



Saunders International Limited

2015 ANNUAL REPORT



Saunders International Limited

ABN 14 050 287 431

2015 ANNUAL REPORT



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CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholder,

I am pleased to present the Chairman's Report for 2015 Annual Report.

The year ended 30 June 2015 has been a solid result for Saunders in challenging market conditions. The net profit after tax for FY2015 was \$4.4 million which was a 30% decrease over the prior year. This profit result reflected very good project operational and cost control performance in that it was achieved on revenue of \$43.9 million which represented a more severe decrease of 37% over the prior year. The profit result was additionally pleasing because there was a significant increase in human resource expenditure to broaden our engineering capability to support our strategy to move into EPC contracting for new petroleum products terminals.

The decrease in revenue that Saunders experienced in FY2015 was no doubt influenced by the economic uncertainty that followed the decline in commodity prices. Our customers and their customers delayed and deferred capital expenditure plans and reduced operational expenditure. As we have reported with the half year and full year results, Saunders has experienced frustrating delays in the award of contracts which in normal times would have awarded without such delays. We have also observed an increase in competition for tank design and construct projects because the lack of new projects in the resources infrastructure sector has funnelled a wider

spectrum of competitors to those projects which are being tendered.

We have previously discussed the structural changes which are underway in the industries involved in petroleum refining and petroleum products import, storage and distribution. Three of the seven Australian petroleum refineries have closed or plan to do so. To accommodate this, new terminals and expansion of existing terminals will create tank design and construct opportunities for Saunders. This has been our experience in 2015 and this is expected to continue but revenue from facilities maintenance opportunities in the refineries can be expected to decline.

Moving forward, our expanded engineering capability will allow Saunders to access a broader pipeline of work to counter the decline in the refinery maintenance business and support the EPC work in the design and construction business. This strategic positioning will deliver a range of benefits in the coming years as we continue to adapt to the changing landscape.

There was insignificant contribution to revenue in FY2015 from the water and waste water infrastructure sector and from the bulk chemical and mineral processing sectors. This resulted from a very competitive environment for the few opportunities which were identified in the period. Going forward, there will be a renewed focus on opportunities in these sectors.

The total dividend for the year was 6 cents per share fully franked. The Company has ended to year in a strong financial position with cash and cash equivalents of close to \$18 million and there is no interest bearing debt. This strong financial position will allow us to continue on our strategic direction of EPC contracting including facilities maintenance diversification and will also allow us to capitalise on emerging opportunities.

Our strong safety culture and robust management systems have seen us to continue to deliver great safety outcomes. Some of the highlights include over 6 years LTI and MTI free at our Kwinana refinery site and company-wide reduction of 50% in our TIFR.

continued next page

Earlier in FY2015, John Power indicated his intention to retire from the role of Managing Director of Saunders. After a comprehensive search, Saunders announced on 7 April 2015 that it would appoint Mark Benson as the new Managing Director and he commenced in that role on 5 October 2015.

I would like to thank John Power for his contribution to the Company and its shareholders. John has served the Company and shareholders as Managing Director with distinction for the last 10 years. As Managing Director he was pro-actively involved in the IPO process that led to the ASX listing in 2007 and he has been pivotal in the significant growth in revenue and profitability that Saunders has experienced since then. John has led the safety culture and process to achieve excellent safety outcomes for our employees and he has grown Saunders' capability in engineering, procurement and contracting and maintenance over a sustained period. I wish to thank him for all that on behalf of all employees, past and present and our shareholders.

I welcome Mark Benson to Saunders. Mark brings a track record in successfully managing and growing engineering, construction and maintenance businesses that provide services to the power, oil & gas, petro-chemical, mining sectors and infrastructure. This experience will be very valuable as Saunders seeks to grow the scope of its tankage design, construction and maintenance business and to leverage off its excellent reputation and expertise to increase the range of services it can provide to a growing customer base.

David Smart retired from the Saunders board on 30 June 2015. David was a director of Saunders for more than 7½ years, joining the board during its IPO phase prior to its ASX listing in December 2007. He was a well informed and insightful participant to board discussions and deliberations throughout his time as a director. On behalf of the board, the Company and the shareholders, I would like to thank him for his very valuable contributions.

I welcome Greg Fletcher to the board as a non-executive director, effective 1 July 2015. His 30 years of experience as a chartered accountant followed by 6 years of experience as a company director will provide a valuable dimension to the board of Saunders as it seeks to increase returns for shareholders by growing its core business and capitalising on other opportunities as they emerge.

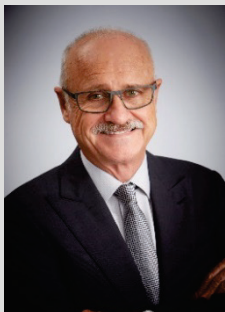
In conclusion, I wish to thank my fellow directors and on behalf of the board, I wish to thank all of the Company's employees for their efforts during the past year.

Timothy Burnett
Chairman
12 October 2015



BOARD OF DIRECTORS

Timothy Burnett - Chairman

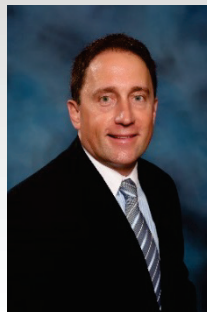


Mr. Burnett has over 39 years experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders. Prior to joining Saunders, he was a senior manager with Brown & Root Inc for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia.

Mr. Burnett has a Bachelor of Engineering (Civil) degree from Melbourne University and a MBA degree from Harvard University.

Mr Burnett has been a director of Saunders since 1990 and he is not considered to be an independent director.

Mark Benson - Managing Director



Mr Benson has 25 years experience in executive management roles in the engineering and construction industry. His most recent role, prior to joining Saunders International, was General Manager of RCR Energy, a division of ASX Company RCR Tomlinson. In addition he also held senior positions on several major utility alliances.

Mr Benson holds an Advanced Diploma in Management from Ballarat University, along with an Advanced Diploma in Project Management, and has an electrical engineering background.

Mr Benson has been a Director of Saunders since 11 August 2015 and Managing Director since 5 October 2015. He is not considered to be an independent director.

John Power – Executive Director



Mr. Power has more than 37 years experience in the Engineering and Construction industry. Prior to joining Saunders in 2003, he spent 25 years with Chicago Bridge and Iron Company N.V. (CBI) on various assignments in Europe, Africa, Middle East, Asia and Australia. During this period, he filled many

roles including Project Manager, Business Development Manager and Operations Manager. Mr Power also held the position of Director of CBI's Australian subsidiary for 7 years.

