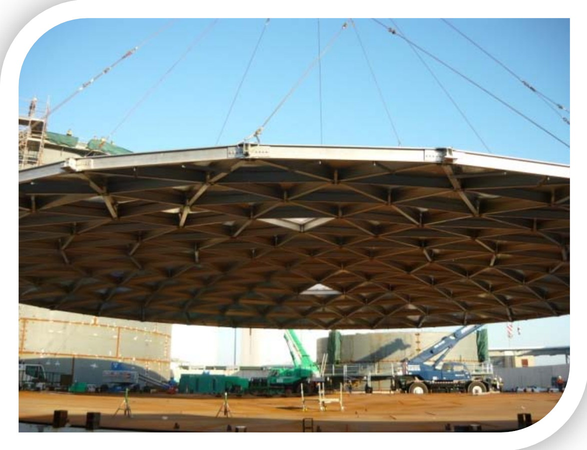
Saunders International Limited

2009 ANNUAL REPORT




06/05/2009

Saunders International Limited

ABN 14 050 287 431

2009 ANNUAL REPORT

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Dear Shareholder,

Saunders listed on the ASX on 5 December 2007 and we present this second annual report as a publicly listed company.

The 2009 financial performance was disappointing when compared to 2008. In particular, the net profit after tax of $3.356 million was 46% below the record level achieved in 2008.

This reduced result was due to factors impacting on the Company's design and construct services. The global financial crisis indirectly contributed to the reduced demand for design and construct services. Projects and prospects in the resources sectors were deferred and this impacted on the revenue that Saunders expected to achieve. Revenue for design and construct projects was approximately 17% below the prior year and this was one of the principal factors contributing to reduced profitability. Another combining factor was an unresolved contract dispute which impacted on revenue and profit before tax by approximately $2.5 million. This dispute is progressing through an arbitration process which should be completed by the end of this calendar year.

Considering the potential impact of the global financial crisis on the facilities maintenance activities, we consider that the Company's performance in this sector was very good as revenue and profitability in 2009 were on a par with that achieved in 2008.

The financial position of the Company at year end is very strong. Cash totals $14.1 million which is equivalent to 18.0 cents per share and the Company has no interest bearing debt.

The dividends for 2009 totalled 3 cents per share fully franked which was the same as for 2008.

Work in hand at 30 June 2009 is approximately $30 million which is an unsatisfactory foundation for improved financial performance in FY10. The outlook for FY10 suggests improving conditions in the design and construct market which should lift work in hand in the second half. The outlook for the facilities maintenance business remains sound.

The Company continues to evaluate acquisition opportunities and the aforementioned cash balance will facilitate the implementation of acquisitions without recourse to a significant amount of debt.

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 30 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 30 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 is the chairman of this dual listed company.

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. In addition, the drought has prompted various government bodies and water authorities throughout Australia to embark on a range of investments to develop new water harvesting, recycling and storage infrastructure.

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

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.

2009 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
Macquarie Goodman
Orica
Reed Constructions
Santos
Shell
Sydney Water Corporation
Transfield Services
Vopak

DIRECTORS' REPORT

The Directors present their report on Saunders International Limited ("Saunders" or "Company") for the year ended 30 June 2009 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.

Timothy Burnett

John Power

David Smart

Kim Tronson

COMPANY SECRETARY

Steven Dadich

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:

	2009 $'000	2008 $'000
Revenue	**55,774**	62,216
Profit before income tax	**4,791**	8,424
Income tax expense	**1,435**	2,228
Profit attributable to the members of Saunders International Limited	**3,356**	6,196

Comments on Revenue and Results

During the 2009 financial year, Saunders experienced a reduced demand for its design and construct services. The revenue for facilities maintenance was at the same level as the prior year. Overall, the revenue was 10% below the prior year.

The global financial crisis indirectly contributed to the reduced demand for design and construct services. Projects and prospects in the resources sectors were deferred or delayed and this impacted on the revenue that Saunders expected to achieve in this year. Revenue for design and construct projects was approximately 17% below the prior year.

