



# **Saunders International Limited**

ABN 14 050 287 431

## **APPENDIX 4D**

### **HALF YEAR REPORT**

31 December 2014

# Appendix 4D

## HALF YEAR REPORT

### HALF YEAR ENDED ON 31 DECEMBER 2014

#### SAUNDERS INTERNATIONAL LIMITED

ABN: 14 050 287 431

1. This report is for the half year ending 31 December 2014 and the previous corresponding period is the half year ending 31 December 2013.

2. Result for announcement to the market

**A\$000**

2.1 Revenue from ordinary activities Down 26.9% to 24,193

2.2 Profit from ordinary activities after tax attributable to members Down 2.19% to 2,723

2.3 Net profit for the period attributable to members Down 2.19% to 2,723

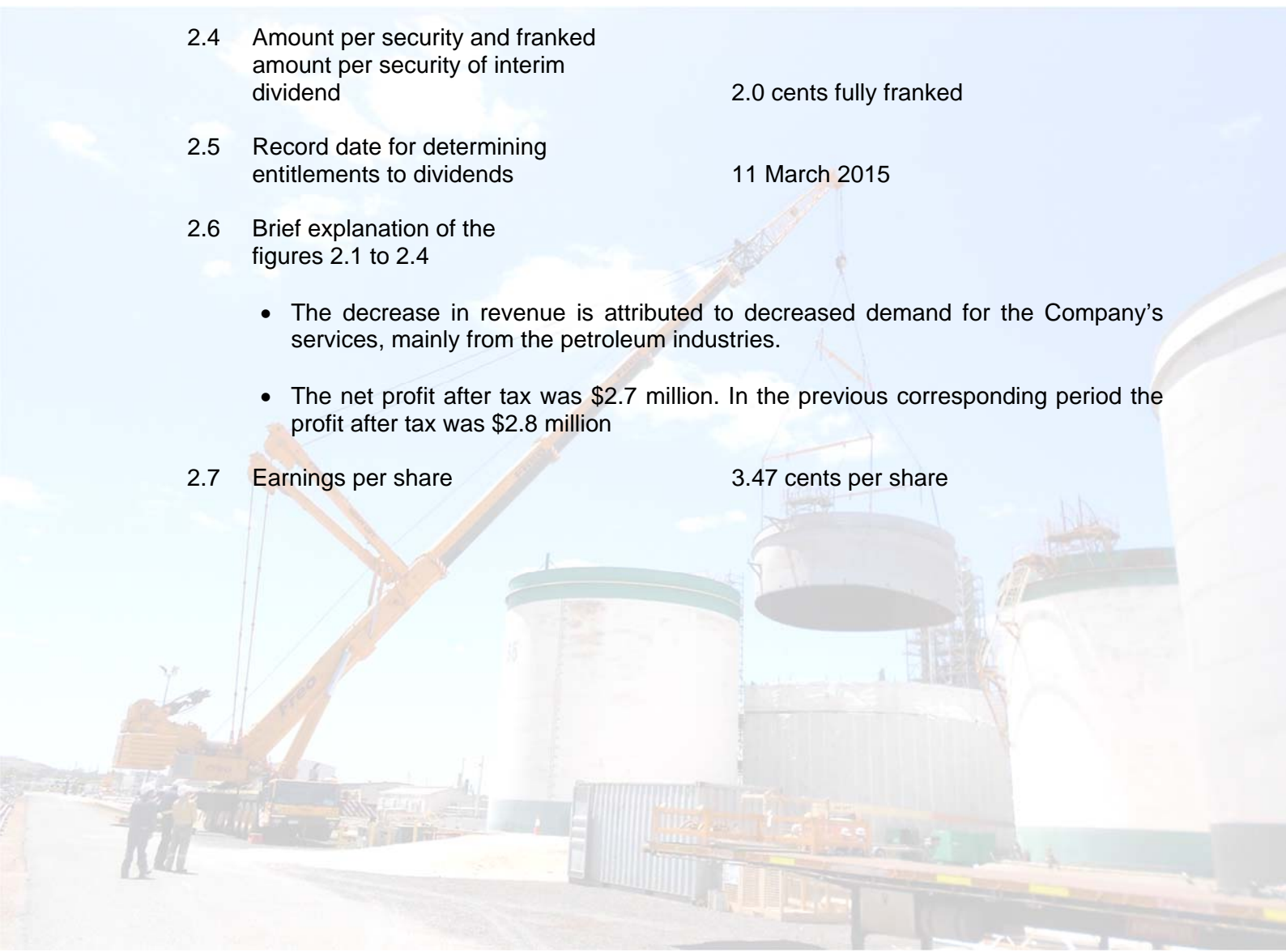
2.4 Amount per security and franked amount per security of interim dividend 2.0 cents fully franked

