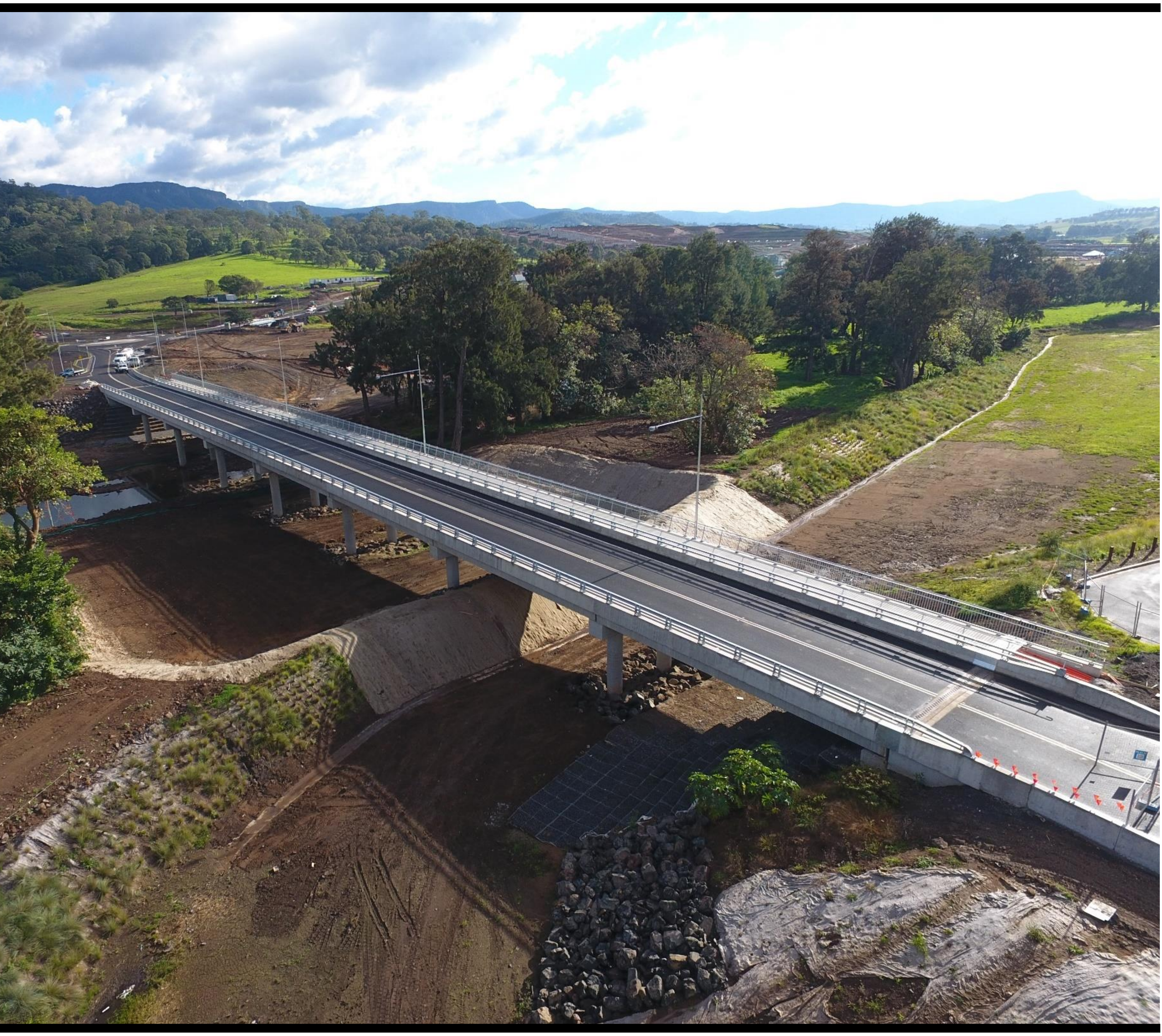

Saunders International Limited
ABN 14 050 287 431

APPENDIX 4D

Half Year Report
27th February 2019

ASX Appendix 4D

Half Year Result for announcements to the market

Saunders International Limited – ABN 14 050 287 431

1. REPORTING PERIOD

Financial half year ended ('current period'	**Financial half year ended ('previous corresponding period')**
31 December 2018	31 December 2017