Mr. Power has a Bachelor of Engineering degree from University College Cork, Ireland.

Mr Power has been a director of Saunders since 2003 and Managing Director up to 5 October 2015. He is not considered to be an independent director.

Malcolm McComas – Non-Executive Director



Malcolm McComas - BEc, LLB, SFFin, FAICD - is a company director and a former investment banker and lawyer. He has experience in equity capital markets, mergers and acquisitions and has worked with many growth companies over a career at County NatWest (now Citi Group) where he was managing director of investment banking for 10 years and at Grant Samuel for 11

years.

Mr. McComas is currently chairman of Pharmaxis Limited and Fitzroy River Corporation Limited, a director of BC Iron Limited and the private entity Consolidated Minerals Limited. His community roles include director of the Australian Leukaemia and Lymphoma Group (ALLG).

Mr McComas has been a director of Saunders since 5 September 2012, is Chairman of the Remuneration Committee and is considered to be an independent director.

Greg Fletcher – Non-Executive Director



Greg Fletcher, BComm, is a company director having retired from the Deloitte partnership in 2009 to take on board roles. He is an independent director of ASX listed companies Yancoal Limited and WDS Limited and is the chairman of privately owned SMEG Australia Pty Ltd. He is the chairman of the Audit and Risk Committee of a number of government-owned businesses and

entities.

Mr Fletcher has been a director of Saunders since 1 July 2015 and he is considered to be an independent director.

BUSINESS PROFILE

Saunders International is a multi-disciplined and integrated engineering and construction business and is one of Australia most experienced companies specialising in the design, construction and maintenance of steel bulk liquid storage tanks and associated facilities.

Saunders operated from two divisions, the design and construction division and the facilities maintenance division.

The design and construction division has in-house expertise to provide a turnkey solution for our clients from engineering, procurement, manufacture and installation.

Saunders maintenance division has core capabilities in tank maintenance and rehabilitation and also encompasses a diverse range of specialist services including structural, mechanical, piping and general shutdown solutions.

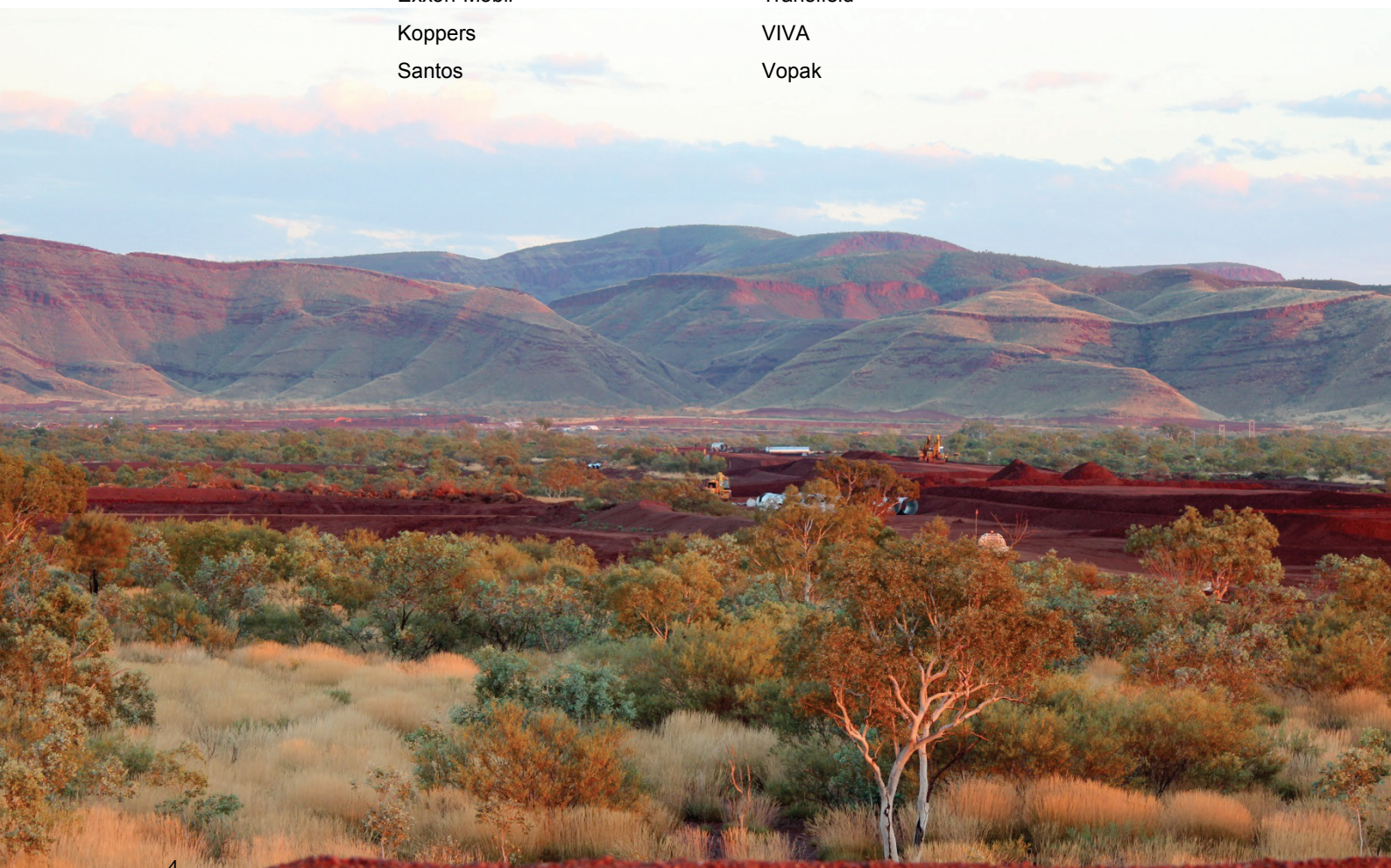
Saunders services a client base comprising a variety of “blue chip” companies operating in the oil and gas, resources, energy, chemicals and water industries.

Saunders has a proud history in Australia with over 60 years’ experience and our success is driven by our ability to build strong relationships and produce positive outcomes for our clients.

2015 CLIENTS

During this financial year, Saunders performed work for clients and/or their ultimate clients as follows:-

Alcoa	Simpson Construction
BP	Stolthaven
Caltex	Terminals
Exxon-Mobil	Transfield
Koppers	VIVA
Santos	Vopak



DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or "Company") for the year ended 30 June 2015 and the independent audit report thereon.

