte Touche Tohmatsu has been the registered auditor of Saunders since the year ended 30 June 2007

SAUNDERS INTERNATIONAL

ACN 050 287 431

FINANCIAL REPORT

for the financial year ended

30 June 2020

DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or the "Group") for the financial year ended 30 June 2020 and the independent audit report thereon. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Timothy Burnett
Mark Benson
Gregory Fletcher

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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

During the financial year, the principal activities of Saunders were the design, 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: -

	2020 $'000	2019 $'000
Revenue	**66,462**	50,126
Profit/(loss)	**1,853**	(2,260)
Income tax (expense)/benefit	**(587)**	650
Profit/(loss) attributable to the members of Saunders International Limited	**1,266**	(1,610)

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

	2020 $'000	2019 $'000
Profit/(loss) before income tax	**1,853**	(2,260)
Interest expense on loans and hire purchase finance charges	**81**	20
Depreciation of owned and hire purchase assets	**1,022**	1,070
Depreciation of right of use assets	**446**	-
EBITDA	**3,402**	(1,170)

The new accounting stands AASB 16 Leases was adopted from 1 July 2019. Comparatives have not been restated.

REVIEW OF OPERATIONS (cont)

Saunders' revenue for the year is $66.5 million, an increase of $16.4 million over (FY19: $50.1 million) and the NPAT was a profit of $1.3 million, an improvement of $2.9 million over (FY19 loss: $1.6 million), EBITDA was $3.4 million, an improvement of $4.6 million over (FY19 loss of $1.2 million).

Earnings per share for the period were 1.23 cents (FY19 loss: 1.72 cents).

Saunders is in a strong financial position at year end with cash and cash equivalents of $11.1 million (FY19: $8.0 million). In light of past results the Group has been focussed on the management of working capital. This disciplined approach has been a principal driver in the strong cash flow reported and the increase in cash and cash equivalents for the financial year. The Group has no interest-bearing loans, except for finance leases.

The past 12 months has seen a positive change in the Saunders' performance through the execution of its strategic priorities, which commenced in FY19. This included re-setting the operating model and the organisational structure that supported it, (Fix Phase). The focus for FY20 was to execute the Grow phase which resulted in record contract awards and increased pipeline. FY20-H2 had some challenges with the emergence of the COVID-19 pandemic which disrupted the economy, our clients and the markets in which we operate. Saunders has been proactive with our response to the challenging conditions due to COVID-19. The Group has taken and continues to take all preventive measures to ensure the safety of its employees, clients and the communities in which it operates. The Group has developed and implemented policies and protocols across all sites to ensure the business is best placed to mitigate impacts of COVID-19 and continue to grow. At the date of this report all sites have continued operations.

Key Highlights

- Strong Safety performance with over 2.7 million hours LTI free
- Responsiveness of our employees to positively react to the continual changes presented by COVID-19
- Return to Profit with positive operating cash flow of $4.9 million and strong balance sheet
- Awarded over $100m in new contracts in FY20-H2 including major contracts with Rio Tinto, Sydney Water, Dialog/VOPAK, NAVFAC and BP
- Successful entry into the Defence sector with completion of one project and award of a further two contracts whilst bidding on further opportunities
- Record orderbook of $110.5 million as at June 2020, with a further $70 million of preferred contractor status projects
- Secured new $10 million bonding facility, which has tripled Saunders' capacity to provide security up to a new $15 million limit

Outlook

Saunders' Work in hand as at 30 June 2020 is $110.5 million (FY19: $60.5 million). Saunders is experiencing strong growth in its core services and sectors and an increasing level of new contract business enquiries and requests for tenders in emerging services and sectors, Defence, Water and Energy. Tendering activity shows the value of live tenders at $303.8 million. The pipeline (yet to be tendered) is at $367.6 million.

Whilst we continue delivering on our recent growth, the economic outlook both locally and internationally remains uncertain due to COVID-19. Although the COVID-19 pandemic is likely to lead to further economic stimulus, which should be positive for Saunders, the financial performance of the Group will be dependent how the continued pandemic impacts our clients and our people. The following drivers provide Saunders with confidence in earnings growth and a strong financial performance in FY21:

- Strong spend in infrastructure, industrial, minerals and defence sectors.
- Current infrastructure boom forecast to continue through Federal and State governments, including National bridge replacement programme
- Defence - Government spend is forecast at 2% of GDP by 2022.
- Strategic Fuel Storage – Federal Government initiative
- Solid balance sheet coupled with support of financial institutional and access to capital markets
- Saunders' financial capacity will increase its ability to win and deliver larger more complex projects.

Employees

The Group's total workforce managed by Saunders was approximately 218.

Saunders remain focused on investing in people and capability to ensure the achievement of our vision and strategic objectives. We progressed our "One Team" culture program, introduced in FY19. The benefits have assisted with the sudden changes experienced with the COVID-19 pandemic.

The directors wish to take to this opportunity to thank all employees for their efforts in FY20, in what has been a challenging period. The swift response to the pandemic has been exceptional with limited impacts to all our projects and operations.

REVIEW OF OPERATIONS (cont)

Safety

During the year, Saunders' Total Recordable Injury Frequency Rate (TRIFR) was 1.56. Saunders continues to report zero LTIs and has achieved in excess of 2.8 million-man hours LTI free.

The Leadership team have applied the revised COVID-19 protocols and processes to ensure safe practices and quality services are observed.

The Group is confident that our safety is focussed on the correct areas with our leaders committed to the Health, Safety, Quality and Welfare of our staff. We have achieved our "One Team" – Zero Harm targets through continual improvements of our systems, procedure and processes.

Earnings per share

The basic and diluted earnings per share is calculated using the weighted average number of shares. This shows the basic earnings per share of 1.23 cents and diluted earnings pers share of 1.20 cents (2019: basic and diluted loss per share 1.72 cents).

DIVIDEND

The Board has declared that the best protection for Saunders against any unforeseen impacts of COVID-19 will be to maintain a strong balance sheet with a net positive cash balance. As a result of this prudent decision there will not be a final dividend payable for FY2020 (FY2019 final dividend NIL).

DIRECTORS ATTENDANCE AT MEETINGS

Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2020, held during the period that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Timothy Burnett	12	12	4	4	4	4
Mark Benson	12	12	-	-	-	-
Greg Fletcher	12	12	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 46 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 27 years of relevant industry experience Other listed company directorships in the 3 years Immediately before the end of the financial year - Nil	564,240
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 - Director TAFE NSW Commission - Chairman and a member of Audit and Risk Committees on a number of Government owned businesses Other listed company directorships - Co Vice Chairman Yancoal Australia Limited Other listed company directorships in the 3 years immediately before the end of the financial year – - Director Yancoal SNC Limited 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 2020. 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 550,000 options within the Employee Share Plan and 2,337,543 performance rights under the Saunders International Performance Rights Plan.

Key Management Personnel

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

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

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

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

Key management personnel as disclosed on page 14 of the remuneration report have participated in the Employee Share Plan.

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

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 have an interest in 246,250 shares under the Employee Share Plan. In addition, other employees own 1,056,875 shares.

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

Employee Share Plan

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

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

During the year 170,000 options were granted to Key Management Personnel under the ESP. The aggregate fair value of the options granted is $64,600 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.