Overall the net profit after tax was 46% below the prior year. The profitability of facilities maintenance services was approximately the same as the prior year but reduced design and construct profitability was the cause of the overall reduced result. The abovementioned design and construct revenue shortfall was one of the principal factors contributing to this. Another combining factor was an unresolved contract dispute which impacted on revenue and profit before tax by approximately $2.5 million. This dispute is progressing through an arbitration process which should be completed by the end of this calendar year.

The key ratio of return on equity was a satisfactory 20% for the latest financial year.

New storage facilities for the petroleum sector contributed about 60% of the design and construct revenue, with water storage at 30% and mining at approximately 10%.

Financial Position

The directors consider the Company to be in a very strong financial position at year end. Cash totals $14.1 million which is equivalent to 18.0 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 2.7 times.

Employees

During this financial year, the number of employees declined from approximately 200 at the beginning of the year to approximately 160 at year end. This reduction reflects the reduced level of activity in design and construct projects.

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

Safety

The safety and welfare of our employees is our highest priority and is the cornerstone of all the company activities.

During the year, there were zero lost time incidents (LTI's). With respect to other safety indicators, renewed management focus produced a significant improvement in safety performance throughout the last half year.

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 4.30 cents.

DIVIDEND

An interim dividend of 1.0 cents per share fully franked was paid on 26 March 2009. On 24 August 2009, the directors declared a final dividend of 2 cents per share fully franked, payable on 24 September 2009.

In the 2008 financial year a fully franked dividend of $6.0 million was paid to the original shareholders of the Company prior to the ASX listing in December 2007. An interim dividend of 1.0 cent per share fully franked was paid on 27 March 2008. On 25 August 2008, the directors declared a final dividend of 2.0 cents per share fully franked, payable on 25 September 2008.

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	12	12	n/a	n/a	4	4
John Power	12	12	n/a	n/a	n/a	n/a
David Smart	12	12	3	3	4	4
Kim Tronson	12	11	3	3	4	4

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 32 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 30 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 30 years of relevant financial management experience in metal manufacturing industries including 13 years as CFO Other listed company directorships in the 3 years immediately before the end of the financial year – - eServ Global Ltd, Director since 2000 Chairman since July 2009	20,000
Kim Tronson	Non-executive Director Chairman of the Remuneration Committee Member of the Audit Committee Director since October 2007 BSc, PhD 30 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 2009.

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 are considered appropriate for the positions they hold and their experience. The remuneration includes a variable bonus which is determined annually based upon company and individual performance.

Long Term Incentive

The board of directors has considered the issue of long term incentive as a component of the remuneration of 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 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 2011
Annual Salary:	A total fixed annual salary package, currently $280,105, 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 2011, 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 2008:

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Revenue	55,774	62,216	35,057	33,971	31,535
Net profit before tax	4,791	8,424	6,077	3,077	1,193
Net profit after tax	3,356	6,196	4,271	2,223	693

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

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

2009	Short-term Benefits			Post-employment Benefits	Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus	Non-monetary Benefit	Superannuation		
	$	$	$	$	$	%
Non-executive Directors						
Timothy Burnett[1]	85,269	-	-	4,731	90,000	-
David Smart	41,284	-	-	3,716	45,000	-
Kim Tronson	41,284	-	-	3,716	45,000	-
TOTAL	**167,837**	**-**	**-**	**12,163**	**180,000**	
Key Management Personnel						
John Power[2]	228,481	163,905	25,757	19,663	437,806	37.4
Andrew Auzins[3]	177,741	55,000	22,014	16,057	270,812	20.3
Robert Patterson [4]	110,156	21,000	22,571	9,914	163,641	12.8
Samuel Eller[5]	55,455	6,000	6,732	4,897	73,084	8.2
Yong Wang[6]	100,157	6,000	17,080	9,047	132,284	4.5
TOTAL	**671,990**	**251,905**	**94,154**	**59,578**	**1,077,627**	