DIRECTORS

The following persons are directors of Saunders International Limited and have been during the financial year and until the date of this report, unless otherwise noted.

Timothy Burnett
John Power
David Smart – resigned 30 June 2015
Malcolm McComas
Greg Fletcher – appointed 01 July 2015
Mark Benson – appointed 10 August 2015

COMPANY SECRETARY

Steven Dadich was Company Secretary during the whole year and up to the date of this report.

PRINCIPAL ACTIVITIES

During the financial year, the principal activities of Saunders were the design, construction and maintenance of steel storage tanks and the project management of ancillary facilities.

REVIEW OF OPERATIONS

A Summary of the revenues and results is as follows:-

	2015 \$'000	2014 \$'000
Revenue	43,954	69,359
Profit before income tax	6,324	9,106
Income tax expense	1,893	2,731
Profit attributable to the member of Saunders International Limited	4,431	6,375

Operating and Financial Review

During the 2015 financial year, Saunders revenue was \$43.9 million. This represents a 36.7% decrease on the prior year (2014: \$69.4 million). The decrease in revenue is attributable to customers delaying their project spend in the current year, which has impacted on both the Design and Construct business and the Facilities Maintenance business. The company was successful in winning three major projects which are currently underway and will contribute to FY 2016 revenue and profit. The activities of Saunders were generally Australia wide and the revenue was generated across all states and territories (except the ACT and Tasmania).

The net profit after Tax decreased by 30.5% to \$4.4 million (2014: \$6.4 million)

EBIT decreased by 32.2% to \$5.8 million (2014: \$8.6 million)

Basic earnings per share were 5.6 cents, a 30.8% decrease on FY2014 (8.1cents)

Cash Flows from operating activities were \$5.2 million, a 45.0% decrease on FY 2014 (\$9.5M)

The directors consider the Company to be in a strong financial position at year end with cash and cash equivalent of \$17.9 million. FY14 \$18.2 million. The cash and cash equivalent of 30 June 2014 is equivalent to 22.75 cents per share and the Company has no interest bearing debt.

Trade and other receivables and trade and other payables are in line with relative stages of projects and contracts at year end. The current ratio is strong at 3.2 times.

Outlook

The work in hand at 30 June 2015 of \$28 million was the same as the previous year. This work in hand provides a positive foundation for the 2016 financial year. Additionally, tendering activity remains strong. The value of the live tenders (yet to be awarded) at 30 June 2015 was \$78 million. This is 37% greater than the prior year value of \$57 million. Converting these tenders to contracts, albeit in a competitive environment, could contribute to a strong second half and beyond.

The Oil and Gas sector continues to undergo significant change with the closure of the Shell and Caltex refineries in Sydney and BP refinery in Brisbane. Work on converting these refineries to operate as import terminals is now in progress and the Company has been successful in winning contracts to execute various tankage modification work at all three refineries. Further opportunities to win conversion contracts at these refineries are expected to emerge in FY2016.

The anticipated growth of the independent bulk liquid storage terminal operators is occurring. In FY 2015, the Company was successful in winning contracts for new terminal tankage for independent operators valued at \$22 million. Plans are being developed for new terminals or expansions to existing terminals in Brisbane, Newcastle, Sydney, Wollongong, Melbourne and Adelaide. This growth in terminal infrastructure is expected to provide material new business opportunities for the Company in coming years.

New CEO

Mark Benson joined the Company as an Executive Director on 10 August 2015 and will assume the roles of Managing Director and Chief Executive Officer on 5 October 2015, as previously announced.

Employees

During this financial year, the number of employees ranged between 120 and 184 and it was 149 at year end.

The directors wish to recognise the contribution made by all employees during this year.

Safety

The safety and welfare of our employees is our highest priority and is a cornerstone of all the Company's activities.

Continued management focus and active employee involvement helped the Company to an improved safety result over the previous year. In addition, the Company has achieved accreditation to AS 4801 and ISO 14001.

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 at 5.64 cents (2014: 8.14 cents) and the diluted earnings per share at 5.60 cents (2014: 8.13 cents).

DIVIDEND

An interim dividend of 2 cents per share fully franked was paid on 27 March 2015. On 26 August 2015, the directors declared a final dividend of 4 cents per share fully franked, payable on 23 September 2015. The full year dividend of 6 cents per share remains unchanged from the FY 2014 dividend.

For the prior year, an interim dividend of 2 cent per share fully franked was paid on 27 March 2014. A final dividend of 4 cents per share fully franked was paid on 22 September 2014.

DIRECTORS ATTENDANCE AT MEETINGS

Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2015, held during the period that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Timothy Burnett	9	9	n/a	n/a	3	3
John Power	9	9	n/a	n/a	n/a	n/a
David Smart	9	8	4	4	3	3
Malcolm McComas	9	7	4	4	3	3

INFORMATION ON DIRECTORS

Information on the directors who held office during and since the end of the financial year is as follows:-

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Timothy Burnett	<p>Non-executive Chairman</p> <p>Member of the Remuneration Committee</p> <p>Director since November 1990</p> <p>BE, MBA, FAICD</p> <p>39 years of relevant industry experience</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year</p> <p>- Nil</p>	9,702,531
John Power	<p>Executive Director</p> <p>Director since June 2003</p> <p>BE, GAICD</p> <p>37 years of relevant industry experience</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year</p> <p>- Nil</p>	3,023,513
David Smart	<p>Non-executive Director</p> <p>Chairman of the Audit Committee</p> <p>Member of the Remuneration Committee</p> <p>Director since October 2007</p> <p>BCom, MBA, FCPA</p> <p>35 years of relevant financial management experience in metal manufacturing industries including 13 years as CFO</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year –</p> <p>- eServ Global Ltd, resigned March 2013</p>	20,000
Malcolm McComas	<p>Non-executive Director</p> <p>Chairman of the Remuneration Committee</p> <p>Member of the Audit Committee</p> <p>Director since September 2012</p> <p>B Ec, LLB, FAICD, SFFin</p> <p>32 years of relevant experience as a lawyer, investment banker and company director</p> <p>Other listed company directorships in the 3 years immediately before the end of the financial year –</p> <p>Pharmaxis Ltd (Chairman)</p> <p>BC Iron Ltd – Resigned November 2014</p> <p>Fitzroy River Corporation Ltd (Chairman)</p> <p>Ocean Capital Ltd. – resigned September 2012</p>	Nil