2. RESULTS FOR ANNOUNCMENT TO THE MARKET

Key Information	**December 2018 $'000**	**December 2017 $'000**	**Change $'000**	**Change %**
Revenue from Ordinary activities	28,086	42,683	(14,597)	(34.20%)
Net (Loss)/Profit after Tax	(144)	1,019	(1,163)	(114.13%)
Net (Loss)/Profit After Tax Attributable to Members	(144)	1,019	(1,163)	(114.13%)

A description of the figures reported above is contained in the attached Saunders International Ltd HY19 Financial Report.

3. DIVIDENDS

Dividend	**Period**	**Payment Date**	**Amount per security cents**	**Franked amount per security at 30% tax**
Interim Dividend	31 December 2018	N/A	-	-
Final Dividend	30 June 2018	N/A	-	-
Interim Dividend	31 December 2017	12 April 2018	1.0	30%

4. NET TANGIBLE ASSETS BACKING

Net Tangible Assets per share	**Current Period cents**	**30 June 2018 cents**	**Previous Corresponding period cents**
Net Tangible Assets per share	$0.20	$0.21	$0.27

This Half Year Report should be read in conjunction with the Annual Report of Saunders International Limited as at 30 June 2018 together with any public announcements made by Saunders International Limited during the half year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

5. REVIEW STATUS

The HY19 results are based on accounts which have been subject to a review by Deloitte Touche Tohmatsu and the Auditors' Review Reports contains no qualifications.

6. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

No material control over any entity was gained or lost during the six months ended 31 December 2018.

SAUNDERS

INTERNATIONAL

ABN 14 050 287 431

INTERIM CONSOLIDATED FINANCIAL REPORT

for the half-year ended

31 December 2018

Contents

DIRECTORS' REPORT

The directors of Saunders International Limited submit herewith the half-year financial report for the six months ended 31 December 2018.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names and particulars of the directors of the Company during or since the end of the half-year are:

- Timothy Burnett
- Mark Benson
- Malcolm McComas
- Gregory Fletcher

REVIEW OF OPERATIONS

During the financial year, the principal activities of Saunders were the design, fabrication, construction and maintenance of bulk liquid storage facilities, tanks and road and rail bridges. The Group also manufactures precast concrete products for transport infrastructure projects and provides a range of specialised services for the maintenance of commercial, industrial and marine infrastructure and assets.

The net (loss)/profit after tax was ($0.14) million which was (114.1%) lower than the previous corresponding period (FY2018 H1: $1.02 million). Earnings per share for the period were 0.00 cents (FY2018 H1: 1.07 cents).

The half-year revenue was $28.09 million which was (34.2%) lower than the previous corresponding period (FY2018 H1: $42.68 million).

The result has been impacted by further client delays and disruption leading to additional costs on a loss-making maintenance project in NSW. The project works are now complete, and the site is demobilised.

The financial position as at 31 December 2018 remains strong with a cash balance of $12.67 million or 12 cents per share, no interest-bearing debt and net assets of $22.72 million ($23.49 million FY2018). The cash inflow from operating activities was $0.48 million.

DIVIDEND

The Board has declared that due to the financial performance there will not be an interim dividend payable for HY 2019 (1.0 cents for HY 2018).

OUTLOOK

Saunders secured $9 million in infrastructure projects and a further $2 million in maintenance projects and the current order book is up to approximately $46 million as at February 2019. The value of live tenders is approximately $201 million and the pipeline (yet to be tendered) is approximately $224 million.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Report Instrument 2016/191*, dated 24 March 2016, and in accordance with the Corporations Instrument amount in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001.*

On behalf of the directors

Mark Benson	Timothy Burnett
Managing Director	Chairman

Sydney
27 February 2019

Deloitte.

