ANNUAL REPORT

2016

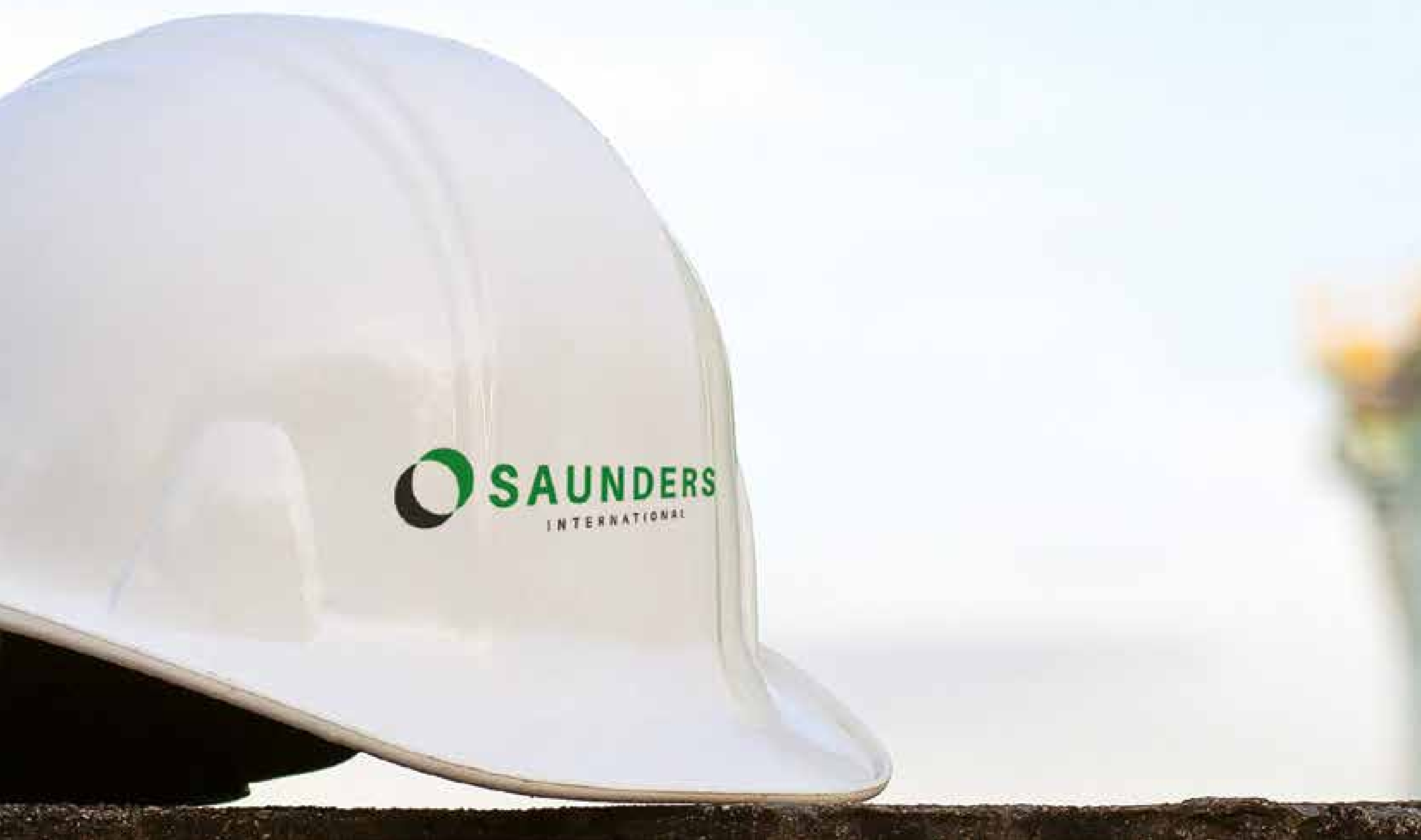
INNOVATION | EXCELLENCE | GROWTH

SAUNDERS
INTERNATIONAL

OUR VISION & VALUES

Success will be achieved by building on the Saunders culture of fostering enduring relationships with our clients, partners and employees.

We will always conduct our business with integrity and demonstrate a true commitment to safety, innovation and growth in order to deliver enhanced value to our clients and shareholders.



OUR VISION IS TO CONSISTENTLY DELIVER PROJECT EXCELLENCE THAT ENABLES OUR CLIENTS TO MEET THEIR CHALLENGES TODAY AND INTO THE FUTURE.

SAFETY
Will not be compromised

INTEGRITY
In all of our decisions

AGILITY
We find solutions not excuses

COMMITMENT
To deliver all that we say

INNOVATION
At the core of our engineering culture

TEAMWORK
Together we are motivated to succeed

ACCOUNTABILITY
For our decisions individually & as a business

BUSINESS PROFILE

Saunders operates from three divisions; the Engineering Construction group, the Facility Maintenance group and the Asset Services group.

Saunders services a client base comprising a variety of 'blue chip' companies operating in the oil and gas, resources, energy, chemicals and water industries. We have a proud history in Australia with over 65 years' experience and our success is driven by our ability to build strong relationships and produce positive outcomes for our clients.

ENGINEERING CONSTRUCTION

FACILITY MAINTENANCE

ASSET SERVICES

Saunders Engineering Construction group has in-house expertise to provide a turnkey solution for our clients in the bulk liquid storage sector from engineering, procurement, manufacturing and construction including structural, mechanical and piping (SMP).

Saunders Facility Maintenance group has core capabilities in prolonging the useful life of your facilities operations. Specialising in tankage and general maintenance contracting as well as management of your tankage integrity program.

Saunders Asset Services group encompasses a diverse range of specialist maintenance services including remedial maintenance, general shutdown solutions, blasting and painting, waterproofing and heritage building works.

SUSTAINABILITY

The ongoing success of Saunders has been built on our ability to have a positive impact on our clients' business, our suppliers, business partners and the people who work for us.

People & Culture

Our vision statement was developed from a series of activities that were undertaken with groups covering all of our employees. Together with our core values of Safety, Integrity, Agility, Commitment, Innovation, Teamwork and Accountability, this defines 'The Saunders Way'.

Health & Safety

Our safety performance saw Zero Lost Time Injuries (LTI) in the year, and a Total Recordable Injury Frequency Rate of 8.06 as 3-year rolling average to 30 June 2016. We have now achieved 3 years LTI free. Despite these excellent outcomes, we continue to be vigilant and strive for further improvement.

