

ASX Appendix 4D

FY24 Half-Year Results for
Announcement to the Market
28 February 2024



SAUNDERS
INTERNATIONAL

ASX Appendix 4D

HALF-YEAR RESULT FOR ANNOUNCEMENT TO THE MARKET
SAUNDERS INTERNATIONAL LIMITED – ABN 14 050 287 431

1. REPORTING PERIOD

Financial half-year ended (‘current period’)	Financial half-year ended (‘previous corresponding period’)
31 December 2023	31 December 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2023 \$'000	December 2022 \$'000	Change \$'000	Change %
Key Information				
Revenue from Ordinary Activities	104,427	92,967	11,460	12.3%
Net Profit after Tax	4,928	4,748	180	3.8%
Net Profit After Tax Attributable to Members	4,928	4,748	180	3.8%

A description of the figures reported above is contained in the attached Saunders International Limited Interim Consolidated Financial Report for the half-year ended 31 December 2023.

3. DIVIDENDS

	Period	Payment Date	Amount per security cents	Franked amount per security at 30% tax
Dividend				
Interim Dividend	31 December 2023	15 April 2024	2.00	30%
Final Dividend	30 June 2023	16 October 2023	2.00	30%
Interim Dividend	31 December 2022	11 April 2023	2.00	30%

4. NET TANGIBLE ASSETS BACKING

	Current Period cents	30 June 2023 cents	Previous Corresponding period cents
Net Tangible Assets per security			
Net Tangible Assets per security	26.96	32.37	32.16

This Half-Year Report should be read in conjunction with the Annual Report of Saunders International Limited as at 30 June 2023, together with any public announcements made by Saunders International Limited during the half-year ended 31 December 2023 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

5. REVIEW STATUS

The FY24 H1 results are based on financial statements which have been subject to a review by Deloitte Touche Tohmatsu and the Auditors' Review Reports contains no qualifications.

6. CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

Effective from 1 November 2023, Saunders International Limited acquired the Piping Solutions business.

Interim Consolidated Financial Report

for the half-year ended
31 December 2023



SAUNDERS
INTERNATIONAL

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ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Traditional Owners and Custodians of Country throughout Australia. We pay our respects to all First Nations peoples and acknowledge Elders past and present.

As a business that works across many locations, we recognise and support their continuing connection to lands, waters, cultures, languages, and traditions.





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SAUNDERS
INTERNATIONAL

Directors' Report

The Directors of Saunders International Limited submit herewith the half-year financial report for the six-month period ended 31 December 2023. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the half-year are:

- Nicholas Yates
- Gregory Fletcher
- Brendan York
- Mark Benson
- Timothy Burnett (Resigned 21 November 2023)

REVIEW OF OPERATIONS

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
A summary of the revenues and results is as follows:		
Revenue	104,427	92,967
Profit before income tax	7,915	6,920
Income tax (expense)	(2,987)	(2,172)
Profit attributable to the members of Saunders International Limited	4,928	4,748

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Reconciliation of profit before income tax to EBITDA (unaudited):		
Profit before income tax	7,915	6,920
Interest income	(86)	(24)
Interest expense on loans and hire purchase finance charges	193	115
Depreciation of owned, hire purchase and right of use assets	1,787	1,395
EBITDA	9,809	8,406

Saunders has commenced the new financial year from a positive position, with another strong half-year result. Our long-standing operational areas of Engineering Construction, Asset Services, and Civil continue to provide innovation and expertise to some of the world's largest oil and gas companies, tier-one construction contractors, and all levels of government.

Our focus is on the strategic evolution of our business and operations, including leveraging our new Piping and Automation offerings. We are investing in securing our immediate pipeline and positioning for longer-term opportunities in our key sectors of Power & Water, Mining & Minerals, Oil & Gas, and Infrastructure, while expanding our presence in Defence and New Energy.

The whole organisation is committed to ensuring the safe and successful delivery of our work in hand, including 44 major projects currently in progress.