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

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The Board of Directors
Saunders International Limited
271 Edgar Street,
Condell Park NSW 2200

27 February 2019

Dear Board Members

Saunders International Limited

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

As lead audit partner for the review of the financial statements of Saunders International Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Balban
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SAUNDERS INTERNATIONAL LIMITED

We have reviewed the accompanying half-year financial report of Saunders International Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 25.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Saunders International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Saunders International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Saunders International Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

NBalban

Nathan Balban
Partner
Chartered Accountants
Parramatta, 27 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Continuing Operations			
Revenue	2	28,086	42,683
Other income	3	97	61
Materials and third-party costs charged to projects		(14,887)	(25,863)
Employee benefits expense		(11,137)	(11,693)
Depreciation expense	3	(546)	(529)
Motor vehicle expenses		(136)	(174)
Occupancy and operating lease expense		(435)	(563)
Other expenses		(1,189)	(2,564)
(Loss)/Profit before tax	3	(147)	1,358
Income tax benefit/(expense)	4	3	(339)
(Loss)/Profit for the period		(144)	1,019
Other comprehensive income		-	-
Total comprehensive income for the period		(144)	1,019
Attributable to:			
Equity holders of the parent		(144)	1,019
Earnings per share			
Basic (cents per share)	12	0.00 cents	1.07 cents
Diluted (cents per share)	12	0.00 cents	1.07 cents

Notes to the financial statements are included on pages 12 to 24

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
Current Assets			
Cash and cash equivalents		12,667	12,377
Trade and other receivables		5,437	6,590
Contract Assets	2(b)	363	3,540
Inventories		252	277
Current tax asset		-	241
Other		-	108
Total Current Assets		18,719	23,133
Non-Current Assets			
Property, plant and equipment		10,299	10,166
Deferred tax assets		2,213	1,855
Total Non-Current Assets		12,512	12,021
Total Assets		31,231	35,154
Current Liabilities			
Trade and other payables		4,557	7,147
Provisions	13	3,156	3,515
Borrowings		84	90
Current tax liability		235	-
Other		63	-
Total Current Liabilities		8,095	10,752
Non-Current Liabilities			
Provisions		120	585
Borrowings		293	327
Total Non-Current Liabilities		413	912
Total Liabilities		8,508	11,664
Net Assets		22,723	23,490
Equity			
Issued capital	11	19,652	19,652
Shares issued under employee share plan	12	(351)	(351)
Share based payments reserve	12	690	623
Retained earnings		2,732	3,566
Total Equity		22,723	23,490

Notes to the financial statements are included on pages 12 to 24

CONDENSED COLSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Treasury Shares issued under employee share plan	Share Based Payments Reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2017	11,588	(351)	460	8,322	20,019
Profit for the period	-	-	-	1,019	1,019
Dividend paid	-	-	-	(872)	(872)
Rights & share issues net of costs and income tax expense	8,076	-	-	-	8,076
Share based payments expense	-	-	99	-	99
Balance at 31 December 2017	19,664	(351)	559	8,469	28,341
Balance at 30 June 2018 (as previously reported	19,652	(351)	623	3,566	23,490
Adjustments (refer Note 2b)	-	-	-	(690)	(690)
Balance at 30 June 2018 (restated)	19,652	(351)	623	2,876	22,800
(Loss)/Profit for the period	-	-	-	(144)	(144)
Dividend paid	-	-	-	-	-
Rights & share issues net of costs and income tax expense	-	-	-	-	-
Share based payments expense	-	-	67	-	67
Balance at 31 December 2018	19,652	(351)	690	2,732	22,723

Notes to the financial statements are included on pages 12 to 24

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities		
Receipts from customers	34,078	46,028
Payments to suppliers and employees	(34,086)	(46,677)
Interest received	62	53
Income taxes refunded / (paid)	424	(163)
Net cash generated by / (used in) operating activities	478	(759)
Cash flows from investing activities		
Payments for property, plant and equipment	(240)	(436)
Purchase of investments	19	(2,793)
Net cash used in investing activities	(221)	(3,229)
Cash flows from financing activities		
Dividends paid (net of Dividend Reinvestment Plan)	-	(872)
Proceeds from issue of shares	-	8,447
Capital raise costs	-	(530)
Other / Proceeds from borrowings	-	65
Payments relating to finance leases	(19)	-
Net cash (used in) / generated by financing activities	(19)	7,110
Net increase / (decrease) in cash and cash equivalents	238	3,122
Effect of exchange rate changes on cash	52	-
Cash and cash equivalents at the beginning of the financial period	12,377	10,942
Cash and cash equivalents at the end of the financial period	12,667	14,064

Notes to the financial statements are included on pages 12 to 24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

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

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period, refer Note 2(a) and 2(b).

