SAUNDERS

Saunders International Limited

2011 ANNUAL REPORT

Saunders International Limited

ABN 14 050 287 431

2011 ANNUAL REPORT

CONTENTS

21 October 2011

Dear Shareholder,

During the 2011 financial year, Saunders revenue recorded a 19% increase on the previous year. There was strong revenue growth in Design and Construction, and Maintenance activities.

Overall, after expensing the legal costs associated with the major ongoing contract dispute the net profit after tax was 54% below the previous year.

The legal costs for the 2011 financial year were $3.6 million (2010: $1.45 million). An interim award was made by the arbitrator in Saunders favour in early June 2011. This decision is being challenged in the Supreme Court. The company expects the matter to be resolved, in Saunders favour, in the 2012 financial year.

The company remains in a strong position at year end with cash of $16 million, which is equivalent to 20.3 cents per share and there is no interest bearing debt. The current ratio at year end remains strong at 3.0 and the Return on Equity, before the legal costs are expensed, was a satisfactory 22%. With the legal costs included, this ratio was 11%.

The dividend for 2011 is maintained at 4 cents per share, fully franked.

The work in hand at 30 June 2011 was approximately $31 million. A further $9.3 million of new contracts have been secured in the first quarter of the FY12 year. The volatile conditions in financial markets, in general, are causing some delay in the release of new projects. However, the outlook suggests that this will improve in the second half.

The Company's search for a significant acquisition has been put on hold for the time being. Patchy business conditions and uncertainty flowing from the carbon tax and import competition in the manufacturing sector have increased the risks of making a successful acquisition. Instead, management is concentrating on securing growth by leveraging off our core tankage competency to secure more project management roles in tankage projects for our valued clients.

We thank our fellow directors and on behalf of the Board we would like to thank all of the Company's employees for their efforts during the last year.

Timothy Burnett
Chairman

John Power
Managing Director

BOARD OF DIRECTORS

Timothy Burnett - Chairman

Mr Burnett has over 35 years experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders. Prior to joining Saunders, he was a senior manager with Brown & Root Inc for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia.

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

John Power - Managing Director

Mr Power has more than 33 years experience in the Engineering and Construction industry. Prior to joining Saunders in 2003, he spent 25 years with Chicago Bridge and Iron Company N.V. (CBI) on various assignments in Europe, Africa, Middle East, Asia and Australia. During this period, he filled many roles including Project Manager, Business Development Manager and Operations Manager. Mr Power also held the position of Director of CBI's Australian subsidiary for 7 years.

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

David Smart – Non-Executive Director

Over the past 30 years, Mr Smart has held various finance, company secretary and board positions with several listed industrial companies. Prior to joining Metal Manufacturers Ltd as Finance Director, Mr Smart held the positions of Treasurer and CFO of Tubemakers Australia Ltd. He was also involved in the listing of eServ Global Ltd in 2000 and has been a director since 2000.

Mr Smart has a Bachelor of Commerce (Accounting) degree and a MBA from the University of New South Wales.

Kim Tronson – Non-Executive Director

Dr Tronson has over 30 years senior executive experience in the coal and transport industries. Dr Tronson is a former managing director of Coal and Allied Industries Ltd (1997 to 2001) and a general manager of Kembla Coal and Coke (1996 to 1997), both companies being part of the Rio Tinto Limited group. For 4 years prior to its sale to private equity in 2007, he was a non-executive director of leading software company Mincom Limited.

Dr Tronson has a Bachelor of Science (Hons) degree from the Australian National University and gained his doctorate in Applied Mathematics from Flinders University.

BUSINESS PROFILE

Saunders is an engineering and construction firm which specialises in the design, construction and maintenance of steel bulk liquid storage tanks and associated facilities. Saunders services a client base comprising a variety of "blue chip" companies operating in the oil and gas, resources, chemicals and water industries.

Bulk liquid storage tanks are important components of the infrastructure used by companies involved in the mining, extraction, processing, storage and distribution of oil, gas, petroleum and minerals. These companies are experiencing sustained growth in the demand for their products and are continuing to expand their infrastructure. Investment in Water Storage Infrastructure continues.

The design and construction of storage tanks is an activity undertaken for key sectors including:-

- Oil and gas industry, including producers of oil and gas, refining, importation and distribution;
- Water and waste water infrastructure sector;
- Industries which manufacture, import, distribute and use bulk chemicals;
- Mining and mineral processing industry
- Industries which import/export and distribute vegetable oils

The maintenance and rehabilitation of storage tanks has grown to become a significant contributor to revenue and has been underpinned by long-term relationships with several of Australia's leading oil and gas refineries, producers and distributors.

2011 CLIENTS

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

Bilfinger Berger Services
BP
Caltex
Dyno Nobel
Exxon Mobil
Orica
Newcrest Mining
Rio Tinto
RAAF
Reed Constructions
Santos
Shell
Sydney Water Corporation
Transfield Services
Coogee Chemicals
Terminals
Macmahon

DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or "Company") for the year ended 30 June 2011 and the independent audit report thereon.

