SAUNDERS INTERNATIONAL PTY LIMITED
And its Controlled Entities

FINANCIAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2006

SAUNDERS INTERNATIONAL PTY LIMITED
And its Controlled Entities

CONTENTS

SAUNDERS INTERNATIONAL PTY LIMITED
And its Controlled Entities

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

Your directors present their report on the company for the financial year ended 30 June 2006.

The names of the directors in office at any time during or since the end of the year are:

D.J. Bryant
T.J. Burnett
J. Power
A. Auzins
D.S. Read (resigned on 10 April 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The profit of the company for the financial year after providing for income tax amounted to $ 2,123,106.

A review of the operations of the company during the financial year and the results of those operations found that:

a. The principal activities of the company during the financial year were the design, construction and maintenance of bulk storage tanks and silos and reservoirs. Ancillary services included steel fabrication, painting and project management.

b. The level of sales and profits increased significantly over the prior year due to increased market demand for the company's products and services.

c. The company closed its civil construction business during the year due to low profitability expectation in this sector

No other matters or circumstances have arisen since the end of the financial year which 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 the future financial years.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth and/or of a State or Territory.

No dividend was paid during the year.

SAUNDERS INTERNATIONAL PTY LIMITED
And its Controlled Entities

DIRECTORS' REPORT (Cont.)
FOR THE YEAR ENDED 30 JUNE 2006

In July 2005, a resolution was passed by the directors for an additional allotment of 895,000 ordinary shares at $ 0.73 per share.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

During and since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follow: The company has paid insurance premiums to insure each director of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of director of the entity, other than conduct involving a wilful breach of duty in relation to the company. The aggregate amount of the premium was $ 9,330.

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those AIFRS standards as contained in Note 1 to this report.
In addition, the company has elected to change certain accounting policies to comply with the recognition and measurement criteria contained with AIFRS. These changes are included in Note 19 to the financial report.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included.

Signed in accordance with a resolution of the Board of Directors:

Director ....
J. Power

Director ....
T.J. Burnett

Dated this ..28th..... **day of** ..August.................. **2006**

SAUNDERS INTERNATIONAL PTY LIMITED
and its Controlled Entities

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue from ordinary activities		33,505,794	31,458,542	32,969,307	26,339,485
Interest Received		132,078	76,459	132,078	76,459
Changes in inventories of finished goods and work in progress		1,060,616	(1,764,982)	1,126,351	(1,830,718)
Raw materials and consumables used		(27,036,015)	(24,554,070)	(26,619,065)	(19,392,018)
Employee benefits expense		(2,014,598)	(1,798,162)	(2,014,598)	(1,798,162)
Depreciation and amortisation expenses		(689,723)	(673,866)	(689,723)	(673,866)
Other expenses from ordinary activities		(1,935,354)	(1,550,735)	(1,935,354)	(1,550,735)
Profit from ordinary activities before income tax expenses		3,022,798	1,193,186	2,968,996	1,170,445
Income tax expense relating to ordinary activities	3	(899,692)	(499,711)	(896,690)	(479,750)
Profit attributable to members of the entity		2,123,106	693,475	2,072,306	690,695

The accompanying notes form part of these financial statements.