2.5 Record date for determining entitlements to dividends 11 March 2015

2.6 Brief explanation of the figures 2.1 to 2.4

- The decrease in revenue is attributed to decreased demand for the Company's services, mainly from the petroleum industries.
- The net profit after tax was \$2.7 million. In the previous corresponding period the profit after tax was \$2.8 million

2.7 Earnings per share 3.47 cents per share



# Appendix 4D

## HALF YEAR REPORT HALF YEAR ENDED ON 31 DECEMBER 2014

### SAUNDERS INTERNATIONAL LIMITED

**ABN: 14 050 287 431**

	31 December 2014 A\$	31 December 2013 A\$
3. Net tangible assets per ordinary share	0.22	0.20
4. Details of entities over which control has been gained or lost during the period	None	
5. Dividends and Distributions	An interim dividend of 2.0 cents per share fully franked will be paid on 26 March 2015. The record date for determining entitlements is 11 March 2015.	
6. Details of dividend or distribution reinvestment plans	The Dividend Reinvestment Plan will not be activated for this dividend.	
7. Material interests in entities which are not controlled entities	None	





Announcement to Shareholders and the ASX

## **SAUNDERS ANNOUNCES HALF YEAR PROFIT RESULT AND INTERIM DIVIDEND**

Sydney – Tuesday 24 February 2015

Saunders International Limited ("Saunders" or "the Company") today released its interim Financial Report for the half year to 31 December 2014.

The net profit after tax was \$2.7 million which was 2% lower than the previous corresponding period (H1 FY2014: \$2.8 million). Earnings per share for the period were 3.47 cents.

The half year revenue was \$24.2 million which was 27% less than the previous corresponding period (H1 FY2014: \$33.1 million). This decrease is due to a delay in capital expenditure decisions by our customers, particularly from the petroleum industry.

The increased profit margin in this period was due to timing issues of the completion of several projects early in FY2015 combined with the excellent operational execution of projects in the period.

At 31 December 2014, the cash balance was \$20.5 million. The Company has no interest bearing debt.

### **Outlook**

Work in hand at 31 December 2014 was \$34 million. This represents a 21% increase over the work in hand at 30 June 2014. The increase in work in hand reflects new contracts won in the first half of FY14, mostly in the petroleum sector. Due to the highly competitive market we are currently experiencing, these new contracts are at lower margins than recent contracts and they will extend into the next financial year. For these reasons, second half profit is expected to be less than the first half.

### **Dividend**

The directors declared an unchanged interim dividend of 2.0 cents per share fully franked (H1 FY2014: 2.0 cent per share) and payable on 26 March 2015. The record date for determining entitlements is 11 March 2015.

### **Attachments**

Appendix 4D  
Interim Financial Report

### **For further information, please contact:-**

John Power  
Managing Director  
Saunders International Limited  
(02) 9792 2444

### **About Saunders International Limited**

Saunders specialises in the design, construction and maintenance of steel bulk liquid storage tanks and associated infrastructure and services for the Petroleum, Resources, Water and Fuel Terminal sectors. Saunders provides storage solutions for a range of "blue chip" clients.