AUDITED REMUNERATION REPORT (Cont'd)

Performance Right Plan (cont)

During the year 744,924 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is $212,303 as set out on page 15. A further 399,937, Performance rights were granted to other KMP under the LTI Plan. The aggregate fair value of the Performance Rights granted to other KMP is $113,982 as set out on page 15

Key Terms of Employment Contracts

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

The executive service agreement contains the following key terms: -

Annual Salary:	Total fixed remuneration of $524,777
Performance Bonus:	Variable, ranging from 0% to 60% of total fixed annual remuneration, based on performance measured against a range of key performance indicators
Long Term Incentive:	Variable, ranging from 0% to 40% of total fixed annual remuneration, based on performance measured against a range of key performance indicators
Notice Period:	Six months' notice

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

Relationship between Remuneration Policy and Company Performance

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

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

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2020:

	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Revenue	66,462	50,126	75,368	45,805	41,828
Net profit/(loss) before income tax	1,853	(2,260)	(4,213)	1,336	3,705
Net profit/(loss) after income tax	1,266	(1,610)	(2,840)	1,428	2,891

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Share price at end of year	0.48	0.33	0.47	0.50	0.50
Interim dividend (cents per share)	0.00	0.00	1.00	2.00	2.00
Final dividend (cents per share)	0.00	0.00	0.00	1.00	2.00
Basic earnings/(losses) per share	1.23	(1.72)	(3.03)	1.76	3.68
Diluted earnings/(losses) per share	1.20	(1.72)	(3.03)	1.76	3.65

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 2020 were:

	Fully paid ordinary shares 2019	Fully paid ordinary shares issued/ purchased during 2020	Fully paid ordinary shares 2020	Share options 2019	Share options vested during 2020	Share options granted during 2020	Share options at end 2020	Performance rights 2019	Performance rights granted during 2020	Performance rights vested during 2020	Performance rights at end 2020
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Non-executive Directors											
Timothy Burnett	11,556,548	-	11,556,548	-	-	-	-	-	-	-	-
Greg Fletcher	5,360	-	5,360	-	-	-	-	-	-	-	-
TOTAL	**11,561,908**	**-**	**11,561,908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers											
Mark Benson[1]	564,240	-	564,240	450,000	-	100,000	550,000	1,592,529	744,924	-	2,337,453
Rudy Sheriff[2]	-	-	-	50,000	-	50,000	100,000	282,926	219,460	-	502,386
Jonathon Bromilow[3]	-	-	-	66,250	-	10,000	76,250	101,445	86,846	-	188,291
Matthew Redmond[4]	-	-	-	60,000	-	10,000	70,000	63,677	93,631	-	157,308
TOTAL	**564,240**	**-**	**564,240**	**626,250**	**-**	**170,000**	**796,250**	**2,040,577**	**1,144,861**	**-**	**3,185,438**
GRAND TOTAL	**12,126,148**	**-**	**12,126,148**	**626,250**	**-**	**170,000**	**796,250**	**2,040,577**	**1,144,861**	**-**	**3,185,438**

1.CEO Managing Director, 2. Chief Financial Officer 3. GM Civilbuild 4.Operations Manager Construction and Maintenance (existing Saunders employee, part of KMP from 1 July 2019)

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 2020	Share options forfeited during 2020	Share options vested during 2020	Performance rights granted during 2020	Performance rights forfeited during 2020	Performance rights vested during 2020
	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $
Non-executive Directors						
Timothy Burnett	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers						
Mark Benson[1]	38,000	-	-	212,303	-	-
Rudy Sheriff[2]	19,000	-	-	62,546	-	-
Jonathon Bromilow[3]	3,800	-	-	24,751	-	-
Matthew Redmond[4]	3,800	-	-	26,685	-	-
TOTAL	**64,600**	**-**	**-**	**326,285**	**-**	**-**
GRAND TOTAL	**64,600**	**-**	**-**	**326,285**	**-**	**-**

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 13.

1.CEO Managing Director, 2. Chief Financial Officer 3. GM Civilbuild 4.Operations Manager Construction and Maintenance (existing Saunders employee, part of KMP from 1 July 2019).

AUDITED REMUNERATION REPORT (Cont'd)

Remuneration of Executive Officers and Key Management Personnel

2020	Short-term Benefits			Post-employment Benefits	Long term employee benefits	Total	Percentage of remuneration related to performance	Cash Bonus as a percentage of maximum achievable[7]
	Cash Fees/Salary	Cash Bonus[5]	Non-monetary Benefit[6]	Superannuation	Equity settled share based payments			
	$	$	$	$	$	$	%	%
Non-executive Directors								
Timothy Burnett	115,069	-	-	10,931	-	126,000	-	-
Greg Fletcher	57,534	-	-	5,466	-	63,00	-	-
TOTAL	**172,603**	**-**	**-**	**16,397**	**-**	**189,000**	**-**	**-**
Executive Officers								
Mark Benson[1]	468,124	233,087	35,650	21,003	69,611	827,475	36.58%	75.1%
Rudy Sheriff[2]	289,375	71,341	8,755	21,003	20,508	410,982	22.35%	75.2%
Jonathon Bromilow[3]	225,368	17,911	-	20,691	8,115	272,085	9.57%	48.1%
Matthew Redmond[4]	242,901	26,005	-	23,539	8,750	301,195	11.54%	65.0%
TOTAL	**1,225,768**	**348,344**	**44,405**	**86,236**	**106,984**	**1,811,737**		
GRAND TOTAL	**1,398,371**	**348,344**	**44,405**	**102,633**	**106,984**	**2,000,737**		

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 3. GM Civilbuild 4.Operations Manager Construction and Maintenance. 5. Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year. 6. Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.
7. Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board in September of each year.

AUDITED REMUNERATION REPORT (Cont'd)

2019	Short-term Benefits			Post-employment Benefits	Long term employee benefits	Total	Percentage of remuneration related to performance	Cash Bonus as a percentage of maximum achievable[8]
	Cash Fees/Salary	Cash Bonus[6]	Non-monetary Benefit[7]	Superannuation	Equity settled share based payments			
	$	$	$	$	$	$	%	%
Non-executive Directors								
Timothy Burnett	115,069	-	-	10,931	-	126,000	-	-
Greg Fletcher	57,534	-	-	5,923	-	63,457	-	-
Malcolm McComas	63,000	-	-	-	-	63,000	-	-
TOTAL	**235,603**	**-**	**-**	**16,854**	**-**	**252,457**	**-**	**-**
Executive Officers								
Mark Benson[1]	471,921	139,990	22,677	20,451	12,149	667,188	22.8	45.3
Rudy Sheriff[2]	281,437	44,821	12,369	20,451	21,879	380,957	17.5	57.1
David Griffiths[3]	218,538	-	-	20,451	-	238,989	0.0	0.0
Ian McLoughlin[4]	222,007	-	9,542	25,000	-	256,549	0.0	0.0
Jonathon Bromilow[5]	218,311	21,224	-	19,953	7,882	267,370	10.9	59.4
TOTAL	**1,412,214**	**206,035**	**44,588**	**106,306**	**41,910**	**1,811,053**		
GRAND TOTAL	**1,647,817**	**206,035**	**44,588**	**123,160**	**41,910**	**2,063,510**		

1. CEO Managing Director. 2. Chief Financial Officer 3. GM Business Development & Strategy (ceased employment on 30 June 2019). 4.GM Construction & Asset Services (ceased employment on 25 June 2019) 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 of each year.

