2023 Annual Report

SAUNDERS
INTERNATIONAL

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ABOUT THIS REPORT

The Saunders 2023 Annual Report is a summary of Saunders International Limited's operations, performance and financial position for the Financial Year ended 30 June 2023.

In this report unless otherwise stated, references to 'Saunders', 'Company', 'the Group', 'us', 'we', and 'our' refer to Saunders International Limited.

References to 'year', 'Financial Year', '2023', 'FY23', or 'FY2023' all refer to the Financial Year ended 30 June 2023. All dollar figures are expressed in Australian dollars unless otherwise stated.

ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Traditional Owners and Custodians of Country throughout Australia. We pay our respects to all First Nations peoples and acknowledge Elders past and present.

As a business that works across many locations, we recognise and support their continuing connection to lands, waters, cultures, languages, and traditions.

At a Glance

We're an integrated engineering construction and infrastructure company recognised for innovation and expertise in bulk storage terminal construction, piping, civil works, asset services and industrial automation.

Regardless of a project's size, complexity, value or location, our national team of over 400 are ready to respond to our customers and deliver to the highest quality and safety standards.

We're helping deliver a better future, today.

We're proud to work with some of the world's largest oil and gas companies, tier-one construction contractors and across all levels of government.

Our specialist teams are the greatest contributors to our success, combining deep sector knowledge with strong customer relationships to identify, optimise and deliver the ideal solutions across:

- Defence
- Oil & Gas
- Power & Water
- Infrastructure
- Mining & Minerals
- New Energy

We have metropolitan and regional offices located strategically across Australia, along with established operations in Papua New Guinea and a new presence in New Zealand.

Founded in 1951, we've been listed on the Australian Securities Exchange (ASX: SND) since 2007.

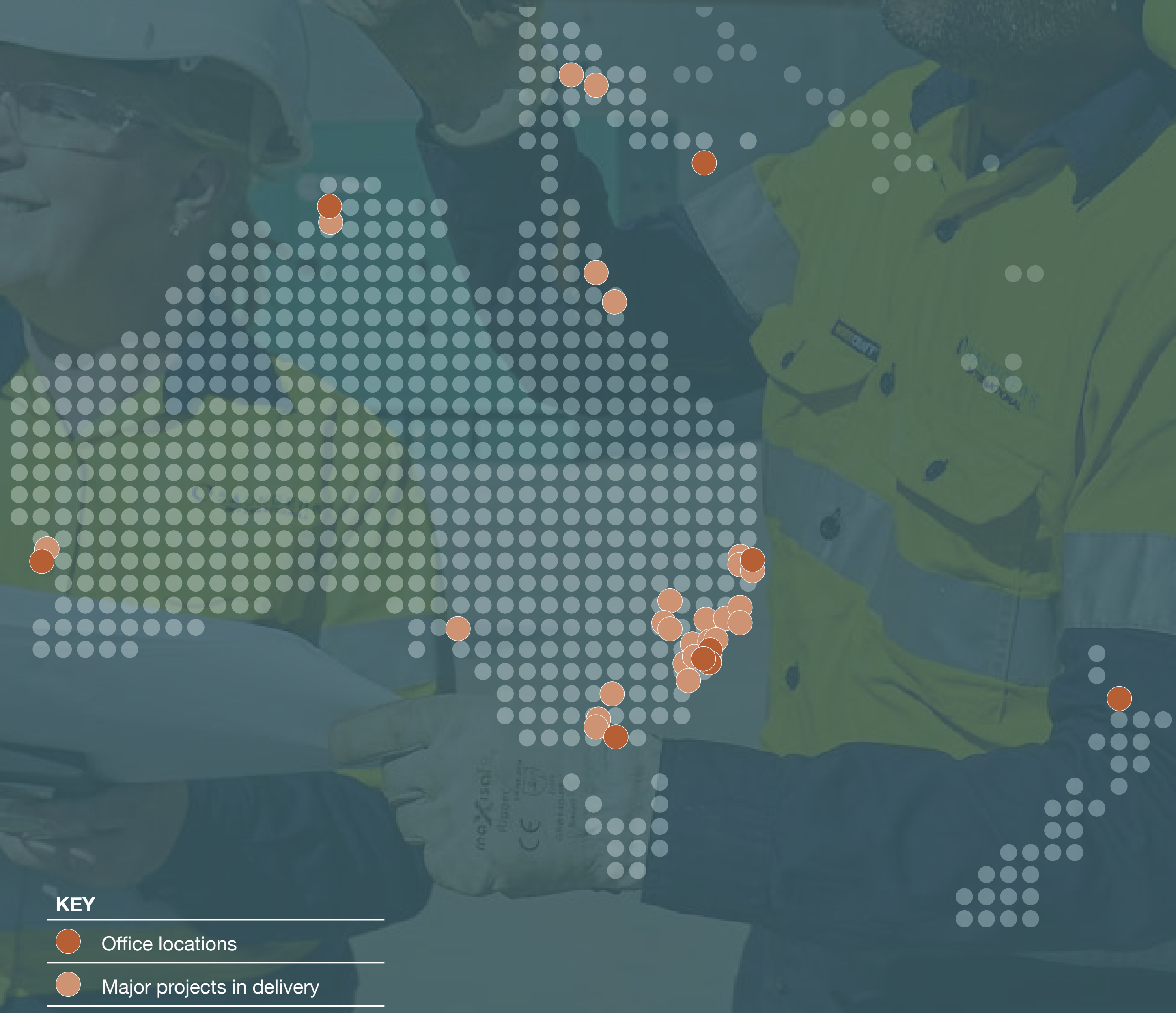
422 in our workforce

NINE metropolitan & regional offices

38 major projects in delivery

FOUR operational areas

- Engineering Construction
- Asset Services
- Civil
- Automation


KEY
Office locations
Major projects in delivery

Performance Highlights

In 2023, we produced a strong financial result with a record revenue and EBIT; Saunders' fourth consecutive year of growth.

This year, we focused on our continuing strategic growth trajectory and delivering on that growth, providing attractive returns for our shareholders.

In the last 12 months, we secured three projects with values in excess of $40 million each.

Revenue

$200.9m

54.5% ↗ from $130.0m

EBIT

$14.4m

51.6% ↗ from $9.5m

Cash

$12.8m

65.1% ↘ from $36.7m

Market capitalisation

$120.6m

11.6% ↗ from $108.1m

Pipeline

$1.6b at 31 July 2023

23.1% ↗ from $1.3b at 30 June 2022

Order book

$201.0m at 31 July 2023

4.2% ↗ from $192.9m at 30 June 2022

Earnings per share (basic)

8.84¢

41.7% ↗ from 6.24¢

Annual dividend distribution

4.0¢

46.5% payout ↗ from 3.0¢

Full time employees

422

19.9% ↗ from 352

All comparisons are against Financial Year 2022 unless otherwise stated

MAJOR PROJECTS SECURED

$44.4 million contract to deliver the Western Sydney International (Nancy Bird Walton) Airport Aviation Fuel Terminal for Multiplex in NSW
Secured October 2022

$9.0 million contract to design and construct a new diesel storage tank for Park Fuels at Kooragang Island in Newcastle, NSW
Secured October 2022

$8.5 million US Defence contract with Nova Nacap Joint Venture to design and construct two bulk liquid storage tanks in Katherine, NT
Secured December 2022

$11.2 million contact with Port Macquarie Hastings Council to replace five existing timber bridges with concrete bridges, NSW
Secured May 2023

$42.4 million contract to provide tank refurbishment and modification services for bp at its Kwinana Energy Hub in WA
Secured June 2023

$9.3 million contract to deliver a new fuel storage tank at Ampol's Lytton Refinery, located in the Port of Brisbane, QLD
Secured July 2023

$44.1 million contract to expand diesel storage capacity at Quantem's Pelican Point Terminal in SA
Secured July 2023

ADDITIONAL HIGHLIGHTS

Acquisition of Automation IT, expanding Saunders' capabilities across industrial automation and technology solutions, following the acquisition of PlantWeave Technologies in 2021

Securing our Defence Industry Security Program (DISP) accreditation and finalisation of Federal Safety Commissioner (FSC) accreditation

Strong safety performance with a Lost Time Injury (LTI) and a Total Recordable Incident Frequency Rate (TRIFR12[1])metric of 1.68, representing a 13% improvement on 2022's TRIFR12 of 1.93

[1] TRIFR12 is the number of occurrences of injury for each 200,000 hours worked.

SAUNDERS INTERNATIONAL

Chairman's Message

SAUNDERS INTERNATIONAL BOARD OF DIRECTORS
Back row (left - right): Greg Fletcher, Mark Benson, Brendan York
Front row (left - right): Timothy Burnett, Nick Yates

On behalf of Saunders' Board of Directors, I am pleased to present the 2023 Annual Financial Report and provide shareholders with an update on our progress and achievements in the year.

APPOINTMENT AS CHAIRMAN

After serving as Chairman for 16 years, Timothy Burnett stepped down from the role on 30 June 2023, and I was privileged to assume the role on 1 July 2023. This change was a part of the ongoing board renewal process and Timothy continues to serve as a Non-Executive Director of the Board in the short term.

Timothy has made an outstanding contribution to Saunders, and on behalf of Directors and shareholders, I would like to thank him for his long-standing commitment to Saunders and leadership of the Board for the past 16 years.

SAFETY

The Group and Board are committed to ensuring the safety, health and wellbeing of our workforce, subcontractors, and the community. We do this by investing in our safety culture, proactively managing the risks associated with our operations and continually reviewing Workplace Health and Safety Standards.

In 2023, we delivered a strong safety performance which has been recognised by our clients and invested in proactive initiatives to keep our people safe and healthy in the years ahead. I'm also pleased to report the Group has secured new federal safety and security accreditations in the period.

The Managing Director and CEO's report will outline our safety performance in further detail.

FINANCIAL PERFORMANCE

Despite challenging global economic conditions, our financial performance in 2023 has been strong, with record revenue of $200.9 million, EBIT of $14.4 million and a solid order book of $201.0 million.

This success reflects the Group's ability to secure key new opportunities and repeat business with our clients, particularly as they seek to reposition existing and build new assets in the renewable energy sector. The Group continues to position for opportunities in its pipeline.

Earnings per share for the period was 8.84 cents. The Financial Reports will outline our results in further detail.

STRATEGIC GROWTH

While Saunders has a long history as one of Australia's finest tank builders, our business continues to grow and evolve. We now have dedicated operational areas across Engineering Construction, Asset Services, Automation and Civil and are leaders in major projects for blue-chip and government clients across our key sectors.

Our focus is now on fostering strategic growth, expansion into new regions and markets, and evolving our client offering as a one-stop multidisciplinary integrated team.

At the same time, we are building our front-end, design engineering, tendering and operational capability to support this growth and position Saunders for future success, ensuring we continue to deliver with excellence while being competitive and profitable.

SUSTAINABILITY

We recognise Saunders has a unique opportunity and role to play in helping our clients to reach their sustainability goals. Working with major international organisations including bp, Ampol and Lendlease provides the ability to not only support them to achieve their bold sustainability targets, but to have insight into their plans to do so.

We're leveraging these learnings to define our own Environment, Social and Governance sustainability targets across the Group and I look forward to sharing our progress in these key areas.

OUTLOOK

The outlook for Saunders continues to be positive. Our growth strategy is on track, and we continue to deliver strong returns for shareholders. With strong orderbook and recurring revenues, we are well-positioned to deliver on the embedded earnings in our pipeline.

In closing, it is an honour to have been appointed to lead the accomplished and dedicated Saunders Board of Directors this year. Together, we are committed to working with the Saunders Executive and Senior Management teams to build on the strong progress achieved in 2023 and to continue to deliver rewarding outcomes for shareholders, clients and our people in the years ahead.

Nick Yates
Chairman
Saunders International

Managing Director and CEO's Message

Mark Benson, Chief Executive Officer and Managing Director

I'm proud to present Saunders' Annual Report for 2023. I would like to extend a warm welcome to Nick Yates, who has assumed the role of Chairman, and express my sincere gratitude to Timothy Burnett for his 16 years of exceptional Chairmanship.

SAFETY FIRST

As Managing Director and CEO, ensuring the safety of our people, subcontractors, and the community is my number one priority.

In 2023, we achieved a strong safety performance, with a Total Recordable Injury Frequency Rate ('TRIFR12') metric of 1.68 (compared to 1.93 in 2022) and received client recognition for our high safety performance in the period.

This year we have taken significant steps to qualify under the Australian Government Building and Construction WHS Accreditation Scheme, which represents the highest workplace health and safety standards in Australian building and construction projects.

Unfortunately, we recorded a lost-time injury this year after reporting a zero lost-time injury record for over 4.3 million hours in 2022. Moving forward, we are focused on fostering our safety culture and implementing new initiatives, such as our upcoming safety program that will roll out across the business in 2024.