SAUNDERS INTERNATIONAL PTY LIMITED
and its Controlled Entities

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT ASSETS					
Cash and Cash Equivalents	5	4,577,887	1,741,186	4,577,887	1,051,374
Trade and Other Receivables	6	3,786,478	5,586,618	3,786,478	5,577,609
Inventories	7	195,018	480,013	195,018	480,013
Other Assets	8	35,753	31,462	35,753	31,462
TOTAL CURRENT ASSETS		8,595,136	7,839,279	8,595,136	7,140,458
NON-CURRENT ASSETS					
Trade and Other Receivables	6	-	-	-	678,015
Financial Assets	9	-	-	2	2
Property, plant and equipment	10	2,738,466	2,731,354	2,738,466	2,731,354
Intangible assets	11	973,468	1,027,550	973,468	1,027,550
TOTAL NON-CURRENT ASSETS		3,711,934	3,758,904	3,711,936	4,436,921
TOTAL ASSETS		12,307,069	11,598,183	12,307,072	11,577,379
CURRENT LIABILITIES					
Trade and Other Payables	12	2,848,702	5,009,021	2,848,702	5,046,602
Current tax liabilities	13	284,770	171,003	283,864	151,042
Provisions	14	692,675	741,631	692,675	710,964
TOTAL CURRENT LIABILITIES		3,826,147	5,921,655	3,825,241	5,908,608
NON CURRENT LIABILITIES					
Trade and Other Payables	12	-	6,046	54,488	6,046
Provisions	14	810,991	777,007	810,991	772,030
TOTAL NON-CURRENT LIABILITIES		810,991	783,053	865,479	778,076
TOTAL LIABILITIES		4,637,138	6,704,708	4,690,720	6,686,684
NET ASSETS		7,669,931	4,893,475	7,616,352	4,890,695
EQUITY					
Issued Capital	15	3,067,281	2,413,931	3,067,281	2,413,931
Retained Earnings		4,602,650	2,479,544	4,549,071	2,476,764
TOTAL EQUITY		7,669,931	4,893,475	7,616,352	4,890,695

SAUNDERS INTERNATIONAL PTY LIMITED
and its Controlled Entity

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity			Parent Entity		
		Ordinary	Retained Earnings	Total	Ordinary	Retained Earnings	Total
Balance at 1 July 2004		359,472	1,426,597	1,786,069	359,472	1,426,597	1,786,069
Profit attributable to equity shareholders			693,475	693,475		690,695	690,695
Cancellation of shares for demerger purpose		(359,472)	359,472	-	(359,472)	359,472	-
New shares issues for demerger purpose		2,413,931		2,413,931	2,413,931		2,413,931
Balance at 30 June 2005		2,413,931	2,479,544	4,893,475	2,413,931	2,476,764	4,890,695
Shares Issued		653,350		653,350	653,350		653,350
Profit attributable to equity shareholders			2,123,106	2,123,106		2,072,306	2,072,306
Balance at 30 June 2006		**3,067,281**	**4,602,650**	**7,669,931**	**3,067,281**	**4,549,070**	**7,616,351**

The accompanying notes form part of these financial statements.

SAUNDERS INTERNATIONAL PTY LIMITED
and its Controlled Entities

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Cash Flows from Operating Activities:					
Receipts from Customers		35,571,173	29,680,983	35,110,689	24,570,935
Payment to Suppliers and Employees		(31,747,648)	(25,801,070)	(31,351,912)	(20,702,817)
Interest Received		127,685	77,307	127,685	77,307
Income Tax Paid		(785,925)	(546,973)	(763,868)	(546,973)
Net Cash Provided by (Used in) Operating Activities	18	3,165,285	3,410,247	3,122,594	3,398,452
Cash Flows from Investing Activities:					
Proceeds from sale of property, plant & equipment		-	22,045	-	22,045
Payment for property, plant & equipment		(975,888)	(265,338)	(975,888)	(265,338)
Payment for investments		-	-	-	(2)
Loans to / (Repayment from) related parties		678,015	-	678,015	(678,015)
Net Cash Provided by (Used in) Investing Activities		(297,873)	(243,293)	(297,873)	(921,310)
Cash Flows from Financing Activities:					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		(684,061)	(1,749,004)	48,442	(1,749,004)
Shares Issued		653,350	-	653,350	-
Net Cash provided by (Used in) Financing Activities		(30,711)	(1,749,004)	701,792	(1,749,004)
Net increase (decrease) in cash held		2,836,701	1,417,950	3,526,513	728,138
Cash at beginning of year		1,741,186	323,236	1,051,374	323,236
Cash at end of year		4,577,887	1,741,186	4,577,887	1,051,374

Note 1: Statement of Significant Accounting Policies

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the *Corporations Act 2001*. The directors have determined that the company is not a reporting entity.