Saunders' revenue for the half-year was \$104.4 million, an increase of \$11.4m or 12.3% (FY23 H1: \$93.0 million). Profit after tax was \$4.9 million, an improvement of \$0.2 million or 4.3% (FY23 H1: \$4.7 million). EBITDA was \$9.8 million, an improvement of \$1.4 million or 16.7% (FY23 H1: \$8.4 million).

Earnings per share for the period was 4.49 cents, an increase of 0.05 cents or 1.1% (FY23 H1: 4.44 cents).

Saunders financial foundations improved since the 30 June 2023 year-end, with cash and cash equivalents totalling \$30.3 million at 31 December 2023 (FY23: \$12.8 million). This improvement was driven by finalisation of the Project Caymus contract with Crowley in October 2023.

The strong result for the half-year is attributed to Saunders' project teams continuing to successfully execute projects in a safe manner and in line with schedule and budget, together with contributions from acquisitions in 2023 of Piping Solutions and Automation IT that are consistent with our expectations.

Key Highlights

- Strong financial results despite continuing macro market challenges; inflation of the cost of goods and services and labour resource availability.
- Continued to secure increased scale of projects, such as Pelican Point in South Australia for Quantem at a value of \$44.2m.
- Orderbook increased to \$220.8 million (up from \$201.0m per FY23 Annual Report).
- Strong cash position of \$30.3m (up from \$12.8m at 30 June 2023), with positive operating cash flow in the period.
- Continued growth in the Defence, Infrastructure, and Oil & Gas sectors and increasing opportunities in the industrial automation and New Energy sectors. Aided by the acquisition of Piping Solutions in December 2023.
- Federal Safety Commission (FSC) accreditation obtained in July 2023.

SAFETY

As the Group continues to grow, we are constantly focused on improving our safety performance to ensure we achieve “Zero Harm” for the people who work for us and with us. The Board, Executive Team and Project teams are focused on proactive reporting and structured reviews of high-potential incidents to ensure we work hard to prevent injuries.

In October 2023, we launched “*Together for Safety*”, a safety program to build our safety leadership skills and culture over the next five years. We have achieved a 60.2% reduction in our TRFIR12 (1 million hours worked) safety metric at 31 December 2023, down to 4.11 from 10.32 at 31 December 2022.

Saunders obtained accreditation from the Office of the Federal Safety Commissioner (“FSC”) in July 2023. The FSC falls under the Australian Government Building and Construction Work Health Safety Accreditation Scheme and the accreditation enables Saunders to tender for head contract infrastructure and defence projects funded directly or indirectly by the Australian Government.

OUTLOOK

At \$220.8 million (FY23 Annual Report: \$201.0 million), our strong order book revenue demonstrates our ability to sustain the step-change in the business’s growth since Project Caymus was secured in 2021. The acquisition of Piping Solutions, effective from 31 October 2023, accelerates our strategic expansion into the Defence sector, delivering complementary steel piping capabilities to Saunders’ core business.

Together with the acquisitions of Automation IT effective from April 2023 and PlantWeave Technologies in August 2021, now forming the Saunders Automation business, with strong capability across industrial automation and technology solutions, the Group is well-positioned to increasingly deliver multi-disciplined projects of increased scale.

We are exploring options to divest our Precast Concrete operations in Newcastle, as they do not align with our core business strategy. We are retaining the broader Civil Construction business, fostering its growth in bridge construction and providing general civil support for our wider operations. Should the divestment occur, there will be no significant impact on revenue, EBIT, or pipeline for the group in FY24. We have reclassified the assets and liabilities that would be divested in our Statement of Financial Position at 31 December 2023.

The value of live tenders at 31 December 2023 was \$512 million, while the pipeline (yet to be tendered) totals \$1.93 billion. This strong pipeline of opportunities reflects the Group’s diversification across each of our operating services and represents a mix of new and existing customers.