FINANCIAL SUMMARY

Despite enduring macro market challenges such as supply chain disruptions, inflation, weather, and labour constraints, Saunders' financial strength has continued to shine this year.

I am pleased to share that we have achieved another year of record revenues and secured three major projects with values exceeding $40 million each in the last 12 months.

(Left-right) Mark Benson, Managing Director and Chief Executive Officer and Timothy Burnett, Saunders' Chairman for 16 years. Timothy elected to step down from the role in 2023 and is now Non-Executive Director.

Our earnings have steadily improved for the fourth consecutive year through our disciplined approach to risk management during the tender stage and our exceptional project execution.

This includes the work we performed on Project Caymus in Darwin up to the point in April, where our client's own strategic reasons we were terminated for convenience from the project, despite being near the completion of construction of the 11 jet fuel storage tanks.

While this has had a negative impact on our cash balance as of 30 June 2023, we anticipate this will improve upon finalising contract closure with our client in the coming months.

PEOPLE AND CAPABILITY

The collective energy, passion, and commitment to excellence exhibited by the Saunders team has been the driving force behind our performance in 2023.

This year, we experienced significant growth, with our employee numbers increasing by 19.9% to support the delivery of our newly secured work, positioning our business for continued success.

We have also invested in new executive and senior talent to enhance our in-house capabilities. We are now able to provide our clients a 'one-stop shop' for their projects after bolstering our capability across the Group and forming a multidisciplinary integrated offering.

STRATEGIC ACQUISITIONS

In May 2023, we welcomed Automation IT to the Saunders team, a specialist automation and control systems engineering business operating in the energy, water, defence and mining industries.

This follows our acquisition of PlantWeave in 2021 and further expands our industrial automation and technology-based infrastructure offering for our clients who are increasingly moving towards technology-driven solutions.

We continue to assess various opportunities to diversify and grow our operations and provide increased earnings to the Group and shareholders through acquisitions.

GROWTH MARKETS

Our focus remains on pursuing key clients and excelling in our core sectors while identifying opportunities in growth markets such as Defence, Water, and New Energy.

Our ability to tender directly for larger government funded projects and compete at scale within the Defence sector is bolstered by the finalisation of our Defence Industry Security Program (DISP) and Federal Safety Commissioner (FSC) accreditations.

We are actively pursuing projects in new regions, including New Zealand, and are reviewing opportunities for further geographic expansion.

2024 AND BEYOND

As we embark on the new financial year, we have a strong operational platform, a strengthened executive and senior leadership team, and a continued commitment to our strategic initiatives.

The outlook for Saunders and the markets we operate in is positive. We are well-positioned to leverage the significant pipeline of opportunities before us and continue on our growth trajectory.

We are focused on delivering quality outcomes for our clients and safe outcomes with on-time delivery and on budget. This commitment will underpin the strength of our financial performance in the years ahead.

Thank you to our shareholders for your ongoing support and to the entire Saunders team for your commitment and valuable contributions throughout 2023.

I am genuinely excited about the year ahead and look forward to sharing the stories of our progress, our people, and our projects with you.

Mark Benson
Managing Director and Chief Executive Officer
Saunders International

Safety

At Saunders, our core value of 'Zero Harm' forms the foundation of our safety culture and underpins our commitment to the wellbeing of our people, subcontractors, and the communities we operate in. It is our promise to our people and their loved ones, and our number one priority.

By investing in our safety culture, proactively managing the risks associated with our operations, and continually reviewing Workplace Health and Safety Standards, we're continuing to deliver a strong safety performance.

We're also continuing to invest in proactive initiatives to keep our people safe and healthy today and in the years ahead. Because we know we have no greater responsibility than to ensure everyone gets home safely at the end of their day's work.

2023 HIGHLIGHTS

Achieved a strong safety performance, with a ('TRIFR12') metric of 1.68

This year's TRIFR12 metric represents a 13% improvement on 2022's TRIFR, which was 1.93. Unfortunately, we recorded a lost-time injury this year after maintaining a zero lost-time injury record for over 4.3 million hours in 2022

Received client recognition for our outstanding safety performance during this period

Celebrated our team members that champion safety in the field through project-based awards

Conducted a program of executive team site visits and engagement with team

Utilised industry-leading safety equipment, including Powered Air Purifying Respirators (PAPR) welding helmets

FEDERAL SAFETY COMMISSIONER ACCREDITATION

This year, we qualified for the Australian Government Building and Construction WHS Accreditation Scheme, the highest standard for workplace health and safety in Australian construction projects.

This accreditation is facilitated by the Office of the Federal Safety Commissioner (OFSC) and is designed to improve workplace health and safety practices in our industry.

We're proud to have received formal Federal Safety Commissioner Accreditation on July 17, 2023. This will enable us to tender directly for larger government funded projects in the future.

> SAUNDERS INTERNATIONAL
>
> is proud to be accredited under the Australian Government Building and Construction WHS Accreditation Scheme.

2024 FOCUS AREAS

In 2024, our primary objective is to strengthen our safety culture, emphasising leadership behaviour and encouraging ownership of risk at all organisational levels.

We are committed to investing in building our team's capabilities to ensure a safer workplace, including the rollout of an upcoming safety leadership and attitudes program in 2024.

We will continue to emphasise mental health, workplace culture and environmental compliance.

Leadership

Meet the team that leads our business, working together to deliver successful outcomes for our people, clients, shareholders, and communities each and every day.

Executive Management Team

Mark Benson
Managing Director and Chief Executive Officer

With an executive career spanning over 30 years, Mark Benson is a seasoned leader in the engineering and construction industry.

Prior to joining Saunders, Mark served as the General Manager of RCR Energy, a division of ASX-listed RCR Tomlinson. He also held senior executive positions with RICO, HIS Engineering, VRBT Group and major utility alliances including AGL, Origin, and NRG.

Mark was appointed as Managing Director and a Director of the Saunders Board in 2015.

Brett Gregory
Chief Financial Officer and Company Secretary

Brett is an accomplished financial leader and was permanently appointed Saunders' Chief Financial Officer and Company Secretary in August 2023. This follows his initial interim engagement as interim Chief Financial Officer from 9 January 2023 and his appointment as Company Secretary from 28 February 2023.

Prior to joining Saunders, Brett spent 18 years at Lendlease in various Executive and General Manager roles in Finance, including five years as the Chief Financial Officer for Lendlease's Australian Construction business.

Angelo De Angelis
Chief Operating Officer

Angelo De Angelis brings a wealth of executive and industry experience to his role as Chief Operating Officer at Saunders.

Prior to joining Saunders in 2021, Angelo worked at Ventia for over 25 years, including acquired organisations Broadspectrum and Transfield.

In this time, Angelo held various senior and executive management roles in Australia and the US including Head of Strategy and Development, President - Transportation Infrastructure US, and Executive General Manager, Resources and Energy.

Senior Management Team

Trevor Walker
General Manager, Growth and Innovation

Kala Notley
People and Capability Manager

Claude Poffandi
General Manager, Commercial

Rick Burke
General Manager, Engineering Construction

Jonathon Bromilow
General Manager, Saunders Civilbuild

Waleed Mansour
Operations Manager, Asset Services

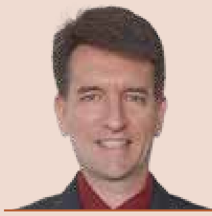
Eric Collins
Operations Manager, Defence Programs

Robert Harvey
General Manager, Saunders PlantWeave

Geoff Bladon
General Manager, Saunders AIT

Frank Kraft
General Manager, Business Development and Strategy

Wayne Mastello
SHEQ Manager



Anthony Templeton
General Manager, Operations Saunders AIT

Muhammad Sharim
HSE Manager

Please note: Board Members biographies are featured on page 95.

People and Capability

We're recognised for our commitment to safety, collaborating with our clients to find new and smarter ways to support them, and coming together as 'One Team' – because we know we're stronger when we work together to achieve our goals.

At Saunders, we strive to be an inclusive, flexible, encouraging and diverse environment for all our people. We invest in our people because we believe it makes our team stronger and better equipped to deliver on our promise of innovation, growth, and excellence.

We're passionate about giving back to communities where we work and to which we belong, both through our projects and as a part of broader group-wide initiatives.

2023 HIGHLIGHTS

Enhancing our employee benefits offering including development of learning and development capabilities and career progression strategies

Launching an Employee Referral Program to boost our talent finding power

Contributing to the community through fundraising challenges and charitable events

Congratulating and rewarding our team from 5-40 years of service

2024 FOCUS AREAS

Continued focus on developing, retaining and attracting talent, setting up our teams up to match our strong pipeline

Implementing a new employee value proposition which includes benefits such as parental leave, wellbeing days, professional development opportunities and cost-of-living discounts

Investing in continuous improvement in diversity and inclusion

OUR VALUES

Guiding our behaviours and underpinning our culture are our core values:

- **Zero Harm** We are committed to the practice of Zero Harm behaviour at work and at home
- **One Team** We are better together when we collaborate with each other and our customers
- **Excellence** We commit to delivering excellence in everything we do
- **Innovation** We continually challenge ourselves to create innovative solutions for our customers
- **Integrity** We hold ourselves to the highest standards and deliver on our commitments
- **Respect** We act with respect to our people, customers, communities and the environment

Client Focus

Our clients appoint us to manage complexity, drive delivery, provide long-term strategic value, and develop innovative solutions. Together, we establish a foundation of trust and collaborate together to achieve excellent project outcomes, enjoying the journey along the way.

We take pride in nurturing enduring partnerships, and our repeat clients are our ultimate performance indicator. Remarkably, we still work with clients who have been with us since the 1960s, including Mobil, bp, and Ampol.

We've long been regarded as one of Australia's best tank builders. However, as our business continues to grow and evolve, so does our service model.

We've taken the time to listen to what's most important to our clients, not only to meet their current needs but also to understand their future requirements.

We're investing in our front-end design engineering and operational capability. We're proud to now be able to provide our clients with a one-stop multidisciplinary integrated offering across Engineering Construction, Civil, Asset Services, and Automation. The acquisition of Automation IT in 2023 will further enhance our capabilities across industrial automation and technology solutions and further enable our integrated service offering.

We continue to expand into new regions and markets to support the business interests of national and international clients.

CURRENT KEY CLIENTS

Ampol	Ausgrid
Australian Department of Defence	bp
CPB	John Holland
Laing O'Rourke	Lendlease
Mobil	Origin Energy
Quantem	Seymour Whyte
Sydney Water	Thiess
TransGrid	Veolia
Viva Energy	Local Government Councils across NSW

PROJECT PROFILE

Pelican Point Terminal

Client	Quantem
Value	$44 million
Location	Adelaide, SA
Date secured	July 2023
Operational Area	Construction

This project is a great example of the innovation and high-quality, fast-tracked results that can be achieved with early collaboration between client and contractor.

In 2023, Saunders' multi-disciplinary in-house engineering and operational teams worked closely with long-term and repeat client Quantem to value engineer, optimise constructability and conduct a full lifecycle analysis on a critical new project at Quantem's Pelican Point terminal in Adelaide.

Together, we were able to proactively manage risk and unlock extra value for our client as they looked to more than double diesel storage capacity at the site – it was a fantastic result and an impressive team effort.

We announced the $44 million contract win in July 2023. The scope of work includes detailed design, procurement, construction, fabrication, installation, and commissioning of three 30,000 cubic metre diesel storage tanks and associated structural, mechanical and piping infrastructure, adding significant new diesel storage capacity for the fuel industry in South Australia.

The project is supported by Quantem's successful funding application under the Australian Government's Boosting Australia's Diesel Storage Program. Investing in Australia's diesel storage capacity will help protect against future supply chain disruptions and will help the industry to meet new minimum stockholding obligations introduced as one of the measures in the Fuel Security Act (2021).

This safeguard is essential for Australia's energy security as diesel currently underpins our critical infrastructure, transport and industries, as well as the ability to respond to critical emergencies.

Construction is set to begin on site in Q4 calendar 2023, with the site commissioned by Q2 calendar 2025. The project will contribute to Saunders' revenue and earnings in 2024 and 2025.

CLIENT FEEDBACK

"Now that works are complete, I would once again like to thank you and your team for all of the great work. The final weeks of the project saw many different activities being completed in a limited amount of time, all completed safely and to a high standard.

Over the last couple of months we have seen all of the Saunders team roll up their sleeves and do what needed to be done to bring this project home. The end result was a product that we can all be proud of.

Your management of the project has been strong throughout, working hard behind the scenes to ensure the best outcome for your client. Thank you."

Project Manager
Australian Fuel Major, QLD.
June 2023

Innovation

Our operating model is underpinned by 73 years of construction and engineering expertise and further strengthened by our ongoing investment in innovation, pioneering of new world-class solutions.

