SAUNDERS INTERNATIONAL

ANNUAL REPORT 2021

70 YEARS

70 YEARS
SAUNDERS
INTERNATIONAL

"Saunders has achieved great things over its 70 years. Whilst the company's services and operations have expanded, our underlying values have remained constant.

Our success could not have happened without our employees, both past and present and we are proud to celebrate this milestone with our customers, partners and shareholders. We look forward to the next part of the journey."

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OUR HISTORY

1951
Established by "Bluey" Saunders in August 1951 and originally named V.G. Saunders

1952
Saunders gains clients such as Shell Oil, AMPOL, BP, Golden Fleece and Vacuum (later known as Mobil)

1962
Stage 1 workshop and office built at 271 Edgar St, Condell Park which wouLd remain home to the company until 2019

1967
Saunders wins major contract with Mobil to build terminals throughout the Pacific Basin, Papua New Guinea, Samoa, New Hebrides and Norfolk Island

1969
Des Bryant joins Saunders as Managing Director

1983
Expansion of Edgar St workshop and acquisition of descaling and painting company "Mephalene Pty Ltd"

1987
Tim Burnett joins Saunders as Managing Director

1988
Engineering company "Prince Bisley" becomes a part of the Saunders company

1994
The Company changes its name to "Saunders Prince Bisley" and provides storage of liquids or solids in steel tanks, silos and concrete tanks

1998
"Saunders Prince Bisley" becomes "Saunders International Pty Ltd"

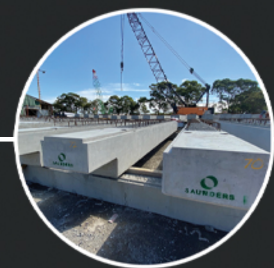
2003
John Power joins as Saunders Chief Executive Officer

2007
Des Bryant retires from Saunders and Tim Burnett takes over as Chairman.

2007
Saunders International becomes a publicly listed ASX Company and registers as "Saunders International Limited"

2015
Mark Benson joins Saunders as Managing Director after John Power's retirement

2017
Saunders finalises acquisition of civil construction company "Civilbuild" located in Newcastle



2019
Saunders closes workshop at Condell Park and moves their head office to Rhodes

2020
Saunders enters the Defence sector and wins over $40m of new work

2021
The Company reports a record revenue of $100m

2021
Established office in Northern Territory

2021
Saunders acquires "PlantWeave Technologies"

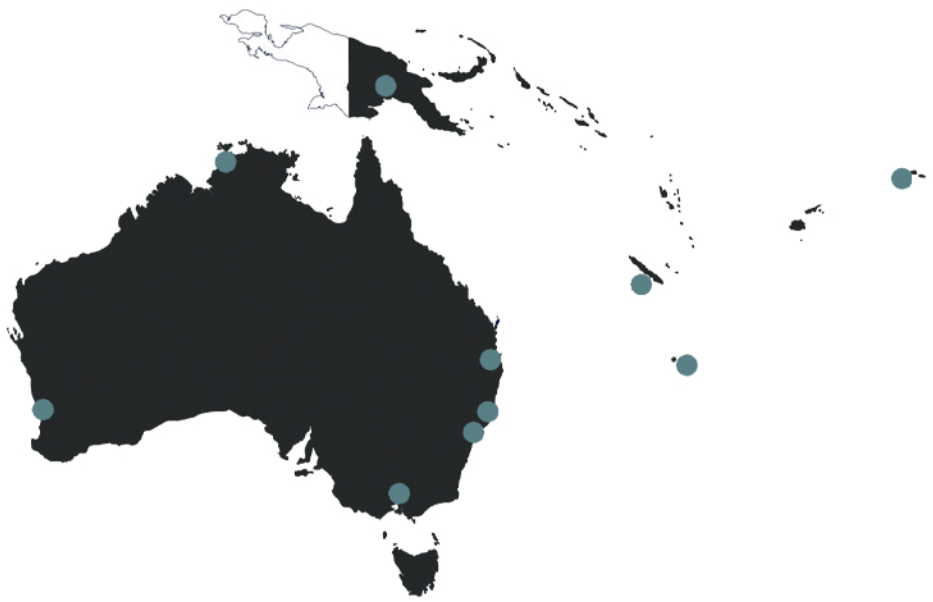
SAUNDERS PlantWeave

2021
Celebrating 70 years in business

OUR COMPANY

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

- TANK CONSTRUCTION & MAINTENANCE
- CIVIL WORKS, PRECAST FABRICATION, BRIDGE CONSTRUCTION
- EPC CONSTRUCTION, MECHANICAL, ELECTRICAL, CIVIL
- ENGINEERING & DESIGN
- STRUCTURAL MECHANICAL & PIPING
- INDUSTRIAL MAINTENANCE & SHUTDOWNS
- ELECTRICAL INSTRUMENTATION & AUTOMATION CONTROL DESIGN



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.

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

INNOVATION

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

LEADERSHIP

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

TEAMWORK

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

OIL & GAS

INFRASTRUCTURE

E N E R G Y

DEFENCE

W A T E R

MINING & MINERALS

CHAIRMAN'S LETTER

Dear Shareholder,
I present the Chairman's Letter for the 2021 Annual Report.

The revenue in FY21 was $101 million which is 52% more than the $66 million achieved in the prior year. The net profit after tax for FY21 was $5.54 million which is a 336% improvement over the $1.27 million profit recorded in FY20.

The FY21 revenue and profit result demonstrates that the turnaround objectives put in place in FY19 have been achieved and validates the restructure that commenced in FY19.

Revenue and profit in FY21 were generated from the expanded range of services that Saunders offers to its clients in Oil & Gas, Infrastructure, Energy, Defence, Water, Mining and Minerals. FY21 started with a substantial order book of $110 million, which provided a solid foundation for the year. Saunders' management team applied consistently strong operational performance across the range of complex projects that were delivered during the year. The combination of these two factors delivered the improved financial result for FY21.

For much of FY21 and to date in FY22, Saunders has faced the challenges of the COVID-19 pandemic. The management team continues to implement the 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 safely work at all worksites during FY21, albeit with some temporary site shutdowns, supply chain delays, disruptive restrictions on the movement of our personnel and reduced productivity.

The ongoing focus by the management team on cash flow and working capital has enabled Saunders to achieve an operating cash flow of $15.5 million and year-end balance of cash and cash equivalents of $23.8 million.

This year's strong profit and cash flow result has enabled Saunders to return to paying dividends. The interim and final dividends for this year total 2.5 cents per share, fully franked.

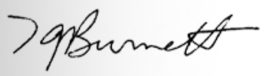
The outlook for Saunders is positive. Most of the business sectors and clients relevant to Saunders are forecast to increase their capital expenditure over the coming years. New road, rail and water infrastructure is forecast to grow with increasing government spending to bolster economic activity. The NSW and Federal Governments have allocated more than $500 million to programs to replace road and rail bridges throughout NSW. The defence sector is forecast to expand its infrastructure for liquid fuel storage across many defence bases. The Federal Government has announced $260 million in grants under its "Boosting Australia's Diesel Storage Program" which is expected to result in the construction of more than $600 million of new liquid fuel storage facilities over the next 3 years. The positive outlook flowing from these government capital expenditure plans must be tempered by the ongoing headwinds flowing from the pandemic. These headwinds include delays in the rollout of the government expenditure plans, skilled manpower shortages flowing from state and federal border closures, supply chain disruptions and cost inflation pressures.