ABN 14 050 287 431  
PO Box 281 Condell Park NSW Australia 2200  
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### **SAUNDERS INTERNATIONAL LIMITED**

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# **Saunders International Limited**

**ABN 14 050 287 431**

## **INTERIM FINANCIAL REPORT for the Half Year Ended 31 December 2014**

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# SAUNDERS INTERNATIONAL LIMITED

ABN 14 050 287 431

## DIRECTORS' REPORT

The directors of Saunders International Limited submit herewith the half-year financial report for the six months ended 31 December 2014. 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
- John Power
- David Smart
- Malcolm McComas

### Review of Operations

The principal activities of the Company during the half year were the design, construction and maintenance of steel bulk liquid storage tanks and associated infrastructure for the Petroleum, Water and Bulk Liquid Storage sectors.

The net profit after tax was \$2.7 million which was 2% lower than the previous corresponding period (H1 FY2014: \$2.8 million). Earnings per share for the period were 3.47 cents.

The half year revenue was \$24.2 million which was 27% less than the previous corresponding period (H1 FY2014: \$33.1 million). This decrease is due to a delay in capital expenditure decisions by our customers, particularly from the petroleum industry.

The increased profit margin in this period was due to timing issues of the completion of several projects early in FY2015 combined with the excellent operational execution of projects in the period.

At the end of this half year, the company has cash of \$20.5 million and no interest bearing debt.

The Company has declared a fully franked dividend of 2.0 cents per share and payable on 26 March 2015. The record date is 11 March 2015.

### Auditor's Independence Declaration

The auditor's independence declaration is included on page 4 of the half year financial report.

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

On behalf of the directors



John Power  
Managing Director



Timothy Burnett  
Chairman

Sydney  
24 February 2015

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

24 February 2015

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.

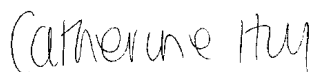
As lead audit partner for the review of the financial statements of Saunders International Limited for the financial half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



**Catherine Hill**  
Partner  
Chartered Accountants

## **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 statement of financial position as at 31 December 2014, and the condensed statement of profit or loss and comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 7 to 16.

### *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 entity's financial position as at 31 December 2014 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.

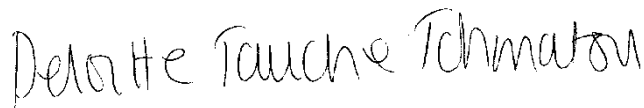
## *Auditor's Independence Declaration*

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.

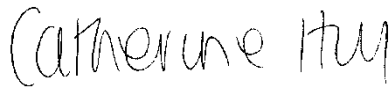
## *Conclusion*

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 company's financial position as at 31 December 2014 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



Catherine Hill  
Partner  
Chartered Accountants  
Parramatta, 24 February 2015

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Continuing Operations</b>			
Revenue	2	24,193	33,119
Other income	2	33	93
Changes in inventories of finished goods and work in progress		(2,156)	3,879
Raw materials and consumables		(6,091)	(17,959)
Employee benefits expense		(10,570)	(13,690)
Depreciation expense	2	(324)	(312)
Administration expenses		(470)	(433)
Legal fees		-	(5)
Other expenses		(731)	(715)
Profit before tax	2	3,884	3,977
Income tax expense	3	(1,161)	(1,193)
<b>Profit for the period</b>		<b>2,723</b>	<b>2,784</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>2,723</b>	<b>2,784</b>
Attributable to:			
Equity holders of the parent		2,723	2,784
<b>Earnings per share</b>			
Basic (cents per share)	9	3.47 cents	3.55 cents
Diluted (cents per share)	9	3.46 cents	3.55 cents