The financial report covers Saunders International Pty Limited as an individual parent entity and Saunders International Pty Limited and its controlled entities as an economic entity. Saunders International Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The report has been prepared in accordance with the requirements of the *Corporations Act 2001*, and the following applicable Accounting Standards and Urgent Issues Group Consensus Views:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Polices, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 117:	Leases
AASB 1031:	Materiality
AASB 1048:	Interpretation and Application of Standards
UIG Abstract 35:	Disclosure of Contingent Liabilities

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

Reporting Basis and Conventions

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principles of Consolidation

A controlled entity is any entity controlled by Saunders International Pty Limited. Control exists where Saunders International Pty Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Saunders International Pty Limited to achieve the objectives of Saunders International Pty Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

Accounting Policies

Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Plant and equipment	5–15%
Leased plant and equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Intangibles

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Valuation of goodwill

The goodwill arose several years ago upon demerger of the company from its original ownership group. That goodwill is being written down over 20 years. The directors are confident that the actual value of goodwill exceeds the book value by a large margin and therefore no additional provision is necessary.

Key judgments — Doubtful debts provision

Included in accounts receivable at 30 June 2006 is an amount receivable from HIH Insurance during the financial year 2001 amounting to $ 28,966.72. HIH Insurance went into liquidation in June 2001. The directors doubt that any of the debt is recoverable from the liquidators.

Key judgments — Obsolete Stock Provision

Included in inventory provision at 30 June 2006 is a provision for obsolete stock. This may occur due to deterioration of the stock or lower (then when purchased) market rates for the stock. The percentage of this provision at 30 June 2006 is approximately 15% of the total inventory value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
2 Profit from Ordinary Activities				
Profit from ordinary activities before income tax expense has been determined after:				
Expenses:				
Depreciation of property, plant and equipment	635,641	619,784	635,641	619,784
Amortisation of goodwill	54,082	54,082	54,082	54,082
Bad and doubtful debts	(6,543)	6,543	(6,543)	6,543
Remuneration of auditor				
- Audit or review	23,000	33,000	23,000	33,000
- Other service	2,300	2,000	2,300	2,000
Rental expenses on operating leases				
- Minimum lease payments	252,936	252,936	252,936	252,936
Revenue and Net Gains:				
Net gain/loss on disposal of property, plant and equipment	(333,135)	2,394	(333,135)	2,394
Significant Revenues and Expenses:				
The following revenue and expense items are relevant in explaining the financial performance: Write off Sick Leave Provision, inclusive of oncosts	-	-	-	-
3 Income Tax Expense				
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activites before income tax at 30% (2005: 30%)	906,840	357,955	890,699	351,133
Add tax effect of:				
Depreciation of Plant and Equipment	66,115	66,115	66,115	66,115
Amortisation of Goodwill	16,225	16,225	16,225	16,225
Other Non Allowable Items	39,958	108,861	46,642	95,722
	1,029,138	549,156	1,019,681	529,195
Less tax effect of:				
Under/(Over) provision with respect to prior years	122,991	-	122,991	-
Other Allowable Items	6,455	49,445		49,445
Income tax expense attributable to profit from ordinary activities	899,692	499,711	896,690	479,750

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
4 Dividends Paid or Proposed				
Fully franked interim dividend paid franked at a tax rate of 30% (2005: 30%)	-	-	-	-
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial year	2,163,658	1,651,870	2,141,601	1,651,870
5 Cash and Cash Equivalents				
Cash on hand	2,600	3,800	2,600	3,800
Cash at bank	4,575,287	1,737,386	4,575,287	1,047,574
	4,577,887	1,741,186	4,577,887	1,051,374
6 Trade and Other Receivables				
CURRENT				
Trade debtors	3,802,318	5,619,573	3,802,318	5,610,564
Less: Provision for doubtful debts	29,770	36,313	29,770	36,313
	3,772,548	5,583,260	3,772,548	5,574,251
Other receivable	13,930	3,358	13,930	3,358
	3,786,478	5,586,618	3,786,478	5,577,609
NON CURRENT				
Amounts due to subsidiary entity	-	-		678,015
7 Inventories				
CURRENT				
Stock on hand	195,018	480,013	195,018	480,013
8 Other Assets				
CURRENT				
Prepayments	35,753	31,462	35,753	31,462
9 Financial Assets				
Available-for sale financial assets	-	-	2	2
Available-for-sale financial assets comprise:				
Unlisted investments, at recoverable amount				
- Shares in other corporations - at cost	-	-	2	2