During the year we undertook new initiatives that included:

- Participation of two Saunders teams in the Global Corporate Challenge - 100-day program to promote better lifestyle choices
- Undertook a staff survey ahead of commencement of a new safety culture program

Quality

We track the pass rate for Non-Destructive Testing (NDT) associated with the welding that constitutes the critical part of our on-site construction and workshop fabrication activities. For the year we have achieved a pass rate exceeding 95%.

Environment

There were nil environmental incidents during the year. We commenced a program to reduce our energy and carbon footprint by identifying higher efficiency on-site generators and more fuel efficient site vehicles. We continue to recycle waste steel and paper from our business.

Certification

During the year we successfully underwent third party audits of our ISO9001 (quality), ISO14001 (environment) and AS4801 (safety) certification with the result in each case being of nil non-conformances and nil areas for concern.

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present the Chairman's Letter for 2016 Annual Report.

The challenging market conditions experienced during the year ended 30 June 2016 has contributed to the financial performance for the year. The award of new projects was much slower than our reasonable expectations and profit margins were influenced by an increased level of competition.

The revenue for the year was $41.8 million which was a 5% decrease over the prior year. However, this revenue level was significantly less than optimal in the reduced profit margin environment that was experienced during the year. Consequently, the net profit after tax of $2.9 million was a 35% decrease over the prior year.

Mark Benson took over as Managing Director and CEO on 5 October 2015. Much progress has been made in building the marketing, engineering and operational people resources and the capability to win and execute a broader range of asset maintenance services to existing and new customers. The expanded engineering capability has also enabled the Company to better access partnering and joint venture opportunities for the development of new petroleum product terminals and the expansion of existing terminals. This investment in expanded capability is expected to bear fruit as our pipeline of tenders and opportunities mature into committed projects.

The total dividend for the year was 4 cents per share fully franked. The Company has ended the year in a strong financial position with cash and cash equivalents of over $14 million and there is no interest bearing debt. This strong financial position will allow us to continue on our strategic objectives of EPC contracting and facilities maintenance diversification and will also allow us to capitalise on emerging opportunities. With this in mind, the board decided to activate the Dividend Reinvestment Plan commencing with the most recently declared dividend.

Our strong safety culture and robust management systems have seen us continue to deliver great safety outcomes. TIFR was down this year by 32% on top of a prior year reduction of 50%. I wish to commend all managers and employees for their focus and efforts to enable this excellent safety performance to be achieved.

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.

Tim Burnett
Chairman

BOARD OF DIRECTORS

MR TIMOTHY BURNETT

Chairman & Non-Executive Director

Mr Burnett has over 38 years' experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders International. 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.

MR MARK BENSON

Managing Director & Chief Executive Officer

Mr Benson - GAICD - 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 10 August 2015 and Managing Director since 5 October 2015. He is not considered to be an Independent Director.

MR MALCOLM McCOMAS

Non-Executive Director

Malcolm McComas - BEc, LLB, SFFin, FAICD - is a company director and a former investment banker and lawyer. Malcolm has experience in equity and debt capital markets, mergers and acquisitions and has worked with many growth companies across a number of sectors over a career at County NatWest (now Citi Group) where he was Managing Director of investment banking for 10 years and at Grant Samuel where he was a Director for 11 years. Mr McComas is currently Chairman of Pharmaxis Limited and Fitzroy River Corporation Limited and a Director of Royalco Resources 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.

MR 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 Yancoal SCN 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.

SAUNDERS
INTERNATIONAL

ACN 050 287 431

FINANCIAL REPORT

for the financial year ended

30 June 2016

DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or "Company") for the financial year ended 30 June 2016 and the independent audit report thereon.

DIRECTORS

The following persons are directors of Saunders International Limited:

Timothy Burnett
Mark Benson (Appointed 10 Aug 2015)
Malcolm McComas
Gregory Fletcher (Appointed 1 Jul 2015)
John Power (Resigned 12 Nov 2015)

The above named directors held office during the whole of the financial year and since the end of the financial year, unless otherwise noted.

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:-

	2016 $'000	2015 $'000
Revenue	**41,828**	43,954
Profit before income tax	**3,705**	6,324
Income tax expense	**(814)**	(1,893)
Profit attributable to the member of Saunders International Limited	**2,891**	4,431

Operating and Financial Review

During the 2016 financial year, Saunders' revenue was $41.8 million. This represents a 4.8% decrease on the prior year (2015: $44.0 million). The decrease in revenue and margin is attributed to the continuing delay in the release of major projects in the Engineering Construction business and margin pressure caused by increased competition.

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 34.8% to $2.9 million (2015: $4.4 million).

Basic earnings per share were 3.68 cents, a 34.8% decrease on FY2015 (5.64 cents).

Cash flows from operating activities were $1.6 million, a 70.0% decrease on FY2015 ($5.2M).

The directors consider the Company to be in a strong financial position at year end with cash and cash equivalent of $14.3 million (FY2015 $17.9 million). The cash and cash equivalents of 30 June 2016 is equivalent to 18.23 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.

Outlook
We continue to see margin pressure due to the increased competition which has been compounded by the continued delays in major projects. However, we remain committed to our strategy to diversify our revenue streams and gain exposure to larger projects through partnering, which is starting to bear fruit with a preliminary design order and preferred contractor status on a significant opportunity in the bulk liquid storage terminal sector.

Our diversification strategy is also gaining momentum with our new Asset Services group successful in winning several projects at the end of FY16. The Facility Maintenance group continues to diversify its service offerings to our existing clients.

With a solid pipeline of opportunities and the continued stabilisation of our recurring maintenance revenue, we will look to build our order book through FY2017 and provide a solid platform for FY2018.

Despite challenging business conditions, the business has made good progress in building the tender book and positioning the business to address the growing maintenance sector. Whilst work in hand at 30 June 2016 was at $24.5 million, tendering activity remains strong with the value of live tenders at $133 million. The project pipeline (yet to be tendered) is at $167 million.

Due to the timing of projects starts, our Engineering Construction group profit will be weighted to the second half of FY2017 which should position ourselves for a solid start to the FY2018.

We are confident that Saunders' strategic direction will deliver benefits in the coming years as we work to convert some major pipeline opportunities.

Employees
During this financial year, the number of employees ranged between 131 and 163 and was 155 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.

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 3.68 cents (2015: 5.64 cents) and the diluted earnings per share at 3.65 cents (2015: 5.60 cents).

DIVIDEND

The Board has declared a final dividend of 2.0 cents per share fully franked and payable on 13 October (FY2015 final dividend 4.0cps). The record date for determining dividends is 26 September 2016.