There continue to be positive tail winds in most of the sectors the Group operates in, namely Defence, Infrastructure, Oil & Gas and New Energy. The signing of a Memorandum of Understanding (MOU) with Optimal Renewable Gas (ORG) in February 2024 to facilitate the establishment of biomethane facilities throughout Australia is an example of our deepening involvement into the new energy sector.

Finally, Saunders continue to review project opportunities in other regions and evaluate potential acquisitions that would deliver accretive earnings to the Group.

DIVIDEND

The Board declared on 27 February 2024 that there will be an interim dividend payable of 2.00 cents per share fully franked for FY24 H1 (FY23 H1 2.00 cent per share fully franked). The dividend will be payable on 15 April 2024 with the record date for determining dividends on 19 March 2024.

DIVIDEND REINVESTMENT PLAN

The Board has resolved that the Dividend Reinvestment Plan (DRP) will remain de-activated for the FY24 interim dividend.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration is included on page 5 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors



Mark Benson
Managing Director
Sydney, 27 February 2024



Nicholas Yates
Chairman
Sydney, 27 February 2024

We are proud to announce another strong performance in the first half of the year, reflective of the continued hard work of our dedicated team.



Auditor's Independence Declaration



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The Board of Directors
Saunders International Limited
Level 2, 1F Homebush Bay Drive
Rhodes NSW 2138

27 February 2024

Dear Board Members,

Auditor's Independence Declaration to Saunders International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Saunders International Limited.

As lead audit partner for the review of the half year financial report of Saunders International Limited for the year half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

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

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that appears to read "David Sartorio".

David Sartorio
Partner
Chartered Accountants

Independent Auditor's Review Report



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Independent Auditor's Review Report to the Members of Saunders International Limited

Conclusion

We have reviewed the half-year financial report of Saunders International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 9 to 20.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "David Sartorio".

David Sartorio
Partner
Chartered Accountants
Parramatta, 27 February 2024

This success underscores our commitment to excellence in project execution and acknowledges the positive contributions from our strategic acquisitions.



Financial Report

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue	3	104,427	92,967
Interest income	4	86	24
Other Income	4	106	150
Materials and third-party costs charged to projects		(59,472)	(58,674)
Employee benefits expense		(25,724)	(23,012)
Depreciation expense	4	(1,787)	(1,395)
Finance costs	4	(193)	(115)
Motor vehicle expenses		(244)	(223)
Occupancy and operating lease expense		(375)	(384)
Other expenses		(8,909)	(2,418)
Profit before tax		7,915	6,920
Income tax expense	5	(2,987)	(2,172)
Profit after tax		4,928	4,748
Other comprehensive income / (loss) after tax		-	-
- Movements in foreign currency translation reserve		(14)	-
Total comprehensive income for the period		4,914	4,748
Attributable to:			
Equity holders of the parent		4,914	4,748
Earnings per share			
Basic (cents per share)	13	4.49 cents	4.44 cents
Diluted (cents per share)	13	4.43 cents	4.37 cents

Notes to the financial statements are included on pages 14 to 20.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current Assets			
Cash and cash equivalents		30,256	12,833
Trade and other receivables		12,846	23,099
Contract assets		19,754	33,145
Inventories		387	136
Assets held for sale		2,270	-
Other current assets		2,021	196
Total Current Assets		67,534	69,409
Non-Current Assets			
Property, plant and equipment		14,198	11,495
Right-of-use assets		4,835	4,952
Intangible assets	17	17,492	3,978
Deferred tax assets		1,902	823
Total Non-Current Assets		38,427	21,248
Total Assets		105,961	90,657
Current Liabilities			
Trade and other payables		17,824	25,727
Contract liabilities		12,831	11,174
Provisions		7,950	6,887
Other financial liabilities		8,100	-
Current tax liability		3,509	2,300
Lease liabilities		1,479	1,838
Borrowings		963	-
Liabilities held for sale		519	-
Total Current Liabilities		53,175	47,926
Non-Current Liabilities			
Provisions		1,318	809
Lease liabilities		2,567	2,647
Total Non-Current Liabilities		3,885	3,456
Total Liabilities		57,060	51,382
Net Assets		48,901	39,275
Equity			
Issued capital	11	30,899	24,104
Treasury share reserve	12	(1,374)	(1,475)
Share based payments reserve	12	618	572
Foreign Currency Translation Reserve		(14)	-
Retained earnings		18,772	16,074
Total Equity		48,901	39,275