Subsequent Events

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

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

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

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

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

Saunders continues to work through the detailed scenarios and business continuity planning to minimise these supply chain and other operational business interruptions. Saunders has observed that there has been an increase of new project opportunities being delayed with limited financial investment decisions being approved, impacting new capital expenditure.

Although Saunders has experienced minor resourcing and logistic issues with border closures and reduced productivity across a number of sites due to implementation of social distancing measures, there has been no significant financial effects arising from the economic impacts of the virus included in the financial results for the year ended 30 June 2020.

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

Environmental Regulation and Performance

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

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

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 by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services are outlined in Note 24 to the financial statements. During this financial year there was $26,781 paid or payable for non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 20 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, 26 August 2020

Timothy Burnett
Director
Sydney, 26 August 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Eclipse Tower
60 Station Street
Parramatta
Sydney NSW 2150
Australia

Tel: +61 (0) 2 9840 7000
www.deloitte.com.au

Auditor's Independence Declaration

26 August 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Eclipse Tower
60 Station Street
Parramatta
Sydney NSW 2150
Australia

Tel: +61 (0) 2 9840 7000
www.deloitte.com.au

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 2020, 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 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 2020 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.

Deloitte.

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
Recognition of revenue and contract assets and contract liabilities on construction contracts *Refer to Note 1(c) 'Construction Contracts', Note 1(i) 'Revenue', Note 2 'Critical accounting judgements and key sources of estimation uncertainty', Note 3 'Revenue' and Note 10 'Contract Assets and Contract Liabilities'.* As at 30 June 2020 the Group's revenue from construction contracts is $66.5 million. Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following: • Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; • Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract; • Estimation of project contingencies; and • Estimation of stage of completion including determination of project completion date.	Our procedures included, but were not limited to: • Evaluating management's processes and relevant controls in respect of the recognition of revenue and contract assets and contract liabilities on construction contracts; and • Testing contracts on a sample basis, and: ▪ agreed the contract terms to the initial contract price, ▪ tested contractual entitlements for changes, variations and claims recognised within contract revenue to supporting documentation, and by reference to the underlying contract, ▪ assessed management's basis for estimates of unapproved variations and claims brought to account within contract revenue, ▪ tested a sample of costs incurred to date to supporting documentation, ▪ assessed the forecast costs to complete through discussion and challenge of project managers and finance personnel, ▪ recalculated the percentage of completion based on costs incurred to date relative to total forecast costs, ▪ assessed appropriateness of contingency allowances within forecast costs, ▪ evaluated exposure to liquidated damages for late delivery of works, and ▪ challenged management's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes. We also assessed the appropriateness of the disclosures in Notes 1(c), 1(i), 2, 3 and 10 to the financial statements.

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 2020 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.

Deloitte.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2020, 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

N Balban

Nathan Balban
Partner
Chartered Accountants
Sydney, 26 August 2020

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, 26 August 2020	Timothy Burnett Director Sydney, 26 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the Financial Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	3	**66,462**	50,126
Other income	4	**185**	218
Materials and third-party costs charged to projects		**(37,280)**	(26,178)
Employee benefits expense	4	**(22,588)**	(21,768)
Depreciation expense	4	**(1,468)**	(1,070)
Motor vehicle expense		**(306)**	(286)
Occupancy and operating lease expense		**(244)**	(714)
Finance costs		**(81)**	(20)
Other expenses		**(2,827)**	(2,568)
Profit / (loss) before income tax		**1,853**	(2,260)
Income tax (expense) / benefit	5	**(587)**	650
Profit / (loss) for the year attributable to shareholders of the parent entity		**1,266**	(1,610)
Other comprehensive income		**-**	-
Total comprehensive profit / (loss) attributable to shareholders of the parent entity		**1,266**	(1,610)
Earnings/(losses) per share			
Basic (cents per share)	15	**1.23**	(1.72)
Diluted (cents per share)	15	**1.20**	(1.72)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	19(a)	**11,085**	8,030
Trade and other receivables	6	**13,297**	8,475
Contract Assets	10	**6,711**	2,681
Inventories		**374**	169
Other		**38**	286
Total current assets		**31,505**	19,641
Non-current assets			
Property Plant and equipment	7	**10,209**	10,352
Right-of-use assets	8	**2,085**	-
Deferred tax assets	5	**2,215**	2,825
Total non-current assets		**14,509**	13,177
Total assets		**46,014**	32,818
Current liabilities			
Trade and other payables	9	**14,246**	7,105
Contract liabilities	10	**4,588**	1,785
Provisions	11	**2,034**	1,801
Current tax liability	5	**146**	160
Lease liabilities	8	**568**	-
Borrowings	12	**-**	122
Lease incentives		**-**	35
Total current liabilities		**21,582**	11,008
Non-current liabilities			
Provisions	11	**234**	94
Lease liabilities	8	**1,540**	
Borrowings	12	**-**	381
Lease incentives		**-**	138
Total non-current liabilities		**1,774**	613
Total liabilities		**23,356**	11,621
Net assets		**22,658**	21,197
Equity			
Issued capital	13	**19,701**	19,701
Shares buy-back reserve	13	**(351)**	(351)
Share based payments reserve	13	**776**	581
Retained earnings	14	**2,532**	1,266
Total equity		**22,658**	21,197

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2020

	Issued Capital $'000	Shares (Issued)/Vested Under Employee share plan $'000	Share Based Payments reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018	**19,652**	**(351)**	**623**	**2,876**	**22,800**
Loss for the year	-	-	-	(1,610)	(1,610)
Total comprehensive loss	-	-	-	(1,610)	(1,610)
Transactions with owners in their capacity as owners					
Share based payments vested/lapsed	49	-	(49)	-	-
Share-based payments expense	-	-	7	-	7
Balance at 30 June 2019	19,701	(351)	581	1,266	21,197
Balance at 1 July 2019 (as previously reported)	19,701	(351)	581	1,266	21,197
Opening balance adjustment on application of AASB 16 (Note 1(a))	-	-	-	-	-
Balance at 1 July 2019 (restated)	19,701	(351)	581	1,266	21,197
Profit for the year	-	-	-	1,266	1,266
Total comprehensive income	-	-	-	1,266	1,266
Transactions with owners in their capacity as owners					
Share based payments vested/lapsed	-	-	-	-	-
Share-based payments expense	-	-	195	-	195
Balance at 30 June 2020	19,701	(351)	776	2,532	22,658

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Financial Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		**73,241**	54,966
Payments to suppliers and employees		**(68,243)**	(58,710)
Interest received		**5**	45
Finance costs paid		**(81)**	-
Income taxes refunded / (paid)		**-**	377
Net cash inflow / (outflow) from operating activities	19(b)	**4,922**	(3,322)
Cash flows from investing activities			
Payments for plant and equipment		**(1,439)**	(1,189)
Proceeds from sale of assets		**6**	180
Net cash used in investing activities		**(1,433)**	(1,009)
Cash flows from financing activities			
Proceeds of borrowings		**522**	-
Repayment of borrowings		**(522)**	-
Repayments of lease liabilities		**(438)**	(81)
Net cash used in financing activities		**(438)**	(81)
Net increase / (decrease) in cash and cash equivalents		**3,051**	(4,412)
Cash and cash equivalents at the beginning of the financial year		**8,030**	12,377
Effects of exchange rate fluctuations on cash held		**4**	65
Cash and cash equivalents at the end of the financial year	19(a)	**11,085**	8,030

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

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

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

The financial statements were authorised for issue by the directors on 26th August 2020.