At Saunders, we're focused on finding new and better ways to do things. In fact, innovation is one of our core values – it's in our DNA.

We're focused on continual improvement, working with our clients and project partners to solve problems and create opportunities.

These solutions, along with our learnings from developing them, are shared with our teams to support extended utilisation wherever possible.

CURRENT EXAMPLES

Leading the way in geodesic dome roof construction and installation

We are the premier Australian contractor for constructing and installing geodesic dome roofs for storage tanks, with 12 roofs installed in 2023.

In May, we successfully completed our largest-ever geodesic dome roof lift, using a 600-tonne crane to position the circa 52-tonne roof atop an existing 64-metre-wide tank.

We are especially proud of our team for accomplishing this remarkable lift and are grateful for the positive feedback we received from our long-term client regarding this project.

Using a unique tank jacking and rotating system on our projects

We employ a unique system for constructing tanks when site conditions limit the use of traditional construction methods.

We are the sole company in the region utilising the jacking and rotating system, which allows us to construct tanks from the top down, including the roof first, and then jack each completed strake into place.

The jacking process for the tank enables simultaneous rotation of the entire tank, effectively creating a single work front for constructing the strakes, welding, and painting.

This system significantly enhances productivity and safety, especially on compact sites where existing infrastructure precludes the use of traditional cranes and adjacent laydown areas in close proximity to the tank's location.

We continually challenge ourselves to create innovative solutions for our customers

SAUNDERS INTERNATIONAL

Sustainability

We recognise that every decision and action we take is an opportunity to make a positive impact on the people and the world around us. We are proud to be a strategic enabler of our client's bold sustainability initiatives and as we support them on their journey, we're also learning and defining our own Environment, Social and Governance targets.

We're fortunate to be working with leading organisations including bp, Ampol and Lendlease, supporting them to not only deliver their projects, but also achieve their bold sustainability targets.

We're doing this through repurposing and repositioning assets, supporting carbon reduction initiatives, and aiding sustainable and ethical procurement.

We're also leveraging their plans and learnings as we embark on our own sustainability journey, focused on meeting the expectations of our people, our investors and our communities.

KEY FOCUS AREAS IN 2024

Environment

Helping clients to achieve their sustainability targets.

Growing our commitment to environmental sustainability.

Setting our own carbon reduction targets and plan.

Continued focus on environmental protection and enhancement.

Social

Creating value through our local and diverse supply chain.

Engaging and respecting the communities we work in.

Increasing procurement activity with Aboriginal and Torres Strait islander businesses.

Investing in continuous improvement in diversity and inclusion.

Governance

Embedding sustainability in our decision making.

Building trust in our sustainable business practices.

Advancing sustainable and ethical procurement.

PROJECT PROFILE

Kwinana Renewable Fuels project

Client	bp
Value	$42 million
Location	Kwinana, WA
Date secured	June 2023
Operational Area	Asset Services

We're particularly proud of our Kwinana Renewable Fuels Project win this year. Not only because it's the largest project ever awarded to our Asset Services operational area, but also because of its bold sustainability ambitions.

We're refurbishing and modifying 25 tanks so they can be used for feedstock or biofuels storage, helping to repurpose bp's former refinery site at Kwinana into a new integrated energy hub.

The project plans to reutilise some infrastructure at the bp Kwinana site to produce lower-carbon fuel products that have the ability to support the decarbonisation of aviation and heavy industry. The project is subject to regulatory and State government approvals.

The project commenced in July 2023 and will contribute to Saunders' revenue and earnings from 2024 to 2026.

The Kwinana project is the first of its kind globally for bp and a first for Australia. Our work will help bp produce sustainable aviation fuel and renewable diesel, supporting their net zero sustainability ambitions.

SAUNDERS INTERNATIONAL

Engineering Construction

Though Saunders boasts a rich history as one of Australia's premier bulk liquid storage and geodesic dome construction contractors, our business has significantly evolved from its modest origins 73 years ago. Today, we stand as leaders in executing construction projects for blue-chip and government clients.

We provide our clients with a scalable model and a multidisciplinary integrated team. The Saunders 'one-stop shop' draws from our pool of expert talent and resources to carefully guide the project from initial feasibility through to engineering and construction, commissioning and handover.

Our scalable model provides us with the agility and flexibility to deliver projects of all shapes and sizes across our key disciplines, sectors, and regions.

OUR SERVICES

- Front End Engineering Design (FEED)
- Structural Mechanical & Piping design
- 3D drafting of large fuel terminals
- Control system design and implementation
- Network design and implementation
- High Voltage and Low Voltage electrical design and implementation
- Engineering, Procurement and Construction (EPC) & Engineering, Procurement, Construction and Management (EPCM) services
- New tank builds for bulk fuel and chemical storage terminals
- Water reservoirs and pumping stations
- Tank Jacking technology (top down construction)

2023 HIGHLIGHTS

$44 million contract to deliver the Western Sydney International (Nancy Bird Walton) Airport Aviation Fuel Terminal for Multiplex in NSW (secured October 2022)

$9.0 million contract to design and construct a new diesel storage tank for Park Fuels at Kooragang Island, Newcastle, NSW (secured October 2022)

$8.5 million contract with Nova Nacap Joint Venture to design and construction two bulk liquid storage tanks in Katherine, NT (secured December 2022)

Delivery of 11 jet fuel storage tanks with a capacity of 300 megalitres for the US Defence in Darwin, NT

Significant progress at our $31 million Defence Fuel Infrastructure project for Laing O'Rourke, a part of the Larrakeyah Defence Precinct Redevelopment Program in Darwin, NT (due for completion December 2023)

PROJECT PROFILE

Western Sydney International (Nancy Bird Walton) Airport

Client	Multiplex
Value	$44 million
Location	Luddenham, NSW
Date secured	October 2022
Operational Area	Construction and Automation

In late 2022, we were awarded a significant contract to build the aviation fuel terminal at the new Western Sydney International Airport, now also known as Nancy Bird Walton Airport for Multiplex.

The project brings together an integrated Saunders team across both Construction and Automation, reinforcing our ability to leverage multi-disciplined solutions to deliver operational excellence for our clients.

Our scope includes the design and construction of:

- three aviation fuel storage tanks
- the aviation fuel terminal's mechanical piping, valves, pumps, filters, instrumentation, and controls
- the aviation fuel terminal's electrical services, including cabling and switchboards, SCADA electrical, and controls

The project will contribute to our revenue and earnings in 2023 and 2024.

Civil

With over five decades of experience, our Civil team has earned a stellar reputation in the industry for our multidisciplinary approach to bridge design and construction. Beyond bridges, we excel in concrete construction projects, including wharves and jetties, foundation projects, culvert installations, and rail works.

We are trusted by Tier-1 contractors for their complex and precision precast requirements. Our purpose-built precast facility specialises in pre-stressed bridge girders, Super T's, and specialty precast items, with a production capacity of over 200 metres per day at full capacity.

OUR SERVICES

- Road and rail bridge construction
- Marine structures
- Precast fabrication
- Concrete foundation systems
- Manufacturing of complex Super T and planks for infrastructure projects
- Excavation and installation of support structures
- Road works

2023 HIGHLIGHTS

$11.2 million contract with Port Macquarie Hastings Council to replace five existing timber bridges with concrete bridges (secured May 2023)

Significant progress on our biggest civil project to date: the delivery of precast Super T girders for the Sydney Gateway project, for John Holland and Seymour Whyte

Successful completion of the Boston Street Bridge replacement in Boggabri for Narrabri Shire Council

PROJECT PROFILE

Port Macquarie Bridges Project

Client	Port Macquarie Hastings Council
Value	$11.2 million
Date secured	May 2023

We are proud to build upon our strong track record as trusted partners for Port Macquarie Hastings Council with a new contract. This project involves the replacement of five existing timber bridges with concrete bridges.

The project is scheduled for completion over a 12-month period. Once completed, the new concrete bridges will reduce future ongoing maintenance costs for the Council and increase connectivity by allowing increased vehicle load limits.

The project is being funded by Council and Transport for NSW under the NSW Government's Fixing Country Bridges Program.

The project will contribute to our revenue and earnings through 2023 and 2024.

We've earned a reputation for successfully delivering challenging civil projects using innovative design alternatives and construction methods, on time and to budget.

Asset Services

Saunders are at the forefront of providing asset services, with a specialised focus on inspection, repair, modification, and maintenance solutions. Our expertise lies in reviving and revitalising our clients' assets, enhancing their condition and availability, right through the asset's lifecycle to decommission.

We recognise the critical importance of timely rehabilitation and preservation of our clients' assets and infrastructure and ensuring the uninterrupted flow of their business operations.

Our expertise extends beyond the oil and gas, bulk fuels, power generation, mining, and resources sectors; we also excel in remediation projects involving bridges, marine structures, and water infrastructure.

Our Asset Services work provides stable recurring revenues from long-term, blue-chip clients including Ampol, bp, Chevron, Mobil, Quantem, Viva Energy and Vopak.

OUR SERVICES

- Repair and maintenance of bulk liquid and chemical storage tanks
- Asset management services
- Industrial boiler work
- Plant and facility shutdowns and decommissioning
- Facilities maintenance
- Shutdowns and upgrades
- Structural Mechanical Piping installation
- Pump and valve overhauls or replacements
- Pressure welding
- Electrical and automation upgrades

2023 HIGHLIGHTS

$42 million contract to provide tank refurbishment and modification services for BP at its Kwinana Energy Hub in WA (secured June 2023)

Significant progress in mechanical modifications and supply and installation of two aluminium geodesic dome roofs at BP's Bulwer Island fuel terminal, QLD with a total value of over $9 million

Continuing delivery of our longer, cornerstone contracts, including year three of our five-year maintenance program for Mobil in Altona, Yarraville VIC with expected revenue of over $13 million in 2023

Continuing to support Viva Energy with their tanks maintenance program across Australia, currently executing maintenance projects in three locations, Gore Bay NSW, Newport VIC and Townsville Qld with a total combined revenue of $12 million

Continuing our ongoing support for Ampol in both Lytton Refinery and Kurnell Terminal delivering large number of tanks modifications projects for a combined value of over $8 million in 2023

PROJECT PROFILE

Viva Gore Bay

Client	Viva Energy
Value	$5.7 million
Location	Gore Bay, NSW
Date secured	July 2022

We've been trusted by repeat client Viva Energy to help maintain one of their important projects; 70-year-old Tank 6030 at the iconic Gore Bay Terminal on Sydney Harbour.

The much-loved tank is getting some much-needed TLC. We're replacing the floor and bottom strake and installing a concrete reinforced ring beam as part of our preventative maintenance program to ensure the tank continues to reliably service the Sydney market for many decades to come.

At 36m in diameter and 14m high, Tank 6030 holds approximately 9,000m^3 of heavy marine fuel oil (50% of Gore Bay's capacity), making it a crucial part of the infrastructure to supply the cruise ship market.

Located in a challenging spot between a 17m high sandstone cliff to the West and the iconic Sydney Harbour to the East, a tower crane had to be utilised to access the difficult work front.

Repairs are progressing very well and we're estimating it to be ready just in time for the upcoming cruise season in early 2024.

Automation

As our clients increasingly embrace technology-driven solutions for their infrastructure and operations, we ensure that their projects and facilities operate at peak efficiency, productivity, reliability, and safety through our specialised industrial automation services.

Our team excels at auditing and streamlining processes, integrating Information Technology (IT) and Operational Technology (OT) systems, boosting output, enhancing efficiency, and ensuring overall process quality, enabling our clients to achieve key production goals.

We provide cutting-edge automation and energy management services to commercial, industrial and data centre clients. Our services include round-the-clock emergency support, cybersecurity, continuous control system enhancements, troubleshooting, maintenance, remote monitoring, as well as intuitive and tailored dashboard and reporting solutions.

The acquisition of Automation IT will accelerate Saunders' market expansion into Industrial Automation and Control Systems, building on our acquisition of PlantWeave in 2021.

OUR SERVICES

- Operational Technology
- Industrial automation solutions
- Networking and OT cybersecurity solutions - auditing and hardening to ISA/IEC Standards
- Electrical engineering and control system design
- Control system and telemetry upgrades
- Electrical Panel manufacturing, testing and installation
- Machine learning and statistical/physical process modelling
- Functional safety of machinery - design and auditing
- Asset and inventory management
- Energy management systems and automated meter reading systems
- Instrumentation selection, installation and calibration
- Plant commissioning
- Process optimisation
- Preventative maintenance
- Data centre monitoring

2023 HIGHLIGHTS

Automation IT acquisition

In May 2023, we welcomed Automation IT, a specialist automation and control systems engineering business operating in the energy, water, defence and mining industries to the Saunders team.