2008	Short-term Benefits			Post-employment Benefits	Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus	Non-monetary Benefit	Superannuation		
	$	$	$	$	$	%
Non-executive Directors						
Timothy Burnett[1]	152,776	-	11,403	11,124	175,303	-
David Smart	30,963	-	-	2,787	33,750	-
Kim Tronson	30,963	-	-	2,787	33,750	-
Desmond Bryant	20,075	-	-	-	20,075	-
TOTAL	**234,777**	**-**	**11,403**	**16,698**	**262,878**	
Key Management Personnel						
John Power[2]	218,649	444,541	25,757	18,733	707,680	62.8
Andrew Auzins[3]	166,812	85,000	22,014	15,001	288,827	29.4
Robert Patterson[4]	100,141	35,000	22,571	9,013	166,725	21.0
Samuel Eller[5]	101,664	12,500	17,080	9,150	140,394	8.9
TOTAL	**587,266**	**577,041**	**87,422**	**51,897**	**1,303,626**	

[1] Timothy Burnett's remuneration package as Non-executive Chairman ($90,000 per annum) commenced on 1 December 2007. Prior to this date, Timothy Burnett, held a position as an Executive Director.

[2] Managing Director.

[3] General Manager.

[4] Operations Manager

[5] Engineering Manager (retired 14 October 2008)

[6] Engineering Manager (appointed 14 October 2008)

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

No director or key management person holds any options over the shares in Saunders International Limited. No director or key management person received any shares under the Employee Share Plan.

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 report 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, 24 August 2009

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

24 August 2009

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 2008, 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

Report on the Financial Report

We have audited the accompanying financial report of Saunders International Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company as set out on pages 12 to 31.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 and fair presentation of the financial report 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.

Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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 the company's financial position as at 30 June 2009 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 report also complies with International Financial Reporting Standards as disclosed in Note 1.

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 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants
Sydney, 24 August 2009

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 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

(c) 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, 24 August 2009

INCOME STATEMENT
for the Financial Year Ended 30 June 2009

	Note	2009 $'000	2008 $'000
Revenue	3	**55,774**	62,216
Other income	4	**1**	183
Changes in inventories of finished goods and work in progress		**3,883**	(2,928)
Raw materials and consumables		**(31,349)**	(29,318)
Employee benefits expense	4	**(19,472)**	(18,259)
Administration expenses		**(1,053)**	(817)
Depreciation expense	4	**(855)**	(715)
Other expenses		**(2,138)**	(1,938)
Profit before tax	4	**4,791**	8,424
Income tax expense	5	**(1,435)**	(2,228)
Profit for the Year	14	**3,356**	6,196
Earnings Per Share			
Basic (cents per share)	15	**4.30**	8.57
Diluted (cents per share)	15	**4.30**	8.56

The accompanying notes form part of these financial statements.

BALANCE SHEET
as at 30 June 2009

	Note	2009 $'000	2008 $'000
Current Assets			
Cash and cash equivalents	20(a)	**14,153**	12,403
Trade and other receivables	6	**7,304**	6,664
Inventories	7	**1,104**	557
Other	8	**49**	41
Current tax receivable	5	**262**	-
Total Current Assets		**22,872**	19,665
Non-Current Assets			
Property, plant and equipment	9	**2,416**	3,143
Deferred tax assets	5	**930**	857
Total Non-Current Assets		**3,346**	4,000
Total Assets		**26,218**	23,665
Current Liabilities			
Trade and other payables	10	**7,422**	5,143
Current tax liabilities	5	**-**	814
Provisions	11	**1,124**	1,141
Total Current Liabilities		**8,546**	7,098
Non-Current Liabilities			
Provisions	11	**896**	786
Total Non-Current Liabilities		**896**	786
Total Liabilities		**9,442**	7,884
Net Assets		**16,776**	15,781
Equity			
Issued capital	13	**7,571**	7,571
Shares issued under employee share plan	13	(300)	(300)
Retained earnings	14	**9,505**	8,510
Total Equity		**16,776**	15,781

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Financial Year Ended 30 June 2009

	Issued capital $'000	Shares issued under employee share plan $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	1,012	-	9,101	10,113
Profit for the year	-	-	6,196	6,196
Issue of share capital (net of transaction costs)	6,559	(300)	-	6,259
Dividends paid	-	-	(6,787)	(6,787)
Balance at 30 June 2008	7,571	(300)	8,510	15,781
Profit for the year	-	-	3,356	3,356
Dividends paid	-	-	(2,361)	(2,361)
Balance at 30 June 2009	7,571	(300)	9,505	16,776