Notes to the financial statements are included on pages 14 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Issued Capital \$'000	Treasury Shares \$'000	Share Based Payments Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2022	22,482	(1,806)	384	-	10,965	32,025
Profit for the period	-	-	-	-	4,748	4,748
Transactions with owners in their capacity as owners						
Dividend paid	-	-	-	-	(2,191)	(2,191)
Shares issued (net of forfeiture/lapsing) during the period	(140)	140	-	-	-	-
Shares vested during the period	472	-	(285)	-	(187)	-
Share based payments expense	-	-	339	-	-	339
Balance at 31 December 2022	22,814	(1,666)	438	-	13,335	34,921
Balance at 1 July 2023	24,104	(1,475)	572	-	16,074	39,275
Profit for the period	-	-	-	-	4,928	4,928
Transactions with owners in their capacity as owners						
Dividend paid	-	-	-	-	(2,230)	(2,230)
Shares issued (net of forfeiture/lapsing) during the period	6,399	101	-	-	-	6,500
Shares vested during the period	396	-	(396)	-	-	-
Share based payments expense	-	-	442	-	-	442
Foreign currency translation reserve movement	-	-	-	(14)	-	(14)
Balance at 31 December 2023	30,899	(1,374)	618	(14)	18,772	48,901

Notes to the financial statements are included on pages 14 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities		
Receipts from customers	129,833	115,635
Payments to suppliers and employees	(101,958)	(109,516)
Interest received	70	24
Finance costs paid	(193)	(115)
Income tax paid	(2,334)	(3,211)
Net cash inflows from operating activities	25,418	2,817
Cash flows from investing activities		
Payments for property, plant and equipment	(1,260)	(392)
Payments for business acquisition	(4,500)	-
Net cash used in investing activities	(5,760)	(392)
Cash flows from financing activities		
Dividends paid to shareholders	(2,230)	(2,191)
Proceeds from Borrowings	1,974	3,088
Repayment of Borrowings	(1,011)	(886)
Repayment of lease liabilities	(968)	(647)
Net cash used in financing activities	(2,235)	(636)
Net increase in cash and cash equivalents	17,423	1,789
Cash and cash equivalents at the beginning of the period	12,833	36,746
Effects of exchange rate fluctuations on cash held	-	30
Cash and cash equivalents at the end of the financial period	30,256	38,565

Notes to the financial statements are included on pages 14 to 20.

We are well positioned to actively pursue and secure an increasing scale of multidisciplinary projects, ensuring sustained growth and expansion.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2023 is a general purpose financial report, prepared in accordance with AASB 134 Interim Financial Reporting (AASB 134) and the *Corporations Act 2001*. The interim financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual consolidated financial report and any public announcements made by the Group during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation

The interim financial statements have been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The preparation of an interim financial report that complies with AASB 134 requires management to make judgements, estimates and assumptions. This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The accounting policies have been consistently applied by the Group and are consistent with those applied in the most recent annual consolidated financial report.

All amounts are presented in Australian dollars

Rounding off of amounts

The Group is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with the Corporations Instrument amounts in the Directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Accounting Standard in issue but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half-year ended 31 December 2023. There will be no material impact of these new standards or amendments to the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group.