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
10 Property, Plant and Equipment				
Plant and equipment under construction	18,117	115,851	18,117	115,851
Plant and equipment - at cost	3,717,300	2,705,900	3,717,300	2,705,900
Less: Accumulated depreciation	2,031,393	1,776,812	2,031,393	1,776,812
	1,685,907	929,088	1,685,907	929,088
Plant and equipment - at valuation	1,332,299	1,841,999	1,332,299	1,841,999
Less: Accumulated depreciation	440,766	290,730	440,766	290,730
	891,533	1,551,269	891,533	1,551,269
Motor vehicles - at cost	163,118	272,411	163,118	272,411
Less: Accumulated depreciation	160,590	256,230	160,590	256,230
	2,528	16,181	2,528	16,181
Motor vehicles - at valuation	-	16,000	-	16,000
Less: Accumulated depreciation	-	13,745	-	13,745
	-	2,255	-	2,255
Office furniture and equipment - at cost	409,200	452,903	409,200	452,903
Less: Accumulated depreciation	268,819	341,522	268,819	341,522
	140,381	111,381	140,381	111,381
Office furniture and equipment - at valuation	-	7,300	-	7,300
Less: Accumulated depreciation	-	1,971	-	1,971
	-	5,329	-	5,329
Total plant and equipment	2,738,466	2,731,354	2,738,466	2,731,354
11 Intangible Assets				
Goodwill	1,081,632	1,081,632	1,081,632	1,081,632
Less: Accumulated amortisation	108,164	54,082	108,164	54,082
	973,468	1,027,550	973,468	1,027,550
12 Trade and Other Payables				
CURRENT				
Trade creditors	945,054	2,192,306	945,054	2,192,306
Work in progress	922,227	1,982,843	922,227	2,048,578
GST payable	60,895	102,023	60,895	101,246
Accrued charges	920,526	731,849	920,526	704,472
	2,848,702	5,009,021	2,848,702	5,046,602
NON-CURRENT				
Loan to associated company	-	6,046	-	6,046
Amounts due to subsidiary entity	-	-	54,488	-
	-	6,046	54,488	6,046
13 Tax Assets and Liabilities				
CURRENT LIABILITIES				
Income tax	284,770	171,003	306,107	151,042

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
14 Provisions				
CURRENT				
Employee benefits	692,675	741,631	692,675	710,963
NON-CURRENT				
Employee benefits	810,991	777,007	810,991	772,030
Number of employees at year end	80	85	80	75
15 Issued Capital				
6,677,000 (2005: 5,782,000) fully paid ordinary shares	3,067,281	2,413,931	3,067,281	2,413,931

Fully Paid Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

16 Capital and Leasing Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Payable				
- not longer than 1 year	263,390	252,936	263,390	252,936
- longer than 1 year, but not longer than 5 years	408,288	434,735	408,288	434,735
	671,678	687,671	671,678	687,671

The operating leases are for motor vehicles. These leases are non-cancellable lease 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

17 Contingent Liabilities

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Estimates of the potential financial effect of contingent liabilities that may become payable: Secured: Guarantee to the company's bankers and to a corporation partly owned by the directors and floating charge over the company's assets to secure bank guarantees issued to customers on behalf of the company.	3,309,766	3,270,613	3,309,766	3,270,613