DIRECTORS

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

Timothy Burnett

John Power

David Smart

Kim Tronson

COMPANY SECRETARY

Steven Dadich (employed in public practice)

PRINCIPAL ACTIVITIES

During the financial year, the principal activities of Saunders were 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:

	2011 $'000	2010 $'000
Revenue	**52,795**	44,461
Profit before income tax	**2,686**	5,745
Income tax expense	**806**	1,714
Profit attributable to the members of Saunders International Limited	**1,880**	4,031

Comments on Revenue and Results

During the 2011 financial year, Saunders revenue recorded a 19% increase on the previous year. There was strong revenue growth in Design and Construction, and Maintenance activities.

Overall, after expensing the legal costs associated with the major ongoing contract dispute the net profit after tax was 54% below the previous year.

The legal costs for the 2011 financial year were $3.6 million (2010: $1.45 million). An interim award was made by the arbitrator in Saunders favour in early June 2011. This decision is being challenged in the Supreme Court. The company expects the matter to be resolved, in Saunders favour, in the 2012 financial year.

In the second half of the 2011 financial year there has been continuing delay in the release of major projects impacting on Design and Construct business. As a result Saunders has a similar backlog going into the 2012 financial year as it did in 2011 however there are signs that the pending projects are now beginning to proceed and new business is expected to increase in the second half of the 2012 financial year.

The key ratio of Return on Equity, before the legal costs are expensed, was a satisfactory 22%. With the legal costs included, this ratio is 11%.

Financial Position

The director's consider the Company to be in a very strong financial position at year end. Cash totals $16 million which is equivalent to 20.3 cents per share and the Company has no interest bearing debt.

Trade and other receivables and trade and other payables are in line with the relative stages of projects and contracts at year end. The current ratio is extremely strong at 3.0 times.

Employees

During this financial year, the number of employees ranged between 170 and 190 and it was approximately 190 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 the cornerstone of all the Company activities.

Continued management focus produced a continuation of the prior years good result.

Earnings per Share

The basic and diluted earnings per share is calculated using the weighted average number of shares. This shows the basic and diluted earnings per share of 2.41 cents (2010: 5.16 cents).

DIVIDEND

An interim dividend of 1.0 cents per share fully franked was paid on 24 March 2011. On 22 August 2011, the directors declared a final dividend of 3.0 cents per share fully franked, payable on 29 September 2011.

For the prior year an interim dividend of 1.0 cent per share fully franked was paid on 25 March 2010 and a final dividend of 3.0 cents per share fully franked was paid on 23 September 2010.

DIRECTORS ATTENDANCE AT MEETINGS

Attendance at Meetings

The following table sets out the number of meetings held during the period that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Timothy Burnett	9	9	n/a	n/a	3	3
John Power	9	9	n/a	n/a	n/a	n/a
David Smart	9	8	2	2	3	3
Kim Tronson	9	9	2	2	3	3

INFORMATION ON DIRECTORS

Information on the directors who held office at the date of this report is as follows:-

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares of Saunders International Limited
Timothy Burnett	Non-executive Chairman Member of the Remuneration Committee Director since November 1990 BE, MBA, FAICD 35 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	15,702,531
John Power	Managing Director Director since June 2003 BE, GAICD 33 years of relevant industry experience Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	5,023,513
David Smart	Non-executive Director Chairman of the Audit Committee Member of the Remuneration Committee Director since October 2007 BCom, MBA, FCPA 31 years of relevant financial management experience in metal manufacturing industries including 13 years as CFO Other listed company directorships in the 4 years immediately before the end of the financial year – - eServ Global Ltd, Director since 2000	20,000
Kim Tronson	Non-executive Director Chairman of the Remuneration Committee Member of the Audit Committee Director since October 2007 BSc, PhD 31 years of senior executive experience in the coal and transport industries including 4 years as the Managing Director of a listed coal company Other listed company directorships in the 3 years immediately before the end of the financial year - Nil	80,000

There are no share options issued to directors.

REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Saunders International Limited directors and its key management personnel for the financial year ended 30 June 2011.

Remuneration Policy

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

Non-executive Directors

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

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

Managing Director

The managing director is remunerated on 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 fixed components and a variable bonus. 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 measurement of key project performance indicators.

Key Management Personnel

Key management personnel are remunerated on salary packages, which include non monetary benefits, 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. The maximum bonus payable is determined by the profitability of the company.

Long Term Incentive

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

As of the date of this report, the directors and key management personnel own substantial numbers of shares in the Company. The directors' shareholdings are outlined at the start of the directors' report. Key management personnel, who are not directors, collectively own in excess of 1.85 million shares. In addition, other employees own approximately 1.4 million shares plus 600,000 shares under the Employee Share Plan.

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

Key Terms of Employment Contracts

The Company has entered into an executive service agreement with John Power as Managing Director and Chief Executive Officer. The executive service agreement contains the following key terms:

Term:	Fixed term agreement expiring on 30 June 2012
Annual Salary:	A total fixed annual salary package, currently $313,181, with annual review
Performance Bonus:	Variable based on financial performance and a range of other key performance indicators
Notice Period:	Fixed term, expiring on 30 June 2012, with 3 months' notice after that date
Redundancy:	1 week's pay per year of service to a maximum of 26 weeks' pay

Key management personnel 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 directors and key management personnel contains an annual cash bonus. The total cash bonus paid in a year is closely related to and determined by the current profit levels of the company.