Basis of Preparation

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

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

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 16 Leases

In the current year, the Group has applied AASB 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

AASB16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described further in this note. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 July 2019. The Group adopted the modified retrospective approach.

Under this approach the Group has recognised the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application. This approach does not permit the restatement of comparatives, which continue to be presented under the AASB 117 and Interpretation 4.

(i) Impact of new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

1. SUMMARY OF ACCOUNTING POLICIES (cont)

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

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019.

(ii) Impact on Lessee Accounting

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

a. Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b. Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within the financing activities) in the consolidation statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within ‘other expenses’ in profit or loss.

Former finance leases

The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group’s consolidated financial statements.

(iii) Impact on Lessor Accounting

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, AASB 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

There were no changes to the Group's accounting for assets held as a lessor under operating leases as a result of the adoption of AASB 16.

(iv) Impact on Lessee Accounting

Practical expedient applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019;
- relief from requirement to separate non-lease components from lease components;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- accounting for operating lease for which the underlying assets are valued less than $5,000 over the entire lease term as at 1 July 2019 as of low-value leases.

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Measurement of lease liabilities

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 3.5% to 4%.

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application:

	$'000
Operating lease commitments disclosed as at 30 June 2019	1,487
Add lease fit out incentive	173
Impact of discounting	(96)
Impact of the adoption of AASB 16	1,564
Add: finance lease liabilities recognised as at 30 June 2019	503
Lease liabilities recognised as at 1 July 2019	**2,067**
Of which are included in	
Current lease liabilities	471
Non-current lease liabilities	1,596
	2,067

Adjustments recognised in the consolidated statement of financial position on 1 July 2019

	As reported at 30 June 2019 ($'000)	AASB 16 transition adjustments ($'000)	Opening balance 1 July 2019 ($'000)
Impact on Total Assets			
ROU asset	-	1,993	1,993
Property, Plant & Equipment	10,352	(602)	9,750
Net Impact on Total Assets		**1,391**	
Impact on Total Liabilities			
Lease liability – current	-	471	471
Lease liability – non-current	-	1,596	1,596
Borrowings – current	122	(122)	-
Borrowings – non-current	381	(381)	-
Lease incentives	173	(173)	-
Net Impact on Total Liabilities		**1,391**	
Net Impact on Retained Earnings		**-**	

The Group has recognised $1,993,000 of right of use assets and $2,067,000 of lease liabilities upon transition to AASB 16 net of the following other reclassifications:

- Equipment under finance lease arrangements previously presented within 'Property, plant and equipment' is now presented within the line item 'Right-of-use assets'. There has been no change in the amount recognised.
- Lease incentives liability previously recognised with respect to operating leases have been derecognised and the amount was factored into the measurement of the right-of-use assets and lease liabilities.

1. SUMMARY OF ACCOUNTING POLICIES (cont)

Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for year ended 30 June 2020. There will be no material impact of these new standards or amendments to the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group.

(b) Cash and Cash Equivalents

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

(c) Construction Contracts

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

(d) Employee Benefits

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

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

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured 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.

(e) Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont)

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

Current and Deferred Tax for the Period

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

(f) Leases

The Group has applied AASB 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under AASB 117. The details of accounting policies under both AASB 117 and AASB 16 are presented separately below.

The Group as lessee

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(f) Leases

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

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

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

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(g) Plant and Equipment

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

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

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

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

(h) Provisions

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

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

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

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

(i) Revenue

Engineering and Construction revenue

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

1. The design and provision of plans for the construction of tanks; and

2. The construction, site establishment, erection, commissioning and testing of tanks.

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(i) Revenue (cont)

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

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

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

Services revenue

Fixed price contracts

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

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

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

Cost plus contracts

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

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

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

Fabrication and construction revenue

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

1. The design and provision of plans for the construction of bridges; and

2. The fabrication, construction, site establishment, erection, commissioning and testing of bridges.

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(i) Revenue (cont)

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

Variable consideration

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

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

Tender and contract costs

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

(j) Financial Assets

Loans and receivables

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

(k) Goods and Services Tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

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

(l) Impairment of Assets

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(l) Impairment of Assets

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

(m) 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.

(n) Basis of consolidation

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

i. has power over the investee;

ii. is exposed, or has rights, to variable returns from its involvement with the investee; and

iii. has the ability to use its power to affect its returns.

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

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

i. the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

ii. potential voting rights held by the Company, other vote holders or other parties;

iii. rights arising from other contractual arrangements; and

iv. any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(n) Basis of consolidation

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

(o) Business combinations

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

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

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

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.

1. SUMMARY OF ACCOUNTING POLICIES (cont)

(p) Share Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-Mertin 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.

(q) 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.

<u>Construction contracts</u>

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

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

<u>Recoverability of deferred tax assets</u>

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 can be utilised. The factors considered by management in making this assessment includes expectations of future profitability, and in the case of unused tax losses, that these will continue to be available under current tax legislation.

<u>COVID-19</u>

The outbreak of the Novel Coronavirus (COVID-19) was declared as a "Global Pandemic" by the World Health Organisation on 11 March 2020 and developments throughout 2020 has caused great uncertainty for the global and Australian economy. This uncertainty has created risks and conditions that the Group has not encountered before. As a result there has been a continual assessment of the impacts of COVID-19 on the financial statements arising from this major global risk.

3. REVENUE

Revenue stream	Revenue recognition	Australia $'000	PNG $'000	Total 2020 $'000	Australia $'000	PNG $'000	Total 2019 $'000
Engineering & Construction	Over time	11,175	19	11,194	5,580	2,400	7,980
Services	Over time	29,232	-	29,232	18,937	-	18,937
Fabrication & Construction	Over time	26,031	-	26,011	23,147	-	23,147
Interest Received	Point in time	5	-	5	62	-	62
Total revenue		**66,443**	**19**	**66,462**	**47,726**	**2,400**	**50,126**

4. PROFIT / (LOSS) FOR THE YEAR

	2020 $'000	2019 $'000
Other income		
Other	**182**	138
Profit on sale of asset	**3**	80
	185	218
Profit / (loss) before income tax has been arrived at after (crediting) / charging the following expenses:		
Cost of sales	**55,665**	42,987
Depreciation		
Buildings	**29**	29
Plant and equipment	**822**	950
Right-of-use-assets	**446**	-
Office furniture and equipment	**171**	91
	1,468	1,070
Finance costs	**-**	17
Release of Make good provision	**-**	(270)
Bad debt expense	**-**	240
Lease expenses:		
Finance cost on lease liabilities	**81**	20
Employee benefits expense:		
Post-employment benefits – defined contributions	**1,318**	1,450
Payroll tax expense	**859**	1,018
Employee Share Plan	**195**	7
Salary and wages	**20,216**	19,293
	22,588	21,768

5. INCOME TAX

Income tax recognised in profit/loss	2020 $'000	2019 $'000
Income tax expense comprises:		
Current income tax (benefit) / expense	(23)	55
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	610	(705)
Total income tax expense / (benefit)	587	(650)
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:		
Profit/(loss) before taxation	1,853	(2,260)
Income tax at 30%	556	(678)
Other	31	28
Total income tax expense / (benefit)	587	(650)
Current tax liability	(146)	(160)

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:

2020	Opening balance $'000	(Charged)/ Credited to income $'000	Recognised directly to equity $'000	Closing balance $'000
Deferred tax assets				
Employee benefits	526	94	-	620
Restructure Provision	87	3	-	90
Contract Assets	40	1	-	41
Lease liabilities	-	366	-	366
Tax Losses	2,139	(548)	-	1,591
Share issue costs	111	(48)	-	63
Accruals and other	318	85	-	403
Deferred tax asset	3,221	(47)	-	3,174
2020				
Deferred tax liabilities				
Property, plant and equipment	(381)	(208)	-	(589)
Right of use asset	-	(370)	-	(370)
Other	(15)	15	-	-
Deferred tax liabilities	(396)	(563)	-	(959)
Net deferred tax asset	2,825	(610)	-	2,215

5. INCOME TAX (cont)

2019	Opening balance $'000	(Charged)/ Credited to income $'000	Recognised directly to equity $'000	Closing balance $'000
Deferred tax assets				
Employee benefits	697	(171)	-	526
Restructure Provision	522	(435)	-	87
Contract Assets	221	(446)	265	40
Tax Losses	735	1,404	-	2,139
Share issue costs	128	(17)	-	111
Accruals and other	142	176	-	318
Deferred tax asset	2,445	511	265	3,221
2019				
Deferred tax liabilities				
Property, plant and equipment	(555)	174	-	(381)
Other	(35)	20	-	(15)
Deferred tax liabilities	(590)	194	-	(396)
Net deferred tax asset	1,855	705	265	2,825

6. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables (i)	**13,297**	8,475

A provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customer's future credit risk. On that basis, the credit loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows:

Provision matrix	2020 Australia	2020 PNG	2019 Australia	2019 PNG
Current	0.0%	0.0%	0.0%	0.0%
1 to 30 days	0.0%	0.0%	0.0%	0.0%
30 to 60 days	0.0%	0.0%	0.0%	0.0%
60 to 90 days	0.2%	0.0%	0.2%	0.0%
Over 90 days	0.5%	0.0%	0.5%	0.0%
Contract assets	0.1%	0.0%	0.1%	0.0%

	2020 Australia $'000	2020 PNG $'000	2020 Total Group $'000	2019 Australia $'000	2019 PNG $'000	2019 Total Group $'000
Receivables						
Current	**9,921**	**-**	**9,921**	5,036	-	5,036
1 to 30 days	**1,177**	**-**	**1,177**	2,739	-	2,739
30 to 60 days	**682**	**-**	**682**	151	-	151
60 to 90 days	**1,108**	**-**	**1,108**	263	82	345
Over 90 days	**469**	**51**	**520**	460	4	464
Total receivables	**13,357**	**51**	**13,408**	8,649	86	8,735
Contract assets (Note 10)	**6,711**	**-**	**6,711**	2,549	132	2,681
Allowance based on historic credit losses	**11**	**-**	**11**	5	-	5
Adjustment for expected changes in credit risk [1]	**100**	**-**	**100**	255	-	255
Credit loss allowance	**111**	**-**	**111**	260	-	260
Net carrying amount	**19,957**	**51**	**20,008**	10,938	218	11,156

[1] Adjustment to reflect the lower credit risk and probability of default relating to customers that are over 90 days past due.

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

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

	2020 $'000	2019 $'000
60 days over the due date	**1,517**	549

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 2020 the directors reviewed the future budgets of the Group to determine whether there are any indications of impairment. No indicators of impairment were noted and no impairment losses are recorded.

	Land at cost $'000	Buildings at cost $'000	Plant and Equipment at cost $'000	Office furniture and equipment at cost $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2018	3,400	1,150	13,364	832	18,746
Additions	-	-	1,069	287	1,356
Disposals	-	-	(820)	(399)	(1,219)
Balance at 30 June 2019	**3,400**	**1,150**	**13,613**	**720**	**18,883**
Additions	**-**	**-**	**1,237**	**246**	**1,483**
Reclassification (i)	**-**	**-**	**(735)**	**64**	**(671)**
Disposals	**-**	**-**	**(20)**	**-**	**(20)**
Balance at 30 June 2020	**3,400**	**1,150**	**14,095**	**1,030**	**19,675**
Accumulated depreciation					
Balance at 1 July 2018	-	36	7,950	594	8,580
Disposals	-	-	(826)	(293)	(1,119)
Depreciation expense	-	29	950	91	1,070
Balance at 30 June 2019	**-**	**65**	**8,074**	**392**	**8,531**
Disposals	**-**	**-**	**(18)**	**-**	**(18)**
Reclassification (i)			**(96)**	**27**	**(69)**
Depreciation expense	**-**	**29**	**822**	**171**	**1,022**
Balance at 30 June 2020	**-**	**94**	**8,782**	**590**	**9,466**
Net book value					
As at 30 June 2019	3,400	1,085	5,539	328	10,352
As at 30 June 2020	**3,400**	**1,056**	**5,313**	**440**	**10,209**

(i) The net reclassification out of property, plant and equipment of $602,000 relates to the initial application of AASB 16. Refer to note 1(a) for further details.

8. LEASES (GROUP AS LESSEE)

The new accounting standard AASB16 Leases was adopted from 1 July 2019. Comparatives have not been restated. The Group has entered into an office lease and a number of motor vehicle leases. The office lease has fixed annual rent increases. The motor vehicle leases do not reflect any rent increases over the term of the lease. The average lease term is 2.2 years.

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

Prior to the application of AASB 16, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right of use and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

8. LEASES (GROUP AS LESSEE) (cont)

Amounts recognised in the consolidated income statement

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

	2020 $'000
Depreciation charge for right of use assets	
Property, Plant and Equipment	446
Total Depreciation Charge for Right of Use Assets	**446**
Other cost relating to leases	
Interest expense on lease liabilities (included in Finance Costs)	**81**
Expenses relating to leases of low value assets	**33**
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	**61**
Total other costs relating to leases	**175**

Amounts recognised in the balance sheet

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

	Property	Other	2020 $'000
Right of Use Assets			
Gross amount			
Opening balance, 1 July 2019	**-**	**-**	-
Impact of AASB 16	**1,285**	**106**	1,391
Reclassification from property, plant and equipment	**-**	**671**	671
Additions	**-**	**538**	538
Balance as at 30 June 2020	**1,285**	**1,315**	**2,600**
Accumulated depreciation			
Opening balance, 1 July 2019	**-**	**-**	**-**
Reclassification from property, plant and equipment	**-**	**69**	**69**
Depreciation expense	**270**	**176**	446
Balance as at 30 June 2020	**270**	**245**	**515**
Carrying amount as at 30 June 2020	**1,015**	**1,070**	**2,085**

Maturity Analysis	2020 $'000
Year 1	568
Year 2	564
Year 3	449
Year 4	323
Year 5	204
Onwards	-
	2,108

8. LEASES (GROUP AS LESSEE) (cont)

Lease Liabilities	2020 $'000
Current	568
Non-Current	1,540
Total Lease Liabilities	**2,108**

9. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables (i)	**11,030**	6,663
Goods and services tax payable	**261**	237
Accruals and other	**2,955**	205
	14,246	7,105

(i) The average credit period on purchases of goods is between 45-60 days. No interest is charged on the trade payables. The Group has a policy that all payables are paid within the agreed credit timeframe.