Earlier this month, Saunders announced the acquisition of PlantWeave, a specialist in industrial process automation and electrical solutions. The strategic rationale for this acquisition will enable Saunders to broaden its service offering by providing technology driven solutions to our customers as they seek to automate and remotely monitor, control and maintain their facilities and processes. Both Saunders and PlantWeave have overlapping and complementary customer bases in our target sectors of defence, oil & gas, energy, water, building, infrastructure, and resources.

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 reduce the TRFIR rate to a record low of 1.25. The Board and the management team are committed to continual improvement of our systems, procedures and safety culture.

I wish to thank our many long-term and loyal shareholders for their patience through the transformation of the business over the past three years and for their confidence in the Board and the management team to achieve this turnaround and improving financial performance into the future.

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



Timothy Burnett
Chairman

26 August 2021

MANAGING DIRECTOR'S REPORT

I present the CEO Annual Report for Saunders International, including record revenue and increased earnings for FY21. The results demonstrate the strength and dependability of our people and our operating model.

As a company we delivered the second phase of our strategic roadmap growing 52% and were able to respond to the changing market conditions, through the commitment and resilience of our teams. I am proud of how agile they have been in responding to the ever-changing priorities of our client's as well as the general working environment. At the same time, our employees have lived our One Team culture, always looking out for each other.

We believe that our strategic position as market leader in the bulk liquid storage sector will see our business enjoy growth opportunities over the next three years. This will be assisted by the planned construction of approximately 780 megalitres of new tank storage, as part of the "Boosting Australia's Diesel Storage Program" to increase long-term fuel security.

The government is investing up to $260 million in grants to expand Australia's diesel storage capacity as part of its commitment to boost long-term fuel security, create jobs and keep fuel prices low. As stated by the office of the Minister of Energy and Emissions, Hon Angus Taylor MP "These projects will deliver over $637 million of public and private sector investment into ten projects across Australia that will support around 1,000 new jobs and a 40 per cent increase in Australia's diesel stockholdings." All grant winners are currently clients of Saunders, and we will look forward to further developing our existing relationships.

We continue to see significant opportunities across all our groups and our focused approach to the Defence sector has positioned us for further growth in this area. We are also starting to see the flow through of the "NSW Replacing Country Bridge Programs" where the government has put forward approximately $500 million in grants to replace over 400 NSW country bridges over the next two years. In addition to our current near-term pipeline, valued at over $800 million, we are working on further diversification through our recent acquisition of PlantWeave Technologies.

The acquisition of PlantWeave provides Saunders with an opportunity to expand its technical service offering to its existing clients in the Oil & Gas and Resources sectors. The diversified service will assist with accelerating market penetration into the Defence and Utilities (Power and Water) sectors. Saunders customers are increasingly moving towards technology driven solutions and PlantWeave will drive Saunders market entry into Cyber Security, Industrial Automation Systems, Process Optimisation, and Industry 4.0 Technologies.

Revenue for the group has increased 52% ($34.8m) to $101m and with gross margin significantly increasing by $7.2m to $18.0m. The primary reason for the gross margin growth was due to a combination of higher revenue and operational efficiencies in project delivery, this led to a gross margin percentage of 17.8% as at the 30 June 2021 up from 16.2% in the prior year.

Saunders balance sheet remains robust, supported by strong cash generation across the Group and effective working capital management disciplines. This has seen the Group cash increase by $12.7m during the year to $23.8m. This is a result of $15.6m cash generated from operating activities largely driven by debtor collections due to significant increase in revenue. The Group's bank guarantee and bonding facility has increased to $25 million which will ensure the company is able to comfortably deliver on the present market opportunities. With strong earnings performance reported in FY21 the Board has declared total dividends for the year to be 2.5 cents including a special dividend representing an earning payout ratio of approximately 46.9% of Reported NPAT.

Saunders commitment to the safety and security of our people is unchanged and remains management's key focus. Saunders strong safety performance demonstrates that our ongoing focus is more than adopting the right processes and procedures but developing a strong safety culture which is focused on putting our people first and caring about their wellbeing above all else. The commitment of our employees has again seen a reduction in our Total Recordable Injury Frequency Rate (TRIFR) to 1.25. Our focus for the coming year will again target our key objectives of reducing our lagging indicators while continuing to focus on proactive leading behaviors that develop a strong safety culture that ultimately keeps our employees safe in our workplaces.

In 2021, Saunders launched an internal continuous improvement program called "Raise the Bar", to actively engage our employees in setting the highest standard across all aspects of the business. Through the leadership and training of our people, the initiative sets clear targets in communication, delivery and accountability, giving everyone the opportunity to unlock their potential and continue to "Raise the Bar" for ourselves and others.

Although the outlook is positive, with Saunders set to benefit from increased Government spending across the majority of sectors we operate in (namely bulk liquid storage, civil Infrastructure and Defence), we are seeing delays in the rollout of these projects, and we expect that these opportunities will only convert to earnings in H2-FY22 and beyond. Our FY22 results are dependent on COVID-19 related border closures by both the Federal and State Governments and the demand on resources, materials and cost pressures caused by the increased infrastructure activity. We remain focused on growing our existing businesses and expanding into new regions and sectors as opportunities arise.

I would like to take this opportunity to thank my fellow directors, all our stakeholders for their loyalty and support during this year, and particularly our people for their ongoing dedication, commitment, and highly valued contribution.

Mark Benson
Managing Director & Chief Executive Officer

26 August 2021

THE BOARD

MR TIMOTHY BURNETT
Chairman & Non-Executive Director
Mr. Burnett has been the Chairman of Saunders since 2007 and a Director since 1990. He served as Managing Director of Saunders for 15 years. He has a BE and MBA degree and over 47 years of relevant industry experience managing projects and companies in the field of Engineering and Construction. Mr. Burnett is the Chairman of the Remuneration Committee and a member of the Audit & Risk 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 28 years of relevent 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 member of the Rumuneration Committee. Mr. Fletcher is also the Chairman of SMEG Australia Pty Ltd, Chairman of the NSW Electoral Commission, NSW eHealth / HealthShare Audit & Risk Commitees, a member of the NSW State Transit Authority, TAFE NSW and NSW Health Infrastructure Audit & Risk Committee. He is Co-Vice Chairman of Yancoal Australia Limited and was a partner of Deloitte Touche Tohmatsu until May 2009, and Deloitte Touche Tohmatsu has been the registered auditor of Saunders since the year ended 30 June 2007. Other listed company directorships in the 3 years immediately before the end of the financial year - Director Yancoal SNC Limited

MR NICK YATES
Non-Executive Director
Mr. Yates has been a Non-Executive Director of SND since September 2020. He is a member of the Audit & Risk Commitee and a member of the Remuneration Committee. Nick has over 35 years of relevant industry experience. He is also the Board Chairman of Circus Oz, Chairman of GSA Architects. Other listed company directorships in the 3 years immeditately before the end of the financial year - Non-Executive Director of BSA Limited.