INFORMATION ON DIRECTORS (Cont'd)

Information on the directors who held office during and since the end of the financial year is as follows:-

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Greg Fletcher	<p>Non-executive Director</p> <p>Chairman of the Audit Committee</p> <p>Member of the Remuneration Committee</p> <p>Director since July 2015</p> <p>BCom, CA</p> <ul style="list-style-type: none"> - Chairman SMEG Australia Pty Ltd - Chairman of Audit and Risk Committees on a number of Government owned businesses <p>Other listed company directorships</p> <ul style="list-style-type: none"> - Yancoal Limited - WDS Limited <p>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</p>	Nil
Mark Benson	<p>Managing Director</p> <p>Director since August 2015</p> <p>AdvDipMan, AdvDipProjMgt, MAICD</p> <p>27 years of relevant industry experience</p> <p>Other listed company directorships in the 3 years Immediately before the end of the financial year</p> <ul style="list-style-type: none"> - Nil 	Nil

AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Saunders International Limited directors and its key management personnel for the financial year ended 30 June 2015.

Remuneration Policy

The board of directors review and approve remuneration of the non-executive directors, the managing director and key management personnel.

Non-executive Directors

Non-executive directors are paid fees and where applicable compulsory superannuation contributions are made on their behalf. The current fees are based on the level of fees for comparable listed companies and were reviewed during the year.

The non-executive directors do not have options and have not participated in the Employee Share Plan.

Managing Director

The managing director is remunerated on a salary package basis which is a component of a formal employment contract. The salary package is considered to be appropriate for the experience and expertise needed for the position and is comparable to other similar sized companies and business units of larger companies. The salary package contains a fixed component and a variable bonus component. The bonus is based on an annual performance appraisal as conducted by the remuneration committee of the board of directors. The performance is measured against a range of objectives set annually by the board. The important objectives are safety, quality, personnel development, quantitative Company financial performance and certain other (subjective and objective) criteria.

Key Management Personnel

Key management personnel are remunerated on salary packages which are considered appropriate for the positions they hold and their experience. The remuneration includes a variable bonus which is determined annually based upon Company and individual performance.

Long Term Incentive

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

As of the date of this report, two of the executive directors and all of the executive officers own substantial numbers of shares in the Company. Key management personnel, who are not directors, collectively own approximately 1.85 million shares. In addition, other employees own approximately 1.4 million shares and have an interest in 690,000 shares under the Employee Share Plan.

The breadth and depth of share ownership fosters an alignment of objectives between shareholders and directors and management of the Company. For this reason the board of directors have decided that a separate Long Term Incentive component of remuneration is not required at this time.

Key Terms of Employment Contracts

The company entered into a new executive service agreement with John Power as Managing Director and Chief Executive Officer effective 1 July 2013. The remuneration component of the new agreement is in line with relevant industry comparables. The variable component (Performance Bonus) can range anywhere between 0% to 50% 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 25% of the fixed component and bonus above and below this would result from overall superior or poorer performance. The executive service agreement contains the following key terms:-

Term:	Fixed term expiring on 30 June 2014, thereafter subject to six months' notice
Annual Salary:	Total fixed remuneration of \$499,200
Performance Bonus:	Variable, ranging from 0% to 50% of total fixed annual remuneration, based on performance measured against a range of key performance indicators
Notice Period:	Six months' notice after the expiry of the fixed term

Executive officers are employed under ongoing employment arrangements. Their employment thus entails one month's notice. This is considered appropriate because they have many years of service with the Company and are shareholders of the Company.

Relationship between Remuneration Policy and Company Performance

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

Executive officers remuneration is aligned with the long term company performance via the shareholdings that these individuals retain in the Company.

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the five years to June 2015:-

	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000
Revenue	43,954	69,359	60,508	46,004	52,795
Net profit before tax	6,324	9,106	8,262	6,260	2,686
Net profit after tax	4,431	6,375	5,783	4,465	1,880

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Share price at end of year	0.60	0.88	0.73	0.48	0.52
Special dividend (cents per share)	-	-	-	5.0	-
Interim dividend (cents per share)	2.0	2.0	2.0	1.0	1.0
Final dividend (cents per share)	4.0	4.0	3.0	3.0	3.0
Basic earnings per share	5.6	8.1	7.4	5.7	2.4
Diluted earnings per share	5.6	8.1	7.3	5.7	2.4

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

Particulars of Directors and Executive Officers interests during the year ended 30 June 2015 were:

	Fully paid ordinary shares 2014	Fully paid ordinary shares issued/ purchased during 2015	Fully paid ordinary shares 2015	Share options 2014	Share options issued during 2015	Share options 2015
	Number	Number	Number	Number	Number	Number
Non-executive Directors						
Timothy Burnett	12,702,531	(3,000,000)	9,702,531	-	-	-
David Smart	20,000	-	20,000	-	-	-
Malcolm McComas	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
TOTAL	12,722,531	(3,000,000)	9,722,531	-	-	-
Executive Officers						
John Power	4,023,513	(1,000,000)	3,023,513	-	-	-
Mark Benson	-	-	-	-	-	-
Andrew Auzins	743,842	-	743,842	15,000	-	15,000
Robert Patterson	652,142	-	652,142	45,000	15,000	60,000
Yong Wang	-	-	-	30,000	10,000	40,000
TOTAL	5,419,497	(1,000,000)	4,419,497	90,000	25,000	115,000

Remuneration of Executive Officers and Key Management Personnel

2015	Short-term Benefits			Post-employment Benefits	Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus ⁵	Non-monetary Benefit ⁶	Superannuation		
	\$	\$	\$	\$	\$	%
Non-executive Directors						
Timothy Burnett	119,999	-	-	-	119,999	-
David Smart	54,796	-	-	5,209	60,005	-
Malcolm McComas	60,000	-	-	-	60,000	-
TOTAL	234,795	-	-	5,209	240,004	
Executive Officers						
John Power ¹	437,840	125,548	31,372	35,000	629,760	19.9
Andrew Auzins ²	244,621	62,500	16,879	28,898	352,898	17.7
Robert Patterson ³	171,076	35,750	19,121	21,384	247,331	14.4
Yong Wang ⁴	107,307	9,000	21,309	16,366	153,982	5.8
TOTAL	960,844	232,798	88,681	101,648	1,383,971	
2014						
	Short-term Benefits			Post-employment Benefits	Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus ⁵	Non-monetary Benefit ⁶	Superannuation		
	\$	\$	\$	\$	\$	%
Non-executive Directors						
Timothy Burnett	111,070	-	-	-	111,070	-
David Smart	50,959	-	-	4,713	55,672	-
Malcolm McComas	55,536	-	-	-	55,536	-
TOTAL	217,565	-	-	4,713	222,278	
Executive Officers						
John Power ¹	421,000	178,320	33,862	35,000	668,182	26.7
Andrew Auzins ²	235,729	96,250	15,898	27,230	375,107	25.6
Robert Patterson ³	164,496	55,000	15,648	18,150	253,294	21.7
Yong Wang ⁴	125,949	13,750	21,857	15,428	176,984	7.7
TOTAL	947,174	343,320	87,265	95,808	1,473,567	

No director or senior management person appointed during the year received a payment as part of his or her remuneration for agreeing to hold the position.