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 $'000	2019 $'000
Contract assets related to contracts	**6,711**	2,681
Contract liabilities relating to contracts	**4,588**	1,785

Contract assets

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

The directors of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. Refer to Note 6 for the risk profile of amounts due from customers based on the Group's provision matrix.

Contract liabilities

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage cost complete method. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was $1.79 million (FY19: $4.79 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was $0.72 million (FY19: $1.25 million). Partially satisfied performance obligations continue to incur revenue and costs in the period.

10. CONTRACT ASSETS AND CONTRACT LIABILITIES (cont)

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 30 June 2020 and 30 June 2019 are set out below.

Revenue stream	2020 $'000	2019 $'000
Engineering & Construction	39,835	1,818
Services	54,136	27,917
Fabrication & Construction	16,575	30,762
Total work in hand	**110,546**	**60,497**

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

11. PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits	**2,034**	1,661
Restructure Provision (i)	**-**	140
	2,034	1,801
Non-current		
Employee benefits	**234**	94
	234	94

(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.

Provision	Opening balance	Additions to provision during current period	Credited to profit and loss	Utilisation of provision during current period	Closing balance
	$'000	$'000	$'000	$'000	$'000
Restructure Provision	**140**	-	**-**	**(140)**	-

12. BORROWINGS

	2020 $'000	2019 $'000
Current		
Finance Lease Liabilities	**-**	122
Non-current		
Finance Lease Liabilities	**-**	381

The new accounting standard AASB16 Leases was adopted from 1 July 2019. Comparatives have not been restated.

13. ISSUED CAPITAL

	2020 $'000	2019 $'000
102,848,127 fully paid ordinary shares (2019: 102,848,127)	-	19,350

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

Ordinary shares	2020 Number	2019 Number
Ordinary shares at beginning of financial year	**102,848,127**	102,730,469
Ordinary shares issued during the current year	**-**	117,658
Ordinary shares at end of financial year	**102,848,127**	102,848,127

Fully paid ordinary shares	2020 $'000	2019 $'000
Balance at beginning of financial year	**19,701**	19,652
Shares issued performance Rights Plan	**-**	49
Balance at end of financial year	**19,701**	19,701

13. ISSUED CAPITAL (cont)

Treasury shares under employee share plan		
Balance at beginning of financial year	**(351)**	(351)
Treasury shares vested during the year	**-**	-
Share issued during the year	**-**	-
Balance at end of financial year	**(351)**	(351)
Issued capital	**19,350**	19,350

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 14 tranches of the ESP have been issued.

Tranche 6: During the financial year 65,000 shares forfeited.

Tranche 8: Offer of 400,000 in January 2016 with all offers accepted. The tranche has been modified, by the Board in February 2020, to vest in February 2021.

Tranche 9: During the financial year zero shares forfeited.

Tranche 10: During the financial year zero shares forfeited.

Tranche 11: During the financial year zero shares forfeited.

Tranche 12: During the financial year zero shares forfeited.

Tranche 13: During the financial year zero shares forfeited.

Tranche 14: During the financial year 477,500 new shares were issued.

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

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

13. ISSUED CAPITAL (cont)

Details of the fair value assumptions used are as follows:

	Tranche 6	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14
Grant Date	Feb 2015	Jan 2016	Feb 2016	Feb 2017	Oct 2017	Feb 2018	Feb 2019	Feb 2020
Grant Price	$0.72	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38
Opening Volume	65,000	400,000	80,000	170,000	105,625	200,000	355,000	-
New grants	-	-	-	-	-	-	-	477,500
Forfeited	(65,000)	-	-	-	-	-	-	-
Closing Volume	-	400,000	80,000	170,000	105,625	200,000	355,000	477,500
Exercise Price	$0.72	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38
Expected Volatility	45%	45%	45%	45%	45%	45%	45%	45%
Option Life	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	6.25%	2.05%	1.72%	2.00%	2.75%	2.82%	2.82%	2.82%
Grant date fair value	$0.31	$0.22	$0.21	$0.22	$0.19	$0.23	$0.12	$0.15

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date. Tranche 6 was not extended and did not vest. Tranche 8 was extended until February 2021 as set out above.

13. ISSUED CAPITAL (cont)

Movement in share options during the year

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

	2020		2019	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance at beginning of year	1,375,625	0.52	1,526,250	0.62
Granted during the year	477,500	0.38	365,000	0.33
Forfeited during the year	(65,000)	0.72	(515,625)	0.66
Exercised during the year	-	-	-	-
Balance at end of year	1,788,125	0.48	1,375,625	0.52
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.

13. ISSUED CAPITAL (cont)

The Managing Director and certain Key Management Personnel participate in the Saunders International Rights Plan. This plan is part of the long term incentive component of the respective remuneration packages. The total number of Performance Rights issued under the plan is 4,171,590 of which 316,269 have vested, 320,948 have lapsed and a further 238,864 have been forfeited as at 30 June 2020.

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	Tranche 13	Tranche 14	Tranche 15	Tranche 16
Grant Date	2 June 2016	2 June 2016	2 June 2016	2 June 2016	1 Sept 2016	1 Sept 2016	1 Sept 2017	1 Sept 2017	1 Sept 2018	1 Sept 2018	1 Sept 2019	1 Sept 2019
Grant Price	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Opening Volume	388,954	194,477	186,197	62,066	238,095	238,095	379,689	379,689	461,185	461,185	-	-
New grants	-	-	-	-	-	-	-	-	-	-	590,979	590,979
Lapsed	(271,296)	-	(37,239)	(12,413)	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	(59,546)	(59,546)	(59,886)	(59,886)	-	-
Vested	(117,658)	-	(148,958)	(49,653)	-	-	-	-	-	-	-	-
Closing Volume	-	194,477	-	-	238,095	238,095	320,143	320,143	401,299	401,299	590,979	590,979
Exercise Price	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expected Volatility	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%
Option Life	0 years	0 .25years	0 years	0 years	0.25 years	0.25 years	0.25 years	0.25 years	1.25 years	1.25 years	2.25 years	2.25 years
Dividend value	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06
Risk Free Interest Rate	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%
Grant date fair value	$0.41	$0.41	$0.47	$0.47	$0.46	$0.46	$0.49	$0.49	$0.41	$0.41	$0.29	$0.29

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, $0.46 for tranches 11 and 12, $0.41 for tranches 13 and 14 and $0.29 for tranches 15 and 16. The share options outstanding at the end of the year has a weighted average remaining contractual life of 1.81 years.

14. RETAINED EARNINGS

	2020 $'000	2019 $'000
Balance at beginning of financial year	1,266	3,566
Profit for the year	1,266	(1,610)
Dividends provided for or paid	-	-
Balance at end of financial year	2,532	1,956
Opening balance adjustments on application of AASB 15	-	(690)
Balance restated at end of financial year	2,532	1,266

15. EARNINGS PER SHARE

	2020 Cents per share	2019 Cents per share
Basic earnings/(losses) per share	1.23	(1.72)
Diluted earnings/(losses) per share	1.20	(1.72)

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

	2020 $'000	2019 $'000
Net profit/(loss)	1,266	(1,610)
Earnings used in the calculation of basic and diluted EPS	1,266	(1,610)

	2020 No.'000	2019 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	102,848	93,617

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:

	2020 No.'000	2019 No.'000
Weighted average number of ordinary shares used in the calculation of basic EPS	102,848	93,617
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	2,427	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	105,275	93,617

(a) During the year ended 30 June 2020 a portion of the potential ordinary shares associated with the employee share option plan as set out in Note 13 are dilutive and therefore included in from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights are dilutive and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

16. DIVIDENDS

	2020 Cents per share	2020 Total $'000	2019 Cents per share	2019 Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend (2019):				
Fully franked at a 30% tax rate	-	-	-	-
Interim dividend (2020):				
Fully franked at a 30% tax rate	-	-	-	-
	-	-	-	-
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend (2020):	-	-	-	-

On 26 August 2020, the directors declared that there will not be a final dividend paid to shareholders for the financial year ended 30 June 2020.