EXECUTIVE TEAM

RUDY SHERIFF
Chief Financial Officer

ANGELO DE ANGELIS
Executive General Manager

RICK BURKE
Operations Manager

MATTHEW REDMOND
Operations Manager

JONATHON BROMILOW
General Manager - Civilbuild

STEVE BAILEY
Operations Manager

ROBERT HARVEY
General Manager PlantWeave

FRANK KRAFT
General Manager - Business Development & Strategy

CLAUDE POFFANDI
Commercial Manager

KALA NOTLEY
People & Capability Manager

WAYNE MASTELLO
SHEQ Manager

SHEQ

Saunders' approach to Safety, Health, Environment and Quality focuses on creating a workplace culture that promotes safety, integrity, innovation, teamwork and leadership. The Saunders vision of delivering project excellence consistently is shaped by our "OneTeam" culture and is underpinned by our robust risk management systems. We proactively identify critical risks in our operations and implement strategies and systems to minimise the risk to our people, other interested parties and our operations. We have delivered on the SHEQ objectives and targets set for 20/21 and will continuously improve our processes across the business.

Total Recordable Injury Frequency Rate (TRIFR)

ONE TEAM
ZERO HARM
ONE GOAL

OUR PEOPLE

In 2021, Saunders launched an internal continuous improvement program called Raise the Bar, to actively engage our employees in setting the highest standard across all aspects of the business. Through the leadership and training of our people, the initiative sets clear targets in communication, delivery and accountablility, giving everyone the opportunity to unlock their potential and continue to "Raise the Bar" for ourselves and others.

RAISE THE BAR

OUR COMMUNITY

Saunders looks to inspire its employees, clients and businesses to deal more conscientiously with each other, the environment and the society we live in. Our employees and teams are engaged in helping charitable causes, either through donations or direct participation in charity events or community projects.

The Saunders team across the country have been proudly involved in a number of community initiatives. Whether it be a contribution of time or finances, Saunders is very supportive of activities that provide assistance to some of the more vulnerable in our community.
The team has put together food hampers through *FoodBank*, to be delivered to those doing it tough, donated to organisations such as the *Westpac Rescue Helicopter Service*, *OneMeal Northern Beaches* who deliver weekly meals to the homeless, and *Liverpool West Rotary's Annual Children's Circus Extravaganza*, providing disadvantaged and sick children and their carer's a full day of fun and entertainment. Saunders has also purchased Hi-Vis work shirts from *Trade Mutt* who, through the sale of their shirts, support several mental health initiatives aimed at tradespeople, blue collar workers and their families.

Other activities promoted across the business and participated in by employees includes fundraisers such as *Movember, Dry July* and *MyMarathon* for "The Heart Foundation". By getting involved we hope to encourage awareness of social issues, foster a positive workplace culture and build strong relationships with out local communities.

SAUNDERS INTERNATIONAL

ACN 050 287 431

FINANCIAL REPORT

for the financial year ended

30 June 2021

DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or the "Group") for the financial year ended 30 June 2021 and the independent audit report thereon. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Timothy Burnett
Mark Benson
Gregory Fletcher
Nicholas Yates (appointed 16th September 2020)

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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

	2021 $'000	2020 $'000
Revenue	**101,242**	66,462
Profit before income tax	**8,085**	1,853
Income tax (expense)	**(2,543)**	(587)
Profit attributable to the members of Saunders International Limited	**5,542**	1,266

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

	2021 $'000	2020 $'000
Profit before income tax	**8,085**	1,853
Interest expense on loans and hire purchase finance charges	**95**	81
Depreciation of owned and hire purchase assets	**1,466**	1,022
Depreciation of right of use assets	**465**	446
EBITDA	**10,111**	3,402

REVIEW OF OPERATIONS (cont.)

Saunders' revenue for the year is $101.2 million, an increase of $34.1m or 52.2% (FY20: $66.5m) and the NPAT was $5.5 million, an improvement of $4.2 million or 323.1% over (FY20: $1.3 million), EBITDA was $10.1 million, an improvement of $6.7 million or 197.1% from prior year (FY20: $3.4 million).

Earnings per share for the period was 5.36 cents (FY20: 1.23 cents).

Saunders has strengthened its financial position at year end with cash and cash equivalents of $23.8 million (FY2020: $11.1 million). The Group's disciplined approach to working capital has been the 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.

Saunders continues to comply with all current Government advice and regulations in relation to the COVID-19 pandemic and has a set of robust policies and procedures in place including Business Continuity Plans. The One Team culture within the Group ensures that all teams are continually informed of the evolving situation and are working collaboratively to put in place the appropriate mitigation strategies.

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

Key Highlights

- Safety performance remains strong with TRIFR reported at industry leading 1.25
- Acquisition of PlantWeave Technologies, a specialist in industrial process automation and electrical solutions
- Record Revenue reported for the Group with positive operating cash flow of $15.6 million and strong balance sheet
- Continued to successfully navigate the changing operating landscape due to the COVID-19 pandemic
- Established an office in Northern Territory to support Defence projects and other opportunities in the region
- Secured a further $10 million increase to its bonding facility. Saunders' revised capacity to provide security is now $25 million
- Improved focus on employee well-being, diversity, and increased contribution to our communities

Outlook

Saunders Work in Hand as at 30 June 2021 is $83.3 million (FY20: $110.5 million). The Group continues to see good market conditions across a number of its key sectors including:

- Fuel Storage – Government has issued grants to select proponents for its $260 million Boosting Australia's Diesel Storage program. The Group has existing relationships with all proponents and is working on delivery solutions when the opportunities come to market.

- Infrastructure – There has been a significant increase in the public infrastructure spend by both State and Federal Government. The Group is focussed on NSW Government's Replacing Country Bridge program which will see $500 million in new bridges over the next three years.

- Defence - Tendering activity continues to increase across the Defence sector, which is forecast to grow over the next five years. The Group has an established office and presence in Northern Territory which will assist in capitalising on the growing Defence opportunities in this region.

Tendering activity shows the value of live tenders at $490 million (FY20: $303 million). The pipeline (yet to be tendered) is at $313 million (FY20: $368 million).

Although the outlook is positive with Saunders set to benefit from increased Government spending across the majority of sectors we operate in (namely the bulk liquid storage, civil Infrastructure and Defence), we are seeing delays in the rollout of these projects, and we expect that these opportunities will only convert to earnings in H2-FY22 and beyond. Our FY22 results are dependent on COVID-19 related border closures by both the Federal and State Governments and the demand on resources and materials caused by the increased infrastructure activity. We remain focused on growing our existing businesses and expanding into new regions and sectors through partnerships and acquisitions as opportunities arise.

Employees

The Group's total workforce managed by Saunders was approximately 213.

Saunders remain focused on investing in people and capability to ensure the achievement of our vision and strategic objectives. To support forecast growth, we have bolstered the Executive Leadership Team with a few new positions including Executive General Manager and General Manager Business Development and Strategy.

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

REVIEW OF OPERATIONS (cont.)

Safety

The Group is committed to the safety of our people and customers and the communities in which we operate. During the year, Saunders Total Recordable Injury Frequency Rate (TRIFR) was 1.25.

The Groups' COVID-19 protocols and processes are continually changing to be aligned to the recommended Government guidelines and to ensure we can continue to successfully navigate the changing operating landscape.

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.

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 5.36 cents (FY20: 1.23 cents) and diluted earnings pers share of 5.21 cents (FY20: 1.20 cents).

DIVIDEND

The Board declared on 26 August 2021 that there will be a final dividend payable of 0.75 cents per share fully franked and special dividend of 1.00 cents per share fully franked (FY20 final dividend : Nil dividend paid). Both dividends will be payable on 11th October 2021 with the record date for determining dividends on 15th September 2021. (FY2020 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 2021, 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	10	10	4	4	4	4
Mark Benson	10	10	4	4	4	4
Greg Fletcher	10	10	4	4	4	4
Nicholas Yates	9	8	3	3	3	3

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 47 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	11,686,311

INFORMATION ON DIRECTORS (cont.)