Accounting Standard in issue but not yet effective

At the date of authorisation of the financial statements, certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been applied to Saunders International within this financial report.

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

As at the reporting date, the Group has non-cancellable operating lease commitments of $0.2 million.

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

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

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight-line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;

- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Accounting Standard in issue but not yet effective (continued)

- interest expense will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a leases life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and

- repayment of the principal portion of all lease liabilities will be classified as financing activities.

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

2. SUMMARY OF ACCOUNTING POLICIES

(a) AASB 9 *Financial Instruments*

In the current year, the Group has applied AASB 9 *Financial Instruments* which has come into effect from 1 July 2018. Details of the new requirements of AASB 9 as well as their impact on the Group's consolidated financial statements are described below.

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. Saunders International has applied the standard from 1 July 2018.

AASB 9 changes the classification of complex financial instruments, calculation of impairment losses in financial assets, and hedge accounting.

Saunders International has no complex financial instruments and does not apply hedge accounting. As a result, these changes have not impacted the Group.

The calculation of impairment losses impacts the way Saunders International calculates the bad debts provision, now termed the credit loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) AASB 9 *Financial Instruments*

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 31 December 2018 was determined as follows:

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

	Australia $'000	PNG $'000	Total Group $'000
Receivables			
1 to 30 days	3,081	-	3,081
30 to 60 days	654	-	654
60 to 90 days	302	291	593
Over 90 days	934	175	1,109
Total receivables	**4,971**	**466**	**5,437**
Contract assets	219	144	363
Allowance based on historic credit losses	6	-	
Adjustment for expected changes in credit risk [1]	-	-	
Credit loss allowance	**6**	**-**	

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

As the calculated credit loss allowance is not deemed to be material, the Group has not recognised this amount in the half-year financial statements.

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.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes to the amounts previously reported.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) AASB 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* which has come into effect from 1 July 2018. Details of the new requirements of AASB 15 as well as their impact on the Group's consolidated financial statements are described below.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

Significant judgements and estimates are used in determining the impact of AASB 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project productivity.

Impact on application

The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of equity and comparative figures therefore not restated. The adjustment has arisen from:

- the higher recognition thresholds for variable consideration under AASB 15 requiring a reduction in previously recognised contract value; and
- the change in the accounting treatment of capitalised tender costs.

The opening equity adjustment due to the application of the higher thresholds is analysed by financial statement line item below.

The impact of applying AASB 15 on opening retained earnings was $690,000 (after tax).

Impact on assets, liabilities and equity at 1 July 2018:

	As reported at 30 June 2018 ($'000)	AASB 15 Transition adjustments ($'000)	Opening balance 1 July 2018 ($'000)
Contract assets (previously Amounts recoverable from contracts)	3,540	(986)	2,554
Deferred tax assets	1,855	296	2,151
Total assets impact	-	(690)	-
Retained earnings	3,566	(690)	2,876
Total equity impact	-	(690)	-

The impact of applying AASB 15 on the current year balances are:

- An increase to Revenue and Contract assets of $883,000 in relation to the change to variable consideration;
- A decrease to Employee benefits expense and Other assets of $103,000 in relation to the change to capitalised tender costs; and
- An increase to Deferred tax assets and Income tax benefits of $296,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) AASB 15 *Revenue from Contracts with Customers (continued)*

Saunders International is an engineering construction company that is engaged in the design, construction and maintenance of bulk storage facilities, tanks and road and rail bridges. The Group also fabricates precast concrete products for transport infrastructure projects and provides a range of specialised services for the maintenance of commercial, industrial and marine infrastructure and assets.