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
for the Financial Year Ended 30 June 2009

	Note	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Receipts from customers		**60,219**	67,035
Payments to suppliers and employees		**(53,849)**	(58,860)
Interest received and other costs of finance paid		**446**	554
Income taxes paid		**(2,578)**	(2,388)
Net cash provided by operating activities	20(b)	**4,238**	6,341
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(269)**	(1,419)
Proceeds on disposal of property, plant and equipment		**142**	207
Net cash used in investing activities		**(127)**	(1,212)
Cash Flows from Financing Activities			
Proceeds from issue of shares		**-**	7,000
Share issue expenses		**-**	(1,059)
Dividends paid to shareholders		**(2,361)**	(6,787)
Net cash used in financing activities		**(2,361)**	(846)
Net increase in cash and cash equivalents		**1,750**	4,283
Cash and cash equivalents at the beginning of the financial year		**12,403**	8,120
Cash and cash equivalents at the end of the financial year	20(a)	**14,153**	12,403

The accompanying notes form part of these financial statements.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has 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 24 August 2009.

Basis of Preparation

The financial report has 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 report 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.

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 include:

AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASB127, AASB29, AASB131

The adoption of these new and revised Standards and Interpretations did not have an impact on the Company's financial results or balances sheet as they are only concerned with disclosure.

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 balance sheet.

(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 balance sheet 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 accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. 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 the income statement, 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) Property, 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 property, 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 cash flow statement 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 and 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-base 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 affect 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 101 'Presentation of Financial Statements (revised September 2007)	1 January 2009	30 June 2010
AASB 123 'Borrowing Costs' (revised)	1 January 2009	30 June 2010
AASB 2007-10 'Amendments to Australian Accounting Standards arising from AASB 101	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	30 June 2010
AASB 8 'Operating Segments, 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	1 January 2009	30 June 2010
AASB 2009-6 'Amendments to Australian Accounting Standards	1 January 2009	30 June 2010
AASB 2009-7 'Amendments to Australian Accounting Standards	1 July 2009	30 June 2010

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 balance date:

- Future increase in wages and salaries
- Future oncost rates
- Experience of employee departures at 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 balance sheet 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 balance sheet date is calculated in accordance with note 1 (b).

3. REVENUE

	2009 $'000	2008 $'000
Revenue from continuing operations consisted of the following items:		
Revenue from the sale of goods	**55,328**	61,632
Interest received	**446**	584
	55,774	62,216

4. PROFIT FOR THE YEAR

	2009 $'000	2008 $'000
Other Income		
Gain on sale of property, plant and equipment	**1**	183
Profit before tax has been arrived at after charging the following expenses:		
Cost of sales	**46,938**	49,349
Depreciation		
Plant and equipment	**808**	654
Office furniture and equipment	**47**	61
	855	715
Operating lease rental expenses:		
Minimum lease payments	**962**	887
Employee benefits expense:		
Post employment benefits		
Defined contribution plans	**1,048**	1,015
Other benefits	**18,424**	17,244
	19,472	18,259

5. INCOME TAX

	2009 $'000	2008 $'000
Income Tax Recognised in Profit		
Tax Expense Comprises:		
Current tax expense	**1,572**	2,817
Adjustments recognised in the current year in relation to the current tax of prior years	**-**	(102)
Deferred tax expense relating to the origination and reversal of temporary differences	**(137)**	(487)
Total tax expense	**1,435**	2,228

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

	2009 $'000	2008 $'000
Profit before taxation	**4,791**	8,424
Income tax at 30%	**1,437**	2,527
Effect of tax concessions – capital expenditure	**(2)**	
Effect of tax concessions – research and development	**-**	(102)
Effect of prior year deferred tax adjustment not previously recognised	**-**	(197)
Total tax expense	**1,435**	2,228

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.

Income Tax Recognised Directly in Equity
The following current and deferred amounts were charged directly to equity during the period:

	2009 $'000	2008 $'000
Current Tax		
Share-issue expenses	**64**	70
Deferred Tax		
Arising on transactions with equity participants:		
Share issue expenses deductible over 5 years	**184**	248
	248	318
Current Tax Receivable – Income Tax Receivable	**262**	-
Current Tax Liability – Income Tax Payable	**-**	814

5. INCOME TAX (continued)

Deferred Tax Balances
The deferred tax expense itemised above is shown in the balance sheet as follows.