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 28 years of relevant industry experience Other listed company directorships in the 3 years Immediately before the end of the financial year - Nil	1,075,278
Greg Fletcher	Non-Executive Director Chairman of the Audit & Risk Committee Member of the Remuneration Committee Director since 1 July 2015 BCom, CA - Chairman SMEG Australia Pty Ltd - Chairman of the NSW Electoral Commission, NSW eHealth/ HealthShare Audit and Risk Committees - Member of the NSW State Transit Authority, TAFE NSW and NSW Health Infrastructure Audit and Risk Committees 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	5,420
Nicholas Yates	Non-Executive Director Member of the Audit & Risk Committee Member of the Remuneration Committee Director since 16 September 2020 35 years of relevant industry experience BE - Board Chair Circus Oz - Chairman Group GSA Architects Other listed company directorships in the 3 years Immediately before the end of the financial year - Non-Executive Director BSA Limited	70,422

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 2021. 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 650,000 options within the Employee Share Plan and 2,405,273 performance rights under the Saunders International Performance Rights Plan.

Key Management Personnel

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

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

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

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

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

AUDITED REMUNERATION REPORT (cont.)

Long-Term Incentive

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

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

- Employee Share Plan
- Performance Rights Plan

As of the date of this report a number of executive officers' own shares in the Group or interests via the Employee Share Plan and the Performance Rights Plan. Key management personnel, who are not directors, collectively have an interest in 351,250 shares under the Employee Share Plan. In addition, other employees own 1,253,750 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 205,000 options were granted to Key Management Personnel under the ESP. The aggregate fair value of the options granted is $141,655 as set out on page 30.

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 on-target objectives are achieved. The end of the measurement period for a tranche of Performance Rights will be extended by up to two years at the Board's discretion if significantly less than target vesting would have been achieved for that tranche at the end of the measurement period, adjusted for the pro-rata increase in hurdles to take into account the additional time. The two vesting conditions that will be used will be relative total shareholder return (RTSR) and normalised earnings per share growth (NEPSG).

RTSR will be measured by comparing the Group's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX. TSR is the percentage return generated from an investment in a Group's shares over the measurement period assuming that dividends are reinvested into the Group's shares. 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.)

Performance Right Plan (cont.)

During the year 407,226 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is $212,165 as set out on page 30. A further 272,837 Performance rights were granted to other KMP under the LTI Plan. The aggregate fair value of the Performance Rights granted to other KMP is $142,149 as set out on page 30.

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 $546,097
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 2021:

	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000
Revenue	101,242	66,462	50,126	75,368	45,805
Net profit/(loss) before income tax	8,085	1,853	(2,260)	(4,213)	1,336
Net profit/(loss) after income tax	5,542	1,266	(1,610)	(2,840)	1,428

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Share price at end of year	0.79	0.48	0.33	0.47	0.50
Interim dividend (cents per share)	0.75	0.00	0.00	1.00	2.00
Final dividend (cents per share)	0.00	0.00	0.00	0.00	1.00
Basic earnings/(losses) per share	5.36	1.23	(1.72)	(3.03)	1.76
Diluted earnings/(losses) per share	5.21	1.20	(1.72)	(3.03)	1.76

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

AUDITED REMUNERATION REPORT (cont.)

Particulars of Directors and Executive Officers interests, including interests under the ESP and Performance Rights Plan during the year ended 30 June 2021 were:

	Fully paid ordinary shares 2020	Fully paid ordinary shares issued/ purchased during 2021	Fully paid ordinary shares 2021	Share options 2020	Share options vested during 2021	Share options granted during 2021	Share options at end 2021	Performance rights 2020	Performance rights granted during 2021	Performance Rights vested during 2021	Performance rights at end 2021
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Non-executive Directors											
Timothy Burnett	11,556,548	129,763	11,686,311	-	-	-	-	-	-	-	-
Greg Fletcher	5,360	60	5,420	-	-	-	-	-	-	-	-
Nicholas Yates	-	70,422	70,422	-	-	-	-	-	-	-	-
TOTAL	**11,561,908**	**200,245**	**11,762,153**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers											
Mark Benson[1]	564,240	511,038	1,075,278	550,000	-	100,000	650,000	2,497,145	407,226	(499,098)	2,405,273
Rudy Sheriff[2]	-	43,374	43,374	100,000	-	50,000	150,000	572,797	126,268	(43,374)	655,691
Jonathon Bromilow[3]	-	15,461	15,461	76,250	-	20,000	96,250	213,310	48,509	(12,960)	248,859
Matthew Redmond[4]	-	-	-	70,000	-	15,000	85,000	195,515	51,219	-	246,734
Rick Burke[5]				50,000		20,000	70,000	-	46,841		46,841
TOTAL	**564,240**	**569,873**	**1,134,113**	**846,250**	**-**	**205,000**	**1,051,250**	**3,478,767**	**680,063**	**(555,432)**	**3,603,398**
GRAND TOTAL	**12,126,148**	**770,118**	**12,896,266**	**846,250**	**-**	**205,000**	**1,051,250**	**3,478,767**	**680,063**	**(555,432)**	**3,603,398**

1. Managing Director & CEO, 2. Chief Financial Officer 3. General Manager Saunders Civilbuild 4. Operations Manager Maintenance 5. Operations Manager Construction (existing Saunders employee, part of KMP from 1 July 2020)

AUDITED REMUNERATION REPORT (cont.)

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

	Share options granted during 2021	Share options forfeited during 2021	Share options vested during 2021	Performance rights granted during 2021	Performance rights forfeited during 2021	Performance rights vested during 2021
	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $
Non-executive Directors						
Timothy Burnett	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
Nick Yates	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers						
Mark Benson[1]	69,100	-	-	212,165	-	-
Rudy Sheriff[2]	34,550	-	-	65,787	-	-
Jonathon Bromilow[3]	13,820	-	-	25,273	-	-
Matthew Redmond[4]	10,365	-	-	26,685	-	-
Rick Burke[5]	13,820			24,404		
TOTAL	**141,655**	**-**	**-**	**354,314**	**-**	**-**
GRAND TOTAL	**141,655**	**-**	**-**	**354,314**	**-**	**-**

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

1. Managing Director & CEO, 2. Chief Financial Officer 3. General Manager Civilbuild 4. Operations Manager Maintenance 5. Operations Manager Construction (existing Saunders employee, part of KMP from 1 July 2020)

AUDITED REMUNERATION REPORT (cont.)

Remuneration of Executive Officers and Key Management Personnel

2021	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	116,986	-	-	11,114	-	128,100	-	-
Greg Fletcher	58,493	-	-	5,557	-	64,050	-	-
Nicholas Yates	46,459			4,414		50,873		
TOTAL	**221,938**	**-**	**-**	**21,085**	**-**	**243,023**	**-**	**-**
Executive Officers								
Mark Benson[1]	507,956	303,999	16,447	21,694	176,735	1,026,831	29.61%	93.22%
Rudy Sheriff[2]	296,495	91,025	8,755	21,694	39,264	457,233	19.91%	91.72%
Jonathon Bromilow[3]	234,693	39,821	-	22,318	14,733	311,565	12.78%	104.46%
Matthew Redmond[4]	243,698	24,354	-	23,151	12,428	303,631	8.02%	60.84%
Rick Burke[5]	208,396	47,903	13,000	22,022	3,976	295,297	16.22%	138.22%
TOTAL	**1,491,238**	**507,102**	**38,202**	**110,879**	**247,136**	**2,394,557**		
GRAND TOTAL	**1,713,176**	**507,102**	**38,202**	**131,964**	**247,136**	**2,637,580**		

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

1. Managing Director & CEO, 2. Chief Financial Officer 3. General Manager Civilbuild 4. Operations Manager Maintenance. 5. Operations Manager Construction 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.