This follows our acquisition of PlantWeave in 2021 and further expands our industrial automation and technology-based infrastructure offering for our clients who are increasingly moving towards technology driven solutions.

Automation IT and PlantWeave have commenced the integration of their team and operations to form Saunders Automation.

PROJECT PROFILE

Barangaroo South

Client	Lendlease
Location	Barangaroo, NSW
Operational Area	Saunders PlantWeave (now Automation)

Lendlease has trusted our expert industrial automation team at Barangaroo South, Australia's first carbon-neutral precinct, since it was first constructed in 2015.

We've successfully delivered the OT solutions that not only provide chilled water for air conditioning, but also critical real-time analysis and automated system responsiveness, ensuring the precinct continues to achieve carbon neutral and water positive outcomes.

We continue to expand, optimise and support this incredible subterranean infrastructure across the:

- 62MW District Cooling Plant (DCP)
- Recycled Water Plant
- High Voltage Embedded Electrical Network
- Implementation and monitoring of an ISA/IEC 62443-based Cybersecurity Solution

Currently, we are engaged in full electrical, instrumentation, and controls, as well as mechanical commissioning, to expand the DCP to service the residential towers at One Sydney Harbour.

PROJECT PROFILE

Gatton Prison complex infrastructure

Client	Confidential
Location	Gatton, QLD
Operational Area	Automation IT (now Automation)

Our Gatton Prison complex infrastructure project is a crucial component of the Southern Queensland Correctional Precinct, a two-stage expansion and upgrade initiative.

The project includes the construction of a new 1,500-cell, high security facility for male prisoners in Gatton, in order to address growing demand for correctional facilities in Queensland over the next three to five years.

We were appointed to deliver the design, supply, programming, testing and commissioning of power Network Control System, generator control and Energy Management System and Sewage Treatment Plant control system.

We are able to provide a diverse range of technical solutions to handle all the power, water and sewage control requirements.

Growth Markets

Our focus remains on pursuing key clients and excelling in our core sectors while identifying opportunities in growth markets such as Defence, Water, and New Energy. We are actively pursuing projects in new regions, including New Zealand, and reviewing opportunities for further geographic expansion.

DEFENCE

We're seeing direct outcomes and significant progress following investment in our Defence sector strategy and specialist resources this year.

In December 2022, we were awarded a $8.5 million project by the Nova Nacap Joint Venture in the Northern Territory. Our ability to tender directly and compete at scale within the Defence sector has been bolstered by securing our Defence Industry Security Program (DISP) accreditation and finalisation of Federal Safety Commissioner (FSC) accreditation.

We are well-positioned to benefit from increased momentum and spend in the Defence sector as projects are brought to market in early 2024.

WATER

Saunders has a long history in the design, construction, and maintenance of bulk water storage tanks and reservoirs. In 2023, we were appointed to design and construct a two-megalitre column-supported tank for Fulton Hogan in Victoria – considered a core service offering for our organisation.

However, our capability in the water sector has grown following the recent acquisitions of PlantWeave and Automation IT, and formation of our Automation business unit.

This additional capability and client offering, along with increased capital investment in the sector, have heightened our focus on this market.

We are well-positioned to secure a new Government-funded water project in Queensland, to be formally awarded in early 2024.

NEW ENERGY

Fuelled by technological advancements and a growing global sustainability movement, the new energy sector is rapidly transforming the global energy landscape.

Several clients are increasing their attention to this sector, not only because it addresses environmental concerns, but also due to governments' heavy investments in renewable energy projects, which present economic opportunities, foster innovation, and create jobs.

We're currently working with several fuel majors, energy majors and key clients, including bp, Ampol, and UGL on new energy projects and anticipate significant future growth in this sector.

GEOGRAPHIC GROWTH

We currently have a strong geographic presence across New South Wales, Queensland, Victoria, Western Australia, South Australia, Northern Territory and Papua New Guinea.

We're building a new presence in New Zealand and will explore additional regions to follow key clients and opportunities when they align with our strategic direction.

PROJECT PROFILE

Nova Nacap

Client	Nova Nacap Joint Venture
Value	$8.5 million
Location	Katherine, NT
Date secured	December 2022
Operational Area	Construction

Our scope of work for this project includes the design and construction of two 4-megalitre aviation fuel tanks at RAAF Base Tindal in Katherine, NT.

It is subcontracted through the Nova Nacap Joint Venture, which is contracted to the Naval Facilities Engineering Command (NAVFAC) Pacific, US Department of Defence.

The project continues to strengthen our relationship with the repeat client Nova Nacap, while also enhancing our capability and track record within the Defence sector.

This project will contribute to Saunders' revenue and earnings through 2023 and into 2024.

Governance, Financial Report and Other

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Directors’ Report

The Directors present their report on Saunders International Limited (“Saunders” or the “Group”) for the financial year ended 30 June 2023 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 Directors’ Report are:

- Timothy Burnett (retired as Chairman 30 June 2023)
- Mark Benson
- Greg Fletcher
- Nick Yates (appointed Chairman 1 July 2023)
- Brendan York (appointed 24 July 2023)

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 was the Company Secretary during the period 1 July 2022 to 28 February 2023 when he resigned and left Saunders. Brett Gregory has been the Company Secretary from the date of his appointment on 28 February 2023 up to the date of this report. Brett is also Saunders Chief Financial Officer; he is a Chartered Accountant and holds a Bachelor of Commerce from the University of Wollongong.

PRINCIPAL ACTIVITIES

Saunders is a multi-disciplined engineering and construction company. During the financial year, the principal activities of the Group involved providing design, fabrication, construction, shutdown, maintenance, and industrial automation services to leading organisations across Australia and the Pacific Region. The Group performs these activities across the oil & gas, infrastructure, water, power, new energy, mining & minerals, and defence sectors.

REVIEW OF OPERATIONS

A summary of the revenues and results is as follows:	2023 $’000	2022 $’000
Revenue	200,886	129,955
Profit before income tax	14,151	9,379
Income tax expense	(4,660)	(2,828)
Profit attributable to the members of Saunders International Limited	**9,491**	**6,551**

Reconciliation of profit before income tax to EBITDA (unaudited):	2023 $’000	2022 $’000
Profit before income tax	14,151	9,379
Add:		
Net interest expense	265	106
Depreciation of owned and hire purchase assets	1,800	1,590
Depreciation of right of use assets	1,236	656
EBITDA	**17,452**	**11,731**

Saunders’ revenue for the year was $200.9 million, an increase of $70.9 million or 54.5% (2022: $130.0 million). The net profit after tax was $9.5 million, an improvement of $2.9 million or 43.9% (2022: $6.6 million), EBITDA was $17.5 million, an improvement of $5.8 million or 49.6% (2022: $11.7 million).

Earnings per share for the year was 8.84 cents (2022: 6.24 cents).

Saunders has strengthened its financial position at year end with net assets of $39.3 million, an increase of $7.3 million or 22.8% (2022: $32.0 million). At year end, the Group only had interest-bearing loans relating to leases. We anticipate cash will improve from $12.8 million at 30 June 2023 (2022: $36.7 million) upon finalising Project Caymus contract closure with our client in the coming months. With growth in larger project activity expected to continue into 2024, realisation of project margins will also further strengthen the Group’s cash reserves.

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

Key Highlights

- Safety performance remained strong in 2023 even as we grew our employee numbers to record levels through the delivery of Project Caymus, achieving a TRIFR12[1] metric of 1.68 (2022: TRIFR12 1.93).
- The Group gained the Federal Safety Commissioner (FSC) and Defence Industry Security Program (DISP) accreditations during the last 12 months. This will enable us to tender for larger head contract infrastructure and defence projects funded directly or indirectly by the Australian Federal Government.
- Saunders announced the acquisition of Automation IT in May 2023 which will further expand and diversify our operations into technology-based infrastructure (following the August 2021 acquisition of PlantWeave) and further expand Saunders' capabilities across industrial automation and technology solutions.
- Secured three projects with values in excess of $40m each in the last 12 months, including the Western Sydney Airport Aviation Fuel Terminal for Multiplex, bp's renewable fuels tank refurbishment project at Kwinana in Western Australia and a project for Quantem to more than double diesel storage capacity at its Pelican Point terminal in Adelaide, South Australia.
- Leading Australian contractor for the construction and installation of geodesic dome roofs for storage tanks, with 12 roofs installed over 2023.
- Secured a $10 million increase to the Bank Guarantee facility since 30 June 2022. The now $40 million limit across our bank guarantee and surety facilities will support our current order book and the strong pipeline of opportunities.
- Continued focus on Environmental, Social and Governance matters across the Group

[1]TRIFR12 is the number of occurrences of injury for each 200,000 hours worked.

OUTLOOK

Saunders Work in Hand at 30 June 2023 was $159.1 million (2022: $192.9 million) and had increased to $201.0 million at 31 July 2023. Tendering activity shows the value of live tenders as at 31 July 2023 was $442 million, while the pipeline (yet to be tendered) is at $1.2 billion. This strong pipeline of opportunities reflects the Group's diversification across each of the operating sectors and represents a mix of new and existing customers.

We will continue focusing on our strategic growth trajectory and delivering on that growth. This includes increasing our support of the Defence, Oil and Gas and Infrastructure sectors, while positioning the company to increasingly secure opportunities in the New Energy sector. As this sector grows, Saunders will be ready to provide the comprehensive, full asset lifecycle solutions that will be required.

The acquisition of Automation IT in 2023 will further enhance our capabilities across industrial automation and technology solutions and contribute to Saunders' increasing ability to provide fully integrated service offerings to our clients.

After bolstering our project delivery and executive teams with experienced personnel during 2023, we start the new year well positioned to take advantage of opportunities across our services and sectors. Our disciplined approach to contracting is ensuring our projects are protected from the risks of increasing costs, constrained logistics and inclement weather.

EMPLOYEES

The Group's total workforce managed by Saunders was 422 at 30 June 2023 (2022: 352). Saunders remain focused on investing in people and capability to ensure the achievement of our vision and strategic objectives.

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

SAFETY & ENVIRONMENT

The Group is committed to the safety of our people, clients and the communities in which we operate. During the year, Saunders TRIFR12 was 1.68, a 13% improvement over the prior year (2022: TRIFR12 1.93). The Group recorded a lost time injury in 2023, after reporting in 2022 a zero lost time injury free record for in excess of 4.3 million hours.

The environment remains a key focus for the Group, and we will be focusing heavily on improving our sustainability and climate change initiatives in the next year. The Group recognises the material environmental and social risks that are relevant to its activities and takes action to manage those risks. Working with major international organisations including bp, Ampol and Lendlease provides the ability to not only support them to achieve their bold sustainability targets, but to have insight into their plans to do so. We're leveraging these learnings to define our own Environment, Social and Governance sustainability targets across the Group.

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 8.84 cents (2022: 6.24 cents) and diluted earnings per share of 8.71 cents (2022: 6.07 cents).

DIVIDEND

The Board declared on 28 August 2023 that there will be a final dividend payable of 1.0 cents per share fully franked and special dividend of 1.00 cents per share fully franked (2022 1.00 cents per share final dividend and 1.00 cents per share special dividend paid). Both dividends will be payable on 16 October 2023 with the record date for determining dividends on 18 September 2023.

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

DIRECTORS ATTENDANCE AT MEETINGS

ATTENDANCE AT MEETINGS

The following table sets out the number of meetings in the year to 30 June 2023, 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
Nick Yates	8	7	4	4	3	3
Timothy Burnett	8	8	4	4	3	3
Mark Benson	8	8	4	4	3	3
Greg Fletcher	8	8	4	4	3	3
Brendan York [1]	-	-	-	-	-	-

[1] Brendan York was appointed to the Board on 24 July 2023

Individual Directors and the Board also holds regular calls with the Managing Director and CEO and other executives to stay abreast of current matters between meetings. These meetings, for example, may consider material transactions or projects, and are held to support the decision-making of the full Board in relation to those matters. These update calls and meetings are not included in the above table.