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
18 Notes to the Statement of Cash Flows				
Reconciliation of Cash				
Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash on hand and at bank	4,577,887	1,741,186	4,577,887	1,051,374
Reconciliation of Net Cash provided by Operating Activities to profit from ordinary activities after Income Tax				
Profit from ordinary activities after income tax	2,123,106	693,475	2,072,306	690,695
Non-cash flows in Profit (Loss) from Ordinary Activities:				
Amortisation	54,082	54,082	54,082	54,082
Depreciation	635,641	619,784	635,641	619,784
Doubtful Debt	(6,543)	6,543	(6,543)	6,543
Net loss/gains on disposal of plant and equipment	333,135	(2,394)	333,135	(2,394)
Changes in Assets and Liabilities:				
Decrease (Increase) in receivables	1,806,684	(1,747,953)	1,802,068	(1,738,943)
Decrease (Increase) in other assets	(4,292)	(8,819)	(8,685)	(8,819)
Decrease (Increase) in inventories	350,731	(239,915)	284,995	(239,915)
Increase (Decrease) in payables	(2,226,054)	3,764,782	(2,197,900)	3,802,363
Increase (Decrease) in provisions	(14,972)	345,137	20,672	309,492
Increase (Decrease) in income tax payable	113,767	(74,475)	132,822	(94,436)
Cash flows from operations	3,165,285	3,410,247	3,122,594	3,398,452

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

19 Change in Accounting Policy

The company has elected to change its accounting policies with respect to the transition from GAAP to AIFRS. No adjustments have been made to the comparatives and there is no difference on the transition to AIFRS, and no reconcilliation is therefore provided.

20 Company Details

The registered office of the company is:
Saunders International Pty Ltd
271 Edgar Street, Condell Park NSW 2200

The principal place of business is:
Saunders International Pty Ltd
271 Edgar Street, Condell Park NSW 2200

SAUNDERS INTERNATIONAL PTY LIMITED
And its Controlled Entities

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and

   b. give a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ....
J. Power

Director ....
T.J. Burnett

Dated this 28th day of August 2006

THP

THOMAS HOPPER & PARTNERS
Chartered Accountants

1st Floor, 68 Alfred Street
Milson's Point NSW 2061
Phone: (02) 9929 4177
Fax: (02) 9929 5479
http://www.thpartners.com.au

29 August 2006

The Directors
Saunders International Pty Limited
271 Edgar Street
CONDELL PARK NSW 2200

Dear Directors,

Auditors Independence Declaration
Under Section 307C of the *Corporations Act 2001*
To the Directors of Saunders International Pty Limited and its Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there has been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

THOMAS HOPPER & PARTNERS

S.A. DADICH
Partner

J.D. Thomas FCA
S.A. Dadich B Com CA

Email: initialsurname@thpartners.com.au

All Correspondence to P.O. Box 166 Milson's Point N.S.W. 1565

THP

THOMAS HOPPER & PARTNERS

Chartered Accountants

1st Floor, 68 Alfred Street
Milson's Point NSW 2061
Phone: (02) 9929 4177
Fax: (02) 9929 5479
http://www.thpartners.com.au

Independent audit report to members of Saunders International Pty Limited and Controlled Entities

Scope

The special purpose financial report and directors' responsibility

The special purpose financial report comprises the directors' declaration, income statement, balance sheet, statement of changes in equity, statement of cash flows and accompanying notes to the financial statements for Saunders International Pty Limited and Controlled Entities for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The special purpose financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*. We disclaim any assumptions of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia. No opinion is expressed as to whether the accounting policies used and described in Note 1, are appropriate to the needs of the members.

We formed our audit opinion on the basis of these procedures, which included:

• examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

• assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration in the financial report has not changed as at the date of providing our audit opinion.

Audit opinion

In our opinion, the financial report of Saunders International Pty Limited and Controlled Entities is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

(ii) complying with Accounting Standards in Australia to the extent described in Note 1 and complying with the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia to the extent described in Note 1.

Thomas Hopper & Partners
Chartered Accountants

Dated this 29th day of August 2006

Steven A. Dadich – Partner

J.D. Thomas FCA
S.A. Dadich B Com CA

Email: initialsurname@thpartners.com.au

All Correspondence to P.O. Box 166 Milson's Point N.S.W. 1565