AUDITED REMUNERATION REPORT (cont.)

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	-	63,000	-	-
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**		

1. Managing Director & CEO, 2. Chief Financial Officer 3. General Manager 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.

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.

On 1st August 2021 Saunders announced the acquisition of PlantWeave Technologies (PlantWeave), a specialist in industrial process automation and electrical solutions. The purchase of PlantWeave was with the Group's cash reserves and deferred earn-out payments over the next three years.

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 the reporting requirements under relevant legislation. There were no incidents which required reporting.

Future Developments

Details around the Operating and Financial Review and Outlook are disclosed on page 22 and 23. 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 23 to the financial statements. During this financial year there was $8,188 paid or payable for non-audit services.

Auditor's Independence Declaration

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

Rounding Off of Amounts

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

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

On behalf of the Directors

Mark Benson
Director
Sydney, 26 August 2021

Timothy Burnett
Director
Sydney, 26 August 2021

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

26 August 2021

Dear Board Members,

Auditor's Independence Declaration to Saunders International Limited

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

As lead audit partner for the audit of the financial report of Saunders International Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Sartorio
Partner
Chartered Accountants

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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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

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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 2021 the Group's revenue from construction contracts is $101.2 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 2021, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2021, 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

David Sartorio
Partner
Chartered Accountants
Sydney, 26 August 2021

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 2021

Timothy Burnett
Director
Sydney, 26 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue	3	**101,242**	66,462
Other income	4	**704**	185
Materials and third-party costs charged to projects		**(58,838)**	(37,280)
Employee benefits expense	4	**(28,100)**	(22,588)
Depreciation expense	4	**(1,931)**	(1,468)
Motor vehicle expense		**(317)**	(306)
Occupancy and operating lease expense		**(237)**	(244)
Finance costs		**(95)**	(81)
Other expenses		**(4,343)**	(2,827)
Profit / (loss) before income tax		**8,085**	1,853
Income tax (expense)/benefit	5	**(2,543)**	(587)
Profit / (loss) for the year attributable to shareholders of the parent entity		**5,542**	1,266
Other comprehensive income		**-**	-
Total comprehensive profit / (loss) attributable to shareholders of the parent entity		**5,542**	1,266
Earnings/(losses) per share			
Basic (cents per share)	14	**5.36**	1.23
Diluted (cents per share)	14	**5.21**	1.20

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	18	**23,816**	11,085
Trade and other receivables	6	**10,258**	13,297
Contract Assets	10	**2,884**	6,711
Inventories		**163**	374
Other current Assets		**151**	38
Total current assets		**37,272**	31,505
Non-current assets			
Property Plant and equipment	7	**10,473**	10,209
Right-of-use assets	8	**2,534**	2,085
Deferred tax assets	5	**63**	2,215
Total non-current assets		**13,070**	14,509
Total assets		**50,342**	46,014
Current liabilities			
Trade and other payables	9	**10,725**	14,246
Contract liabilities	10	**5,684**	4,588
Provisions	11	**2,642**	2,034
Current tax liability	5	**524**	146
Lease liabilities	8	**704**	568
Total current liabilities		**20,279**	21,582
Non-current liabilities			
Provisions	11	**237**	234
Lease liabilities	8	**1,719**	1,540
Total non-current liabilities		**1,956**	1,774
Total liabilities		**22,235**	23,356
Net assets		**28,107**	22,658
Equity			
Issued capital	12	**20,687**	19,701
Treasury shares under employee share plan	12	**(674)**	(351)
Share based payments reserve	12	**736**	776
Retained earnings	13	**7,358**	2,532
Total equity		**28,107**	22,658

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2021

	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 2019	**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
Balance at 1 July 2020 (as previously reported)	19,701	(351)	776	2,532	22,658
Profit for the year	-	-	-	5,542	5,542
Total comprehensive income	-	-	-	5,542	5,542
Transactions with owners in their capacity as owners					
Dividends paid	385	-	-	(793)	(408)
Share issued during the year	323	(323)	-	-	-
Share based payments vested/lapsed	278	-	(355)	77	-
Share-based payments expense	-	-	315	-	315
Balance at 30 June 2021	20,687	(674)	736	7,358	28,107

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		**120,756**	73,241
Payments to suppliers and employees		**(105,102)**	(68,243)
Interest received		**2**	5
Finance costs paid		**(95)**	(81)
Income taxes refunded / (paid)		**-**	-
Net cash inflow / (outflow) from operating activities	18	**15,561**	4,922
Cash flows from investing activities			
Payments for plant and equipment		**(1,751)**	(1,439)
Proceeds from sale of assets		**26**	6
Net cash used in investing activities		**(1,725)**	(1,433)
Cash flows from financing activities			
Dividends paid		**(408)**	-
Proceeds of borrowings		**1,173**	522
Repayment of borrowings		**(1,173)**	(522)
Repayments of lease liabilities		**(600)**	(438)
Net cash used in financing activities		**(1,008)**	(438)
Net increase / (decrease) in cash and cash equivalents		**12,828**	3,051
Cash and cash equivalents at the beginning of the financial year		**11,085**	8,030
Effects of exchange rate fluctuations on cash held		**(97)**	4
Cash and cash equivalents at the end of the financial year	18	**23,816**	11,085

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 2021.

Basis of Preparation

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

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

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

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

Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and 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 2021. There will be no material impact of these new standards or amendments to the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group.

(b) Cash and Cash Equivalents

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

(c) Construction Contracts

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(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.

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

Current and Deferred Tax for the Period

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

(f) Leases

The Group as lessee

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(f) Leases (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(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

<u>Fixed price contracts</u>

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.

<u>Cost plus contracts</u>

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.

<u>Fabrication and construction revenue</u>

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

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

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

Classification of financial assets

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

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(j) Financial Assets (cont.)

(i) Amortised cost and effective interest method

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

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

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

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

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

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

(ii) Financial assets at FVTPL

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(k) Goods and Services Tax

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

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

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

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

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

(l) Impairment of Assets

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

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

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

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

(m) 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:

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(n) Basis of consolidation (cont.)

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

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

iii. rights arising from other contractual arrangements; and

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(o) Business combinations

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(o) Business combinations (cont.)

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

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

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

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

(p) Share Based Payments

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

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

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

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

(q) Comparative amounts

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

1. SUMMARY OF ACCOUNTING POLICIES (cont.)

(r) Government Grants

During the Financial year, the Group became eligible for certain government support in response to the coronavirus pandemic, as explained in Note 4. The Group's accounting policy for government grants is explained below.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, wage subsidies received under the JobKeeper scheme are presented as other income in profit or loss. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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

<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 Group continues to monitor the impact of the COVID-19 pandemic. There remains a level of uncertainty around the economic impact and duration of what COVID-19 related issues will be on the markets in which the Group operates, COVID-19 was not considered an indicator of impairment for the Group's asset values as at 30 June 2021.