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
Nick Yates	Non-Executive Director up to 30 June 2023 Non-Executive Chairman from 1 July 2023 Member of the Audit & Risk Committee Member of the Remuneration Committee Director since 16 September 2020 36 years of relevant industry experience BE Other listed company directorships in the last 3 years • Chairman - BSA Limited	35,211

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Timothy Burnett	Non-Executive Chairman until 30 June 2023 Member of the Audit & Risk Committee Member of the Remuneration Committee Director since 28 November 1990 BE, MBA 50 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
Mark Benson	Managing Director from 5 October 2015 Director since 10 August 2015 AdvDipMan, AdvDipProjMgt, GAICD 30 years of relevant industry experience Other listed company directorships in the 3 years Immediately before the end of the financial year - Nil	3,233,286
Greg Fletcher	Non-Executive Director Chairman of the Audit & Risk Committee Member of the Remuneration Committee Director since 1 July 2015 BCom, CA • Chairman of the NSW Electoral Commission, NSW eHealth/ HealthShare Audit and Risk Committees • Member of the NSW Police Force 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	5,599
Brendan York	Non-Executive Director Member of the Audit & Risk Committee Chairman of the Remuneration Committee Director since 24 July 2023 Other listed company directorships in the 3 years Immediately before the end of the financial year • Big River Industries Limited (BRI) • BSA Limited (BSA) • BTC Health Limited (BTC) and • Wingara AG Limited (WNR) Other current appointments • MitchCap Pty Limited (Non-Executive Director) • NAOS Asset Management Limited (Portfolio Manager)	NIL

Excellence
Innovation
Growth

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 2023. 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. 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 operational areas of larger companies. The salary package contains a fixed component and a variable bonus component. The bonus is based on an annual performance appraisal as conducted by the remuneration committee of the board of directors. The performance is measured against a range of objectives set annually by the board. The important objectives are safety, quality, personnel development, quantitative Group financial performance and certain other (subjective and objective) criteria.

The managing director has also participated in the Employee Share Plan and the Performance Rights Plan. Mark Benson holds 269,100 options within the Employee Share Plan and 967,282 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 0%-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% focused on the Financial Performance of the Group; EBIT and Cash at hand.

Key management personnel as disclosed on page 42 of the remuneration report have participated in the Employee Share Plan.

LONG-TERM INCENTIVE

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

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

- Employee Share Plan
- Performance Rights Plan

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

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

AUDITED REMUNERATION REPORT (CONT.)

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 a right to dividends but not voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the year no options were granted to Key Management Personnel (CEO and CFO) under the ESP. The former CFO, who was not a director, forfeited his interest in 141,460 shares under the ESP when he resigned from the Company on 28 February 2023. In addition, other employees hold an interest in 1,062,313 shares under the ESP.

PERFORMANCE RIGHTS PLAN

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

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

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

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 (2022) for Tranche 20 and (2023) for Tranche 22. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

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

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

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

During the year 250,000 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is $230,198 as set out on page 42. A further 44,506 Performance rights were granted to the new CFO under the LTI Plan. The aggregate fair value of the Performance Rights granted to the new CFO is $48,516 as set out on page 42. The former CFO forfeited 229,571 Performance Rights when he resigned from the Company on 28 February 2023.

AUDITED REMUNERATION REPORT (CONT.)

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.

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 executive service agreement contains the following key terms:

Annual Salary:	Total fixed remuneration of $568,124
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.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2023:

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000
Revenue	200,886	129,955	101,242	66,462	50,126
Net profit/(loss) before income tax	14,151	9,379	8,085	1,853	(2,260)
Net profit/(loss) after income tax	9,491	6,551	5,542	1,266	(1,610)

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Share price at end of year	1.12	1.02	0.79	0.48	0.33
Interim dividend (cents per share)	2.00	1.00	0.75	0.00	0.00
Final dividend (cents per share)	2.00	2.00	1.75	0.00	0.00
Basic earnings/(losses) per share	8.84	6.24	5.36	1.23	(1.72)
Diluted earnings/(losses) per share	8.71	6.07	5.21	1.20	(1.72)

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 2023 were:

	Fully paid ordinary shares 2022	Fully paid ordinary shares issued/ purchased during 2023	Fully paid ordinary shares at end 2023	Share options 2022	Share options vested/ lapsed during 2023	Share options granted during 2023	Share options at end 2023	Performance rights at end 2022	Performance rights granted during 2023	Performance rights vested/ lapsed during 2023	Performance rights at end 2023
		Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Non-executive Directors											
Timothy Burnett	11,686,311	-	11,686,311	-	-	-	-	-	-	-	-
Greg Fletcher	5,599	-	5,599	-	-	-	-	-	-	-	-
Nick Yates	35,211	-	35,211	-	-	-	-	-	-	-	-
TOTAL	**11,727,121**	**-**	**11,727,121**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers											
Mark Benson[1]	2,295,824	937,462	3,233,286	319,100	(50,000)	-	269,100	1,660,852	250,000	(943,570)	967,282
Brett Gregory[2]	-	-	-	-	-	-	-	-	44,506	-	44,506
Former Executive Officers											
Rudy Sheriff[3]	244,360	(244,360)	-	141,460	(141,460)	-	-	507,553	-	(507,553)	-
TOTAL	**2,540,184**	**693,102**	**3,233,286**	**460,560**	**(191,460)**	**-**	**269,100**	**2,168,405**	**294,506**	**(1,451,123)**	**1,011,788**
GRAND TOTAL	**14,267,305**	**693,102**	**14,960,407**	**460,560**	**(191,460)**	**-**	**269,100**	**2,168,405**	**294,506**	**(1,451,123)**	**1,011,788**

1. Managing Director & Chief Executive Officer, 2. Appointed Chief Financial Officer from 9 January 2023, 3. Resigned as Chief Financial Officer 28 February 2023.

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 2023	Share options forfeited during 2023	Share options vested during 2023	Performance rights granted during 2023	Performance rights forfeited during 2023	Performance rights vested during 2023
	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]	-	-	25,000	230,198	-	264,195
Brett Gregory[2]	-	-	-	48,516	-	-
Former Executive Officers						
Rudy Sheriff[3]	-	(95,756)	-	-	(138,562)	-
TOTAL	**-**	**(95,756)**	**25,000**	**278,714**	**(138,562)**	**264,195**
GRAND TOTAL	**-**	**(95,756)**	**25,000**	**278,714**	**(138,562)**	**264,195**

[1]. Managing Director & Chief Executive Officer, [2]. Appointed Interim Chief Financial Officer from 9 January 2023, [3]. Resigned as Chief Financial Officer 28 February 2023.

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-Merton pricing model. The amounts disclosed as part of remuneration for the financial year, as disclosed on page 43, 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.

AUDITED REMUNERATION REPORT (CONT.)

REMUNERATION OF EXECUTIVE OFFICERS AND KEY MANAGEMENT PERSONNEL

2023	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[4]
	Cash Fees/Salary	Cash Bonus[4]	Non-monetary Benefit[5]	Superannuation	Cash settled share based payments	Equity settled share-based payments			
	$	$	$	$	$	$	$	%	%
Non-executive Directors									
Timothy Burnett	110,481	-	-	11,601	-	-	122,082		
Greg Fletcher	72,118	-	-	7,573	-	-	79,691		
Nick Yates	72,118	-	-	7,573	-	-	79,691		
Brendan York	-	-	-	-	-	-	-		
TOTAL	**254,717**	**-**	**-**	**26,747**	**-**	**-**	**281,464**		
Executive Officers									
Mark Benson[1]	548,239	353,243	14,427	27,132	-	107,601	1,050,642	43.9%	82.0%
Brett Gregory[2]	184,384	67,242	-	13,256	48,516	-	313,398	36.9%	82.0%
Former Executive Officers									
Rudy Sheriff[3]	289,245	80,000	3,303	16,862	-	-	389,410	20.5%	98.0%
Total	**1,021,868**	**500,485**	**17,730**	**57,250**	**48,516**	**107,601**	**1,753,450**		
Grand total	**1,276,585**	**500,485**	**17,730**	**83,997**	**48,516**	**107,601**	**2,034,914**		

[1] Managing Director & Chief Executive Officer, [2] Appointed Interim Chief Financial Officer from 9 January 2023, [3] Resigned as Chief Financial Officer 28 February 2023, [4] Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year. Cash bonuses are discretionary, are determined by the Board in August of each year and exclude equity settled share based payments. Mark Benson's 2023 bonus includes $60,000 that was paid in January 2023 but which related to FY22, [5] Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.

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 the Executive Officers 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-Merton 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.

2022	Short-term Benefits			Post-employment Benefits	Long-term employee benefits		Total	Percentage of remuneration related to performance	Cash Bonus as a percentage of maximum achievable[4]
	Cash Fees/Salary	Cash Bonus[3]	Non-monetary Benefit[4]	Superannuation	Cash settled share based payments	Equity settled share-based payments			
	$	$	$	$	$	$	$	%	%
Non-executive Directors									
Timothy Burnett	104,545	-	-	10,455	-	-	115,000		
Greg Fletcher	68,182	-	-	6,818	-	-	75,000		
Nick Yates	68,182	-	-	6,818	-	-	75,000		
TOTAL	**240,909**	**-**	**-**	**24,091**	**-**	**-**	**265,000**		
Executive Officers									
Mark Benson[1]	516,813	280,404	13,185	23,568	-	111,300	945,270	41.4%	86.0%
Rudy Sheriff[3]	326,637	97,141	6,192	23,568	-	34,932	488,470	27.0%	90.0%
TOTAL	**843,450**	**377,545**	**19,377**	**47,136**	**-**	**146,232**	**1,433,740**		
Grand total	**1,084,359**	**377,545**	**19,377**	**71,227**	**-**	**146,232**	**1,698,740**		

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

SUBSEQUENT EVENTS

Subsequent to year end, management are continuing to finalise the contract with our client in relation to Project Caymus in Darwin, NT.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

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

FUTURE DEVELOPMENTS

Details around the Operating and Financial Review and Outlook are disclosed on pages 34 and 35.

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 25 to the financial statements. During this financial year there was nil paid or payable for non-audit services (2022: $4,075).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 46 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, 29 August 2023

Nick Yates
Director
Sydney, 29 August 2023

Our core values guide our behaviours and underpin our culture

SAUNDERS INTERNATIONAL

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
8 Parramatta Square
10 Darcy Street
Parramatta, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

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

29 August 2023

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 2023, 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

Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060
8 Parramatta Square
10 Darcy Street
Parramatta, NSW, 2150
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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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recognition of construction revenue *Refer to Note 1(c) 'Construction Contracts', Note 1(i) 'Revenue', Note 2 'Critical accounting judgements and key sources of estimation uncertainty' and Note 3 'Revenue'.* As at 30 June 2023 the Group's revenue from construction contracts is $200.9 million. Construction revenue is recognised over time as performance obligations are fulfilled. Construction revenue is recognized by management after assessing all factors relevant to each contract, including specifically assessing the following as applicable: • 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 revenue, including variable consideration, and costs including the estimation of cost contingencies; • Determination of stage of completion and measurement of progress towards satisfaction of performance obligations; • Estimation of project completion date. We focused on recognition of construction revenue and as a key audit matter due to the number and type estimation events over the course of a contract life, the unique nature of individual contract terms leading to complex and judgmental revenue recognition from contracts.	Our procedures included, but were not limited to: • Evaluating management's processes and controls in respect of the recognition of construction revenue; • Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue 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. • Assessing the adequacy of the relevant disclosures in the financial statements. Evaluating management's processes and controls in respect of the recognition of construction revenue We also assessed the appropriateness of the disclosures in Notes 1(c), 1(i), 2 and 3 to the financial statements.

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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 2023, 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 skepticism 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.

Deloitte.

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 39 to 43 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Saunders International Limited, for the year ended 30 June 2023, 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
Parramatta, 29 August 2023

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, 29 August 2023

Nick Yates
Director
Sydney, 29 August 2023

Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Revenue	3	200,886	129,955
Other income	4	436	897
Materials and third-party costs charged to projects		(115,078)	(87,552)
Employee benefits expense	4	(60,754)	(27,709)
Depreciation expense	4	(3,036)	(2,246)
Motor vehicle expense		(426)	(365)
Occupancy and operating lease expense		(866)	(468)
Finance costs	4	(397)	(106)
Other expenses		(6,614)	(3,027)
Profit before income tax		**14,151**	**9,379**
Income tax expense	5	(4,660)	(2,828)
Profit for the year attributable to shareholders of the parent entity		**9,491**	**6,551**
Other comprehensive income		-	-
Total comprehensive profit attributable to shareholders of the parent entity		**9,491**	**6,551**
Earnings per share			
Basic (cents per share)	14	8.84	6.24
Diluted (cents per share)	14	8.71	6.07

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	18	12,833	36,746
Trade and other receivables	6	23,099	28,946
Contract Assets	10	33,145	9,340
Inventories		136	189
Other current Assets		196	192
Total current assets		**69,409**	**75,413**
Non-current assets			
Property Plant and equipment	7	11,495	12,086
Right-of-use assets	8	4,952	3,674
Intangible asset	20	3,978	321
Deferred tax assets	5	823	-
Total non-current assets		**21,248**	**16,081**
Total assets		**90,657**	**91,494**
Current liabilities			
Trade and other payables	9	25,727	35,500
Contract liabilities	10	11,174	13,023
Provisions	11	6,887	4,427
Current tax liability	5	2,300	2,089
Lease liabilities	8	1,838	1,191
Total current liabilities		**47,926**	**56,230**
Non-current liabilities			
Provisions	11	809	**839**
Lease liabilities	8	2,647	**2,328**
Deferred tax liabilities	5	-	**72**
Total non-current liabilities		**3,456**	**3,239**
Total liabilities		**51,382**	**59,469**
Net assets		**39,275**	**32,025**
Equity			
Issued capital	12	24,104	**22,482**
Treasury shares under employee share plan	12	(1,475)	**(1,806)**
Share based payments reserve		572	**384**
Retained earnings	13	16,074	**10,965**
Total equity		**39,275**	**32,025**

The accompanying notes form part of these financial statements.