Executive directors and key management personnel are 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 2011:

	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000
Revenue	52,795	44,461	55,774	62,216	35,057
Net profit before tax	2,686	5,745	4,791	8,424	6,077
Net profit after tax	1,880	4,031	3,356	6,196	4,271

The Company is unable to provide information comparing executive compensation with historical investor return prior to 2008 as it was only listed in December 2007. The information is therefore provided for the years as disclosed below.

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at end of year [1]	0.52	0.43	0.25	0.60	-
Special dividend (cents per share) [2]		-	-	9.36	-
Interim dividend (cents per share) [2]	1.0	1.0	1.0	1.0	8.0
Final dividend (cents per share) [2]	3.0	2.0	2.0	-	7.0
Basic earnings per share	2.4	5.2	4.3	8.57	6.66
Diluted earnings per share	2.4	5.2	4.3	8.56	6.66

1 In December 2007, Saunders International Limited listed on the ASX, and the Company is unable to provide information prior to 2007.

2 The interim (8 cents per share) and final dividends (7 cents per share) in 2007 as well as the interim dividend in 2008 (9.36 cents per share) were declared prior to Saunders International Limited listing on the ASX. All dividends above were franked to 100% at 30% corporate income tax rate.

Remuneration of Directors and Key Management Personnel

2011	Short-term Benefits			Post-employment Benefits		
	Cash Fees/Salary	Cash Bonus	Non-monetary Benefit	Superannuation	Total	Percentage of remuneration related to performance
	$	$	$	$	$	%
Non-executive Directors						
Timothy Burnett	96,864	-	-	-	96,864	-
David Smart	44,433	-	-	3,999	48,432	-
Kim Tronson	44,433	-	-	3,999	48,432	-
TOTAL	**185,730**	**-**	**-**	**7,998**	**193,728**	
Executive Officers						
John Power[1]	245,903	62,983	28,586	29,509	366,981	17.2
Andrew Auzins[2]	189,140	32,500	33,187	22,698	277,525	11.7
Albert de Boer [3]	135,286	20,000	21,786	16,246	193,318	10.3
Robert Patterson [4]	134,600	12,500	16,461	16,109	179,670	7.0
Yong Wang[5]	109,846	3,500	23,300	13,183	149,829	2.3
TOTAL	**814,775**	**131,483**	**123,320**	**97,745**	**1,167,323**	

2010	Short-term Benefits			Post-employment Benefits		
	Cash Fees/Salary	Cash Bonus	Non-monetary Benefit	Superannuation	Total	Percentage of remuneration related to performance
	$	$	$	$	$	%
Non-executive Directors						
Timothy Burnett	89,077	-	-	3,174	92,251	-
David Smart	42,317	-	-	3,810	46,127	-
Kim Tronson	42,317	-	-	3,810	46,127	-
TOTAL	**173,711**	**-**	**-**	**10,794**	**184,505**	
Executive Officers						
John Power[1]	233,644	222,916	36,087	21,028	513,675	43.4
Andrew Auzins[2]	180,133	65,000	32,447	16,212	293,792	22.1
Robert Patterson [4]	115,663	25,000	28,885	10,410	179,958	13.9
Yong Wang[5]	104,615	7,000	26,177	9,416	147,208	4.8
TOTAL	**634,055**	**319,916**	**123, 596**	**57,066**	**1,134,633**	

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

[1] Managing Director.
[2] General Manager.
[3] General Manager (start September 2010)
[4] Operations Manager
[5] Engineering Manager

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

There are no additional key management personnel to disclose.

No director or key management person, other than Yong Wang, holds any options over the shares in Saunders International Limited. No director or key management person received any shares under the Employee Share Plan in the current or previous 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 occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

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

Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit Services

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9 of the annual report.

Rounding Off of Amounts

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

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

John Power
Director
Sydney, 22 August 2011

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

22 August 2011

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 2011, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report
to the Members of Saunders International Limited

We have audited the accompanying financial report of Saunders International Limited, which comprises the statement of financial position as at 30 June 2011, the statement of 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 12 to 32.

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 (including the Australian Accounting Interpretations) 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 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 entity'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 entity'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

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 the company's financial position as at 30 June 2011, and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 5 to 7 of the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Saunders International Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants
Sydney, 22 August 2011

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) 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 s.295(5) of the Corporations Act 2001.