From these activities, Saunders International generates the following streams of revenue:

- Engineering & Construction
- Services
- Fabrication & Construction

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience may be governed by a single legal contract with the customer.

Under AABS 15, revenue recognition for each of the above is as follows:

Revenue stream	Performance obligation	Timing of recognition
Engineering and Construction Revenue	1. The design and provision of plans for the construction of tanks. 2. The construction, site establishment, erection, commissioning and testing of tanks.	1. Over the time of the design being created. 2. Over the time of the contract with the customer.
Services Revenue	1. The maintenance, repair, rectification and minor capital works, of tanks and bridges.	1. Over the time of the contract with the customer.
Fabrication and Construction Revenue	1. The design and provision of plans for the construction of bridges. 2. The fabrication, construction, site establishment, erection, commissioning and testing of bridges.	1. Over the time of the design being created. 2. Over the time of the contract with the customer.

Contracts where revenue is recognised over time is based on the actual progress of the construction provided over time to the end of the reporting period. This is determined using the input cost method by considering the percentage completed of the project in relation to the costs incurred over total expected costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) AASB 15 *Revenue from Contracts with Customers (continued)*

During the half year, revenue by geographical segment is summarised below:

Revenue stream	Revenue recognition	Australia $'000	PNG $'000	Total $'000
Engineering & Construction	Over time	5,960	**1,531**	7,491
Services	Over time	11,716	**-**	11,716
Fabrication & Construction	Over time	8,879	**-**	8,879
Total revenue		**26,555**	**1,531**	**28,086**
Contract assets		219	**144**	363
Contract liabilities		-	**-**	-

3. ACCOUNTING POLICIES APPLIED FROM 1 JULY 2018

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 30 June 2018, except for the following amended policies for the new accounting standards effective 1 July 2018 outlined in Note 2(a) and (b). The Group has elected not to restate comparative information and as a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies outlined in the Group's 2018 Annual Report.

Revenue

Revenue was previously recognised when it is probable that work performed will result in revenue whereas under the new standard, revenue is recognised when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer.

Engineering and Construction revenue

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES APPLIED FROM 1 JULY 2018 (CONTINUED)

Services revenue

Fixed price contracts

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

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

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

Cost plus contracts

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

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

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

Fabrication and construction revenue

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

1. The design and provision of plans for the construction of bridges; and
2. The fabrication, construction, site establishment, erection, commissioning and testing of bridges.

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES APPLIED FROM 1 JULY 2018 (CONTINUED)

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.

4. OPERATING PROFIT

The operating profit before income tax includes the following items of revenue and expense:

	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Revenue		
Sales revenue	28,070	42,630
Interest revenue	16	53
Total revenue	28,086	42,683
Other income		
Rebates and miscellaneous	97	61
Expenses		
Cost of sales	23,664	37,076
Depreciation of:		
- Plant and equipment	522	505
- Computer, furniture and fixtures	24	24
Total depreciation expense	546	529
Other operating rental expenses		
- Minimum lease payments	407	263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Current tax relating to current period	(64)	443
Deferred tax	61	(104)
Total Income Tax (Benefit)/Expense	(3)	339
Income tax expense (benefit)/expense recognised directly in equity	-	(159)

6. DIVIDENDS PAID OR PROPOSED

	Half-Year Ended 31 Dec 2018 $'000	Half- Year Ended 31 Dec 2017 $'000
Dividends Paid		
Declared final fully franked ordinary dividend of NIL cents per share (2017 : 1 cents) franked at the tax rate of 30% (2017 : 30%).	-	872
Dividends Declared		
The directors declared that there will not be an interim dividend paid to shareholders for the half year ended 31 December 2018 (FY18 H1: 1 cent per share franked at 30%).	-	1,043

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the ordinary course of business, the Group receives claims against it which may involve litigation. In the event that a claim is successful, it is expected to be adequately covered by the insurance policies held by the Group. Where the outcome is probable and can be reasonably quantified, provision is made in these financial statements.There are no contingent liabilities as at 31 December 2018 (June 2018: $nil). Bank guarantees as 31 December 2018 amounted to $2.09 million (December 17: $3.49 million).