SAUNDERS INTERNATIONAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Issued Capital $'000	Treasury Shares $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2021	**20,687**	**(674)**	**736**	**7,358**	**28,107**
Profit and other comprehensive income					
Profit for the year	-	-	-	6,551	**6,551**
Total profit and other comprehensive income	**-**	**-**	**-**	**6,551**	**6,551**
Transactions with owners in their capacity as owners					
Dividends paid	93	-	-	(2,944)	**(2,851)**
Treasury Shares issued during the year	1,132	(1,132)	-	-	**-**
Share based payments vested/lapsed	570	-	(570)	-	**-**
Share-based payments expense	-	-	218	-	**218**
Total transactions with owners in their capacity as owners	**1,795**	**(1,132)**	**(352)**	**(2,944)**	**(2,633)**
Balance at 30 June 2022	**22,482**	**(1,806)**	**384**	**10,965**	**32,025**
Balance at 1 July 2022	22,482	(1,806)	384	10,965	32,025
Profit and other comprehensive income					
Profit for the year	-	-	-	9,491	9,491
Total profit and other comprehensive income	**-**	**-**	**-**	**9,491**	**9,491**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(4,382)	**(4,382)**
Shares issued during the year	1,400	-	-	-	**1,400**
Treasury Shares issued during the year	(274)	331	-	-	57
Shares vested during the year	496	-	(496)	-	-
Share-based payments expense	-	-	684	-	684
Total transactions with owners in their capacity as owners	**1,622**	**331**	**188**	**(4,382)**	**(2,241)**
Balance at 30 June 2023	**24,104**	**(1,475)**	**572**	**16,074**	**39,275**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		200,483	126,504
Payments to suppliers and employees		(210,304)	(105,496)
Interest received		132	-
Finance costs paid		(397)	(105)
Income taxes paid		(4,010)	(1,140)
Net cash (outflow) / inflow from operating activities	**18**	**(14,096)**	**19,763**
Cash flows from investing activities			
Payments for plant and equipment		(1,135)	(3,124)
Proceeds from sale of assets		331	30
Payments for business acquisition	21	(2,754)	(185)
Net cash used in investing activities		**(3,558)**	**(3,279)**
Cash flows from financing activities			
Dividends paid		(4,382)	(2,851)
Proceeds from issue of shares		57	-
Proceeds of borrowings		2,128	1,407
Repayment of borrowings		(1,951)	(1,407)
Repayments of interest bearing liabilities		(2,113)	(798)
Net cash used in financing activities		**(6,261)**	**(3,649)**
Net (decrease) / increase in cash and cash equivalents		**(23,915)**	**12,835**
Cash and cash equivalents at the beginning of the financial year		**36,746**	**23,816**
Effects of exchange rate fluctuations on cash held		2	95
Cash and cash equivalents at the end of the financial year	**18**	**12,833**	**36,746**

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 29 August 2023.

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 2021.

Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and amendments to standards have been published that are not mandatory for reporting period commencing 1 July 2023 and not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Cash and Cash Equivalents

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

(c) Construction Contracts

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

(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

(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 expectation 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:

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

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

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

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

Services revenue

Fixed price contracts

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

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

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

Cost plus contracts

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

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

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

Fabrication and construction revenue

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

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

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

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.

(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.

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

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

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

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

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

(ii) Financial assets at FVTPL

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

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

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

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

(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) Issued Share Capital

Ordinary shares are classified as equity.

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

(n) Basis of Consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The

Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

(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.

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) Government Grants

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

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

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

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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

Construction contracts

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

- Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;
- Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;
- Estimation of project contingencies; and
- Estimation of stage of completion including determination of project completion date;
- On 14 April 2023, the Group was terminated from Project Caymus in Darwin, NT. Management is finalising contract closure of the project with the client, including estimating the total contract revenue based on determination of contract entitlement.

Goodwill

The Group determined whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the CGU's to which the goodwill is allocated.

3. REVENUE

Revenue stream	Revenue recognition	Australia $'000	Other regions $'000	Total 2023 $'000	Australia $'000	Other regions $'000	Total 2022 $'000
Engineering & Construction	Over time	128,360	-	128,360	73,073	-	73,073
Services	Over time	43,425	-	43,425	24,518	-	24,518
Fabrication & Construction	Over time	29,101	-	29,101	32,364	-	32,364
Total revenue		**200,886**	**-**	**200,886**	**129,955**	**-**	**129,955**

4. PROFIT BEFORE TAX FOR THE YEAR

	Note	2023 $'000	2022 $'000
Other income			
JobSaver/JobKeeper subsidy (Government grants)		-	744
Profit on sale of property, plant and equipment		-	26
Interest Income		132	-
Sale of scrap material and other		304	127
Total other income		**436**	**897**
Profit before income tax has been arrived at after (crediting)/charging the following expenses:			
Cost of sales		166,895	109,250
Loss on sale of Property, plant and equipment		116	-

The cost of sales above relates to labour, materials and subcontractor costs directly incurred in deriving revenue for the Group during the financial year.

	2023 $'000	2022 $'000
Depreciation expense		
Buildings	11	27
Plant, equipment and motor vehicles	1,607	1,364
Right-of-use-assets	1,236	656
Office furniture and other equipment	182	199
Total Depreciation expense	**3,036**	**2,246**
Finance costs		
Finance cost on lease liabilities	338	106
Other	59	-
Total finance costs	**397**	**106**
Employee benefits expense		
Post-employment benefits – defined contributions	4,741	2,114
Payroll tax expense	2,897	1,305
Workers compensation insurance	1,748	596
Employee Share Plan	684	218
Salary and wages (net of recharge to work-in-progress)	50,684	23,476
Total employee benefits expense	**60,754**	**27,709**

5. INCOME TAX

Income tax recognised in profit	2023 $'000	2022 $'000
Income tax expense comprises:		
Current income tax (benefit) / expense	5,356	2,693
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	(696)	135
Total income tax expense	**4,660**	**2,828**
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	14,151	9,379
Income tax at 30%	4,245	2,814
Non-temporary differences	415	14
Total income tax expense	**4,660**	**2,828**
Current tax liability	**(2,300)**	**(2,089)**

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

Deferred Tax Balances

The deferred tax expense above is itemised as follows:

	Opening balance $'000	(Charged)/ Credited to income $'000	Business Combination $'000	Closing balance $'000
2023				
Deferred tax assets				
Employee benefits	881	115	193	1,229
Provisions	708	261	-	969
Contract assets	1	2	-	3
Lease liabilities	218	63	-	281
Tax losses	79	-	-	79
Share issue costs	63	(63)	-	-
Accruals and other payables	281	329	8	618
Deferred tax assets	**2,231**	**747**	**201**	**3,179**
2023				
Deferred tax liabilities				
Property, plant and equipment	(2,020)	(17)	(2)	(2,039)
Right of use asset	(262)	(54)	-	(316)
Other	(21)	20	-	(1)
Deferred tax liabilities	**(2,303)**	**(51)**	**(2)**	**(2,356)**
Net deferred tax (liabilities) / assets	**(72)**	**696**	**199**	**823**

5. INCOME TAX (CONT.)

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

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6. TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Gross trade and other receivables	23,191	28,946
Credit loss allowance	(92)	-
Net trade and other receivables [1]	**23,099**	**28,946**

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 2023 and 30 June 2022 was determined as follows:

Provision matrix	2023 Australia	2023 Other regions	2022 Australia	2022 Other regions
Current	0.0%	0.0%	0.0%	0.0%
1 to 30 days	0.1%	0.0%	0.0%	0.0%
30 to 60 days	0.2%	0.0%	0.0%	0.0%
60 to 90 days	0.4%	0.0%	0.0%	0.0%
Over 90 days	6.6%	0.0%	0.0%	0.0%
Contract assets	0.0%	0.0%	0.0%	0.0%

	2023 Australia $'000	2023 Other regions $'000	2023 Total Group $'000	2022 Australia $'000	2022 Other regions $'000	2022 Total Group $'000
Receivables						
Current	16,466	441	16,907	25,038	319	25,357
1 to 30 days	4,323	-	4,323	2,304	-	2,304
30 to 60 days	434	-	434	148	-	148
60 to 90 days	246	-	246	768	-	768
Over 90 days	1,281	-	1,281	369	-	369
Gross trade and other receivables	**22,750**	**441**	**23,191**	**28,627**	**319**	**28,946**
Allowance based on historic credit losses	-	-	-	-	-	-
Adjustment for expected changes in credit risk [1]	(92)	-	(92)	-	-	-
Credit loss allowance	**(92)**	**-**	**(92)**	**-**	**-**	**-**
Net trade and other receivables [2]	**22,658**	**441**	**23,099**	**28,627**	**319**	**28,946**
Contract assets (Note 10)	**33,145**	**-**	**33,145**	**9,340**	**-**	**9,340**
Total receivables and contract assets	**55,803**	**441**	**56,244**	**37,967**	**319**	**38,286**

[1] Adjustment to reflect the lower credit risk and probability of default relating to customers that are over 90 days past due. [2] 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.

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.

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 2023 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 2021	3,400	1,150	15,659	1,117	21,326
Business acquisition	-	-	-	16	16
Additions	-	-	2,980	144	3,124
Disposals	-	-	(85)	-	(85)
Balance at 30 June 2022	**3,400**	**1,150**	**18,554**	**1,277**	**24,381**
Business acquisition	-	-	106	89	195
Additions	-	-	905	187	1,092
Disposals	-	-	(182)	(146)	(328)
Balance at 30 June 2023	**3,400**	**1,150**	**19,383**	**1,407**	**25,340**
Accumulated depreciation					
Balance at 1 July 2021	-	121	9,965	767	10,853
Reclassification to right-of-use assets	-	-	(67)	-	(67)
Disposals	-	-	(81)	-	(81)
Depreciation expense	-	27	1,364	199	1,590
Balance at 30 June 2022	**-**	**148**	**11,181**	**966**	**12,295**
Reclassification to right-of-use assets	-	-	-	-	-
Disposals	-	-	(147)	(103)	(250)
Depreciation expense	-	11	1,607	182	1,800
Balance at 30 June 2023	**-**	**159**	**12,641**	**1,045**	**13,845**
Net book value					
As at 30 June 2022	3,400	1,002	7,373	311	12,086
As at 30 June 2023	**3,400**	**991**	**6,742**	**362**	**11,495**

8. LEASES

The Group is lessee to numerous office leases, motor vehicle leases and construction equipment loans. All office leases have fixed annual rent increases. Motor vehicle leases and equipment loans do not have repayment increases, with instalments being fixed over the term of the lease. The average lease term for office leases is 3.9 years. The average lease term for motor vehicles and other equipment is 4.4 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.

Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income includes the following amounts relating to leases:

	2023 $'000	2022 $'000
Depreciation Charge for Right of Use Assets	1,236	656
Total Depreciation Charge for Right of Use Assets	**1,236**	**656**
Other cost relating to leases		
Interest expense on lease liabilities (included in Finance Costs)	338	106
Expenses relating to leases of low value assets	-	24
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	-	74
Total costs relating to leases	**338**	**204**

Amounts recognised in the Consolidated Statement of Financial Position includes the following amounts relating to leases:

	Property	Other	Total $'000
Right of use assets			
Gross amount			
Opening balance, 1 July 2021	1,342	2,172	3,514
Reallocation	-	-	-
Additions	73	1,790	1,863
Balance as at 30 June 2022	**1,415**	**3,962**	**5,377**
Additions	679	2,426	3,105
Disposal	-	(705)	(705)
Balance as at 30 June 2023	**2,094**	**5,683**	**7,777**
Accumulated depreciation			
Opening balance, 1 July 2021	378	602	980
Reallocation	188	(121)	67
Depreciation expense	294	362	656
Balance as at 30 June 2022	**860**	**843**	**1,703**
Disposals	-	(114)	(114)
Depreciation expense	398	838	1,236
Balance as at 30 June 2023	**1,258**	**1,567**	**2,825**
Net book value			
As at 30 June 2022	555	3,119	3,674
As at 30 June 2023	**837**	**4,116**	**4,952**

8. LEASES (CONT.)

Lease liabilities	2023 $'000	2022 $'000
Current	1,838	1,191
Non-Current	2,647	2,328
Total lease liabilities	**4,485**	**3,519**

Maturity analysis	2023 $'000	2022 $'000
Year 1	1,838	1,191
Year 2	1,185	1,005
Year 3	805	646
Year 4	521	416
Year 5	136	261
Onwards	-	-
Total lease liabilities	**4,485**	**3,519**

9. TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current		
Trade payables [1]	16,339	17,267
Other payables	1,148	1,731
Goods and services tax payable	120	1,960
Accruals	8,120	14,542
Total trade and other payables	**25,727**	**35,500**

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

Excellence: We commit to delivering excellence in everything we do

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Contract assets related to contracts	33,145	9,340
Contract liabilities relating to contracts	11,174	13,023

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.