On behalf of the Directors

John Power
Director
Sydney, 22 August 2011

STATEMENT OF COMPREHENSIVE INCOME
for the Financial Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	3	**52,795**	44,461
Other income	4	**6**	60
Changes in inventories of finished goods and work in progress		**(74)**	(994)
Raw materials and consumables		**(20,096)**	(13,876)
Employee benefits expense	4	**(23,550)**	(19,633)
Administration expenses		**(1,100)**	(1,102)
Depreciation expense	4	**(612)**	(849)
Legal expenses		**(3,608)**	(1,450)
Other expenses		**(1,075)**	(872)
Profit before tax	4	**2,686**	5,745
Income tax expense	5	**(806)**	(1,714)
Profit for the year	14	**1,880**	4,031
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,880**	4,031
Earnings per share			
Basic (cents per share)	15	**2.41**	5.16
Diluted (cents per share)	15	**2.41**	5.16

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	20(a)	**16,293**	20,060
Trade and other receivables	6	**5,869**	4,196
Inventories	7	**315**	708
Other	8	**26**	50
Current tax receivable	5	**79**	-
Total current assets		**22,582**	25,014
Non-current assets			
Plant and equipment	9	**1,297**	1,760
Deferred tax assets	5	**974**	915
Total non-current assets		**2,271**	2,675
Total assets		**24,853**	27,689
Current liabilities			
Trade and other payables	10	**5,264**	6,250
Current tax liabilities	5	**-**	805
Provisions	11	**2,211**	1,970
Total current liabilities		**7,475**	9,025
Non-current liabilities			
Provisions	11	**200**	218
Total non-current liabilities		**200**	218
Total liabilities		**7,675**	9,243
Net assets		**17,178**	18,446
Equity			
Issued capital	13	**7,571**	7,571
Shares issued under employee share plan	13	**(300)**	(300)
Retained earnings	14	**9,907**	11,175
Total equity		**17,178**	18,446

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2011

	Issued capital $'000	Shares issued under employee share plan $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	7,571	(300)	9,505	16,776
Profit for the year	-	-	4,031	4,031
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,031	4,031
Dividends paid	-	-	(2,361)	(2,361)
Balance at 30 June 2010	7,571	(300)	11,175	18,446
Profit for the year	-	-	1,880	1,880
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,880	1,880
Dividends paid	-	-	(3,148)	(3,148)
Balance at 30 June 2011	7,571	(300)	9,907	17,178

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
for the Financial Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		**55,681**	51,331
Payments to suppliers and employees		**(55,107)**	(42,885)
Interest received and other costs of finance paid		**699**	586
Income taxes paid		**(1,749)**	(631)
Net cash (used in)/provided by operating activities	20(b)	**(476)**	8,401
Cash flows from investing activities			
Payments for plant and equipment		**(149)**	(394)
Proceeds on disposal of plant and equipment		**6**	261
Net cash used in investing activities		**(143)**	(133)
Cash flows from financing activities			
Dividends paid to shareholders		**(3,148)**	(2,361)
Net cash used in financing activities		**(3,148)**	(2,361)
Net (decrease)/increase in cash and cash equivalents		**(3,767)**	5,907
Cash and cash equivalents at the beginning of the financial year		**20,060**	14,153
Cash and cash equivalents at the end of the financial year	20(a)	**16,293**	20,060

The accompanying notes form part of these 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 complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS 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 22 August 2011.

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 assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

During the current financial year, the company adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period.

These Standards and Interpretations have been adopted with no effect on the financial statements.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and Cash Equivalents

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

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

(b) Construction Contracts

Where 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 that contract costs incurred for work performed to date bear 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.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(d) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is recognised on temporary differences between the tax base of an asset or liability and its carrying amount in the financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in profit and loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(e) Inventories

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

(f) Leased Assets

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

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

(g) Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Note 9 provides more detail. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

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

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

(h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

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

(i) Financial instruments issued by the company

Debt and equity instruments

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

(j) Revenue

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

Rendering of services

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

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

Dividend and interest revenue

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

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows

(l) Financial Assets

Loans and receivables

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

(m) Impairment of Assets

At each reporting date, the entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment or loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Contributed Equity

Ordinary shares are classified as equity.

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

(o) Share Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-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.

(p) Adoption of new and revised Accounting Standards

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards and Interpretations that apply to the Company is not expected to have material impacts to the financial report, nor significantly effect the disclosures presently made in relation to the company's financial report

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, AASB 2009-11 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 1054 Australian Additional Disclosures	1 July 2011	30 June 2012
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	1 July 2011	30 June 2012
IAS19 Employee Benefits	1 January 2013	30 June 2014

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee Entitlements

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

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

Key sources of estimation uncertainty

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

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).

	2011 $'000	2010 $'000
3. REVENUE		
Revenue from continuing operations consisted of the following items:		
Revenue from the sale of goods	**52,096**	43,875
Interest received	**699**	586
	52,795	44,461

4. PROFIT FOR THE YEAR

	2011 $'000	2010 $'000
Other income		
Gain on sale of plant and equipment	**6**	60
Profit before tax has been arrived at after charging the following expenses:		
Cost of sales	**43,720**	34,503
Depreciation		
Plant and equipment	**584**	808
Office furniture and equipment	**28**	41
	612	849
Operating lease rental expenses:		
Lease payments	**1,088**	1,041
Employee benefits expense:		
Post employment benefits		
Defined contribution plans	**2,108**	1,241
Other benefits	**21,442**	18,392
	23,550	19,633

5. INCOME TAX

	2011 $'000	2010 $'000
Income Tax Recognised in Profit		
Tax expense comprises:		
Current tax expense	**865**	1,709
Adjustments recognised in the current year in relation to the current tax of prior years	**-**	(10)
Deferred tax expense relating to the origination and reversal of temporary differences	**(59)**	15
Total tax expense	**806**	1,714
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financials as follows:		
Profit before taxation	**2,686**	5,745
Income tax at 30%	**806**	1,724
Effect of tax concessions – research and development	**-**	(10)
Total tax expense	**806**	1,714