3. REVENUE

Revenue stream	Revenue recognition	Half-year Ended 31 Dec 2023 \$'000	Half-Year Ended 31 Dec 2022 \$'000
Engineering & Construction	Over time	51,911	60,726
Services	Over time	32,301	18,865
Fabrication & Construction	Over time	20,215	13,376
Total revenue		104,427	92,967

4. PROFIT/(LOSS) FOR THE PERIOD

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

	Note	Half-Year Ended 31 Dec 2023 \$'000	Half-Year Ended 31 Dec 2022 \$'000
Revenue			
Construction, Fabrication and Services revenue		104,427	92,967
Interest income		86	24
Other income			
Others		106	150
		106	150
Expenses			
Cost of sales ¹		85,959	79,779
Depreciation of:			
- Buildings		36	14
- Plant and equipment		1,021	835
- Computer, furniture and fixtures		84	78
- Right of use assets		646	468
Total depreciation expense		1,787	1,395
Finance costs on lease liabilities		141	109
Other finance costs		52	6
Total finance costs		193	115

1. The cost of sales above relates to labour, materials and subcontractor costs directly incurred in deriving revenue for the Group during the period.

5. INCOME TAX EXPENSE

	Half-Year Ended 31 Dec 2023 \$'000	Half-Year Ended 31 Dec 2022 \$'000
Current tax relating to current period	3,550	3,008
Deferred tax	(563)	(836)
Total Income Tax Expense	2,987	2,172

6. DIVIDENDS PAID AND PROPOSED

	Half-Year Ended 31 Dec 2023 \$'000	Half-Year Ended 31 Dec 2022 \$'000
Dividends Paid		
Declared final dividend in FY24 of 1.00 cents per share fully franked and a special dividend of 1.00 cents per share fully franked (FY23 1.0 cent final dividend per share fully franked and 1.00 cent special dividend per share fully franked).	2,230	2,191
Dividends Proposed		
The Directors proposed that there will be an interim dividend paid to shareholders for the half-year ended 31 December 2023 of 2.00 cents per share fully franked (FY23 H1: 2.00 cent per share fully franked). The dividend was approved on 27 February 2024, and will be payable on 15 April 2024.	-	-

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the ordinary course of business, the Group receives claims against it which may involve litigation. In the event that a claim is successful, it is expected to be adequately covered by the insurance policies held by the Group. Where the outcome is probable and can be reasonably quantified, provision is made in these financial statements.

Bank guarantees and Surety Bonds at 31 December 2023 amounted to \$19.1 million (31 December 2022: \$21.9 million). The Group has combined Bank guarantees and Surety Bond facilities of \$40.0 million (31 December 2022: \$35.0 million).

8. EMPLOYEE SHARE PLAN

During the period NIL (FY23 H1: NIL) Treasury Shares were issued to employees under the existing Employee Share Plan.

9. PERFORMANCE RIGHTS PLAN

The Managing Director and Key Management Personnel participate in the Saunders International Performance Rights Plan. This plan is part of the long term incentive component of the Managing Director and members of the senior leadership team's remuneration package. During the period a total number of 1,276,894 (FY23 H1: 515,292) Performance Rights were issued under the plan.

10. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared on 27 February 2024 that there will be an interim dividend payable of 2.00 cents per share fully franked for FY24 H1 (FY23 H1 2.00 cent per share fully franked). The dividend will be payable on 15 April 2024 with the record date for determining dividends on 19 March 2024.

The Directors are not aware of any other matter or circumstance, not already disclosed, occurring subsequent to the end of the financial half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

11. SHARE CAPITAL

	Number of Ordinary Shares	Half-year Ended 31 Dec 2023 \$'000	Full-Year Ended 30 June 2023 \$'000
118,288,023 issued ordinary shares (June 2023: 108,103,160)	118,288,023	32,273	25,579
Less: 1,774,129 Treasury shares issued under employee share plan (June 2023: 1,849,924)	(1,774,129)	(1,374)	(1,475)
Issued and fully paid ordinary shares (June 2023: 109,029,823)	116,513,894	30,899	24,104
	Number of Ordinary Shares	\$'000	
June 2023 – Issued Ordinary Shares	109,029,823	24,104	
Shares issued to vendors for acquisitions	6,762,704	6,500	
Shares forfeited under employee share plan	-	(101)	
Shares issued under employee share plan	721,367	396	
December 2023 – Issued Ordinary Shares	116,513,894	30,899	

The Managing Director and certain Key Management Personnel participate in the Saunders International Rights Plan. This plan is part of the long-term incentive component of the respective remuneration packages. The total number of Performance Rights issued, yet to vest, under the plan is 2,466,698 as at 31 December 2023.