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 $13.023 million (2022: $5.68 million). Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was nil (2022: nil). Partially satisfied performance obligations continue to incur revenue and costs in the period.

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 30 June 2023 and 30 June 2022 are set out below.

Revenue stream	2023 $'000	2022 $'000
Engineering & Construction	58,672	127,941
Services	78,868	17,981
Fabrication & Construction	21,601	46,973
Total work in hand	**159,141**	**192,895**

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

	2023 $'000	2022 $'000
Current		
Employee benefits	3,287	2,155
Warranty and maintenance provisions	3,600	2,272
Total current provisions	**6,887**	**4,427**
Non-current		
Employee benefits	809	782
Other provisions	-	57
Total Non-current provisions	**809**	**839**

12. ISSUED CAPITAL

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

Ordinary shares	2023 Number	2022 Number
Ordinary shares at beginning of financial year	105,895,210	103,990,067
Shares issued to vendors for acquisitions	1,331,091	-
Shares issued under Dividend Reinvestment Plan	-	112,880
Shares issued under Employee Share and Performance Rights Plans	1,445,496	1,654,588
Treasury shares vested during the year	358,026	622,703
Net Treasury shares issued during the year	-	(485,028)
Ordinary shares at end of financial year	**109,029,823**	**105,895,210**

Fully paid ordinary shares	2023 $'000	2022 $'000
Balance at beginning of financial year	22,482	20,687
Shares issued to vendors for acquisitions	1,400	-
Shares issued under Dividend Reinvestment Plan	-	93
Shares issued under Performance Rights Plan	496	436
Shares issued under Employee Share Plan	-	134
Net Treasury shares issued (lapsed) during the year	(274)	1,132
Balance at end of financial year	**24,104**	**22,482**

Treasury shares under employee share plan	2023 Number	2022 Number
Balance at beginning of financial year	2,207,950	2,345,625
Treasury shares vested during the year	(358,026)	(622,703)
Net Treasury shares issued during the year	-	485,028
Balance at end of financial year	**1,849,924**	**2,207,950**

Treasury shares under employee share plan	2023 $'000	2022 $'000
Balance at beginning of financial year	(1,806)	(674)
Net Treasury shares lapsed (issued) during the year	331	(1,132)
Balance at end of financial year	**(1.475)**	**(1,806)**

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 right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

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

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

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

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

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

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

Tranche 13: During the current financial year 185,000 shares vested and 90,000 shares were forfeited.

Tranche 14: During the current financial year 100,000 shares were forfeited.

Tranche 15: During the current financial year 120,000 shares were forfeited.

Tranche 16: During the current financial year 10,000 shares were forfeited.

Tranche 17: During the current financial year 114,015 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-Merton 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

Details of the fair value assumptions used are as follows:

	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 15	Tranche 16	Tranche 17
Grant Date	Jan 2016	Feb 2016	Feb 2017	Oct 2017	Feb 2018	Feb 2019	Feb 2020	Feb 2021	Aug 2021	Feb 2022
Grant Price	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38	$0.69	$0.80	$1.02
Opening Volume	400,000	65,000	145,000	95,000	180,000	275,000	397,500	557,500	235,000	485,428
New grants	-	-	-	-	-	-	-	-	-	-
Exercised	(400,000)	(65,000)	(145,000)	(95,000)	(165,000)	(185,000)				
Forfeitures	-	-	-	-	(15,000)	(90,000)	(100,000)	(120,000)	(10,000)	(114,015)
Closing Volume	-	-	-	-	-	-	297,500	437,500	225,000	371,413
Exercise Price	$0.58	$0.58	$0.58	$0.50	$0.59	$0.33	$0.38	$0.69	$0.80	$1.02
Expected Volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Option Life	6 years	6 years	5 years	5 years	4 years	4 years	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	2.05%	1.72%	2.00%	2.75%	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
Grant date fair value	$0.22	$0.21	$0.22	$0.19	$0.23	$0.12	$0.15	$0.27	$0.31	$0.39

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

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.

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	1,950,428	0.67	2,255,000	0.53
Granted during the year	-	-	720,428	0.95
Forfeited during the year	(434,015)	0.63	(155,000)	0.48
Exercised during the year	(185,000)	0.33	(870,000)	0.57
Balance at end of year	1,331,413	0.73	1,950,428	0.67
Exercisable at end of year	-	-	-	-

Performance Rights Plan

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

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

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

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

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

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

12. ISSUED CAPITAL (CONT.)

The Managing Director & Chief Executive Officer 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 unvested Performance Rights issued under the plan at the beginning of the financial year was 2,937,094. During the financial year, 1,445,496 rights vested, 318,842 rights were forfeited, 51,652 rights lapsed and 625,770 new rights were granted.

Details of the fair value assumptions used are as follows:

	Tranche 15	Tranche 16	Tranche 17	Tranche 18	Tranche 19	Tranche 20	Tranche 21	Tranche 22	Tranche 23	Tranche 24
Grant Date	1 Sept 2019	1 Sept 2019	1 Sept 2020	1 Sept 2020	1 Sept 2021	1 Sept 2021	1 Sept 2022	1 Sept 2022	9 Jan 2023	13 Mar 2023
Grant Price	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Opening Volume	748,574	748,574	374,373	374,373	345,600	345,600	-	-	-	-
New grants	-	-	5,605	5,605	12,434	12,434	250,093	250,093	44,506	45,000
Lapsed	(51,652)	-	-	-	-	-	-	-	-	-
Forfeited	-	-	(88,744)	(88,744)	(70,677)	(70,677)	-	-	-	-
Vested	(696,922)	(748,574)	-	-	-	-	-	-	-	-
Closing Volume	-	-	291,234	291,234	287,357	287,357	250,093	250,093	44,506	45,000
Exercise Price	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expected Volatility	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%	26.87%
Option Life	0 years	0 years	0.17 years	0.17 years	1.18 years	1.18 years	2.18 years	2.18 years	0.19 years	0.21 years
Dividend value	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06
Risk Free Interest Rate	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%	1.93%
Grant date fair value	$0.29	$0.29	$0.52	$0.52	$0.70	$0.70	$0.92	$0.92	$1.09	$1.15

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date and number of options granted were outstanding at the end of the year. The weighted average exercise price of the Performance Rights is $0.00 per right and the share price on grant date was $0.29 per share for tranches 15 and 16, $0.52 per share for tranches 17 and 18, $0.70 per share for tranches 19 and 20, $0.92 per share for tranches 21 and 22, $1.09 per share for tranche 23 and $1.15 per share for tranche 24.

Remaining period refers to the remaining contractual life of the Performance Rights prior to their expiry. Tranche 15 and 16 expired during the current year and therefore, these tranches have nil remaining period at the end of the year. As at year end, tranches 17 and 18 have 0.17 year, tranches 19 and 20 have 1.17 years, tranches 21 and 22 have 2.18 years, tranche 23 has 0.19 years and tranche 24 has 0.21 years contractual life remaining prior to their expiry. The Performance Rights outstanding at the end of the year has a weighted average remaining contractual life of 1.08 years.

13. RETAINED EARNINGS

	2023 $'000	2022 $'000
Balance at beginning of financial year	10,965	7,358
Profit after tax for the year	9,491	6,551
Dividends provided for or paid	(4,382)	(2,944)
Balance at end of financial year	**16,074**	**10,965**

14. EARNINGS PER SHARE

	2023 Cents per share	2022 Cents per share
Basic earnings/(losses) per share	8.84	6.24
Diluted earnings/(losses) per share	**8.71**	**6.07**

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

	2023 $'000	2022 $'000
Net profit/(loss)	9,491	6,551
Earnings used in the calculation of basic and diluted EPS	**9,491**	**6,551**
	2023 No.'000	**2022 No.'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	107,329	104,955
Diluted earnings per share		
Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS	107,329	104,955
Shares deemed to be issued for no consideration in respect of employee options and performance rights [1]	1,694	2,955
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**109,023**	**107,910**

[1] During the year ended 30 June 2023 a portion of the potential ordinary shares associated with the employee share option plan as set out in Note 12 are dilutive and therefore included in 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.

Innovation: We continually challenge ourselves to create innovative solutions for our customers

15. DIVIDENDS

	2023		2022	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend (prior year) Fully franked at a 30% tax rate	2.00	2,191	1.75	1,863
Interim dividend (current year) Fully franked at a 30% tax rate	2.00	2,191	1.00	1,081
	4.00	4,382	2.75	2,944
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend (current year):	2.00	2,218	2.00	2,162

The Board declared on 28 August 2023 that there will be a final dividend payable of 1.00 cents per share fully franked and special dividend of 1.00 cents per share fully franked (2022 1.00 cents final dividend and 1.00 cents special dividend). Both dividends will be payable on 16 October 2023 with the record date for determining dividends on 18 September 2023.

	2023 $'000	2022 $'000
Adjusted franking account balance	7,020	3,098

16. SEGMENT INFORMATION

The Group operates in one reporting segment being the provision of design, construction, fabrication, shutdown, maintenance and industrial automation services to leading organisations of steel storage tanks and concrete bridges.

In the current period 3 customers made up 58% of the revenue earned (2022: 3 customers made up 53% of the revenue earned). These customers accounted for $115,791 million of the Groups' total revenue (2022: $69,220 million).

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

18. NOTES TO THE STATEMENT OF CASH FLOWS

	2023 $'000	2022 $'000
(a) Cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	12,833	36,746
(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities		
Profit for the year	9,491	6,551
Share-based payments expense	684	218
Depreciation	3,036	2,246
Loss (gain) on disposal of non-current assets	116	(26)
Unrealised foreign exchange loss	(2)	(95)
(Increase)/decrease in assets:		
Current tax liability	351	1,565
Deferred tax assets	(623)	63
Deferred tax liabilities	(73)	72
Trade and other receivables	7,260	(18,687)
Contract assets	(23,805)	(6,466)
Inventories	53	(26)
Other assets	(4)	(41)
Increase/(decrease) in liabilities:		
Trade and other payables	(10,519)	24,806
Contract liabilities	(1,849)	7,340
Provisions	1,788	2,243
Net cash (outflow) / inflow from operating activities	**(14,096)**	**19,763**
(c) Financing facilities		
The Group's principal financing facilities for the provision of bank guarantees and bonding as described in Note 19 is secured by a fixed and floating charge over the assets of the Group.		
Amount used	25,698	18,551
Amount unused	14,302	11,449
	40,000	**30,000**

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 $30 million to $40 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 2022 $'000	Financing Cash Flows[1] $'000	Non -Cash Movement in Finance Leases $'000	Balance at 30 June 2023 $'000
Lease liabilities	3,519	(2,113)	3,079	4,485

[1] 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.

(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 and insurance bonds

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

Capital risk management

The Group's capital structure currently consists of equity and retained earnings. The only external long-term debt or short-term debt relates to lease liabilities. The operating cash flows of the Group are used to finance short-term capital expenditure. The Group's capital risk management is continuously reviewed and adjusted based on surplus cash available for investment.

Categories of financial instruments

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	12,833	36,746
Accounts receivables	23,099	28,946
Total financial assets	**35,932**	**65,692**
Financial liabilities		
Trade and other payables	17,487	18,998
Lease Liabilities	4,485	3,519
Total financial liabilities	**21,972**	**22,517**

Obligations under finance leases

Leasing arrangements

The Group leases certain of its construction equipment under finance leases. The average lease term is 4.3 years. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Financial risk management objectives

The Group's exposure to market risk mainly arising from interest rate risk (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 table details 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.

19. FINANCIAL INSTRUMENTS (CONT.)

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 5 years $'000	Total $'000
2023					
Financial assets					
Cash and cash equivalents	0.51%	12,833	-	-	12,833
Trade receivables	0.00%	16,815	5,003	1,281	23,099
Financial liabilities					
Trade payables and other payables	0.00%	5,936	11,333	218	17,487
Lease liabilities	6.76%	158	321	4,006	4,485
2022					
Financial assets					
Cash and cash equivalents	0.54%	36,746	-	-	36,746
Trade receivables	0.00%	27,661	916	369	28,946
Financial liabilities					
Trade payables and other payables	0.00%	4,668	12,947	1,383	18,998
Lease liabilities	5.0%	100	201	3,218	3,519

Interest rate sensitivity analysis

The sensitivity analysis 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 $61 thousand (2022: $163 thousand).