Non-executive directors have no entitlement to cash bonus or non-monetary benefits.

The key management personnel are also the senior managers of the Company.

No director holds any options over the shares in Saunders International Limited. No director received any shares under the Employee Share Plan in the current or previous years.

¹ Managing Director

² General Manager- Maintenance

³ Operations Manager

⁴ Engineering Manager

⁵ Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year

⁶ Non-monetary benefits relate to motor vehicle expenses packaged within the employee's salary package

Changes in State of Affairs

There was no significant change in the state of affairs of the Company during the financial year.

Subsequent Events

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

Future Developments

Disclosure of other information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as 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 Company 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 company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services are outlined in note 24 to the financial statements. During this financial year there were no amounts paid or payable for non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 10 of the annual report.

Rounding Off of Amounts

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 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



John Power
Director
Sydney, 26 August 2015



Timothy Burnett
Director
Sydney, 26 August 2015

Auditor's Independence Declaration



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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26 August 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 audit of the financial statements of Saunders International Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Catherine Hill".

Catherine Hill
Partner
Chartered Accountants

Independent Audit Report



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Independent Auditor's Report to the members of Saunders International Limited

We have audited the accompanying financial report of Saunders International Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 13 to 34.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, 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 report.

Auditor's Opinion

Opinion

In our opinion, the financial report of Saunders International Limited is in accordance with the *Corporations Act 2001*, including:

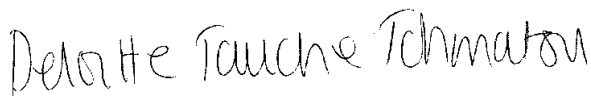
- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

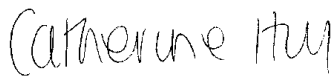
We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Saunders International Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Catherine Hill

Partner

Chartered Accountants

Western Sydney, 26 August 2015

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 company, 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



John Power
Director
Sydney, 26 August 2015



Timothy Burnett
Director
Sydney, 26 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Financial Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Revenue	3	43,954	69,359
Other income	4	14	296
Changes in inventories of finished goods and work in progress		(1,200)	2,128
Raw materials and consumables		(14,562)	(31,451)
Employee benefits expense	4	(19,106)	(28,423)
Administration expenses		(724)	(733)
Depreciation expense	4	(638)	(646)
Other expenses		(1,414)	(1,424)
Profit before tax		6,324	9,106
Income tax expense	5	(1,893)	(2,731)
Profit for the year		4,431	6,375
Other comprehensive income		-	-
Total comprehensive income for the year		4,431	6,375
Earnings per share			
Basic (cents per share)	15	5.64	8.14
Diluted (cents per share)	15	5.60	8.13

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	20(a)	17,874	18,219
Trade and other receivables	6	5,014	10,673
Inventories	7	701	391
Other	8	103	63
Total current assets		23,692	29,346
Non-current assets			
Plant and equipment	9	1,992	1,787
Deferred tax assets	5	993	1,378
Total non-current assets		2,985	3,165
Total assets		26,677	32,511
Current liabilities			
Trade and other payables	10	4,819	8,504
Current tax liabilities	5	107	1,024
Provisions	11	2,411	3,334
Total current liabilities		7,337	12,862
Non-current liabilities			
Provisions	11	425	446
Total non-current liabilities		425	446
Total liabilities		7,762	13,308
Net assets		18,915	19,203
Equity			
Issued capital	13	7,914	7,875
Shares issued under employee share plan	13	(413)	(374)
Share based payments reserve		216	183
Retained earnings	14	11,198	11,519
Total equity		18,915	19,203

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2015

	Issued capital \$'000	Shares Issued Under Employee share plan \$'000	Share Based Payment Reserve \$'000	Retained earnings \$'000	Total \$'000
Opening Balance	7,726	(455)	124	9,099	16,494
Profit for the year	-	-	-	6,375	6,375
Total comprehensive income	-	-	-	6,375	6,375
Shares Vested in employee share plan	-	230	-	-	230
Treasury shares issued during the current year	149	(149)	-	-	-
Dividends paid	-	-	-	(3,955)	(3,955)
Share-based payments reserve	-	-	59	-	59
Balance at 30 June 2014	7,875	(374)	183	11,519	19,203

Profit for the year	-	-	-	4,431	4,431
Total comprehensive income	-	-	-	4,431	4,431
Treasury shares issued during the current year	39	(39)	-	-	-
Dividends paid	-	-	-	(4,752)	(4,752)
Share-based payments reserve	-	-	33	-	33
Balance at 30 June 2015	7,914	(413)	216	11,198	18,915

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
for the Financial Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers		51,979	77,157
Payments to suppliers and employees		(44,804)	(64,774)
Interest received and other costs of finance paid		486	494
Income taxes paid		(2,425)	(3,360)
Net cash provided by operating activities	20(b)	5,236	9,517
Cash flows from investing activities			
Payments for plant and equipment		(851)	(677)
Cash received on disposed assets		22	180
Net cash used in investing activities		(829)	(497)
Cash flows from financing activities			
Dividends paid to shareholders		(4,752)	(3,955)
Proceeds from issue of shares		-	230
Net cash used in financing activities		(4,752)	(3,725)
(Decrease) / Net increase in cash and cash equivalents		(345)	5,295
Cash and cash equivalents at the beginning of the financial year		18,219	12,924
Cash and cash equivalents at the end of the financial year	20(a)	17,874	18,219

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 Interpretations, and comply with other requirements of the law.

For the purpose of preparing the financial statements, the company is a for-profit entity.

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

The financial statements were authorised for issue by the directors on 26 August 2015.