	2020 $'000	2019 $'000
Adjusted franking account balance	**1,774**	1,774

17. 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 1 customer made up 16% of the revenue earned (2019: 1 customer made up 13% of the revenue earned). The customer accounted for $10,653,000.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contract dispute

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

Proceedings

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

19. NOTES TO THE STATEMENT OF CASH FLOWS

	2020 $'000	2019 $'000
(a) Cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**11,085**	8,030

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

	2020 $'000	2019 $'000
Profit / (loss) for the year	**1,266**	(1,610)
Share-based payments expense	**195**	7
Depreciation	**1,468**	1,070
Gain on disposal	**(3)**	(80)
(Increase) / decrease in assets:		
Current tax balance	**(18)**	401
Deferred tax asset	**610**	(705)
Trade and other receivables	**(4,822)**	(1,885)
Contract assets	**(4,030)**	1,125
Inventories	**(205)**	108
Other assets	**248**	(178)
Increase / (decrease) in liabilities:		
Trade and other payables	**7,037**	(76)
Contract liabilities	**2,803**	533
Provisions	**373**	(2,205)
Lease incentives	**-**	173
Net cash inflow / (outflow) from operating activities	**4,922**	(3,322)

(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.

	2020 $'000	2019 $'000
Amount used	**6,637**	3,072
Amount unused	**3,363**	1,928
	10,000	5,000

The facilities have financial covenants relating to the Group's capital adequacy ratio and its leverage ratio. Post 30 June 2020, Saunders' total facility increased to $15 million.

(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 2019 $'000	Reclassification from borrowings $'000	On adoption of AASB 16 $'000	Cash Financing cash flows (i) $'000	Non-Cash Movement in finance leases $'000	Balance at 30 June 2020 $'000
Lease liabilities		-	503	1,391	(438)	652	2,108

(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. 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

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	**11,085**	8,030
Loans and receivables	**13,297**	8,475
	24,382	16,505
Financial liabilities		
Trade payables and accruals	**14,246**	7,105
Lease Liabilities	**2,108**	503
	16,354	7,608

Obligations under finance leases

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.

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	1 to 3 months	3 months to 2 years	Total
	%	$'000	$'000	$'000	$'000
2020					
Financial assets					
Cash and cash equivalents	0.35%	11,085	-	-	11,085
Trade receivables	-	2,967	9,921	409	13,297
Financial liabilities					
Trade payables and accruals	-	1,435	4,474	8,337	14,246
Lease liabilities	11.1%	43	129	1,936	2,108
2019					
Financial assets					
Cash and cash equivalents	0.21%	8,030	-	-	8,030
Trade receivables	-	4,936	3,235	304	8,475
Financial liabilities					
Trade payables and accruals	-	1,789	2,501	2,815	7,105
Lease liabilities	11.1%	5	13	485	503

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 $110,846 (2019: $80,173).

Foreign currency risk

The Group manages its foreign currency risk arising from significant supplier contracts in foreign currencies by holding foreign currency. As a result of operations in Papua New Guinea the Group's statement of financial position can be affected by movements in the PGK/A$ exchange rate. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Where possible, Saunders does not take on foreign exchange risk. At 30 June 2020, the Group had no forward contracts.

The Group also mitigates its exposure to foreign currency risk by minimising excess foreign currency balances in overseas jurisdictions not required for working capital. At 30 June 2020, the Group had A$1,253,019 (2019: A$1,386,417) of cash in PGK. At reporting date, if the PKG/AUD exchange rate had moved by 5%, with all other variables held constant, the group's profit or loss would increase of decrease by $59,667 (2019: $66,020).

20. FINANCIAL INSTRUMENTS (cont.)

Fair value of financial instruments

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

21. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

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

(a) Remuneration of Directors and Key Management Personnel

	2020 $	2019 $
Short-term employee benefits	**1,791,120**	1,898,440
Post-employment benefits	**102,633**	123,160
Share-based payments	**106,984**	41,910
	2,000,737	2,063,510

The names of and positions held by the key management are set out on page 16 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report.

(b) Other Transactions with Key Management Personnel

There were no transactions with directors and other key management personnel apart from those disclosed in this note and note 22.

(c) Directors' and Key Management Equity Holdings

Refer to the table on page 14 of the Remuneration Report.

22. SUBSIDIARIES

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2020	2019
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%

23. PARENT ENTITY INFORMATION

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

Investments in subsidiaries, associates and joint ventures

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

Tax consolidation

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

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

Summary financial information

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

Financial Position	**2020 $'000**	2019 $'000
Assets		
Current assets	**19,963**	8,676
Non-current assets	**16,733**	16,862
Total assets	**36,696**	25,538
Liabilities		
Current liabilities	**13,235**	4,061
Non-current liabilities	**1,313**	234
Total liabilities	**14,548**	4,295
Equity		
Issued capital	19,701	19,701
Shares buy-back reserve under employee share plan	(351)	(351)
Share based payments reserve	776	581
Retained earnings	**2,022**	1,312
Total equity	**22,148**	21,243

Financial Performance	**2020 $'000**	2019 $'000
Profit / (loss) for the year	**710**	(1,815)
Other comprehensive income / (loss)	**-**	-
Total comprehensive income / (loss)	**710**	(1,815)

The parent entity has no capital commitments.

24. REMUNERATION OF AUDITOR

	2020 $	2019 $
Audit or review of the financial report	**135,000**	142,000
PNG tax services	**26,781**	7,852
	161,781	149,852

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

25. SUBSEQUENT EVENTS

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

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

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

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

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

Saunders continues to work through the detailed scenarios and business continuity planning to minimise these supply chain and other operational business interruptions. Saunders has observed that there has been an increase of new project opportunities being delayed with limited financial investment decisions being approved, impacting new capital expenditure.

Although Saunders has experienced minor resourcing and logistic issues with border closures and reduced productivity across a number of sites due to implementation of social distancing measures, there has been no significant financial effects arising from the economic impacts of the virus that have been included in the financial results for the year ended 30 June 2020.

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

26. ADDITIONAL COMPANY INFORMATION

General Information

Saunders International Limited is incorporated and operating in Australia.

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

Registered office

Suite 2.04, Level 2 Building F
Rhodes Corporate Park, 1 Homebush Bay Drive

Tel: (02) 9792 2444

Principal place of business

Suite 2.04, Level 2 Building F
Rhodes Corporate Park, 1 Homebush Bay Drive

Tel: (02) 9792 2444

Corporate Governance

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

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

The Board Charter

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

Board Committees and their Charters

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

Policies and Codes of Conduct

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

* 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 G

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/

CORPORATE GOVERNANCE STATEMENT (26 AUGUST 2020)

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
PRINCIPLE 1:	**LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 1	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.
Recommendation 1.2 to 1.4	The Company complies with Recommendations 1.2 to 1.4 concerning the appointment and engagement of directors and the accountability of the company secretary.
Recommendation 1.5	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. 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; 1. the Company has a small number of employees (circa 200) and 2. a small board (3 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. The Company has continued its successful recruitment of female candidates to the business with several female candidates commencing in the financial year. The Company has set a goal to further improve gender diversity in this year.
Recommendation 1.6	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.
Recommendation 1.7	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 2020.