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 2023, 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 2023, the Group had A$77 thousand (2022: $688 thousand) 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 $4 thousand (2022: $34 thousand).

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.

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

20. INTANGIBLE ASSETS

Goodwill	2023 $'000	2022 $'000
Balance at beginning of financial year	321	-
Additions through business combinations		
- PlantWeave Technologies	-	321
- Automation IT	3,657	-
Balance at end of financial year	**3,978**	**321**

On 30 July 2021, the Group acquired PlantWeave Technologies (PlantWeave), a specialist in industrial process automation and electrical solutions. The purchase was made with the Group's cash reserves and resulted in recognition of intangible assets of $321 thousands. The nature of this amount is Goodwill arising from the acquisition of PlantWeave Technologies. Refer to Note 21 for details of the acquisition of Automation IT Pty Limited, effective from 1 April 2023, and detailed calculation of goodwill recognised in relation to the acquisition.

Goodwill acquired through business combinations is allocated to the lowest level within the entity at which the goodwill is monitored, being the two cash generating units (or 'CGU's) – PlantWeave and Automation IT. The assessment of goodwill recoverable amounts was determined based on value-in-use calculations using cash flow projections, which are based on approved strategic plans or forecasts, and discounted to their present value. Based on the assessment as at 30 June 2023, no impairment of goodwill was identified in any of the Group's CGU's.

21. ACQUISITION OF SUBSIDIARIES

Automation IT Pty Limited

Saunders announced the acquisition of Automation IT Pty Limited (AIT) on 9 May 2023. Under the terms of the Share Purchase Agreement (SPA), 100% of the issued share capital and control of AIT was effectively acquired on 1 April 2023. AIT is a specialist automation and control systems engineering business operating in the energy, water, defence and mining industries. It qualifies as a business as defined in AASB3 Business Combinations. It was acquired to further expand and diversify Saunders capabilities across industrial automation and technology solutions following the 2021 acquisition of Saunders PlantWeave (formerly PlantWeave Technologies). The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	2023 $'000
Financial assets	1,798
Property, plant and equipment	195
Financial liabilities	(1,449)
Deferred tax assets / (liabilities)	199
Total identified assets acquired and liabilities assumed	743
Goodwill	3,657
Total Consideration[1]	**4,400**
Satisfied by:	
Cash	3,000
Equity	1,400
Total consideration transferred[1]	**4,400**
Net cash outflow arising on acquisition:	
Cash consideration	3,000
Less: cash and cash equivalent balances acquired	(246)
	2,754

[1] There remains an element of deferred cash payments which may or may not be payable based on the Earn-Out consideration conditions within the SPA. Under the terms of the SPA, the final instalment will be a maximum of $1.10 million based on 4.00x AIT's Earnings Before Interest and Tax ('EBIT') for the year ending 30 June 2024. If the earn-out consideration conditions are achieved, it will be payable in cash ($0.825m) and equity ($0.275m). Based on the total maximum price of $5.50 million, the consideration will be cash (70%) and equity (30%).

22. 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

	2023 $	2022 $
Short-term employee benefits	1,794,800	1,481,281
Post-employment benefits	83,997	71,227
Share-based payments	156,117	146,232
Total remuneration of directors and key management personnel	**2,034,914**	**1,698,740**

The names of and positions held by the key management are set out in the Remuneration Report on page 42. 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 in the Remuneration Report on page 42.

23. 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 2023	2022
Saunders Civilbuild Pty Ltd	Bridge construction and maintenance	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Real property investments	Australia	100%	100%
Saunders Asset Services Pty Ltd	Maintenance	Australia	100%	100%
Saunders PNG Limited	Tank construction and maintenance	PNG	100%	100%
Saunders PlantWeave Pty Ltd	Industrial automation	Australia	100%	100%
Saunders International (NZ) Ltd	Tank construction and maintenance	New Zealand	100%[1]	-
Automation IT Pty Ltd	Industrial automation	Australia	100%[2]	-

[1] Saunders International (NZ) Ltd was incorporated on 1 June 2023 [2] Saunders acquired Automation IT Pty Ltd with effect from 1 April 2023.

24. 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	2023 $'000	2022 $'000
Assets		
Current assets	53,122	58,355
Non-current assets	25,655	17,473
Total assets	**78,777**	**75,828**
Liabilities		
Current liabilities	37,251	42,644
Non-current liabilities	1,291	1,563
Total liabilities	**38,542**	**44,207**
Total Net Assets	**40,235**	**31,621**
Equity		
Issued capital	24,104	22,482
Shares buy-back reserve under employee share plan	(1,475)	(1,806)
Share based payments reserve	572	384
Retained earnings	17,034	10,561
Total equity	**40,235**	**31,621**

Financial Performance	2023 $'000	2022 $'000
Profit for the year	10,845	7,640
Other comprehensive income	-	-
Total comprehensive income	**10,845**	**7,640**

The parent entity has no capital commitments.

25. REMUNERATION OF AUDITOR

	2023 $	2022 $
Audit or review of the financial report	317,507	185,000
Other services	-	4,075
Total Auditor's remuneration	**317,507**	**189,075**

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

26. SUBSEQUENT EVENTS

Subsequent to year end, management are continuing to finalise the contract with our client in relation to Project Caymus in Darwin, NT.

Other than the above, there have been no other matters or circumstances occurring subsequent to the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

27. ADDITIONAL COMPANY INFORMATION

General Information

Saunders International Limited is incorporated and operating in Australia.

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

Registered office	Principal place of business
Suite 2.04, Level 2 Building F Rhodes Corporate Park, 1 Homebush Bay Drive Tel: (02) 9792 2444	Suite 2.04, Level 2 Building F Rhodes Corporate Park, 1 Homebush Bay Drive Tel: (02) 9792 2444

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

Corporate Governance

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

Corporate Governance

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

THE BOARD CHARTER

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

BOARD COMMITTEES AND THEIR CHARTERS

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

POLICIES AND CODES OF CONDUCT

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

CORPORATE GOVERNANCE STATEMENT AND APPENDIX 4G

The Company reports on an annual basis, its compliance and/or reasons for non-compliance with the fourth edition of the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement and the Appendix 4G have been released on the ASX The Corporate Governance Statement and the Appendix 4G have been released on the ASX Announcements platform and are on the Company's website. Further information on the above Charters Policies and Codes can be found on the Company's website **www.saundersint.com/investors/corporate-governance/.**

Shareholder Information

ORDINARY SHARE CAPITAL

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

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders	NO. OF SHARES	PERCENTAGE
NAOS Asset Management	26,431,554	24.57%
Mr Desmond Bryant	24,316,811	22.58%
Anacacia Pty Ltd (Wattle Fund)	12,369,453	11.49%
Mr Timothy Burnett	11,686,311	10.85%

Distribution of shares		
1 to 1,000		106
1,001 to 5,000		148
5,001 to 10,000		76
10,001 to 100,000		194
100,001 and Over		47
Total		**571**

Twenty largest registered holders name	NO. OF SHARES	PERCENTAGE
National Nominees Limited	28,763,860	26.71%
Mr Desmond Bryant	13,322,343	12.37%
Anacacia Pty Ltd	12,369,453	11.49%
Debry Pty Ltd	8,677,667	8.06%
Tivolico Pty Ltd	6,878,987	6.39%
Marlot Pty Ltd	4,807,324	4.46%
Mr John Power	3,401,453	3.16%
Benson Family Holdings P/L	2,918,286	2.71%
Effjay Holdings Pty Limited	2,316,801	2.15%
Citicorp Nominees Pty Limited	1,780,464	1.65%
R & B Invest Pty Ltd	1,700,000	1.58%
Pacbay Pty Ltd	1,699,289	1.58%
Sagimo Holdings Pty Ltd	1,301,208	1.21%
Mrs Karyn May Mcclelland	1,229,012	1.14%
Donald Cant Pty Ltd	1,057,931	0.98%
Parmelia Pty Ltd	755,969	0.70%
Mr Robert Graburn Patterson	553,530	0.51%
Woodscenic Pty Ltd	437,970	0.41%
Flagstaff Superannuation Pty Ltd	419,134	0.39%
Mr Ronald Mcphail	400,000	0.37%
Total	**94,790,681**	**88.01%**

Board of Directors information and profiles

NICK YATES
CHAIRMAN

Nick has over 35 years of experience in engineering services and construction. He has held several CEO and Board positions in both listed and private companies, including Chief Executive, Infrastructure ANZ at Transfield Services, followed by Chief Executive Officer and now Chairman of ASX-listed BSA Limited.

Nick was appointed to the Saunders Board in September 2020 and has since served as a Non-Executive Director and a member of the Remuneration Committee and Audit and Risk Committee. He was appointed Chairman on 1 July 2023.

MARK BENSON
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

With an executive career spanning 30 years, Mark is a seasoned leader in the engineering and construction industry.

Prior to joining Saunders, Mark served as the General Manager of RCR Energy, a division of ASX-listed RCR Tomlinson. He also held senior executive positions with RICO, HIS Engineering, VRBT Group and major utility alliances including AGL, Origin, and NRG.

Mark was appointed as Managing Director and Chief executive Officer, and a Director of the Saunders Board in 2015.

TIMOTHY BURNETT
NON-EXECUTIVE DIRECTOR

Timothy brings to the board over 50 years of experience in managing engineering and construction projects and companies, including 15 years as Managing Director of Saunders.

Before joining Saunders, he held a senior management position with Brown & Root Inc for nine years, overseeing the construction of marine oil and gas facilities across Europe, Asia, and Australia.

Timothy has been a Director on the Saunders Board since 1990, serving as Chairman for 16 years. He transitioned from this role in July 2023 as part of the ongoing board renewal process and continues to serve as a Non-Executive Director of the Board.

He is a member of the Audit and Risk Committee and the Remuneration Committee.

GREG FLETCHER
NON-EXECUTIVE DIRECTOR

Greg is a company director who retired from the Deloitte partnership in 2009 to pursue board roles.

He currently holds the position of Co-Vice Chairman at Yancoal Australia Limited and serves as Chairman of the NSW Electoral Commission and NSW eHealth / HealthShare Audit & Risk Committees. Additionally, he is a member of the NSW Police Force and the NSW Health Infrastructure Audit & Risk Committees.

Greg has been a Director on the Saunders Board since July 2015 and is Chairman of the Audit and Risk Committee and member of the Remuneration Committee.

BRENDAN YORK
NON-EXECUTIVE DIRECTOR

Brendan is an experienced executive and director. He is currently a Portfolio Manager with NAOS Asset Management Ltd (NAOS), a substantial and significant shareholder in Saunders. Brendan has over 19 years of finance, accounting, and M&A experience.

He currently serves as a Non-Executive Director for the following ASX-listed companies: Big River Industries Limited (BRI), BSA Limited (BSA), BTC Health Limited (BTC), and Wingara AG Limited (WNR).

Brendan joined the Saunders Board in July 2023. He is the Chair of Saunders' Remuneration Committee and a member of the Audit and Risk Committee.

BRETT GREGORY
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Brett is an accomplished financial leader and was permanently appointed Saunders' Chief Financial Officer and Company Secretary in August 2023. This follows his initial interim engagement as interim Chief Financial Officer from 9 January 2023 and his appointment as Company Secretary from 28 February 2023.

Prior to joining Saunders, Brett spent 18 years at Lendlease in various Executive and General Manager roles in Finance, including five years as the Chief Financial Officer for Lendlease's Australian Construction business.

Corporate Directory

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Charlestown NSW 2290

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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 St
Hohola National Capital District
Papua New Guinea

Saunders International (NZ) Limited
NZBN 9429051370466
Level 2, 142 Broadway
Newmarket Auckland NZ 1023

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

Lot 4740, 2 Cochrane Rd
East Arm NT 0822

Unit 2 / 100 Champion Rd
Newport VIC 3015

Automation IT
ABN 92 093 758 564

Unit 7, Springwood Business Centre
Cnr. Murrajong Rd & Pacific Hwy
Springwood QLD 4127
Phone (07) 3299 3844

Unit A2, Airport Park
20 Tarlton Cr
Perth WA 6105
(08) 6102 3144

Board of Directors
Nick Yates - Chairman
Mark Benson - Managing Director and Chief Executive Officer
Timothy Burnett - Non-Executive Director
Greg Fletcher - Non-Executive Director
Brendan York - Non-Executive Director
Brett Gregory - Company Secretary

Auditors
Deloitte Touche Tohmatsu
Eclipse Tower
Level 19 60 Station St
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 St
Sydney NSW 2000
Phone (02) 8280 7111

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

Website
www.saundersint.com

Saunders International Limited

For the Financial Year ended 30 June 2023
ABN 14 050 287 431

Saundersint.com
@saunders-international-limited