DIVIDEND REINVESTMENT PLAN

Given current business conditions, increasing levels of tendering and anticipated opportunities to grow the order book over the next few years, the Board has resolved to activate the Dividend Reinvestment Plan (DRP) until further notice to support future growth. A copy of the DRP can be found on the Saunders website. In the next week, shareholders will receive documentation to enable them to elect to participate in the DRP. The value of shares to be allotted for each dividend will be the weighted average market price of all SND shares sold on the ASX on the record date and the four business days immediately following less any discount as determined by the directors. For this dividend, the directors have determined that the discount will be 5%.

DIRECTORS ATTENDANCE AT MEETINGS

Attendance at Meetings

The following table sets out the number of meetings in the year to 30 June 2016, 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	4	4	4	4
Mark Benson	8	8	-	-	-	-
Greg Fletcher	9	9	4	4	4	4
Malcolm McComas	9	8	4	4	4	4
John Power	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 Ordinary Shares of Saunders International Limited
Timothy Burnett	Non-executive Chairman Member of the Audit & Risk Committee Member of the Remuneration Committee Director since 28 November 1990 BE, MBA, FAICD 40 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	9,702,531
Mark Benson	Managing Director from 5 October 2015 Director since 10 August 2015 AdvDipMan, AdvDipProjMgt, GAICD 28 years of relevant industry experience Other listed company directorships in the 3 years Immediately before the end of the financial year - Nil	Nil
Malcolm McComas	Non-executive Director Chairman of the Remuneration Committee Member of the Audit & Risk Committee Director since 4 September 2012 B Ec, LLB, FAICD, SFFin 33 years of relevant experience as a lawyer, investment banker and company director Other listed company directorships in the 3 years immediately before the end of the financial year – Pharmaxis Ltd (Chairman) BC Iron Ltd – Resigned November 2014 Fitzroy River Corporation Ltd (Chairman) Ocean Capital Ltd – Resigned September 2012 Royalco Resources Limited	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 Ordinary Shares of Saunders International Limited
Greg Fletcher	Non-executive Director Chairman of the Audit & Risk Committee Member of the Remuneration Committee Director since 1 July 2015 BCom, CA - Chairman SMEG Australia Pty Ltd - Chairman of Audit and Risk Committees on a number of Government owned businesses Other listed company directorships - Director Yancoal SCN Limited - Director Yancoal Australia Limited - WDS Limited - resigned November 2015 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	4,500
John Power	Managing Director until 4 October 2015 Director since June 2003 – Resigned 12 November 2015 BE, GAICD 38 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	3,023,513

AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, contains information about the remuneration of Saunders International Limited's directors and its key management personnel for the financial year ended 30 June 2016. The Remuneration Report sets out, in accordance with section 300A of the Corporations Act: (i) the company's governance relating to remuneration, (ii) the policy for determining the nature and amount or value of remuneration of key management personnel; (iii) the various components or framework of that remuneration; (iv) the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions; (v) the relationship between the policy and the performance of the company.

Key management personnel are the non-executive directors, the executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the entity.

Remuneration Policy and Governance

The board of directors, through the Remuneration Committee, review and approve remuneration of the non-executive directors, the managing director and key management personnel. Remuneration policy is determined by the needs of the company and the individual talents, capabilities and experience of relevant executives, and the need to attract and retain talent are considered important factors in assessing remuneration.

Non-executive Directors

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

The non-executive directors have not been granted options and have not participated in the Employee Share Plan or the Performance Rights Plan.

Managing Director

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

The managing director has also participated in the Employee Share Plan and the Performance Rights Plan. Mark Benson holds 400,000 options within The Employee Share Plan and 1,047,768 performance rights under the Saunders International Performance Rights Plan.

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.

Key management personnel as disclosed on page 13 of the remuneration report have participated in the Employee Share Plan.

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.

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

- Employee Share Plan
- Performance Rights Plan

As of the date of this report a number of executive officers own shares in the Company or interests via the Employee Share Plan and the Performance Rights Plan. Key management personnel, who are not directors, collectively own approximately 4.4 million shares and have an interest in 1,250,000 shares under the Employee Share Plan. In addition, other employees own approximately 1.4 million shares.

The breadth and depth of share ownership fosters an alignment of objectives between shareholders and directors and management of the Company. The Board of directors have also introduced a separate Long term Incentive component of remuneration for senior executives.

AUDITED REMUNERATION REPORT (Cont'd**)**

Employee Share Plan

Under the Employee Share Plan, the Company provides interest free loans to employees to acquire shares in Saunders International Limited, at a specified price per share. The loans are secured by the shares acquired by the eligible employees. The shares will vest and the loans will be repaid, upon a specified anniversary of the issue of the shares. If an eligible employee's employment with the 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.

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

During the year 640,000 options were granted to Key Management Personnel under the ESP. The aggregate fair value of the options granted is $76,617 as set out on page 14.

Performance Right Plan

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

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

RTSR will be measured by comparing the Company's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX. TSR is the percentage return generated from an investment in a company's shares over the measurement period assuming that dividends are reinvested into the company's shares. NEPSG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2016) to normalised EPS for the final year of the measurement period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

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

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

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

During the year 1,047,768 Performance Rights were granted to the CEO under the LTI Plan. The aggregate fair value of the Performance Rights granted is $437,096 as set out on page 14.

AUDITED REMUNERATION REPORT (Cont'd)

Key Terms of Employment Contracts

The company entered into an executive service agreement with Mark Benson as Managing Director and Chief Executive Officer effective 5 October 2015. The remuneration component of the new agreement is in line with relevant industry comparables. The variable component (Performance Bonus) can range anywhere between 0% to 60% of the fixed component based on performance measured against a range of key performance indicators and targets, set annually by the directors. The attainment of realistically achievable performance and targets on a weighted average measure would result in a bonus of 30% of the fixed component and bonus above and below this would result from overall superior or poorer performance.