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

	2011	2010
Current tax receivable – income tax receivable	**79**	-
Current tax liability – income tax payable	**-**	805

Deferred Tax Balances

The deferred tax expense itemised above is shown in the statement of financial position as follows:

2011	Opening balance $'000	Credited to income $'000	Closing balance $'000
Deferred tax assets			
Employee benefit	732	86	818
IPO costs originally recognised through equity	121	(63)	58
Accruals	65	33	98
Deferred tax liability			
Plant and equipment	(3)	3	-
Net deferred tax asset	915	59	974

2010	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets			
Employee benefit	658	74	732
IPO costs originally recognised through equity	184	(63)	121
Accruals	157	(92)	65
Deferred tax liability			
Plant and equipment	(69)	66	(3)
Net deferred tax asset	930	(15)	915

6. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
Trade receivables (i)	**5,869**	4,196

(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 or more over the due date at the end of the financial year 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.

The company has used the following basis to assess the allowance loss for trade receivables:

- The general economic conditions in specific geographical regions;
- An individual account by account specific risk assessment based on past credit history; and
- Any prior knowledge of debtor insolvency or other credit risk.

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

	2011 $'000	2010 $'000
60 days over the due date	**9**	5

7. INVENTORIES

	2011 $'000	2010 $'000
Raw materials	**315**	708

8. OTHER ASSETS

	2011 $'000	2010 $'000
<u>Current</u>		
Prepayments	**26**	50

9. PLANT AND EQUIPMENT

	Plant and Equipment at Cost	Plant and Equipment Under Construction at Cost	Office Furniture and Equipment at Cost	Total
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at 1 July 2009	6,617	2	440	7,059
Additions	173	199	22	394
Disposals	(183)	(201)	-	(384)
Balance at 30 June 2010	6,607	-	462	7,069
Additions	126	-	23	149
Disposals	(6)	-	-	(6)
Balance at 30 June 2011	6,727	-	485	7,212
Accumulated depreciation				
Balance at 1 July 2009	4,271	-	372	4,643
Disposals	(183)	-	-	(183)
Depreciation expense	808	-	41	849
Balance at 30 June 2010	4,896	-	413	5,309
Disposals	(6)	-	-	(6)
Depreciation expense	584	-	28	612
Balance at 30 June 2011	5,474	-	441	5,915
Net book value				
As at 30 June 2010	1,711	-	49	1,760
As at 30 June 2011	1,253	-	44	1,297

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 2011 the directors reviewed the future budgets of the company to determine whether there are any indications of impairment. No indicators of impairment were noted and no impairment losses are recorded.

10. TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Current		
Trade payables (i)	**413**	1,799
Amounts due to customers under construction contracts (note 12)	**2,817**	2,891
Goods and services tax payable	**228**	112
Accruals	**1,806**	1,448
	5,264	6,250

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

11. PROVISIONS

	2011	2010
Current		
Employee benefits (i)	**2,211**	1,970
Non-current		
Employee benefits	**200**	218

(i) The current provision for employee benefits includes $761,000 of vested long service leave entitlements accrued (2010: $757,000).

12. CONSTRUCTION CONTRACTS

	2011 $'000	2010 $'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	**61,621**	63,035
Less: progress billings	**(64,438)**	(65,926)
	(2,817)	(2,891)
Recognised and included in the financial statements as amounts due:		
To customers under construction contracts (note 10)	**2,817**	2,891

At 30 June 2011, no retentions were held by customers for contract work (2010: $nil). Advances received from customers for contract work amounted to $2,817,000 (2010: $2,891,000).

13. ISSUED CAPITAL

78,700,000 fully paid ordinary shares (2010: 78,700,000)	**7,271**	7,271

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares		
Balance at beginning of financial year	**7,571**	7,571
Balance at end of financial year	**7,571**	7,571

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

Treasury shares under employee share plan		
Balance at beginning of financial year	**(300)**	(300)
Balance at end of financial year	**(300)**	(300)

Employee Share Plan

The Board has approved and implemented an Employee Share Plan ("ESP"). Under the ESP, the Company provided a loan to 20 employees to acquire shares in Saunders International Limited, prior to the IPO on 5 December 2007, at the IPO issue price of 50 cents per share. The loan is secured by the shares acquired by the eligible employees, with an interest charge equal to the cash component of the dividend payable by the Company on the shares. The shares vest and the loan is to be repaid, upon the 4th anniversary of the issue of the shares. If an eligible employee's employment with the Company is terminated prior to the 4th anniversary of the issue of the shares, the shares are to 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.

No director or key management personnel, other than Yong Wang, has participated in the ESP. The total number of shares which have been issued under the plan is 600,000 and no individual employee holds more than 40,000 shares under the ESP.