Basis of Preparation

The 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 goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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 financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values 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. Refer to note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised accounting standards

In the current year, 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 its operations and effective for the current annual reporting period. There has been no material impact of these changes on the company's accounting policies.

(a) Cash and Cash Equivalents

Cash 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.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(b) Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the proportion of that contract costs incurred for work performed to date in relation to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) Employee Benefits

A liability 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 Company in respect of services provided by employees up to reporting date.

(d) 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 Company 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 company 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.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(f) Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(g) Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Note 9 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.

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

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

(h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

Onerous contracts

An onerous contract is considered to exist where the company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(i) Financial Instruments issued by the Company**Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from time and material contracts is recognised at the contractual rates as labour hours are derived and direct expenses incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy outlined in note 1(b).

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(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) Financial Assets**Loans and receivables**

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

(m) Impairment of Assets

At each reporting date, the entity 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 company 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.

(n) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of 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.

(o) 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-Martin 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 Company'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.

(p) Adoption of new and revised Accounting Standards

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Management is still assessing the impact on reported results on adoption of these pronouncements. Adoption of these pronouncements may result in changes to information currently disclosed in the financial statement. The Company does not intend to adopt any of these pronouncements before their effective dates.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' ¹	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

1. Exposure Draft (ED 263) "Effective Date of AASB 15" proposes to defer the effective date by one year (1 January 2018)

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 Company 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 assumption concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at the end of the financial year:

- Future increase in wages and salaries
- Future oncost rates
- Experience of employee departures at period of service

Construction contracts

Revenue is recognised on each project by reference to the stage of completion of the project. The method of calculating the percentage completion of the project involves an element of judgement based on future project costs and profitability of each project. The information used to forecast these costs is based on historical events and current economic data on a customer by customer basis. The value of construction contracts which are in progress at the statement of financial position date is calculated in accordance with note 1 (b).

3. REVENUE

Revenue from continuing operations consisted of the following items:

Revenue from rendering of services

Interest received

2015 \$'000	2014 \$'000
43,468	68,865
486	494
43,954	69,359

4. PROFIT FOR THE YEAR

Other income

Discounts and rebates

Profit on sale of asset

2015 \$'000	2014 \$'000
-	153
14	143
14	296

Profit before tax has been arrived at after charging the following expenses:

Cost of sales

Depreciation

Plant and equipment

Office furniture and equipment

34,868	57,746
581	595
57	51
638	646

Operating lease rental expenses:

Lease payments

1,093	1,155
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Employee benefits expense:

Post employment benefits

Employee Share Plan

Salary and wages

1,873	2,375
33	59
17,200	25,989
19,106	28,423

5. INCOME TAX

Income tax recognised in profit

Tax expense comprises:

Current tax expense	1,508	3,072
Deferred tax expense relating to the origination and reversal of temporary differences	385	(341)
Total tax expense	1,893	2,731

The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financials as follows:

Profit before taxation	6,324	9,106
Income tax at 30%	1,897	2,731
Other	(4)	-
Total tax expense	1,893	2,731
Current tax liability – income tax payable	107	1,024

The 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:

2015

Deferred tax assets

	Opening balance \$'000	(Charged)/ Credited to income \$'000	Closing balance \$'000
Employee benefit	1,241	(365)	876
Accruals	137	(20)	117
Net deferred tax asset	1,378	(385)	993

2014

Deferred tax assets

	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Employee benefit	1,004	237	1,241
Accruals	33	104	137
Net deferred tax asset	1,037	341	1,378

6. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade receivables(i)	5,014	10,673

- (i) The average credit period on sale of goods and rendering of services is approximately 35 days. No interest is charged on trade receivables. Each receivable 60 days overdue has been reviewed to assess whether there is a risk that it might be irrecoverable. On the basis of this review, it has been determined that no allowance needs to be made for doubtful debts.

Ageing of past due but not impaired.

60 days over the due date	662	890
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7. INVENTORIES

Raw materials	701	391
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8. OTHER ASSETS

<u>Current</u>		
Prepayments	103	63

9. PLANT AND EQUIPMENT

	Plant and Equipment at Cost \$'000	Office Furniture and Equipment at Cost \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2013	7,960	594	8,554
Additions	644	33	677
Disposals	(568)	-	(568)
Balance at 30 June 2014	8,036	627	8,663
Additions	775	76	851
Disposals	(432)	-	(432)
Balance at 30 June 2015	8,379	703	9,082
Accumulated depreciation			
Balance at 1 July 2013	6,402	360	6,762
Disposals	(532)	-	(532)
Depreciation expense	595	51	646
Balance at 30 June 2014	6,465	411	6,876
Disposals	(424)	-	(424)
Depreciation expense	581	57	638
Balance at 30 June 2015	6,622	468	7,090
Net book value			
As at 30 June 2014	1,571	216	1,787
As at 30 June 2015	1,757	235	1,992

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 2015 the directors reviewed the future budgets of the company to determine whether there are any indications of impairment. No indicators of impairment were noted and no impairment losses are recorded.

10. TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Current		
Trade payables (i)	657	990
Revenue received in advance under construction contracts (note 12)	2,795	4,305
Goods and services tax payable	285	442
Accruals	1,082	2,767
	4,819	8,504

- (i) The average credit period on purchases of goods is 1 month. No interest is charged on the trade payables. The Company has a policy that all payables are paid within the agreed credit timeframe.

11. PROVISIONS

	2015 \$'000	2014 \$'000
<u>Current</u>		
Employee benefits	2,411	3,334
<u>Non-current</u>		
Employee benefits	155	176
Lease Make Good Costs	270	270
	425	446

12. CONSTRUCTION CONTRACTS

	2015 \$'000	2014 \$'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	35,360	80,815
Less: progress billings	(38,155)	(85,120)
	(2,795)	(4,305)
Recognised and included in the financial statements as revenue received in advance under construction contracts (note10)	2,795	4,305
At 30 June 2015, no cash retentions were held by customers for contract work (2014: \$nil). Advances received from customers for contract work amounted to \$2,795,000(2014: \$4,305,000).		