The executive service agreement contains the following key terms:-

Annual Salary:	Total fixed remuneration of $500,000
Performance Bonus:	Variable, ranging from 0% to 60% of total fixed annual remuneration, based on performance measured against a range of key performance indicators
Long Term Incentive:	Variable, ranging from 0% to 40% of total fixed annual remuneration, based on performance measured against a range of key performance indicators
Notice Period:	Six months' notice

Executive officers are employed under ongoing employment arrangements. Their employment thus entails 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 2016:

	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 $'000	30 June 2013 $'000	30 June 2012 $'000
Revenue	41,828	43,954	69,359	60,508	46,004
Net profit before income tax	3,705	6,324	9,106	8,262	6,260
Net profit after income tax	2,891	4,431	6,375	5,783	4,465

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price at end of year	0.50	0.60	0.88	0.73	0.48
Special dividend (cents per share)	-	-	-	-	5.00
Interim dividend (cents per share)	2.00	2.00	2.00	2.00	1.00
Final dividend (cents per share)	2.00	4.00	4.00	3.00	3.00
Basic earnings per share	3.68	5.64	8.14	7.41	5.72
Diluted earnings per share	3.65	5.60	8.13	7.36	5.72

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

AUDITED REMUNERATION REPORT (Cont'd)

Particulars of Directors and Executive Officers interests, including interests under the ESP and Performance Rights Plan during the year ended 30 June 2016 were:

	Fully paid ordinary shares 2015	Fully paid ordinary shares issued/ purchased during 2016	Fully paid ordinary shares 2016	Share options 2015	Share options vested during 2016	Share options granted during 2016	Share options at end 2016	Performance rights 2015	Performance rights granted during 2016	Performance rights at end 2016
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Non-executive Directors										
Timothy Burnett	9,702,531	-	9,702,531	-	-	-	-	-	-	-
Malcolm McComas	-	-	-	-	-	-	-	-	-	-
Greg Fletcher	-	4,500	4,500	-	-	-	-	-	-	-
TOTAL	**9,702,531**	**4,500**	**9,707,031**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers										
John Power (Resigned)	3,023,513	-	3,023,513	-	-	-	-	-	-	-
Mark Benson	-	-	-	-	-	400,000	400,000	-	1,047,768	1,047,768
Andrew Auzins (Retired)	743,842	-	743,842	15,000	15,000	-	-	-	-	-
Robert Patterson	652,142	-	652,142	60,000	15,000	15,000	60,000	-	-	-
Ian McLoughlin	-	-	-	55,000	10,000	215,000	260,000	-	-	-
Yong Wang	-	-	-	40,000	10,000	10,000	40,000	-	-	-
TOTAL	**4,419,497**	**-**	**4,419,497**	**170,000**	**50,000**	**640,000**	**760,000**	**-**	**1,047,768**	**1,047,768**
GRAND TOTAL	**14,122,028**	**4,500**	**14,126,528**	**170,000**	**50,000**	**640,000**	**760,000**	**-**	**1,047,768**	**1,047,768**

AUDITED REMUNERATION REPORT (Cont'd)

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

	Share options granted during 2016	Share options forfeited during 2016	Share options vested during 2016	Performance rights granted during 2016	Performance rights forfeited during 2016	Performance rights vested during 2016
	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $	Fair Value $
Non-executive Directors						
Timothy Burnett	-	-	-	-	-	-
Malcolm McComas	-	-	-	-	-	-
Greg Fletcher	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**
Executive Officers						
John Power (Resigned)	-	-	-	-	-	-
Mark Benson	49,674	-	-	437,096	-	-
Andrew Auzins (Retired)	-	-	2,841	-	-	-
Robert Patterson	1,053	-	2,841	-	-	-
Ian McLoughlin	25,188	-	1,894	-	-	-
Yong Wang	702	-	1,894	-	-	-
TOTAL	**76,617**	**-**	**9,470**	**437,096**	**-**	**-**
GRAND TOTAL	**76,617**	**-**	**9,470**	**437,096**	**-**	**-**

The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a Black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year, as disclosed on page 10, have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date. Further details are set out in note 12.

Remuneration of Executive Officers and Key Management Personnel

2016	Short-term Benefits			Post-employment Benefits	Long term employee benefits	Total	Percentage of remuneration related to performance	Percentage of remuneration related to performance which vested in the year[9]
	Cash Fees/Salary	Cash Bonus[7]	Non-monetary Benefit[8]	Superannuation	Equity settled share based payments			
	$	$	$	$	$	$	%	%
Non-executive Directors								
Timothy Burnett	123,599	-	-	-	-	123,599	-	-
Greg Fletcher (Appointed 1/07/15)	55,929	-	-	5,871	-	61,800	-	-
Malcolm McComas	56,000	-	-	-	-	56,000	-	-
TOTAL	**235,528**	**-**	**-**	**5,871**	**-**	**241,399**		
Executive Officers								
John Power[1]	298,092	30,491	1,524	13,058	-	343,165	8.9	50%
Mark Benson[2]	368,774	234,667	32,850	32,083	162,229	830,603	47.8	85%
Andrew Auzins[3]	210,258	-	13,180	24,203	-	247,641	-	n/a
Robert Patterson[4]	213,841	27,025	15,049	26,730	707	283,352	9.8	n/a
Ian McLoughlin[5]	185,394	22,750	14,575	23,174	5,200	251,093	11.1	n/a
Yong Wang[6]	134,914	6,300	14,273	14,857	471	170,815	4.0	n/a
TOTAL	**1,411,273**	**321,233**	**91,451**	**134,105**	**168,607**	**2,126,669**		
GRAND TOTAL	**1,646,801**	**321,233**	**91,451**	**139,976**	**168,607**	**2,368,068**		

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.

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

AUDITED REMUNERATION REPORT (Cont'd)

2015	Short-term Benefits			Post-employment Benefits	Long term employee benefits			
	Cash Fees/Salary	Cash Bonus[7]	Non-monetary Benefit[8]	Superannuation	Equity settled share based payments	Total	Percentage of remuneration related to performance	Percentage of remuneration related to performance which vested in the year[9]
	$	$	$	$	$	$	%	%
Non-executive Directors								
Timothy Burnett	119,999	-	-	-	-	119,999	-	-
David Smart (Retired 30/06/15)	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	n/a
Andrew Auzins[3]	244,621	62,500	16,879	28,898	-	352,898	17.7	n/a
Robert Patterson[4]	171,076	35,750	19,121	21,384	609	247,940	14.7	n/a
Yong Wang[6]	107,307	9,000	21,309	16,366	406	154,388	6.1	n/a
TOTAL	**960,844**	**232,798**	**88,681**	**101,648**	**1,015**	**1,384,986**		
GRAND TOTAL	**1,195,639**	**232,798**	**88,681**	**106,857**	**1,015**	**1,624,990**		

1 Managing Director – Resigned as Managing Director on 4/10/15. Resigned as Director on 12/11/15.
2 CEO Managing Director – Appointed 5/10/15.
3 General Manager- Maintenance – Fully retired 30/04/16.
4 GM Commercial.
5 GM Engineering Construction & Facility Maintenance.
6 Engineering Manager.
7 Cash bonuses are disclosed on an accruals basis and represent the amount earned in respect of the current financial year.
8 Non-monetary benefits relate to motor vehicle or other expenses packaged within the employee's salary package.
9 Excludes equity settled share based payments. Cash bonuses are discretionary and are determined by the Board at the end of the financial year.