3. REVENUE

Revenue stream	Revenue recognition	Australia $'000	PNG $'000	Total 2021 $'000	Australia $'000	PNG $'000	Total 2020 $'000
Engineering & Construction	Over time	**36,026**	**-**	**36,026**	11,175	19	11,194
Services	Over time	**35,918**	**-**	**35,918**	29,232	-	29,232
Fabrication & Construction	Over time	**29,297**	**-**	**29,297**	26,031	-	26,031
Interest Received	Point in time	**1**	**-**	**1**	5	-	5
Total revenue		**101,242**	**-**	**101,242**	66,443	19	66,462

4. PROFIT FOR THE YEAR

	2021 $'000	2020 $'000
Other income		
JobKeeper subsidy (Government grants)	**598**	-
Profit on sale of asset	**5**	3
Other	**101**	182
	704	185
Profit before income tax has been arrived at after (crediting)/charging the following expenses:		
Cost of sales	**82,058**	55,665

	2021 $'000	2020 $'000
Depreciation Expense:		
Buildings	**27**	29
Plant and equipment	**1,262**	822
Right-of-use-assets	**465**	446
Office furniture and equipment	**177**	171
	1,931	1,468
Finance costs:		
Finance cost on lease liabilities	**95**	81
Employee benefits expense:		
Post-employment benefits – defined contributions	**1,743**	1,318
Payroll tax expense	**1,348**	859
Employee Share Plan	**315**	195
Salary and wages	**24,694**	20,216
	28,100	22,588

5. INCOME TAX

Income tax recognised in profit	2021 $'000	2020 $'000
Income tax expense comprises:		
Current income tax (benefit) / expense	**391**	(23)
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	**2,152**	610
Total income tax expense	**2,543**	587
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:		
Profit before taxation	**8,085**	1,853
Income tax at 30%	**2,426**	556
Other	**117**	31
Total income tax expense	**2,543**	587
Current tax liability	**(524)**	(146)

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

Deferred Tax Balances
The deferred tax expense above is itemised as follows:

5. INCOME TAX (cont.)

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

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

6. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade receivables (i)	**10,258**	13,297

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 2021 and 30 June 2020 was determined as follows:

Provision matrix	2021 Australia	2021 PNG	2020 Australia	2020 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%

	2021 Australia $'000	2021 PNG $'000	2021 Total Group $'000	2020 Australia $'000	2020 PNG $'000	2020 Total Group $'000
Receivables						
Current	**8,256**	**282**	**8,538**	9,810	-	9,810
1 to 30 days	**1,354**	**-**	**1,354**	1,177	-	1,177
30 to 60 days	**115**	**-**	**115**	682	-	682
60 to 90 days	**114**	**-**	**114**	1,108	-	1,108
Over 90 days	**137**	**-**	**137**	469	51	520
Total receivables	**9,976**	**282**	**10,258**	13,246	51	13,297
Contract assets (Note 10)	**2,884**	**-**	**2,884**	6,711	-	6,711
Allowance based on historic credit losses	**6**	**-**	**-**	11	-	11
Adjustment for expected changes in credit risk [1]	**(6)**	**-**	**-**	100	-	100
Credit loss allowance	**-**	**-**	**-**	111	-	111
Net carrying amount	**12,860**	**282**	**13,142**	19,846	51	19,897

[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.

<u>Ageing of past due but not impaired</u>

	2021 $'000	2020 $'000
60 days over the due date	**251**	1,517

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 2021 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 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**
Additions	**-**	**-**	**1,664**	**87**	**1,751**
Disposals	**-**	**-**	**(100)**	**-**	**(100)**
Balance at 30 June 2021	**3,400**	**1,150**	**15,659**	**1,117**	**21,326**
Accumulated depreciation					
Balance at 1 July 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**
Disposals	**-**	**-**	**(79)**	**-**	**(79)**
Depreciation expense	**-**	**27**	**1,262**	**177**	**1,466**
Balance at 30 June 2021	**-**	**121**	**9,965**	**767**	**10,853**
Net book value					
As at 30 June 2020	3,400	1,056	5,313	440	10,209
As at 30 June 2021	**3,400**	**1,029**	**5694**	**350**	**10,473**

(i) The net reclassification out of property, plant and equipment of $602,000 relates to the initial application of AASB 16 Leases.

8. LEASES (GROUP AS LESSEE)

The Group has entered into an office lease and a number of motor vehicle leases. The office lease has fixed annual rent increases. The motor vehicle leases do not reflect any rent increases over the term of the lease. The average lease term is 4.2 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.

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:

	2021 $'000	2020 $'000
Depreciation Charge for Right of Use Assets	465	446
Total Depreciation Charge for Right of Use Assets	**465**	446
Other cost relating to leases		
Interest expense on lease liabilities (included in Finance Costs)	**95**	81
Expenses relating to leases of low value assets	**22**	33
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	**38**	61
Total costs relating to leases	**155**	175

Amounts recognised in the balance sheet

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

	Property	Other	Total $'000
Right of Use Assets			
Gross amount			
Opening balance, 1 July 2019	-	-	-
Impact of AASB 16	1,285	106	1,391
Reclassification from PPE	-	671	671
Additions	-	538	538
Balance as at 30 June 2020	**1,285**	**1,315**	**2,600**
Impact of AASB 16	**-**	**-**	**-**
Reclassification from PPE	**57**	**(57)**	**-**
Additions	**-**	**914**	**914**
Balance as at 30 June 2021	**1,342**	**2,172**	**3,514**
Accumulated depreciation			
Opening balance, 1 July 2019	-	-	-
Reclassification from PPE	-	69	69
Depreciation expense	270	176	446
Balance as at 30 June 2020	**270**	**245**	**515**
Reclassification from PPE	**14**	**(14)**	**-**
Depreciation expense	**94**	**371**	**465**
Balance as at 30 June 2021	**378**	**602**	**980**
Net book value			
As at 30 June 2020	**1,015**	**1,070**	**2,085**
As at 30 June 2021	**964**	**1,570**	**2,534**

8. LEASES (GROUP AS LESSEE) (cont.)

Lease Liabilities	2021 $'000	2020 $'000
Current	**704**	568
Non-Current	**1,719**	1,540
Total Lease Liabilities	**2,423**	2,108

Maturity Analysis	2021 $'000	2020 $'000
Year 1	**704**	568
Year 2	**716**	564
Year 3	**530**	449
Year 4	**360**	323
Year 5	**113**	204
Onwards	**-**	-
	2,423	2,108

9. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
Trade payables (i)	**8,212**	11,030
Goods and services tax payable	**351**	261
Accruals and other payables	**2,162**	2,955
	10,725	14,246

(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

	2021 $'000	2020 $'000
Contract assets related to contracts	**2,884**	6,711
Contract liabilities relating to contracts	**5,684**	4,588

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.

10. CONTRACT ASSETS AND CONTRACT LIABILITIES (cont.)

Contract liabilities

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage cost complete method. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was $4.59 million (FY20: $1.79 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was nil (FY20: $0.72 million). Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 30 June 2021 and 30 June 2020 are set out below.