12. TREASURY SHARES AND RESERVES

	Half-Year Ended 31 Dec 2023 \$'000	Full-Year Ended 30 June 2023 \$'000
Treasury Shares	(1,374)	(1,806)
Share-based payments reserve	618	572
	(756)	(1,234)
Share Based Payments Reserve Movement		
Balance at Beginning of period	572	384
Share based payments expense	442	684
Shares vested during the period	(396)	(496)
Balance at end of period	618	572
Treasury Shares Under Employee Share Plan		
Balance at Beginning of period	(1,475)	(1,806)
Treasury shares forfeited/(issued)	101	331
Treasury shares vested	-	-
Balance at end of period	(1,374)	(1,475)

Treasury shares are ordinary shares in the company which are offered to employees under the Employee Share Plan and are deducted from equity until the vesting date of the shares.

Share-based Payments reserve

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

13. EARNINGS PER SHARE

	Half-Year Ended 31 Dec 2023 Cents per share	Half-Year Ended 31 Dec 2022 Cents per share
Basic earnings per share	4.49	4.44
Diluted earnings per share	4.43	4.37
	Half-Year Ended 31 Dec 2023 \$000	Half-Year Ended 31 Dec 2022 \$000
Net profit for the period	4,928	4,748
Basic earnings per share	Number	Number
Weighted average number of issued and paid ordinary shares for the purpose of basic earnings per share	109,844,277	106,944,257
Diluted earnings per share		
Weighted average numbers of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS	109,844,277	106,944,257
Shares deemed to be issued for no consideration in respect of employee options and performance rights (a)	1,463,500	1,605,578
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	111,307,777	108,549,835

(a) During the half-year ended 31 December 2023, the potential ordinary shares associated with the employee share option plan as set out in Note 11 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights are dilutive and have been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share.

14. REVENUE BY BUSINESS SEGMENTS

The Group operates in one reporting segment being the design, construction, and maintenance of steel storage tanks, concrete bridges, structural mechanical piping, industrial automation and controls.

In the current period, 5 customers made up 52.7% of the revenue earned (FY23 H1: 4 customers made up 72% of the revenue earned).

15. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest Dec 2023	Ownership Interest Jun 2023
Parent Entity			
Saunders International Limited	Australia		
Subsidiaries			
Saunders Asset Services Pty Ltd	Australia	100%	100%
Saunders Civilbuild Pty Ltd	Australia	100%	100%
Saunders Property (NSW) Pty Ltd	Australia	100%	100%
Saunders PlantWeave Pty Ltd	Australia	100%	100%
Saunders Automation Pty Ltd (formerly Automation IT Pty Ltd)	Australia	100%	100%
Saunders Piping Solutions Pty Ltd	Australia	100%	-
Saunders (PNG) Limited	PNG	100%	100%
Saunders International (NZ) Ltd	New Zealand	100%	100%

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models. The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair value.

17. INTANGIBLE ASSETS

	Half-Year Ended 31 Dec 2023 \$'000	Full-Year Ended 30 Jun 2023 \$'000
Goodwill		
Balance at 1 July	3,978	321
Additions through business combinations		
- Automation IT	-	3,657
- Piping Solutions	13,514	-
Balance at 31 December	17,492	3,978

Saunders announced the acquisition of Automation IT Pty Ltd (AIT) on 9 May 2023. Under the terms of the Share Purchase Agreement (SPA), 100% of the issued share capital and control of AIT was effectively acquired on 1 April 2023. AIT is a specialist automation and control systems engineering business operating in the energy, water, defence and mining industries. It qualifies as a business as defined in AASB3 Business Combinations. It was acquired to further expand and diversify Saunders capabilities across industrial automation and technology solutions following the 2021 acquisition of Saunders PlantWeave (formerly PlantWeave Technologies). Refer to Note 18 for details of the acquisition of the Piping Solutions business, effective from 31 October 2023, and detailed calculation of goodwill recognised in relation to the acquisition.