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 23 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 18 of the annual report.

Rounding Off of Amounts

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

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

On behalf of the Directors

Mark Benson
Director
Sydney, 24 August 2016

Timothy Burnett
Director
Sydney, 24 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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24 August 2016

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 2016, 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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Balban
Partner
Chartered Accountants

INDEPENDENT AUDIT REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Saunders International Limited, which comprises the statement of financial position as at 30 June 2016, 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 21 to 45.

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

Deloitte.

Opinion

In our opinion:

(a) the financial report of Saunders International Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Balban
Partner
Chartered Accountants
Sydney, 24 August 2016

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

Mark Benson
Director
Sydney, 24 August 2016

Timothy Burnett
Director
Sydney, 24 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue	3	**41,828**	43,954
Other income	4	**66**	14
Materials and third party costs charged to projects		**(15,814)**	(14,378)
Employee benefits expense	4	**(18,099)**	(19,106)
Depreciation expense	4	**(619)**	(638)
Motor vehicle expenses		**(365)**	(435)
Occupancy and operating lease expenses	4	**(1,110)**	(979)
Other expenses		**(2,182)**	(2,108)
Profit before income tax		**3,705**	6,324
Income tax expense	5	**(814)**	(1,893)
Profit for the year		**2,891**	4,431
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,891**	4,431
Earnings per share			
Basic (cents per share)	14	**3.68**	5.64
Diluted (cents per share)	14	**3.65**	5.60

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	19(a)	**14,347**	17,874
Trade and other receivables	6	**7,085**	5,014
Inventories		**171**	701
Current tax asset	5	**28**	-
Other		**95**	103
Total current assets		**21,726**	23,692
Non-current assets			
Plant and equipment	7	**1,806**	1,992
Deferred tax assets	5	**864**	993
Total non-current assets		**2,670**	2,985
Total assets		**24,396**	26,677
Current liabilities			
Trade and other payables	8	**3,269**	2,024
Deferred revenue	9	**1,416**	2,795
Current tax liabilities	5	**-**	107
Provisions	11	**2,009**	2,411
Total current liabilities		**6,694**	7,337
Non-current liabilities			
Provisions	11	**405**	425
Total non-current liabilities		**405**	425
Total liabilities		**7,099**	7,762
Net assets		**17,297**	18,915
Equity			
Issued capital	12	**7,927**	7,914
Shares buy-back reserve under employee share plan	12	**(336)**	(413)
Share based payments reserve	12	**388**	216
Retained earnings	13	**9,318**	11,198
Total equity		**17,297**	18,915

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 30 June 2016

	Issued capital $'000	Shares (Issued)/Vested Under Employee share plan $'000	Share Based Payments reserve $'000	Retained earnings $'000	Total $'000
Opening Balance	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 vested during the current year	39	(39)	-	-	-
Dividends paid	-	-	-	(4,752)	(4,752)
Share-based payments expense	-	-	33	-	33
Balance at 30 June 2015	7,914	(413)	216	11,198	18,915
Profit for the year	-	-	-	2,891	2,891
Total comprehensive income	-	-	-	2,891	2,891
Treasury shares vested during the current year	13	77	-	-	90
Dividends paid	-	-	-	(4,771)	(4,771)
Share-based payments expense	-	-	172	-	172
Balance at 30 June 2016	7,927	(336)	388	9,318	17,297

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the Financial Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**42,268**	51,979
Payments to suppliers and employees		**(40,235)**	(44,804)
Interest received and other costs of finance paid		**357**	486
Income taxes paid		**(821)**	(2,425)
Net cash provided by operating activities	19(b)	**1,569**	5,236
Cash flows from investing activities			
Payments for plant and equipment		**(439)**	(851)
Cash received on asset sales		**24**	22
Net cash used in investing activities		**(415)**	(829)
Cash flows from financing activities			
Dividends paid to shareholders		**(4,771)**	(4,752)
Proceeds from issue of shares		**90**	-
Net cash used in financing activities		**(4,681)**	(4,752)
Net (decrease) / increase in cash and cash equivalents		**(3,527)**	(345)
Cash and cash equivalents at the beginning of the financial year		**17,874**	18,219
Cash and cash equivalents at the end of the financial year	19(a)	**14,347**	17,874

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 24 August 2016.

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

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.

Presentation of Statement of Profit or Loss and Other Comprehensive Income (Including comparatives)

In the current year the presentation of line items in the statement of profit or loss and other comprehensive income has been changed to more accurately reflect the nature of the business as an engineering design, construction, maintenance and project management business, consistent with industry practice and how information is presented internally. The directors have determined that this change enhances the understanding of the financial statements. Where appropriate, comparative figures have been reclassified so as to be comparable with the figures presented for the current financial year.

Impact of adoption of AASB 15 *Revenue from Contracts with Customers*

The AASB has issued AASB15 *Revenue from Contracts with Customers*, with an effective date of 1 January 2018. This new standard will apply to the company for the first time for the year ended 30 June 2019. The key principle of this standard is that an entity will identify separate performance obligations and recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces far more prescriptive and detailed implementation guidance than was included in AASB 118, particularly in relation to the identification of separable performance obligations and revenue recognition criteria, including disclosures. Management is still in the process of completing its AASB 15 impact study, including assessment and documentation of the key changes and implications to revenue recognition policies and disclosures for the financial statements, for the year ended 30 June 2019.

(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.

(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) Leased Assets

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.

(f) Plant and Equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Note 7 provides more detail. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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

(g) 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. Equity instruments issued by the Company are recorded as at the proceeds received, net of direct issue costs.

(h) 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).

Interest revenue

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

(i) Financial Assets

Loans and receivables

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

(j) 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.

(k) 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.

(l) Contributed Equity

Ordinary shares are classified as equity.

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

(m) 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-Mertin 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.