14. RETAINED EARNINGS

Balance at beginning of financial year	**11,175**	9,505
Profit for the year	**1,880**	4,031
Dividends provided for or paid	**(3,148)**	(2,361)
Balance at end of financial year	**9,907**	11,175

15. EARNINGS PER SHARE

	2011 Cents per share	2010 Cents per share
Basic earnings per share	**2.41**	5.16
Diluted earnings per share	**2.41**	5.16

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:

	2011 $'000	2010 $'000
Net profit	**1,880**	4,031
Earnings used in the calculation of basic EPS	**1,880**	4,031

	2011 No.'000	2010 No.'000
Weighted average number of ordinary shares outstanding	**78,700**	78,700
Less: Weighted average shares issued under the employee share plan	**(600)**	(600)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**78,100**	78,100

Diluted earnings per share

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

Weighted average number of ordinary shares used in the calculation of basic EPS	**78,100**	78,100
Shares deemed to be issued for no consideration in respect of employee options	**19**	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**78,119**	78,100

16. DIVIDENDS

	2011		2010	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**
Recognised amounts				
Fully paid ordinary shares				
Final dividend (2010):				
Fully franked at a 30% tax rate	**3.0**	**2,361**	2.0	1,574
Interim dividend (2011):				
Fully franked at a 30% tax rate	**1.0**	**787**	1.0	787
	4.0	**3,148**	3.0	2,361
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend (2011):	**3.0**	**2,361**	3.0	2,361

On 22 August 2011, the directors declared a fully franked final dividend of 3.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2011, to be paid to shareholders on 29 September 2011.

	2011 $'000	2010 $'000
Franking account balance	**4,439**	4,869
Impact on franking account balance of dividends not recognised	**(1,012)**	(1,012)
Adjusted Franking account balance	**3,427**	3,857

17. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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 4 customers made up 42% of the revenue earned. The first customer accounted for $ 6,791,727, the second customer $ 5,923,324, the third customer $ 5,542,012 and fourth customer $ 3,833,435.

In the prior period 4 customers made up 60% of the revenue earned. The first customer accounted for $8,895,939, the second customer $ 6,390,760, the third customer $ 6,159,272 and fourth customer $ 5,065,734.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2011 $'000	2010 $'000
Contingent liabilities		
Bank guarantees	**2,407**	2,550

Bank guarantees have been issued to customers in the normal course of business. These bank guarantees are issued by the Company's bankers and are secured by a fixed and floating charge over all the assets of the Company.

Contract dispute

A contract dispute which arose in 2008 is still in progress. An interim award was made by the arbitrator in Saunders favour in early June 2011. This decision is being challenged in the Supreme Court. The company expects the matter to be resolved in its favour, in the 2012 financial year. All costs relating to the contract including the legal process have been recognised in profit and loss as incurred.

19. LEASES

Operating Leases

Motor Vehicle

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

Non-cancellable operating lease commitments	**2011 $'000**	2010 $'000
Not longer than 1 year	**397**	378
Longer than 1 year and not longer than 5 years	**300**	369
Longer than 5 years	**-**	-
	697	747

Workshop Property

The company is committed to a lease of the workshop property and offices that it occupies at Condell Park, Sydney until 31 December 2013.

Non-cancellable operating lease commitments	**2011 $'000**	2010 $'000
Not longer than 1 year	**579**	574
Longer than 1 and not longer than 5 years	**898**	882
Longer than 5 years	**-**	-
	1,477	1,456

20. NOTES TO THE STATEMENT OF CASH FLOWS

	2011 $'000	2010 $'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:

	2011 $'000	2010 $'000
Cash and cash equivalents	**16,293**	20,060

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

	2011 $'000	2010 $'000
Profit for the year	**1,880**	4,031
Gain on sale of plant and equipment	**(6)**	(60)
Depreciation	**612**	849
Increase/(decrease) in current tax liability	**(884)**	1,067
(Increase)/decrease in deferred tax balances	**(59)**	15
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	**(1,673)**	3,108
Inventories	**393**	396
Other assets	**24**	(1)
Increase/(decrease) in liabilities:		
Trade and other payables	**(986)**	(1,172)
Provisions	**223**	168
Net cash from operating activities	**(476)**	8,401

(c) Financing facilities

The Company's principal financing facilities for the provision of bank guarantees as described in note 18 is secured by a fixed and floating charge over the assets of the Company.

	2011 $'000	2010 $'000
Amount used	**2,407**	2,550
Amount unused	**2,593**	2,450
	5,000	5,000

21. FINANCIAL INSTRUMENTS

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

(a) Cash and cash equivalents

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

(b) Debtors and credit risk management

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

(c) Bank guarantees

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

Capital risk management

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

Categories of financial instruments

	2011 $'000	2010 $'000
Financial assets		
Receivables	**5,869**	4,196
Cash and cash equivalents	**16,293**	20,060
	22,162	24,256
Financial liabilities		
Trade payables and accruals	**2,447**	3,359

Financial risk management objectives

The company's exposure to market risk (including currency risk, fair value interest rate risk and price risk) and cash flow interest rate risk is disclosed in the interest rate sensitivity analysis below. Credit risk is monitored monthly though continuous management of the ongoing projects. The company does not enter into trade financial instruments (forward foreign exchange contracts or interest rate swaps) including derivative financial instruments for speculative purposes.