13. ISSUED CAPITAL

	2015 \$'000	2014 \$'000
78,560,000 fully paid ordinary shares (2014: 78,560,000)	7,501	7,501
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Ordinary shares	2015	2014
Ordinary shares at beginning of financial year	78,560,000	78,100,000
Ordinary shares issued during the current year	-	460,000
Ordinary shares at end of financial year	78,560,000	78,560,000
Fully paid ordinary shares	2015 \$'000	2014 \$'000
Balance at beginning of financial year	7,875	7,726
Treasury shares issued during the year	39	149
Balance at end of financial year	7,914	7,875
Treasury shares under employee share plan		
Balance at beginning of financial year	(374)	(455)
Treasure shares vested during the year	-	230
Treasury share issues during the year	(39)	(149)
Balance at end of financial year	(413)	(374)
Issued capital	7,501	7,501

Employee Share Plan

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

Under the ESP, the Company provides 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. In the early tranches the loans carried an interest charge equal to the cash component of the dividend payable by the Company on the shares; however from Tranche 2 onwards the loans are interest free. 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 Company is terminated prior to the specified anniversary of the issue of the shares, the shares will be forfeited, and the Company will be entitled to the total amount raised pursuant to the divestment of the shares. The shares are accounted for as in substance options.

At balance date, a total of 5 tranches of the ESP have been issued.

Tranche 3: During the financial year 35,000 shares forfeited

Tranche 4: During the financial year 35,000 shares forfeited

Tranche 5: During the financial year 35,000 shares forfeited

Tranche 6: Offer of 160,000 in February 2015 with all offers accepted

No director has participated in any of the ESPs. The total number of shares issued under the plans is 690,000 and no individual employee holds more than 70,000 shares under the ESP.

	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Grant Date	Feb 2012	Feb 2013	Feb 2014	Feb 2015
Grant Price	\$0.48	\$0.83	\$0.85	\$0.71
Volume (Forfeitures)/New grant	205,000 (35,000)	215,000 (35,000)	215,000 (35,000)	55,000 105,000
Exercise Price	\$0.48	\$0.83	\$0.85	\$0.71
Expected Volatility	45%	45%	45%	45%
Option Life	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	0%
Risk Free Interest Rate	3.45%	3.00%	3.45%	1.79%
Fair Value	\$0.19	\$0.32	\$0.32	\$0.26

14. RETAINED EARNINGS

	2015 \$'000	2014 \$'000
Balance at beginning of financial year	11,519	9,099
Profit for the year	4,431	6,375
Dividends provided for or paid	(4,752)	(3,955)
Balance at end of financial year	11,198	11,519

15. EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
Basic earnings per share	5.64	8.14
Diluted earnings per share	5.60	8.13

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

	2015 \$'000	2014 \$'000
Net profit	4,431	6,375
Earnings used in the calculation of basic EPS	4,431	6,375
	2015 No.'000	2014 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	78,560	78,330
Diluted earnings per share		
(a) 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:	78,560	78,330
Weighted average number of ordinary shares used in the calculation of basic EPS. Shares deemed to be issued for no consideration in respect of employee options	589	115
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	79,149	78,445

16. DIVIDENDS

	2015 Cents per share	Total \$'000	2014 Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend (2014):				
Fully franked at a 30% tax rate	4.0	3,168	3.0	2,371
Interim dividend (2015):				
Fully franked at a 30% tax rate	2.0	1,584	2.0	1,584
	6.0	4,752	5.0	3,955
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend (2015):	4.0	3,142	4.0	3,168

On 26 August 2015, the directors declared a fully franked final dividend of 4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 23 September 2015.

	2015 \$'000	2014 \$'000
Franking account balance	4,820	3,715
Impact on franking account balance of dividends not recognised	(1,347)	(1,358)
Adjusted Franking account balance	3,473	2,357

17. SEGMENT INFORMATION

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 2 customers made up 30.5% of the revenue earned (2014: 2 customers made up 33.4% of the revenue earned). The first customer accounted for \$8,366,216 (2014: \$14,982,518), the second customer \$4,259,749 (2014: \$8,740,896).

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contract dispute

There are no contract disputes in the current year (2014: Nil)

19. LEASES

Operating Leases

Motor Vehicle

Operating leases relate to motor vehicles. These leases are non-cancellable leases of less than five-year term, with rent payable monthly in advance. The monthly lease payments are fixed for the term of the leases. Additional charges are required if proposed kilometres travelled are exceeded. There are no renewal of terms or purchase options at the end of the term of the leases.

Non-cancellable operating lease commitments

Not longer than 1 year

Longer than 1 year and not longer than 5 years

Longer than 5 years

Workshop Property

The company is committed to a lease of the workshop property and offices that it occupies at Condell Park, Sydney until 31st December 2016.

Non-cancellable operating lease commitments

No longer than 1 year

Longer than 1 and not longer than 5 years

2015 \$'000	2014 \$'000
231	388
162	316
-	-
393	704
643	620
326	947
969	1,567

20. NOTES TO THE STATEMENT OF CASH FLOWS

2015 \$'000	2014 \$'000
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(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, net of outstanding bank overdrafts. 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	17,874	18,219
---------------------------	--------	--------

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

Profit for the year	4,431	6,375
Movement in share-based reserve	33	59
(Gain)/ Loss on disposal of non-current asset	(14)	(143)
Depreciation	638	646
Increase/(decrease) in current tax liability	(917)	(287)
(Increase) in deferred tax balances	385	(341)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	5,659	(910)
Inventories	(310)	1,180
Other assets	(40)	62
Increase/(decrease) in liabilities:		
Trade and other payables	(3,685)	2,277
Provisions	(944)	599
Net cash from operating activities	5,236	9,517

(c) Financing facilities

The Company's principal financing facilities for the provision of bank guarantees as described in note 21 is secured by a fixed and floating charge over the assets of the Company.

Amount used	4,929	3,347
Amount unused	2,071	3,653
	7,000	7,000

21. FINANCIAL INSTRUMENTS

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

(a) Cash and cash equivalents

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

(b) Debtors and credit risk management

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

(c) Bank guarantees

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

Capital risk management

The company's capital structure currently consists of equity and retained earnings and there is no long term debt or short term debt. The operating cash flows of the company are used to finance short term capital. The capital risk management is continuously reviewed as the Company has surplus cash available for investment.

Categories of financial instruments

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	17,874	18,219
Loans and receivables	5,014	10,673
	22,888	28,892
Financial liabilities		
Trade payables and accruals	2,024	4,199

Financial risk management objectives

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

Liquidity risk management

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

Liquidity and interest risk tables

The following tables detail the Company'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 Company can be required to receive or pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 months to 2 years
	%	\$'000	\$'000	\$'000
2015				
Financial assets				
Cash and cash equivalents	3.24%	6,288	6,500	5,086
Trade receivables	-	4,352	620	42
Financial liabilities				
Trade payables and accruals	-	2,024	-	-
2014				
Financial assets				
Cash and cash equivalents	3.63%	7,848	10,371	-
Trade receivables	-	6,517	4,156	-
Financial liabilities				
Trade payables and accruals	-	4,199	-	-

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Company's profit or loss would increase or decrease by \$155,716 (2014: \$149,928).