(n) 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', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 1057 'Application of Australian Accounting Standards' and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	30 June 2017
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 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 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 assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

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

	2016 $'000	2015 $'000
Revenue from continuing operations consisted of the following items:		
Revenue from rendering of services	**41,471**	43,468
Interest received	**357**	486
	41,828	43,954

4. PROFIT FOR THE YEAR

	2016 $'000	2015 $'000
Other income		
Discounts and rebates	**42**	-
Profit on sale of asset	**24**	14
	66	14
Profit before income tax has been arrived at after charging the following expenses:		
Cost of sales	**34,185**	34,868
Depreciation		
Plant and equipment	**561**	581
Office furniture and equipment	**58**	57
	619	638
Operating lease rental expenses:		
Lease payments	**1,110**	979
Employee benefits expense:		
Post-employment benefits – defined contributions	**1,503**	868
Payroll tax expense	**1,003**	1,005
Employee Share Plan	**172**	33
Salary and wages	**15,421**	17,200
	18,099	19,106

5. INCOME TAX

	2016 $'000	2015 $'000
Income tax recognised in profit		
Income tax expense comprises:		
Current income tax expense	**984**	1,508
R&D tax concession	**(299)**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**129**	385
Total income tax expense	**814**	1,893
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financials as follows:		
Profit before taxation	**3,705**	6,324
Income tax at 30%	**1,113**	1,897
R&D tax concession	**(299)**	-
Other	**-**	(4)
Total income tax expense	**814**	1,893
Current tax asset – income tax receivable	**28**	-
Current tax liability – income tax payable	**-**	107

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

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

2016	Opening balance $'000	(Charged)/ Credited to income $'000	Closing balance $'000
Deferred tax assets			
Employee benefits	**876**	**(127)**	**749**
Accruals and other	**117**	**(2)**	**115**
Net deferred tax asset	**993**	**(129)**	**864**

2015	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets			
Employee benefits	1,241	(365)	876
Accruals and other	137	(20)	117
Net deferred tax asset	1,378	(385)	993

6. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables(i)	**7,085**	5,014

(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.

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

60 days over the due date	**375**	890

7. 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 2014	8,036	627	8,663
Additions	775	76	851
Disposals	(432)	-	(432)
Balance at 30 June 2015	8,379	703	9,082
Additions	378	61	439
Disposals	(889)	(39)	(928)
Balance at 30 June 2016	7,868	725	8,593
Accumulated depreciation			
Balance at 1 July 2014	6,465	411	6,876
Disposals	(424)	-	(424)
Depreciation expense	581	57	638
Balance at 30 June 2015	6,622	468	7,090
Disposals	(889)	(33)	(922)
Depreciation expense	561	58	619
Balance at 30 June 2016	6,294	493	6,787
Net book value			
As at 30 June 2015	1,757	235	1,992
As at 30 June 2016	1,574	232	1,806

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 2016 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.

8. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables (i)	**1,732**	657
Goods and services tax payable	**216**	285
Accruals	**1,321**	1,082
	3,269	2,024

(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.

9. DEFERRED REVENUE

	2016 $'000	2015 $'000
Revenue received in advance under construction contracts (note 10)	**1,416**	2,795

10. CONSTRUCTION CONTRACTS

	2016 $'000	2015 $'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	**42,478**	35,360
Less: progress billings	**(43,894)**	(38,155)
	(1,416)	(2,795)
Recognised and included in the financial statements as revenue received in advance under construction contracts (note 9)	**1,416**	2,795

At 30 June 2016, no cash retentions were held by customers for contract work (2015: $nil). Advances received from customers for contract work amounted to $1,540,000 (2015: $2,795,000).

11. PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	**2,009**	2,411
Non-current		
Employee benefits	**135**	155
Lease make good	**270**	270
	405	425

12. ISSUED CAPITAL

	2016 $'000	2015 $'000
78,720,000 fully paid ordinary shares (2015: 78,560,000)	**7,591**	7,501

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

Ordinary shares	2016 Number	2015 Number
Ordinary shares at beginning of financial year	**78,560,000**	78,560,000
Ordinary shares issued during the current year	**160,000**	-
Ordinary shares at end of financial year	**78,720,000**	78,560,000

Fully paid ordinary shares	2016 $'000	2015 $'000
Balance at beginning of financial year	**7,914**	7,875
Treasury shares issued during the year	**13**	39
Balance at end of financial year	**7,927**	7,914

Treasury shares under employee share plan		
Balance at beginning of financial year	**(413)**	(374)
Treasure shares vested during the year	**77**	-
Treasury share issues during the year	**-**	(39)
Balance at end of financial year	**(336)**	(413)
Issued capital	**7,591**	7,501

Reserves

Nature and purpose of reserves

(a) Share buyback reserve

The value of shares bought back are allocated to this reserve.

(b) Share-based payments reserve

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

Employee Share Plan

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

Under the ESP, the Company provides interest free loans to employees to acquire shares in Saunders International Limited, at a specified price per share. The loans are secured by the shares acquired by the eligible employees. The shares will vest and the loans will be repaid, upon a specified anniversary of the issue of the shares. If an eligible employee's employment with the 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.

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

At balance date, a total of 9 tranches of the ESP have been issued.

Tranche 3: During the financial year 10,000 shares forfeited. 160,000 shares vested

Tranche 4: During the financial year 30,000 shares forfeited

Tranche 5: During the financial year 30,000 shares forfeited

Tranche 6: During the financial year 20,000 shares forfeited

Tranche 7: Offer of 200,000 in October 2015 with all offers accepted

Tranche 8: Offer of 400,000 in January 2016 with all offers accepted

Tranche 9: Offer of 230,000 in February 2016 with all offers accepted. During the financial year 20,000 shares forfeited

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

Two individual employees hold more than 200,000 options under the ESP.

Details of the fair value assumptions used are as follows:

	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9
Grant Date	Feb 2013	Feb 2014	Feb 2015	Oct 2015	Jan 2016	Feb 2016
Grant Price	$0.83	$0.85	$0.72	$0.59	$0.58	$0.58
Opening Volume	160,000	160,000	150,000	-	-	-
New grants	-	-	-	200,000	400,000	230,000
Forfeitures	(10,000)	(10,000)	(10,000)	-	-	(20,000)
Closing Volume	150,000	150,000	140,000	200,000	400,000	210,000
Exercise Price	$0.83	$0.83	$0.71	$0.71	$0.58	$0.58
Expected Volatility	45%	45%	45%	45%	45%	45%
Option Life	4 years	4 years	4 years	4 years	4 years	4 years
Dividend Yield	0%	0%	0%	7.50%	7.50%	10.00%
Risk Free Interest Rate	3.00%	5.15%	6.25%	1.88%	2.05%	1.72%
Grant date fair value	$0.12	$0.12	$0.16	$0.12	$0.12	$0.07

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

Movement in share options during the year

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

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	690,000	0.72	635,000	0.72
Granted during the year	830,000	0.60	160,000	0.71
Forfeited during the year	(110,000)	0.73	(105,000)	0.71
Exercised during the year	(160,000)	0.48	-	
Balance at end of year	1,250,000	0.67	690,000	0.72
Exercisable at end of year	Nil		Nil	

The following share options were exercised during the year:

	2016			2015		
	Exercise date	Number of options exercised	Share price at exercise date	Exercise date	Number of options exercised	Share price at exercise date
Tranche 3	3 Mar 2016	160,000	56 cents	n/a	-	-

Performance Right Plan

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

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

RTSR will be measured by comparing the Company's TSR over the measurement period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX. TSR is the percentage return generated from an investment in a company's shares over the measurement period assuming that dividends are reinvested into the company's shares. NEPSG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2016) to normalised EPS for the final year of the measurement period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

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

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

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

The Managing Director participates in the Saunders International Rights Plan. This plan is part of the long term incentive component of his remuneration package. The total number of Performance Rights issued under the plans is 1,047,768.