2009	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred Tax Assets				
Employee benefit	624	34	-	658
IPO costs recognised through equity	248	-	(64)	184
Accruals	120	37	-	157
Deferred Tax Liability				
Plant and equipment	(135)	66	-	(69)
Net deferred tax asset	857	137	(64)	930

2008	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred Tax Assets				
Employee benefit	422	202	-	624
IPO costs recognised through equity	-	-	248	248
Accruals	99	21	-	120
Deferred Tax Liability				
Plant and equipment	(399)	264	-	(135)
Net deferred tax asset	122	487	248	857

6. TRADE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
Trade receivables (i)	**7,304**	6,664

(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 balance sheet date 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:

- A general provision based on historical bad debt experience;
- 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>

60 days over the due date	**313**	185

7. INVENTORIES

Raw materials	**1,104**	557

8. OTHER ASSETS

<u>Current</u>		
Prepayments	**49**	41

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment at Cost $'000	Plant and Equipment Under Construction at Cost $'000	Office Furniture And Equipment at Cost $'000	Total $'000
Gross Carrying Amount				
Balance at 1 July 2007	5,151	24	404	5,579
Additions	1,384	-	35	1,419
Disposals	-	(24)	(25)	(49)
Balance at 30 June 2008	6,535	-	414	6,949
Additions	100	143	26	269
Disposals	(18)	(141)	-	(159)
Balance at 30 June 2009	6,617	2	440	7,059
Accumulated Depreciation				
Balance at 1 July 2007	2,827	-	289	3,116
Disposals	-	-	(25)	(25)
Depreciation expense	654	-	61	715
Balance at 30 June 2008	3,481	-	325	3,806
Disposals	(18)	-	-	(18)
Depreciation expense	808	-	47	855
Balance at 30 June 2009	4,271	-	372	4,643
Net Book Value				
As at 30 June 2008	3,054	-	89	3,143
As at 30 June 2009	2,346	2	68	2,416

Impairment Testing

Saunders International Limited reviews the carrying amounts of its tangible assets annually at each reporting date to determine whether there are is any impairment. As at 30 June 2009 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

	2009 $'000	2008 $'000
Current		
Trade payables (i)	**1,619**	3,340
Amounts due to customers under construction contracts (note 12)	**3,885**	3
Goods and services tax payable	**161**	58
Accruals	**1,757**	1,742
	7,422	5,143

(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

Current		
Employee benefits (i)	**1,124**	1,141
Non-current		
Employee benefits	**896**	786

(i) The current provision for employee benefits includes $ 468,000 of annual leave and vested long service leave entitlements accrued (2008: $ 456,000).

12. CONSTRUCTION CONTRACTS

	2009 $'000	2008 $'000
Contracts in progress at the reporting date:		
Construction costs incurred plus recognised profits less recognised losses to date	**72,954**	48,518
Less: progress billings	**(76,839)**	(48,521)
	(3,885)	(3)
Recognised and included in the financial statements as amounts due:		
To customers under construction contracts (note10)	**3,885**	3

At 30 June 2009, no retentions held by customers for contract work (2008: $nil). Advances received from customers for contract work amounted to $3,885,000 (2008: $3,000).

13. ISSUED CAPITAL

	2009 $'000	2008 $'000
78,700,000 fully paid ordinary shares (2008: 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

	2009 $'000	2008 $'000
Balance at beginning of financial year	**7,571**	1,012
Issue of shares on listing (net of IPO costs)	**-**	6,259
Issue of shares under the employee share plan	**-**	300
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.

Shares Under Employee Share Plan

	2009 $'000	2008 $'000
Balance at beginning of financial year	**(300)**	-
Shares issued during the year	**-**	(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.