Notes to the financial statements are included on pages 11 to 15

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Note	31 Dec 2014 \$'000	30 June 2014 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		20,509	18,219
Trade and other receivables		2,120	10,673
Inventories		685	391
Other		322	63
<b>Total Current Assets</b>		23,636	29,346
<b>Non-Current Assets</b>			
Property, plant and equipment		2,129	1,787
Deferred tax assets		993	1,378
<b>Total Non-Current Assets</b>		3,122	3,165
<b>Total Assets</b>		26,758	32,511
<b>Current Liabilities</b>			
Trade and other payables		4,542	8,504
Current tax liabilities		750	1,024
Provisions		2,504	3,334
<b>Total Current Liabilities</b>		7,796	12,862
<b>Non-Current Liabilities</b>			
Provisions		181	446
<b>Total Non-Current Liabilities</b>		181	446
<b>Total Liabilities</b>		7,977	13,308
<b>Net Assets</b>		18,781	19,203
<b>Equity</b>			
Issued capital	7	7,875	7,875
Shares issued under employee share plan	7	(374)	(374)
Retained earnings		11,074	11,519
Share Based Payments Reserve		206	183
<b>Total Equity</b>		18,781	19,203

Notes to the financial statements are included on pages 11 to 15

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Issued Capital \$'000	Treasury Shares issued under employee share plan \$'000	Share Based Payments Reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 30 June 2013</b>	7,726	(455)	124	9,099	16,494
Profit for the period	-	-	-	2,784	2,784
Dividend paid	-	-	-	(2,370)	(2,370)
Shares Vested Under Employee Plan	-	230	-	-	230
Share Based Payments Reserve	-	-	40	-	40
<b>Balance at 31 December 2013</b>	7,726	(225)	164	9,513	17,178
<b>Balance at 30 June 2014</b>	7,875	(374)	183	11,519	19,203
Profit for the period	-	-	-	2,723	2,723
Dividend paid	-	-	-	(3,168)	(3,168)
Shares Vested Under Employee Plan	-	-	-	-	-
Share Based Payments Reserve	-	-	23	-	23
<b>Balance at 31 December 2014</b>	7,875	(374)	206	11,074	18,781

Notes to the financial statements are included on pages 11 to 15

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	32,615	39,146
Payments to suppliers and employees	(25,650)	(31,634)
Interest received and other costs of finance paid	214	283
Income taxes paid	(1,050)	(1,861)
	<hr/>	<hr/>
Net cash generated by operating activities	6,129	5,934
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(671)	(553)
	<hr/>	<hr/>
Net cash used in investing activities	(671)	(553)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,168)	(2,370)
Proceeds from shares vested under ESP	-	230
	<hr/>	<hr/>
Net cash used in financing activities	(3,168)	(2,140)
	<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>	2,290	3,241
	<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the financial period</b>	18,219	12,924
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial period</b>	20,509	16,165
	<hr/>	<hr/>

Notes to the financial statements are included on pages 11 to 15

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

**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 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 company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the operations and effective for the current half-year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years.

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**NOTES TO THE CONDENSED FINANCIAL STATEMENT FOR THE  
HALF YEAR ENDED 31 DECEMBER 2014**

**2. OPERATING PROFIT**

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

	<b>Half Year Ended 31 Dec 2014 \$'000</b>	Half Year Ended 31 Dec 2013 \$'000
<b>Revenue</b>		
Sales revenue	23,979	32,836
Interest revenue	214	283
<b>Total revenue</b>	<b>24,193</b>	<b>33,119</b>
<b>Other income</b>		
Rebates and miscellaneous	33	93
<b>Expenses</b>		
Cost of sales	18,818	29,337
Depreciation of:		
- Plant and equipment	297	286
- Computer, furniture and fixtures	27	26
<b>Total depreciation expense</b>	<b>324</b>	<b>312</b>
Other operating rental expenses		
- Minimum lease payments	541	560