Details of the fair value assumptions used are as follows:

	Tranche 1 & 2	Tranche 3	Tranche 4 & 5	Tranche 6 & 7	Tranche 8
Grant Date	2 June 2016	2 June 2016	2 June 2016	2 June 2016	2 June 2016
Grant Price	$0	$0	$0	$0	$0
New grants	388,953	194,476	216,076	186,197	62,066
Exercise Price	$0	$0	$0	$0	$0
Expected Volatility	26.87%	26.87%	26.87%	26.87%	26.87%
Option Life	2.25 years	2.25 years	0.25 years	1.25 years	1.25 years
Dividend value	$0.06	$0.06	$0.06	$0.06	$0.06
Risk Free Interest Rate	1.93%	1.93%	1.93%	1.93%	1.93%
Grant date fair value	$0.41	$0.28	$0.53	$0.47	$0.32

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date and number of options granted were outstanding at the end of the year. The weighted average exercise price of the option is $0.00 per option and the share price on grant date was $0.54 per share. The share option outstanding at the end of the year has a weighted average remaining contractual life of 1.25 years.

13. RETAINED EARNINGS

	2016 $'000	2015 $'000
Balance at beginning of financial year	**11,198**	11,519
Profit for the year	**2,891**	4,431
Dividends provided for or paid	**(4,771)**	(4,752)
Balance at end of financial year	**9,318**	11,198

14. EARNINGS PER SHARE

	2016 Cents per share	2015 Cents per share
Basic earnings per share	**3.68**	5.64
Diluted earnings per share	**3.65**	5.60

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	2015 $'000
Net profit	**2,891**	4,431
Earnings used in the calculation of basic EPS	**2,891**	4,431
	2016 No.'000	**2015 No.'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**78,613**	78,560

Diluted earnings per share
Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic EPS	**78,613**	78,560
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	**542**	589
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**79,155**	79,149

(a) During the year ended 30 June 2016 the potential ordinary shares associated with the employee share option plan as set out in note 12 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights, as set out in note 12 are dilutive, and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

15. DIVIDENDS

	2016 Cents per share	2016 Total $'000	2015 Cents per share	2015 Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend (2015):				
Fully franked at a 30% tax rate	**4.0**	**3,170**	4.0	3,168
Interim dividend (2016):				
Fully franked at a 30% tax rate	**2.0**	**1,601**	2.0	1,584
	6.0	**4,771**	5.0	4,752
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend (2016):	**2.0**	**1,574**	4.0	3,168

On 24 August 2016, the directors declared a fully franked final dividend of 2 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2016, to be paid to shareholders on 22 September 2016.

	2016 $'000	2015 $'000
Franking account balance	**3,926**	4,820
Impact on franking account balance of dividends not recognised	**(686)**	(1,347)
Adjusted franking account balance	**3,240**	3,473

16. 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 39.4% of the revenue earned (2015: 2 customers made up 30.5% of the revenue earned). The first customer accounted for $8,578,285 (2015: $8,366,216), the second customer $7,765,116 (2015: $4,259,749).

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contract dispute

There are no contract disputes in the current year (2015:Nil).

18. 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 is no renewal of terms or purchase options at the end of the term of the leases.

	2016 $'000	2015 $'000
Non-cancellable operating lease commitments		
Not longer than 1 year	**157**	231
Longer than 1 year and not longer than 5 years	**109**	162
Longer than 5 years	**-**	-
	266	393

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.

	2016 $'000	2015 $'000
Non-cancellable operating lease commitments		
No longer than 1 year	**355**	643
Longer than 1 and not longer than 5 years	**-**	326
	355	969

19. NOTES TO THE STATEMENT OF CASH FLOWS

	2016 $'000	2015 $'000

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, 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:

	2016 $'000	2015 $'000
Cash and cash equivalents	**14,347**	17,874

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

	2016 $'000	2015 $'000
Profit for the year	**2,891**	4,431
Movement in share-based reserve	**172**	33
(Gain)/ Loss on disposal/revaluation of non-current asset	**(18)**	(14)
Depreciation	**619**	638
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Increase/(decrease) in current tax liability	**(107)**	(917)
(Increase)/decrease in current tax asset	**(28)**	-
Decrease in deferred tax balances	**129**	385
Trade and other receivables	**(2,071)**	5,659
Inventories	**530**	(310)
Other assets	**8**	(40)
Increase/(decrease) in liabilities:		
Trade and other payables	**1,245**	(2,175)
Deferred revenue	**(1,379)**	(1,510)
Provisions	**(422)**	(944)
Net cash from operating activities	**1,569**	5,236

(c) Financing facilities

The Company's principal financing facilities for the provision of bank guarantees as described in note 20 is secured by a fixed and floating charge over the assets of the Company.

	2016 $'000	2015 $'000
Amount used	**3,128**	4,929
Amount unused	**3,872**	2,071
	7,000	7,000

20. 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	2015 $'000
Financial assets		
Cash and cash equivalents	**14,347**	17,874
Loans and receivables	**7,085**	5,014
	21,432	22,888
Financial liabilities		
Trade payables and accruals	**3,269**	2,024

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. Cash flows are monitored and matched to the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the 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 $'000	1 to 3 months $'000	3 months to 2 years $'000	Total $'000
2016					
Financial assets					
Cash and cash equivalents	2.64%	6,347	8,000	-	14,347
Trade receivables	-	3,211	3,853	21	7,085
Financial liabilities					
Trade payables and accruals	-	3,214	-	55	3,269
2015					
Financial assets					
Cash and cash equivalents	3.24%	6,288	6,500	5,086	17,874
Trade receivables	-	4,352	620	42	5,014
Financial liabilities					
Trade payables and accruals	-	2,024	-	-	2,024

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 $161,108 (2015: $180,466).