Revenue stream	2021 $'000	2020 $'000
Engineering & Construction	30,799	39,835
Services	9,032	54,136
Fabrication & Construction	43,499	16,575
Total work in hand	**83,330**	**110,546**

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

	2021 $'000	2020 $'000
Current		
Employee benefits	**2,104**	2,034
Other provisions	**538**	-
	2,642	2,034
Non-current		
Employee benefits	**237**	234
	237	234

12. ISSUED CAPITAL

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

Ordinary shares	2021 Number	2020 Number
Ordinary shares at beginning of financial year	102,848,127	102,848,127
Shares issued under Dividend Reinvestment Plan	1,044,471	-
Shares issued Performance Rights Plan	564,969	-
Treasury issued during the year	(467,500)	-
Ordinary shares at end of financial year	103,990,067	102,848,127

Fully paid ordinary shares	2021 $'000	2020 $'000
Balance at beginning of financial year	19,701	19,701
Shares issued under Dividend Reinvestment Plan	385	-
Shares issued Performance Rights Plan	278	-
Treasury issued during the year	323	-
Balance at end of financial year	20,687	19,701

Treasury shares under employee share plan	2021 Number	2020 Number
Balance at beginning of financial year	1,878,125	1,878,125
Treasury shares vested during the year	-	-
Share issued during the year	467,500	-
Balance at end of financial year	2,345,625	1,878,125

Treasury shares under employee share plan	2021 $'000	2020 $'000
Balance at beginning of financial year	(351)	(351)
Treasury shares vested during the year	-	-
Share issued during the year	(323)	-
Balance at end of financial year	(674)	(351)

Reserves

Nature and purpose of reserves

(a) Treasury shares under employee share plan

The value of shares bought back are allocated to this reserve

(b) Share-based payments reserve

The share-based payments reserve is for the fair value of options granted and recognised to date but not yet exercised, and treasury shares purchased and recognised to date which have not yet vested.

12. ISSUED CAPITAL (cont.)

Employee Share Plan

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

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

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

At balance date, a total of 15 tranches of the ESP have been issued.

Tranche 8: Offer of 400,000 shares in January 2016 with all offers accepted. The tranche has been modified, by the Board in February 2020, to vest in February 2022.

Tranche 9: During the financial year 15,000 shares were forfeited.

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

Tranche 11: During the financial year 9,375 shares were forfeited.

Tranche 12: During the financial year 20,000 shares were forfeited.

Tranche 13: During the financial year 35,000 shares were forfeited.

Tranche 14: During the financial year 50,000 shares were forfeited.

Tranche 15: During the financial year 612,500 new shares were issued of which 20,000 shares were forfeited.

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

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

12. ISSUED CAPITAL (cont.)

Details of the fair value assumptions used are as follows:

	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 15
Grant Date	Jan 2016	Feb 2016	Feb 2017	Oct 2017	Feb 2018	Feb 2019	Feb 2020	Feb 2021
Grant Price	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38	$0.69
Opening Volume	400,000	80,000	170,000	105,625	200,000	355,000	477,500	-
New grants	-	-	-	-	-	-	-	612,500
Forfeitures	-	(15,000)	(25,000)	(10,625)	(20,000)	(35,000)	(35,000)	(5,000)
Closing Volume	400,000	65,000	145,000	95,000	180,000	320,000	442,500	607,500
Exercise Price	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38	$0.69
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	2.05%	1.72%	2.00%	2.75%	2.82%	2.82%	2.82%	2.82%
Grant date fair value	$0.22	$0.21	$0.22	$0.19	$0.23	$0.12	$0.15	$0.27

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

12. ISSUED CAPITAL (cont.)

Movement in share options during the year

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

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	1,788,125	0.48	1,375,625	0.52
Granted during the year	612,500	0.69	477,500	0.38
Forfeited during the year	(145,625)	0.47	(65,000)	0.72
Exercised during the year	-	-	-	-
Balance at end of year	2,255,000	0.53	1,788,125	0.48
Exercisable at end of year	-	-	-	-

Performance Rights Plan

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

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

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

12. ISSUED CAPITAL (cont.)

The Managing Director and certain Key Management Personnel participate in the Saunders International Rights Plan. This plan is part of the long-term incentive component of the respective remuneration packages. The total number of Performance Rights issued under the plan is 4,044,255 of which 564,969 have vested, 174,350 have lapsed and a further 26,792 have been forfeited as at 30 June 2021.

Details of the fair value assumptions used are as follows:

	Tranche 3	Tranche 9	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 15	Tranche 16	Tranche 17	Tranche 18
Grant Date	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	1 Sept 2019	1 Sept 2019
Grant Price	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Opening Volume	194,477	238,095	238,095	320,143	320,143	401,299	401,299	590,979	590,979	-	-
New grants	-	-	-	-	-	-	-	-	-	374,373	374,373
Lapsed	-	(76,190)	-	(13,396)	(13,396)	-	-	-	-	-	-
Forfeited	-	-	-	(101,799)	(13,396)	-	-	-	-	-	-
Vested	(194,477)	(161,905)	-	(204,948)	-	-	-	-	-	-	-
Closing Volume	-	-	238,095	-	306,747	401,299	401,299	590,979	590,979	374,373	374,373
Exercise Price	$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%
Option Life	0 years	0 years	0 years	0 years	0 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
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%
Grant date fair value	$0.41	$0.46	$0.46	$0.49	$0.49	$0.41	$0.41	$0.29	$0.29	$0.52	$0.52

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 $0.41 per share for tranche 3, $0.46 per share for tranches 9 and 10, $0.49 for tranches 11and 12, $0.41 for tranches 13 and 14, $0.29 for tranches 15 and 16 and $0.52 for tranches 17 and 18. The share options outstanding at the end of the year has a weighted average remaining contractual life of 0.97 year.

13. RETAINED EARNINGS

	2021 $'000	2020 $'000
Balance at beginning of financial year	**2,532**	1,266
Profit for the year	**5,542**	1,266
Dividends provided for or paid	**(793)**	-
Share based payments vested/lapsed	**77**	-
Balance at end of financial year	**7,358**	2,532

14. EARNINGS PER SHARE

	2021 Cents per share	2020 Cents per share
Basic earnings/(losses) per share	**5.36**	1.23
Diluted earnings/(losses) per share	**5.21**	1.20

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

	2021 $'000	2020 $'000
Net profit/(loss)	**5,542**	1,266
Earnings used in the calculation of basic and diluted EPS	**5,542**	1,266

	2021 No.'000	2020 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**103,340**	102,848

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:

	2021 No.'000	2020 No.'000
Weighted average number of ordinary shares used in the calculation of basic EPS	**103,340**	102,848
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	**3,035**	2,427
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**106,375**	105,275

(a) During the year ended 30 June 2021 a portion of the potential ordinary shares associated with the employee share option plan as set out in Note 13 are dilutive and therefore included in from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights are dilutive and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

15. DIVIDENDS

	2021		2020	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend (2020):				
Fully franked at a 30% tax rate	-	-	-	-
Interim dividend (2021):				
Fully franked at a 30% tax rate	793	-	-	-
	793	-	-	-
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend (2021):	-	-	-	-

The Board declared on 26 August 2021 that there will be a final dividend payable of 0.75 cents per share fully franked and special dividend of 1.00 cents per share fully franked (FY20 final dividend : Nil dividend paid). Both dividends will be payable on 11th October 2021 with the record date for determining dividends on 15th September 2021.

	2021 $'000	2020 $'000
Adjusted franking account balance	1,666	1,774

16. SEGMENT INFORMATION

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

In the current period 3 customers made up 36% of the revenue earned (2020: 1 customer made up 16% of the revenue earned). These customers accounted for $36,627,000 of the Groups' total revenue.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Proceedings against the group in relation to a legal matter continue, 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.