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
PRINCIPLE 2:	**STRUCTURE THE BOARD TO ADD VALUE** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 2.1	The board does not have a nomination committee. The board is a small board (currently 3 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.
Recommendation 2.2	The board discloses the skills and experience of its directors on its website and in each annual report.
Recommendation 2.3	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.
Recommendation 2.4	A majority of the board should be independent directors. The Company does not comply with this recommendation in that only 33% 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.
Recommendation 2.5	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.
Recommendation 2.6	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.
PRINCIPLE 3:	**ACT ETHICALLY AND RESPONSIBLY** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 3.1:	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
PRINCIPLE 4:	**SAFEGUARD INTEGRITY IN CORPORATE REPORTING** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 4.1:	The Company has an Audit and Risk Committee. The charter of this committee is disclosed on the website. The committee is composed of one independent director and is chaired by that independent director who is not the chairman of the board. 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. The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.
Recommendation 4.2:	With respect to the latest financial year, the CEO and the CFO have confirmed to the board, in a written statement, that: - • 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. • These views are founded on a sound system of internal control and risk management that implements the policies adopted by the board.
Recommendation 4.3:	The Company ensures that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.
PRINCIPLE 5:	**MAKE TIMELY AND BALANCED DISCLOSURE** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 5.1:	The Company has a written Continuous Disclosure Policy which is disclosed on the Company's website.
PRINCIPLE 6:	**RESPECT THE RIGHTS OF SECURITY HOLDERS** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 6.1	The Company discloses information about itself and its corporate governance via its website.
Recommendations 6.2 and 6.3	The Company has a Shareholder Communication Policy which addresses these recommendations.
Recommendation 6.4	The Company gives security holders the option to receive communications electronically.

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
PRINCIPLE 7:	**RECOGNIZE AND MANAGE RISK** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 7.1:	The Company does have an Audit and Risk Committee. See notes on the Recommendation 4.1 concerning the composition of the committee. The charter of the committee is disclosed via the Company's website. The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.
Recommendation 7.2:	The Company does comply with this recommendation in that it has a Risk Management Framework. Although the Risk Management Framework was not reviewed by the board during the last financial year, the Board does consider the relevant risk to the Company's performance at the monthly Board meetings. The Board oversees the risk management process which is managed by the senior leadership team.
Recommendation 7.3:	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. Other risks are monitored and managed by management and this process is overseen by the board.
Recommendation 7.4:	The Company has exposure to material economic risks including variability of market conditions and legislative changes in the sectors within which it operates. There risks are mitigated by ongoing research and monitoring of the changing market conditions and by the diversification of services and sectors the Company offers and operates in. The Company has implemented new policies, procedures and protocols to limit the operational impact due to the COVID-19 pandemic. The Company is monitoring the pandemic situation closely to react to any changes and ensure the safety of our people, our clients and the communities we operate in. The Company's mitigation of environmental risks includes maintenance of a certified environmental management systems (AS/NZS ISO 14001:2015) and compliance with state and territory environmental protection legislation. The company has implemented an environmental management program that aims to ensure sustainable work practises and monitoring to minimise environmental impacts as a best as possible.

PRINCIPLES AND RECOMMENDATIONS	PRINCIPLES AND RECOMMENDATIONS AND DISCLOSURE AS TO COMPLIANCE AND/OR REASONS FOR NON-COMPLIANCE
PRINCIPLE 8:	**REMUNERATION FAIRLY AND RESPONSIBLY** The Company complies with this principle and recommendations to the extent as described below: -
Recommendation 8.1:	The Company has a remuneration committee which has a charter which is disclosed via the Company's website. The remuneration committee is composed of one independent non-executive Director and the Board Chairman. The Company is currently undertaking a review of the size of the Board which will enable a Remuneration Committee to be formed in the future to which complies with the requirements of the Corporate Governance principles. The composition of the committee, the number of meetings and attendance is disclosed annually in the Company's Annual Report.
Recommendation 8.2:	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.
Recommendation 8.3:	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.

Additional Stock Exchange Information

As at 30 June 2020

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 102,848,127 fully paid ordinary shared held by 574 individual shareholders. In addition, there are 1,788,125 shared issued to employees under the Employee Share Purchase Place (ESP). These ESP shares are not included for the purpose of calculating the totals and percentages used in this section. There are no options issued.

SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
Mr. Desmond Bryant	24,316,811	23.64%
Mr. Timothy Burnett	11,556,548	11.24%
NAOS Asset Management	23,236,331	22.59%
Anacacia	9,324,471	9.07%

DISTRIBUTION OF SHARES

Range	No. of Holders
1 - 1,000	51
1,001 - 5,000	127
5,001 - 10,000	89
10,001 - 100,000	250
100,000 and over	57
TOTAL	**574**

THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage
NATIONAL NOMINEES LIMITED	25,912,465	25.19%
MR DESMOND BRYANT	19,712,587	19.17%
ANACACIA	7,691,128	7.48%
TIVOLICO PTY LTD	6,802,604	6.61%
MARLOT PTY LTD	4,753,94	4.62%
MR JOHN POWER	3,401,453	3.31%
EFFJAY HOLDINGS PTY LIMITED (Desmond Bryant Family A/C)	2,316,801	2.25%
DEBRY PTY LTD	2,287,423	2.22%
PACBAY PTY LTD (Stephen Wood Family)	2,018,455	1.96%
CORLIAJ PTY LTD (Civilbuild Constructions Pty Ltd Superannuation Fund)	1,319,040	1.28%
SAGIMO HOLDINGS PTY LTD	1,286,760	1.25%
MR KARYN MAY MCCLELLAND	1,215,366	1.18%
ACTIVE AIR SPACES PTY LTD	1,158,573	1.13%
DONALD CANT PTY LTD	1,057,931	1.03%
ANACACIA PTY LTD (Wattle Fund A/C)	1,002,155	0.97%
PARMELIA PTY LTD (Reilly Family Super Fund A/C)	723,628	0.70%
WOODSCENIC PTY LTD (Wood)	688,985	0.67%
MR ROBERT GRABURN PATTERSON	652,142	0.63%
ANACACIA CAPITAL PTY LTD (Wattle Fund A/C)	631,188	0.61%
BENSON FAMILY HOLDINGS P/L (Benson Family)	564,240	0.55%
TOP 20 SHAREHOLDERS	**85,196,868**	**82.84%**

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
Greg Fletcher - Director
Secretary - Rudy Sheriff

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

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

Registered Office & Principal Administrative Office
Saunders International Limited
L2, 1F Homebush Bay Drive, Rhodes NSW 2138
Phone (02) 9792 2444

Saunders Civilbuild
74 Kalaroo Rd, Redhead NSW 2290
Phone (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
Phone (02) 8280 7111

Stock Exchange Listing
Australia Securities Exchange
20 Bridge St, Sydney NSW 2000

Website
www.saundersint.com

SAUNDERS
INTERNATIONAL