**3. INCOME TAX EXPENSE**

	<b>Half Year Ended 31 Dec 2014 \$'000</b>	Half Year Ended 31 Dec 2013 \$'000
Current tax relating to current period	776	1,352
Deferred tax	385	(159)
<b>Total Income Tax Expense</b>	<b>1,161</b>	<b>1,193</b>

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**NOTES TO THE CONDENSED FINANCIAL STATEMENT FOR THE  
 HALF YEAR ENDED 31 DECEMBER 2014**

**4. DIVIDENDS PAID OR PROPOSED**

	<b>Half Year Ended 31 Dec 2014 \$'000</b>	<b>Half Year Ended 31 Dec2013 \$'000</b>
<b>Dividends Paid</b>		
Declared final fully franked ordinary dividend of 4 cents per share (2013: 3 cents) franked at the tax rate of 30% (2013: 30%).	3,168	2,371
<b>Dividends Declared</b>		
Declared interim fully franked ordinary dividend of 2 cents per share franked at the tax rate of 30% for the half year ended 31 December 2014 payable 26 March 2015 (2013: 2 cents per share franked at 30%). This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1,580 million.	1,580	1,584

**5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are no contingent liabilities as at 31 December 2014 (Jun 2014: \$nil).

**6. EVENTS SUBSEQUENT TO REPORTING DATE**

There were no material events subsequent to the end of the interim period that have not been recognised in the interim financial statements.

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**NOTES TO THE CONDENSED FINANCIAL STATEMENT FOR THE  
HALF YEAR ENDED 31 DECEMBER 2014**

**7. SHARE CAPITAL**

	<b>Half Year Ended 31 Dec 2014 \$'000</b>	<b>Full Year Ended 30 June 2014 \$'000</b>
78,560,000 issued ordinary shares (June 2014: 78,560,000)		
	79,020,000	7,875
Less: Treasury shares issued under employee share plan (June 2014: 460,000)	(460,000)	(374)
Issued and fully paid ordinary shares (June 2014: 78,560,000)	78,560,000	7,501

**8. TREASURY SHARES AND RESERVES**

	<b>Half Year Ended 31 Dec 2014 \$'000</b>	<b>Full Year Ended 30 Jun 2014 \$'000</b>
Treasury Shares	(374)	(374)
Share-based payments reserve	206	183
	(168)	(191)
<b>Treasury Shares Under Employee Share Plan</b>		
Balance at Beginning of period	(374)	(455)
Treasury Shares vested	-	230
Treasury Shares Issued	-	(149)
Balance at end of period	(374)	(374)

**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** arises on the grant of shares to executives and employees under the employee share plan. Amounts are transferred out of the reserve and into issued capital upon the shares vesting and being issued

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**NOTES TO THE CONDENSED FINANCIAL STATEMENT FOR THE  
HALF YEAR ENDED 31 DECEMBER 2014**

**9. EARNINGS PER SHARE**

	<b>Half Year Ended 31 Dec 2014 Cents per share</b>	Half Year Ended 31 Dec 2013 Cents per share
Basic earnings per share	3.47	3.55
Diluted earnings per share	3.46	3.55
	<b>2014 \$000</b>	2013 \$000
Net profit for the period	2,723	2,784
<b>Basic earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of issued and paid ordinary shares for the purpose of basic earnings per share	78,560,000	78,330,000
<b>Diluted earnings per share</b>		
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	78,560,000	78,330,000
Shares deemed to be issued for no consideration in respect of employee options	128,032	117,490
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	78,688,032	78,447,490

**10. REVENUE BY BUSINESS SEGMENTS**

The Company operates in one reporting segment being the design, construction, and maintenance of bulk storage tanks and reservoirs in Australia.

In the current period 3 customers made up 47% of the revenue earned (2013: 3 customers made up 43% of the revenue earned).

**SAUNDERS INTERNATIONAL LIMITED**  
**ABN 14 050 287 431**

**DIRECTORS DECLARATION**

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 company.

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



John Power  
Managing Director



Timothy Burnett  
Chairman

Sydney

24 February 2015