18. NOTES TO THE STATEMENT OF CASH FLOWS

	2021 $'000	2020 $'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:

	2021 $'000	2020 $'000
Cash and cash equivalents	**23,816**	11,085

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

	2021 $'000	2020 $'000
Profit for the year	**5,542**	1,266
Share-based payments expense	**315**	195
Depreciation	**1,931**	1,468
Gain on disposal	**(5)**	(3)
Unrealised foreign exchange loss	**97**	-
(Increase)/decrease in assets:		
Current tax balance	**377**	(18)
Deferred tax asset	**2,152**	610
Trade and other receivables	**3,039**	(4,822)
Contract assets	**3,827**	(4,030)
Inventories	**211**	(205)
Other assets	**(112)**	248
Increase/(decrease) in liabilities:		
Trade and other payables	**(3,520)**	7,037
Contract liabilities	**1,095**	2,803
Provisions	**612**	373
Lease incentives	**-**	-
Net cash inflow from operating activities	**15,561**	4,922

(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.

	2021 $'000	2020 $'000
Amount used	**10,121**	6,637
Amount unused	**9,879**	3,363
	20,000	10,000

The facilities have financial covenants relating to the Group's capital adequacy ratio and its leverage ratio. During the financial year, the total facilities increased from $10 million to $20 million. Subsequent to year end, total facility increased to $25 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.

	Balance at 1 July 2020 $'000	Financing Cash Flows (i) $'000	Non -Cash Movement in Finance Leases $'000	Balance at 30 June 2021 $'000
Lease liabilities	2,108	(600)	915	2,423

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

19. FINANCIAL INSTRUMENTS

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

(a) Cash and cash equivalents

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

(b) Debtors and credit risk management

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

(c) Bank guarantees

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

Capital risk management

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

Categories of financial instruments

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	**23,816**	11,085
Loans and receivables	**10,258**	13,297
	34,074	24,382
Financial liabilities		
Trade payables and accruals	**10,725**	14,246
Lease Liabilities	**2,423**	2,108
	13,148	16,354

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.

19. FINANCIAL INSTRUMENTS (cont.)

Financial risk management objectives

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

Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 2 years $'000	Total $'000
2021					
Financial assets					
Cash and cash equivalents	0.52%	23,816	-	-	23,816
Trade receivables	-	9,896	231	131	10,258
Financial liabilities					
Trade payables and accruals	-	3,625	6,675	314	10,614
Lease liabilities	4.8%	58	115	2,250	2,423
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

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 $149,825 (2020: $110,846).

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 2021, 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 2021, the Group had A$690,432 (2020: $1,253,019) of cash in PGK. At reporting date, if the PKG/AUD exchange rate had moved by 5%, with all other variables held constant, the group's profit or loss would increase or decrease by $34,609 (2020: $59,667).

19. FINANCIAL INSTRUMENTS (cont.)

Fair value of financial instruments

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

20. 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

	2021 $	2020 $
Short-term employee benefits	**2,258,480**	1,791,120
Post-employment benefits	**131,964**	102,633
Share-based payments	**247,136**	106,984
	2,637,580	2,000,737

The names of and positions held by the key management are set out on page 31 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report.

(b) Other Transactions with Key Management Personnel

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

(c) Directors' and Key Management Equity Holdings

Refer to the table on page 29 of the Remuneration Report.

21. 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	
			2021	2020
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%

22. 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	2021 $’000	2020 $’000
Assets		
Current assets	**31,562**	19,963
Non-current assets	**11,895**	16,733
Total assets	**43,457**	36,696
Liabilities		
Current liabilities	**15,672**	13,235
Non-current liabilities	**1,170**	1,313
Total liabilities	**16,842**	14,548
Equity		
Issued capital	**20,687**	19,701
Shares buy-back reserve under employee share plan	**(674)**	(351)
Share based payments reserve	**736**	776
Retained earnings	**5,866**	2,022
Total equity	**26,615**	22,148

Financial Performance	2021 $’000	2020 $’000
Profit for the year	**4,560**	710
Other comprehensive income	**-**	-
Total comprehensive income	**4,560**	710

The parent entity has no capital commitments.

23. REMUNERATION OF AUDITOR

	2021 $	2020 $
Audit or review of the financial report	**135,000**	135,000
PNG tax services	**8,188**	26,781
	143,188	161,781

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

24. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

The Group has benefited from government support package as a result of COVID-19 during the period.

JobKeeper Scheme (Australia)

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of $598 thousand (2020: nil) were received under the Australian Federal Government's JobKeeper scheme. The entity became eligible for the Scheme and in September 2021 no longer received any payments under the Scheme. The amounts were paid to employees in line with government's objectives of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve. The amounts received have been recognised as other income in the statement of profit or loss.

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.

On 1st August 2021 Saunders announced the acquisition of PlantWeave Technologies (PlantWeave), a specialist in industrial process automation and electrical solutions. The purchase of PlantWeave with the Group's cash reserves and deferred earn-out payments over the next three years.

25. SUBSEQUENT EVENTS (cont.)

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

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

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

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

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

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

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

ADDITIONAL STOCK EXCHANGE INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 103,990,067 fully paid ordinary shares held by 546 individual shareholders. In addition, there are 2,241,250 shares 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
National Nominees Limited	27,373,601	26.32%
Mr Desmond Bryant	24,316,811	23.38%
Mr Timothy Burnett	11,686,311	11.24%
Anacacia Pty Limited	9,417,917	9.06%

DISTRIBUTION OF SHARES

Range	No. of Holders
1 - 1,000	62
1,001 - 5,000	123
5,001 - 10,000	80
10,001 - 100,000	227
100,000 and over	54
TOTAL	**546**

THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage
National Nominees Limited	27,373,601	26.32%
Mr. Desmond Bryant	15,322,343	14.73%
Anacacia Pty Ltd (Wattle Fund)	7,777,487	7.48%
Tivolico Pty Ltd	6,878,987	6.62%
Debry Pty Ltd	6,677,667	6.42%
Marlot Pty Ltd	4,807,324	4.62%
Mr. John Power	3,401,453	3.27%
Effjay Holdings Pty Ltd (Desmond Bryant Family A/C)	2,316,801	2.23%
Pacbay Pty Ltd (Stephen Wood Family)	2,018,455	1.94%
Active Air Spares Pty Ltd	1,500,000	1.44%
Corliaj Pty Ltd (Civilbuild Constructions Pty Ltd Superannuation)	1,319,040	1.27%
Sagimo Holdings Pty Ltd	1,301,208	1.25%
Mrs. Karen May McClelland	1,229,012	1.18%
Benson Family Holdings P/L (Benson Family)	1,075,278	1.03%
Donald Cant Pty Ltd	1,057,931	1.02%
Anacacia Pty Ltd (Wattle Fund A/C)	1,002,155	0.96%
Parmelia Pty Ltd (Reilly Family Super Fund A/C)	731,753	0.70%
Woodscenic Pty Ltd (Wood)	688,985	0.66%
Anacacia Capital Pty Ltd (Wattle Fund A/C)	638,275	0.61%
Mr. Robert Graburn Patterson	553,530	0.53%
TOP 20 SHAREHOLDERS	**87,671,285**	**84.31%**

CORPORATE DIRECTORY

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

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

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

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

Saunders Asset Services
ABN 95 610 760 426

Saunders Property Group
ABN 39 617 486 021

Board of Directors
Timothy Burnett - Chairman
Mark Benson - Managing Director
Greg Fletcher - Non-Executive Director
Nick Yates - Non-Executive Director

Rudy Sheriff - Company Secretary

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

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

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

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

Website
www.saundersint.com

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