No director or key management personnel 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

	2009 $'000	2008 $'000
Balance at beginning of financial year	**8,510**	9,101
Profit for the year	**3,356**	6,196
Dividends provided for or paid	**(2,361)**	(6,787)
Balance at end of financial year	**9,505**	8,510

15. EARNINGS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic earnings per share	**4.30**	8.57
Diluted earnings per share	**4.30**	8.56

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:

	2009 $'000	2008 $'000
Net profit	**3,356**	6,196
Earnings used in the calculation of basic EPS	**3,356**	6,196

	2009 No.'000	2008 No.'000
Weighted average number of ordinary shares outstanding	**78,700**	72,650
Less: Weighted average shares issued under the employee share plan	**(600)**	(364)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**78,100**	72,286

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:

	2009	2008
Weighted average number of ordinary shares used in the calculation of basic EPS	**78,700**	72,286
Shares deemed to be issued for no consideration under the employee share plan	**-**	69
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**78,700**	72,355

16. DIVIDENDS

	2009 Cents per share	2009 Total $'000	2008 Cents per share	2008 Total $'000
Recognised Amounts				
Fully Paid Ordinary Shares				
Final dividend (2008):				
Fully franked at a 30% tax rate	**2.0**	**1,574**	9.36	6,000
Interim dividend (2009):				
Fully franked at a 30% tax rate	**1.0**	**787**	1.0	787
	3.0	**2,361**		6,787
Unrecognised Amounts				
Fully Paid Ordinary Shares				
Final dividend (2009):	**2.0**	**1,574**	2.0	1,574

On 24 August 2009, 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 2009, to be paid to shareholders on 25 September 2009.

A fully franked dividend of $6.0 million was paid to the original shareholders of the Company prior to the ASX listing in December 2007.

On 25 August 2008, the directors declared a fully franked final dividend of 2.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008, to be paid to shareholders on 25 September 2008.

	2009 $'000	2008 $'000
Franking account balance	**4,419**	2,853
Impact on franking account balance of dividends not recognised	**(675)**	(675)
Adjusted Franking account balance	**3,744**	2,178

17. SEGMENT INFORMATION

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

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2009 $'000	2008 $'000
Contingent Liabilities		
Bank guarantees	**5,698**	3,644

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 Variation
As a result of a contract dispute with a customer, the Company has not recognised revenue of $2.5 million which has been claimed but not recovered by the Company. All costs relating to the contract have been recognised in the income statement as incurred. The customer has in turn claimed that the Company should pay the customer for a range of costs and delay items.
This dispute is still in the resolution process and the timing and financial outcome cannot be forecast at this stage.

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	2009	2008
Not longer than 1 year	**324**	329
Longer than 1 year and not longer than 5 years	**415**	187
Longer than 5 years	**-**	-
	739	516

Workshop Property

As of 1st July 2007, the company is committed to a lease of the workshop property and offices that it occupies at Condell Park, Sydney. The lease including an exercised option is for 3½ years from 1st July 2007 and includes two CPI rental adjustments at 1st January 2009 and 1st January 2010. There is an option to extend the lease until 31st December 2013.

Non-cancellable Operating Lease Commitments	2009	2008
Not longer than 1 year	**574**	547
Longer than 1 and not longer than 5 years	**290**	886
Longer than 5 years	**-**	-
	864	1,433

20. NOTES TO THE CASH FLOW STATEMENT

	2009 $'000	2008 $'000

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, 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 cash flow statement is reconciled to the related items in the balance sheet as follows:

	2009 $'000	2008 $'000
Cash and cash equivalents	**14,153**	12,403

(b) Reconciliation of Profit for the Year to Net Cash Flows from Operating Activities

	2009 $'000	2008 $'000
Profit for the year	**3,356**	6,196
Gain on sale of property, plant and equipment	**(1)**	(183)
Depreciation	**855**	715
Increase/(decrease) in current tax liability	**(1,076)**	650
(Increase)/decrease in deferred tax balances	**(73)**	(487)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	**(640)**	(720)
Inventories	**(547)**	(45)
Other assets	**(8)**	92
Increase/(decrease) in liabilities:		
Trade and other payables	**2,279**	(444)
Provisions	**93**	567
Net cash from operating activities	**4,238**	6,341

(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 and by a mortgage over $2.75 million of term deposits. .

	2009 $'000	2008 $'000
Amount used	**5,698**	3,644
Amount unused	**52**	1,106
	5,750	4,750

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.

21. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments

	2009	2008
Financial Assets	**$'000**	$'000
Loans and receivables	**7,304**	6,664
Cash and cash equivalents	**14,153**	12,403
	21,457	19,067
Financial Liabilities		
Trade payables and accruals	**3,537**	5,140

Financial Risk Management Objectives

The company has little to no exposure to market risk (including currency risk, fair value interest rate risk and price risk) and cash flow interest rate risk. 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. Cashflows are monitored and matched to the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to receive or pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 2 years $'000
2009				
Financial Assets				
Cash and cash equivalents	3.1%	8,877	3,731	1,542
Trade receivables	-	-	7,304	-
Financial Liabilities				
Trade payables and accruals	-	3,537	-	-
2008				
Financial Assets				
Cash and cash equivalents	4.5%	9,849	2,554	-
Trade receivables	-	-	6,664	-
Financial Liabilities				
Trade payables and accruals	-	5,140	-	-

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 $110,000 (2008: $80,000).

Fair Value of Financial Instruments

No financial assets and financial liabilities are readily traded on organised markets in standardised form. The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

	2009 $	2008 $
Short-term employee benefits	**1,117,699**	1,497,909
Post-employment benefits	**66,844**	68,595
	1,184,543	1,566,504

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 July 2007. Rent paid during the year amounted to $ 547,000 (2008: $504,000). The increase over 2008 was due to a CPI increase and due to additional space being leased during the year.

24. REMUNERATION OF AUDITORS

	2009 $	2008 $
Auditor of the Company		
Audit or review of the financial report	**102,000**	102,000
Other non-audit services – due diligence and other related services	**-**	84,000
	102,000	186,000

The auditor of Saunders International Limited is Deloitte Touche Tohmatsu.

25. SUBSEQUENT EVENTS

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

26. ADDITIONAL COMPANY INFORMATION

General Information

Saunders International Limited is incorporated and operating in Australia.

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

Registered Office	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 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.

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. 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 Company has established an Audit Committee, the Charter of which covers 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 9 OCTOBER 2009

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

There are 78,100,000 fully paid ordinary shares held by 622 individual shareholders. In addition, there are 580,000 fully paid ordinary shares issued to 19 employees under the Employee Share Purchase Plan (ESP). These shares are held under escrow until December 2011. 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	22
1,001 – 5,000	140
5,001 – 10,000	167
10,001 – 100,000	248
101,000 and over	45
TOTAL	**622**

Number of holdings less than marketable parcel: 24

THE TWENTY LARGEST REGISTERED HOLDERS

	Name	No. of Shares	Percentages
1.	MR DESMOND BRYANT	25,514,587	32.67%
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.	MR TIMOTHY JAMES BURNETT & MRS THERESE MARY BURNETT	2,860,836	3.66%
6.	NATIONAL NOMINEES LIMITED	2,843,700	3.64%
7.	ANZ NOMINEES LIMITED	2,189,144	2.80%
8.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,130,886	2.73%
9.	MRS KARYN MAY MCCLELLAND	1,215,366	1.56%
9.	SAGIMO HOLDINGS PTY LTD	1,215,366	1.56%
10.	PEAKHURST RESEARCH SERVICES PTY LTD	1,121,088	1.44%
11.	MR ANDREW AUZINS & MRS BRIGITTE ANZINS	1,012,805	1.30%
12.	PEAKHURST RESEARCH SERVICES PTY LTD <ELLER SUPER FUND>	864,011	1.11%
13.	MR TREVOR ROSS KENNEDY	858,859	1.10%
14.	MR ROBERT GRABURN PATTERSON	802,142	1.03%
15.	MR DAVID JOHN LAURITZ & MRS DEBORAH MADGE LAURITZ	650,000	0.83%
16.	MR JERRY KUSNADI	607,683	0.78%
17.	PARMELIA PTY LTD	566,003	0.72%
18.	IMAJ PTY LTD	515,000	0.66%
19.	MCARTHURS SHOES (SHEPPARTON) PTY LTD	500,000	0.64%
20.	F H NOMINEES PTY LTD	450,000	0.58%
	Top 20 Shareholders	**63,782,684**	**81.67%**

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
Westpac Banking Corporation
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

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mail@saunders-international.com.au


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