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.

21. FINANCIAL INSTRUMENTS (continued)

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 2 years $'000
2011				
Financial assets				
Cash and cash equivalents	3.1%	14,419	1,874	-
Trade receivables	-	-	5,869	
Financial liabilities				
Trade payables and accruals	-	2,447	-	-
2010				
Financial assets				
Cash and cash equivalents	3.1%	14,390	3,130	2,540
Trade receivables	-	-	4,196	
Financial liabilities				
Trade payables and accruals	-	3,359	-	-

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 $181,768 (2010: $171,000).

Fair value of financial instruments

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

22. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The board of directors approves on an annual basis the amounts of compensation for directors and key management personnel with reference to the company's performance and general compensation levels in equivalent companies and industries.

Remuneration of Directors and Key Management Personnel

	2011 $	2010 $
Short-term employee benefits	**1,255,308**	1,251,278
Post-employment benefits	**105,743**	67,860
	1,361,051	1,319,138

23. RELATED PARTY TRANSACTIONS

The Company leases a property containing its workshop and offices from a company ultimately beneficially owned by some directors and key management personnel of the Company. The details of this lease are contained in Note 19. This 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 was evaluated to be market rental as assessed by independent real estate agents on 1 January 2011. Rent paid during the year amounted to $569,321 (2010: $567,527). The increase over 2011 was due to a new independent rental valuation.

24. REMUNERATION OF AUDITORS

	2011 $	2010 $
Auditor of the Company		
Audit or review of the financial report	**109,200**	116,300
Other non-audit services	**-**	-
	109,200	116,300

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

25. SUBSEQUENT EVENTS

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

26. ADDITIONAL COMPANY INFORMATION

General Information

Saunders International Limited is incorporated and operating in Australia.

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

Registered office	**Principal place of business**
271 Edgar Street	271 Edgar Street
Condell Park NSW 2200	Condell Park NSW 2200
Tel: (02) 9792 2444	Tel: (02) 9792 2444

CORPORATE GOVERNANCE

The Board of Saunders has adopted a suite of Corporate Governance Policies 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 Policies, the Board considered the ASX Principles of Corporate Governance and Best Practice Recommendations (**ASX Principles**). The Board incorporated the ASX Principles into the Policies to the extent that they were 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 is responsible for, and has the authority to determine, matters relating to strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board has adopted a Board Charter (a copy of which can be viewed on the Company's website) which sets out the responsibilities of the Board, including the following responsibilities:

i. oversight of the Company, including its control and accountability systems;
ii. appointing and removing the CEO, including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO;
iii. ratifying the appointment and, where appropriate, the removal of the CFO and the Company Secretary;
iv. input into the final approval of management's development of corporate strategy and performance objectives;
v. reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
vi. monitoring senior management's performance and implementation of strategy, ensuring appropriate resources are available and ensuring succession plans are in place;
vii. approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
viii. approving and monitoring financial and other reporting; and
ix. ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

The Charter provides for the Board to delegate specific matters to Senior Management, or to committees established by the Board.

The composition of the Board is determined in accordance with the following general principles:

- the Board will initially comprise 4 Director
- a minimum of two Directors shall be independent non-executive Directors; and
- the Board shall comprise Directors with a broad mix of business expertise and experience.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

Board Committees and their Charters

In order to better manage its responsibilities, the Board has established an Audit Committee and a Remuneration Committee. Each committee has adopted a Charter approved by the Board, setting out its responsibilities. A copy of the Charter for each Committee is available on the Company's website.

Each committee is comprised of at least two non-executive Directors.

Code of Conduct for Directors and Senior Executives

To promote ethical and responsible decision-making, the Board has adopted a Code of Conduct for Directors and Senior Executives.

The Code deals with the following main areas:

- integrity and professionalism;
- responsibility to shareholders;
- compliance with the law;
- conflicts of interest;
- confidential information;
- inside information employment practices;
- responsibility to the broader community.

Securities Trading Policy – Directors and Senior Executives

The Company has a Securities Trading Policy for Directors and Senior Executives. This policy is available on the Company's website. The policy identifies the windows when securities of the Company may and may not be traded. The policy requires Directors and Senior Executives to advise the Chairman if they intend to trade in securities of the Company so that the Chairman can determine whether there is any impediment to such a proposed trade.

The Securities Trading Policy clearly identifies those individuals who are restricted from trading and the relevant laws relating to trading.

Shareholder Communication Policy

The Shareholder Communication Policy is designed to promote effective communication with Shareholders and encourage participation at general meetings.

The Board aims to ensure that all Shareholders of the Company are kept informed of all material developments affecting the Company's business. Information will be communicated to Shareholders through announcements to ASX, the Company's annual report, annual general meetings, half yearly and full year results, and the Company's website, www.saunders-international.com.au.

Continuous Disclosure Policy

The Company's Continuous Disclosure Policy is designed to ensure compliance with the ASX Listing Rules and disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Disclosure Policy includes vetting and authorisation processes designed to ensure that Company information:

- is disclosed in a timely manner;
- in factual;
- does not omit material information; and
- is expressed in a clear and objective manner.