8. EMPLOYEE SHARE PLAN

During the period NIL(FY18 H1: NIL) Treasury Shares were issued to employees under the existing Employee Share Plan.

9. PERFORMANCE RIGHTS PLAN

The Managing Director and Key Management Personnel participate in the Saunders International Performance Rights Plan. This plan is part of the long-term incentive component of his remuneration package. During the period a total number of NIL (FY18 H1: NIL) Performance Rights were issued under the plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance, not already disclosed, occurring subsequent to the end of the 31 December 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

11. SHARE CAPITAL

		Number Of Ordinary Shares	Half-Year Ended 31 Dec 2018 $'000	Full-Year Ended 30 June 2018 $'000
102,730,469 issued ordinary shares (June 2018: 102,730,469)		104,536,094	19,652	19,652
Less: 1,805,625 Treasury shares issued under employee share plan (June 2018: 1,805,625)	Note 12	(1,805,625)	(351)	(351)
Issued and fully paid ordinary shares (June 2017: 85,639,278)		102,730,469	19,301	19,301

	Number Of Ordinary Shares	Half-Year Ended 31 Dec 2018 $'000
June 2018 – Issued Ordinary Shares	102,730,469	19,301
Less: Employee share plan issues	-	-
December 2018 – Issued Ordinary Shares	**102,730,469**	19,301

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TREASURY SHARES AND RESERVES

	Half-Year Ended 31 Dec 2018 $'000	Full-Year Ended 30 Jun 2018 $'000
Treasury Shares	(351)	(351)
Share-based payments reserve	690	623
	339	272
Share Based Payments Reserve Movement		
Balance at Beginning of period	623	460
Share based payments expense	67	163
Shared issued	-	-
Balance at end of period	690	623
Treasury Shares Under Employee Share Plan		
Balance at Beginning of period	(351)	(336)
Treasury shares issued	-	-
Treasury shares vested	-	(15)
Balance at end of period	(351)	(351)

Treasury shares are ordinary shares in the company which are offered to employees under the Employee Share Plan and are deducted from equity until the vesting date of the shares.

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

13. RESTRUCTURE PROVISION

Included in current provisions is the restructuring provision. The restructure provision is inclusive of but not limited to right sizing the business and redundancies, operations improvements and relocation of plant and equipment the Group's Newcastle facility.

Opening balance	Additions to provision during current period	Utilisation of provision during current period	Closing balance
$'000	$'000	$'000	**$'000**
1,447	-	(381)	**1,066**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. EARNINGS PER SHARE

	Half-Year Ended 31 Dec 2018 Cents per share	Half-Year Ended 31 Dec 2017 Cents per share
Basic earnings per share	0.00	1.07
Diluted earnings per share	0.00	1.07
	2018 $000	**2018 $000**
Net (loss)/profit for the period	(144)	1,019
Basic earnings per share	**Number**	**Number**
Weighted average number of issued and paid ordinary shares for the purpose of basic earnings per share	102,730,469	95,493,284

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	102,730,469	95,493,284
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	-	195,167
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	102,730,469	95,688,450

(a) During the half year ended 31 December 2018 the potential ordinary shares associated with the employee share option plan as set out in Note 12 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights are anti-dilutive and have not been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

15. REVENUE BY BUSINESS SEGMENTS

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

During the period 3 customers made up 40% of the revenue earned (FY2018 H1: 3 customers made up 47% of the revenue earned).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest Dec 2018	Ownership Interest Jun 2018
Parent Entity			
Saunders International Limited	Australia		
Subsidiaries			
Saunders Asset Services Pty Limited	Australia	100%	100%
Saunders Civilbuild Pty Ltd	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Australia	100%	100%
Saunders PNG Limited	PNG	100%	100%

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models. The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair value.

The directors of Saunders International Limited declare that:

a) in the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable; and

b) 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors

Mark Benson Managing Director	Timothy Burnett Chairman

Sydney
27 February 2019