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 financial liabilities to approximate their carrying amounts.

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 company's performance and general compensation levels in equivalent companies and industries.

Remuneration of Directors and Key Management Personnel

	2015	2014
Short-term employee benefits	1,517,118	1,595,324
Post-employment benefits	106,857	100,521
	1,623,975	1,695,845

23. RELATED PARTY TRANSACTIONS

The Company leases a property containing its workshop and offices from a company ultimately beneficially owned by some directors and key management personnel of the Company. The details of this lease are contained in Note 19. These directors and key management personnel have interest in the related party company as follows:

Timothy Burnett	34%
Other key management personnel	4%

The rental rate for the year was the market rental as assessed by a Certified Practising Valuer on 1 January 2014 plus CPI adjustment. Rent paid during the year amounted to \$642,785 (2014: \$600,959).

24. REMUNERATION OF AUDITOR

	2015	2014
Audit or review of the financial report	116,500	113,000
	116,500	113,000

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

25. SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

26. ADDITIONAL COMPANY INFORMATION

General Information

Saunders International Limited is incorporated and operating in Australia.

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

Registered office

271 Edgar Street
 Condell Park NSW 2200
 Tel: (02) 9792 2444

Principal place of business

271 Edgar Street
 Condell Park NSW 2200
 Tel: (02) 9792 2444

CORPORATE GOVERNANCE

The Board of Saunders has adopted a suite of Corporate Governance Practices to ensure that the Company is effectively directed and managed, risks are identified, monitored and assessed, and appropriate disclosures made.

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

The Board has adopted the following Charters Policies and Codes:-

The Board Charter

The Board Charter sets out matters relating to the responsibilities of the Board and its directors and matters relating to the composition of the Board and appointment of directors. The Board Charter can be found on the Company's website at www.saunders-international.com.au/investors.htm

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. The Charters can be found on the Company's website at www.saunders-international.com.au/investors.htm

Policies and Codes of Conduct

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

- Securities Trading Policy – Directors and Senior Executives
- Shareholder Communication Policy
- Continuous Disclosure Policy
- Code of Conduct for Directors and Senior Executives

Copies of these documents can be found on the Company's website at www.saunders-international.com.au/investors.htm

ASX Corporate Governance Principles and Recommendations

The Company reports on an annual basis its compliance and/or reasons for non-compliance with the third edition of the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement and Appendix 4G can be found on the Company's website at www.saunders-international.com.au/investors.htm

ADDITIONAL STOCK EXCHANGE INFORMATION

As at 8 OCTOBER 2015

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 78,560,000 fully paid ordinary shares held by 1,015 individual shareholders. In addition, there are 830,000 shares issued to employees under the Employee Share Purchase Plans (ESP). These ESP shares are not included for the purposes of calculating the totals and percentages used in this section.

There are no options issued.

SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
Mr. Desmond Bryant	22,211,587	28.27%
Timothy Burnett	9,702,531	12.35%

DISTRIBUTION OF SHAREHOLDERS

Range	Number of Holders
1 – 1,000	54
1,001 – 5,000	215
5,001 – 10,000	194
10,001 – 100,000	482
101,000 and over	70
TOTAL	1,015

THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentages
1. MR. DESMOND BRYANT	22,211,587	28.27%
2. TIVOLICO PTY LTD	5,711,262	7.27%
3. JP MORGAN NOMINESS AUSTRALIA	5,295,922	6.74%
4. MARLOT PTY LTD	3,991,269	5.08%
5. MR. JOHN POWER	3,023,513	3.85%
6. HSBC CUSTODY NOMINESS	1,421,000	1.81%
7. MRS. KARYN MAY MCCLELLAND	1,215,366	1.55%
7. SAGIMO HOLDINGS PTY LTD	1,215,366	1.55%
8. AUST EXECUTOR TRUSTEES LTD <LANYON AUST VALUE FUND>	1,023,621	1.30%
9. PEAKHURST RESEARCH SERVICES PTY LTD <ELLER SUPER FUND>	1,000,000	1.27%
10. DONALD CANT PTY LTD	940,383	1.20%
11. MR. TREVOR ROSS KENNEDY	746,976	0.95%
12. MR. ROBERT GRABURN PATTERSON	652,142	0.83%
13. FRETENSIS PTY LTD	600,000	0.76%
14. PARMELIA PTY LTD <REILLY FAMILY SUPER FUND A/C>	566,003	0.72%
15. ANACACIA CAPITAL PTY LTD <WATTLE FUND A/C>	550,000	0.70%
16. IMAJ PTY LTD <SUPER FUND A/C> C/- J.E. BARRY	517,056	0.66%
17. MR. ANDREW AUZINS & MRS. BRIGITTE AUZINS <AUZINS FAMILY TRUST A/C>	443,842	0.56%
18. TDS SECURITIES PTY LTD <TDA SECURITIES A/D> C/- LOWE LIPMAN	375,000	0.48%
19. MR. IAN McDONALD TAYLOR & MRS. ELSIE JEAN TAYLOR	365,000	0.46%
20. FLAGSTAFF SUPERANNUATION PTY LTD <FLAGSTAFF SUPER FUND A/C>	350,000	0.45%
Top 20 Shareholders	52,215,308	66.46%

CORPORATE DIRECTORY

Saunders International Limited

ABN 14 050 287 431



Board of Directors

Timothy Burnett, Chairman
Mark Benson, Managing Director
John Power, Executive Director
Malcolm McComas, Director
Greg Fletcher, Director

Secretary

Steven Dadich

Auditors

Deloitte Touche Tohmatsu
The Barrington
Level 10, 10 Smith Street
Parramatta NSW 2150

Principal Banker

Commonwealth Bank
Corporate Financial Services
Level 1, 430 Forest Road
Hurstville NSW 2220

Registered Office and Principal Administrative Office

271 Edgar Street
Condell Park NSW 2200
Telephone (02) 9792 2444
Facsimile (02) 9771 2640

Share Register

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

Stock Exchange Listing

Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Internet Web Site

www.saunders-international.com.au

Email

mail@saunders-international.com.au