ASX Corporate Governance Principles and Recommendations

The ASX has released the 2nd edition of the Corporate Governance Principles and Recommendations. There are 8 principles identified in this document. The following table sets out the Company's position in relation to each of the Principles.

Principle	Comment
Principle 1: Lay Solid Foundations for Management and Oversight	The Company complies with this principle.
Principle 2: Structure the Board to Add Value	The Company complies with this principle except as follows. Recommendation 2.1 A majority of the board should be independent directors. The Company does not comply with this recommendation in that only 50% of the directors are independent. The Company considers the composition to be in its best interests. The size of the company and the specialist nature of its activities is best served by a small board with an adequate component of Company and industry specific knowledge. Recommendation 2.2 The chair should be an independent director. The Company does not comply with this recommendation in that the Chairman is not independent. The Company considers this to be appropriate and in its best interests. The size of the company and the specialist nature of its activities is best served by a chairman with Company and industry specific knowledge and significant equity in the Company. Recommendation 2.4. The board should establish a nomination committee. The Company does not have a Board nomination committee as it does not consider this to be warranted in the Company's circumstances, given the size of the Company and its Board.
Principle 3: Promote Ethical and Responsible Decision Making	The Company complies with this principle. The Company has a Code of Conduct for Directors and Senior Executives and a Securities Trading Policy.
Principle 4: Safeguard Integrity in Financial Reporting	The Company complies with his principle. The company has established an Audit Committee.
Principle 5: Make Timely and Balanced Disclosure	The Company complies with this principle. The Company has a Continuous Disclosure Policy.
Principle 6: Respect the Rights of Shareholders	The Company complies with this principle. The Company has a Shareholder Communication Policy.
Principle 7: Recognise and Manage Risk	The Company complies with this principle. The Board of Directors is responsible for monitoring the identification and management of areas of significant risk.
Principle 8: Remunerate fairly and responsibly	The Company complies with this principle to the extent appropriate for the company size and industry sector. The Company has established a Remuneration Committee.

ADDITIONAL STOCK EXCHANGE INFORMATION
As at 10 OCTOBER 2011

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 78,100,000 fully paid ordinary shares held by 544 individual shareholders. In addition, there are 680,000 fully paid ordinary shares issued to 16 employees under the Employee Share Purchase Plans (ESP). These ESP shares are not included for the purposes of calculating the totals and percentages used in this section.

There are no options issued.

SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares	Percentage
Desmond Bryant	25,514,587	32.67%
Timothy Burnett	15,702,531	20.11%
John Power	5,023,513	6.43%

DISTRIBUTION OF SHAREHOLDERS

Range	Number of Holders
1 – 1,000	29
1,001 – 5,000	111
5,001 – 10,000	115
10,001 – 100,000	242
101,000 and over	47
TOTAL	**544**

Number of holdings less than marketable parcel: 29

THE TWENTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	Percentages
1.	MR DESMOND BRYANT	25,211,587	32.28%
2.	TIVOLICO PTYLTD	7,350,426	9.41%
3.	MARLOT PTY LTD	5,491,269	7.03%
4.	MR JOHN POWER	5,023,513	6.43%
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,856,111	4.94%
6.	BURNETT SUPERANNUATION PTY LTD	2,860,836	3.66%
7.	UBS NOMINEES PTY LTD	2,189,144	2.80%
8.	NATIONAL NOMINEES LIMITED	1,559,870	2.00%
9.	MRS KARYN MCCLELLAND	1,215,366	1.56%
9.	SAGIMO HOLDINGS PTY LTD	1,215,366	1.56%
10.	MR ANDREW AUZINS & MRS BRIGITTE ANZINS	1,012,805	1.30%
11.	PEAKHURST RESEARCH SERVICES PTY LTD	966,311	1.24%
12.	MR TREVOR ROSS KENNEDY	858,859	1.10%
13.	MR ROBERT GRABURN PATTERSON	802,142	1.03%
14.	MR JERRY KUSNADI	607,683	0.78%
15.	FARALLON CAPITAL PTY LTD	600,000	0.77%
16.	PARMELIA PTY LTD	566,003	0.72%
17.	IMAJ PTY LTD	550,000	0.70%
18.	MCARTHURS SHOES (SHEPPARTON) PTY LTD	500,000	0.64%
19.	DIXSON TRUST PTY LIMITED	403,800	0.52%
20.	MR FREDERICK JOHN RICHARDS	400,000	0.51%
	Top 20 Shareholders	**63,241,091**	**80.97%**

CORPORATE DIRECTORY

Saunders International Limited

ABN 14 050 287 431

Board of Directors
Timothy Burnett, Chairman
John Power, Managing Director
Kim Tronson, Director
David Smart, Director

Secretary
Steven Dadich

Auditors
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Principal Banker
Commonwealth Bank
Corporate Financial Services Sydney South West
Level 6, 2-14 Meredith Street
Bankstown NSW 2200

Registered Office and Principal Administrative Office
271 Edgar Street
Condell Park NSW 2200
Telephone (02) 9792 2444
Facsimile (02) 9771 2640

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

Stock Exchange Listing
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Internet Web Site
www.saunders-international.com.au

Email
mail@saunders-international.com.au


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