Fair value of financial instruments

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

21. 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.

(a) Remuneration of Directors and Key Management Personnel

	2016 $	2015 $
Short-term employee benefits	**2,059,485**	1,517,118
Post-employment benefits	**139,976**	106,857
Share-based payments	**168,607**	1,015
	2,368,068	1,624,990

The names of and positions held by the key management are set out on page 13 of the Remuneration Report. Further details of the remuneration of key management are disclosed in the Remuneration Report.

(b) Other Transactions with Key Management Personnel

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

(c) Directors' and Key Management Equity Holdings

Refer to the table on page 13 of the Remuneration Report.

22. 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 18. 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 Practicing Valuer on 1 January 2014 plus CPI adjustment. Rent paid during the year amounted to $642,785 (2015: $600,959).

23. REMUNERATION OF AUDITOR

	2016 $	2015 $
Audit or review of the financial report	**110,000**	116,500
	110,000	116,500

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

24. 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.

25. 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 Practiced 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.

Board Committees & their Charters

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

Policies & 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

ASX Corporate Governance Principles & 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: saundersint.com/investors

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

ADDITIONAL STOCK EXCHANGE INFORMATION

As at 22nd September 2016

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 78,936,076 fully paid ordinary shares held by 938 individual shareholders. In addition, there are 1,250,000 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.

SUBSTAINTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
Mr. Desmond Bryant	22,211,587	28.14%
Timothy Burnett	9,702,531	12.35%

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Holders
1 - 1,000	55
1,001 - 5,000	201
5,001 - 10,000	176
10,001 - 100,000	431
101,000 & over	75
TOTAL	**938**

THE TWENTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	Percentage
MR DESMOND BRYANT	22,211,587	28.14%
TIVOLICO PTY LTD	5,711,262	7.24%
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,276,405	5.42%
MARLOT PTY LTD	3,991,269	5.06%
MR JOHN POWER	3,023,513	3.83%
ANACACIA PTY LTD	2,950,596	3.74%
SAGIMO HOLDINGS PTY LTD	1,215,366	1.54%
MRS KARYN MAY MCCLELLAND	1,215,366	1.54%
DONALD CANT PTY LTD	940,383	1.19%
NATIONAL NOMINEES LIMITED	882,620	1.12%
UBS NOMINEES PTY LTD	806,282	1.02%
MR TREVOR ROSS KENNEDY	746,976	0.95%
ACTIVE AIR SPARES PTY LTD	700,000	0.89%
MR ROBERT GRABURN PATTERSON	652,142	0.83%
FRETENSIS PTY LTD	600,000	0.76%
PARMELIA PTY LTD	566,003	0.72%
ANACACIA CAPITAL PTY LTD	550,000	0.70%
IMAJ PTY LTD	517,056	0.66%
PEAKHURST RESEARCH SERVICES PTY LTD	500,000	0.63%
MR ANDREW AUZINS & MRS BRIGITTE AUZINS	443,842	0.56%
EST DAVID JOHN LAURITZ	420,000	0.53%
TOP 20 SHAREHOLDERS	**52,920,668**	**67.04%**

CORPORATE DIRECTORY

Saunders International Limited
ABN 14 050 287 431

Saunders Asset Services
ABN 95 610 760 426

Board of Directors
Timothy Burnett - Chairman
Mark Benson - Managing Director
Malcolm McComas - Director
Greg Fletcher - Director

Secretary
Steven Dadich

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

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

Registered Office & Principal Administrative Office
Saunders International Limited
271 Edgar Street,
Condell Park NSW 2200
Telephone (02) 9792 2444
Facsimile (02) 9771 2640

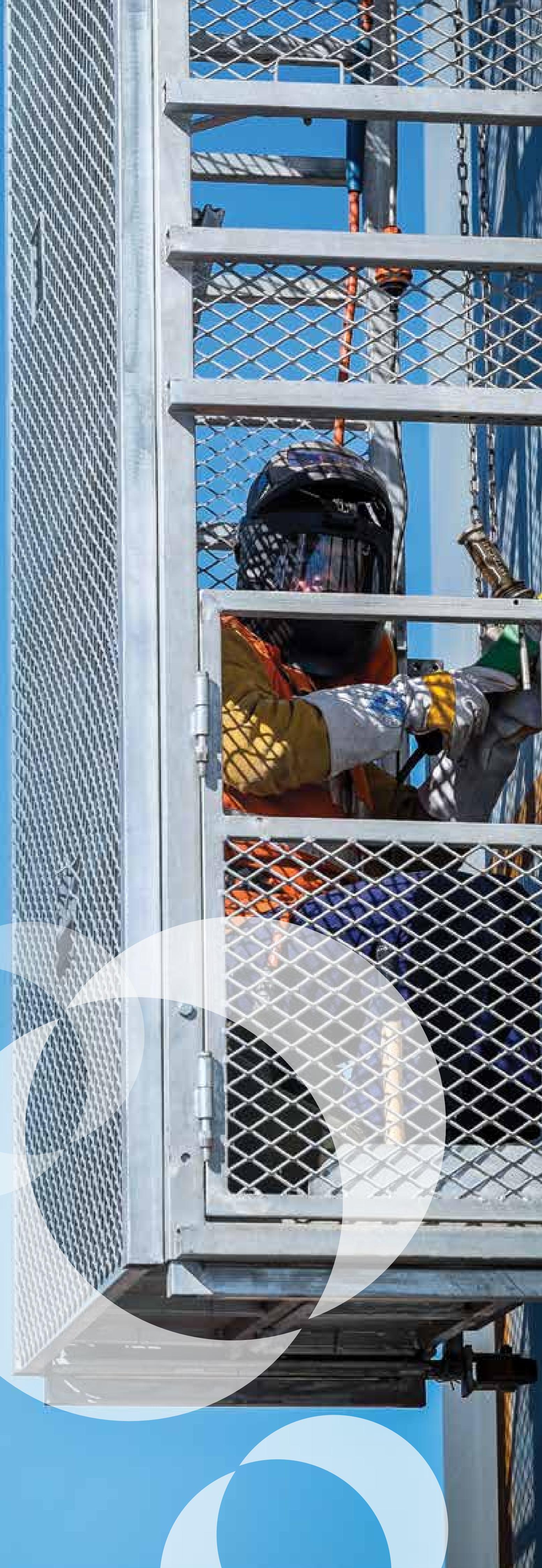
Saunders Asset Services
Ground Floor, 5 Ord Street,
West Perth WA 6005
Telephone (08) 9481 5820

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

Website
www.saundersint.com

Email
mail@saundersint.com



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