Goodwill acquired through business combinations is allocated to the lowest level within the entity at which the goodwill is monitored, being the two cash generating units (or 'CGU's) – Saunders Automation (comprising PlantWeave and Automation IT) and Saunders Piping Solutions. The assessment of goodwill recoverable amounts was determined based on value-in-use calculations using cash flow projections, which are based on approved strategic plans or forecasts, and discounted to their present value. Based on the assessment as at 31 December 2023, no impairment of goodwill was identified in any of the Group's CGU's.

18. ACQUISITION OF SUBSIDIARIES

Saunders announced the acquisition of the Piping Solutions business on 8 November 2023. Under the terms of the Business Purchase Deed, control of the business was effectively acquired on 31 October 2023. Piping Solutions specialise in the fabrication, installation and maintenance of steel pipelines, structures, pressure vessels, and refuelling systems for the Defence, Aviation, Energy and Infrastructure industries. The acquisition qualifies as a business as defined in AASB3 Business Combinations. It was acquired to facilitate Saunders strategic expansion into the Defence sector and addition of complementary capabilities across complex steel piping fabrication, installation and maintenance. This will provide a more attractive vertically integrated offering and enable better penetration into New Energy markets. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Half-Year Ended 31 Dec 2023 \$'000
Inventory	251
Property, plant & equipment	4,718
Deferred tax asset	207
Employee benefits provisions	(690)
Total identified assets acquired and liabilities assumed	4,486
Goodwill ¹	13,514
Total Consideration	18,000
Satisfied by:	
- Cash	4,500
- Equity	6,500
- Contingent Consideration ²	
- To be settled in cash	3,500
- To be settled in equity	3,500
Total Consideration	18,000
Net cash outflow arising on acquisition during the 6 month period ended 31 December 2023	4,500

¹ Given the acquisitions of Piping Solutions was announced on 8 November 2023, the value of goodwill at the date of acquisition is considered provisional and may change once a formal purchase price allocation exercise is completed.

² The contingent consideration is subject to achievement of earn-out Earnings Before Interest & Tax (EBIT) targets that apply for the period from 1 November 2023 to 31 October 2024. It will be settled in cash (50%) and equity (50%). The acquisition is structured to promote the continued performance of Piping Solutions.

Directors' Declaration

The Directors of Saunders International Limited declare that:

- a) in the Directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mark Benson
Managing Director



Nicholas Yates
Chairman

Sydney
27 February 2024

Corporate Directory

Board of Directors

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ABN 14 050 287 431
Level 2, 1F Homebush Bay Dr
Rhodes NSW 2138
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Saunders Civilbuild

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Redhead NSW 2290
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Saunders Piping Solutions

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Phone (07) 3390 5624

Saunders (PNG) Limited

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Papua New Guinea

Saunders International (NZ) Limited

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Newmarket Auckland NZ 1023

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Saunders Property Group
ABN 39 617 486 021

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Saunders Automation

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Springwood QLD 4127
Phone (07) 3299 3844

Unit 10, 47-48 Buffalo Rd
Gladesville NSW 2111
Phone (02) 9848 4488

Nicholas Yates - Chairman

Mark Benson - Managing Director and Chief Executive Officer

Greg Fletcher - Non-Executive Director

Brendan York - Non-Executive Director

Auditors

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8 Parramatta Square
Level 37/10 Darcy St
Parramatta NSW 2150

Share Register Link Market Services Limited

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Stock Exchange Listing

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Website

www.saundersint.com

Saunders International Limited

For the Half Year ended 31 December 2023
ABN 14 050 287 431

[Saundersint.com](https://saundersint.com)

 [@saunders-international-limited](https://www.linkedin.com/company/saunders-international-limited)

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