
King Equipment Limited

ABN 69 109 947 051

Annual report – 30 June 2007

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King Equipment Limited and its controlled entities

Corporate Directory

Directors	Siegfried Konig Executive Chairman Robert Oscar Joseph Non- Executive Director Sean Craig Corbin B.Bus (Acc), G Dip Man, CPA Non- Executive Director
Company Secretary	Sean Craig Corbin
Principal registered office	7 Oak Street HAWTHORNE QLD 4171
Share registry	Link Market Services Limited Level 12 300 Queen Street BRISBANE QLD 4000
Auditor	Pitcher Partners Level 21 300 Queen Street BRISBANE QLD 4000
Solicitors	Hopgood Ganim Lawyers Level 8 1 Eagle Street BRISBANE QLD 4000
Bankers	Bank of Queensland 259 Queen Street BRISBANE QLD 4000
Stock exchange listing	King Equipment Limited shares are listed on the National Stock Exchange
Website address	www.kingequipment.com.au

King Equipment Limited and its controlled entities

30 June 2007

Report to Shareholders

Dear Shareholders,

Over the past year the company has been focussing on its core business and actively seeking to develop the business opportunities for KING. During that time the company has:

- Imported and sold wheel loaders and excavators
- Sought to expand the Australian distribution network
- Sought to acquire a rental company
- Sought to enter the Australian mining equipment market with rigid dump trucks through the acquisition of the distribution rights for Bharat Limited, a government of India company. The company was successful in securing a multi – million dollar order; however, the manufacturer's product did not meet the customer's requirements.

In summary the company has been unsuccessful in its expansion aspirations. Further, numerous new competitors have entered the market place and are offering low cost equipment with little or no backup support, whereas our company offers quality equipment with backup support and spare parts.

The Directors have decided that there is limited profitable opportunity in continuing the business of importing and sales of construction machinery except for selling the stock on hand and finalising present business enquires.

The Directors are continuing to provide financial support for the company and are now actively seeking an acquisition opportunity in the construction machinery rental sector in order to profit from the company's established relationships with manufacturers and knowledge of the market.

Yours sincerely



Siegfried Konig
Chairman and Managing Director

09 November 2007

King Equipment Limited and its controlled entities

30 June 2007

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity, consisting of King Equipment Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2007.

Directors

The following persons were Directors of the company during the whole of the financial year and up to the date of this report:

S Konig
S C Corbin
R S Joseph
K Wunsh (resigned 5 February 2007)

Principal activities

During the year the principal continuing activity of the entity was the importation and sale of construction equipment.

Review of operations

The net loss of the consolidated entity for the year after income tax was \$525,976 (2006: \$733,367) on revenues from ordinary activities of \$417,487 (2006: \$630,392).

Dividends

No dividends have been paid during the year and the Directors do not recommend the payment of a dividend.

Earnings per share

	2007 Cents	2006 Cents
Basic earnings per share (loss)	(0.7)	(2.7)
Diluted earnings per share (loss)	(0.7)	(2.7)

Significant changes in the state of affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Matters subsequent to the end of the financial year

There are no significant events subsequent to the year end.

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity have been discussed where appropriate in the Annual Report under Report to Shareholders.

There are no further developments of which the Directors are aware which could be expected to affect the results of the consolidated entity's operations in subsequent financial years other than the information contained in the Report to Shareholders.

Information on directors

Siegfried Konig – age 57, Chairman and Managing Director

Mr Konig is a businessman and founder of the company's operations. He has over 25 years experience in business management with relationships in the Australian capital markets and public company sector. He has facilitated the

King Equipment Limited and its controlled entities

30 June 2007

DIRECTORS' REPORT (continued)

listing of a number of public companies on the ASX including Telco Australia Limited, GPS Limited and Integrated Investments Limited.

Sean Corbin age – age 43, Non-Executive Director

Mr Corbin is a postgraduate trained CPA with a background in operational and financial management. Sean also holds a Bachelor of Business (Accounting) from the University of South Australia and has over 16 years corporate and management experience. Mr Corbin has senior financial and operational management experience in both public companies and the private sector.

Robert Oscar Joseph - age 50, Non-Executive Director

Mr Joseph has more than 25 years of sales and business management skills and over 10 years experience in corporate finance. Robert is also a Director of SMA Finance, one of Australia's largest and most profitable brokerages.

Particulars of Directors' interests in shares and options

The interests of each director in the share capital of the company at the date of this report are as follows:

	Shares	Options
Siegfried Konig	20,837,500	6,810,000
Sean Corbin	270,000	90,000
Robert Joseph	120,238	25,000

Meetings of Directors

The number of meetings of the company's Board of Directors held during the year ended 30 June 2007 and attendance by each Director were:

	Meetings of Directors	
	A	B
Siegfried Konig	3	3
Sean Corbin	2	3
Robert Joseph	2	3
Kevin Wunsh	2	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

Retirement, election and continuation in office of directors

Under the constitution Mr Joseph retires as a Director at the Annual General Meeting to be held 14 December 2007 and offers himself for re-election.

Remuneration report

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation

King Equipment Limited and its controlled entities

30 June 2007

DIRECTORS' REPORT (continued)

- transparency
- capital management

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

Directors' fees

The Chairman's remuneration is inclusive of committee fees while non-executive Directors who chair a committee receive additional yearly fees and additional fees are also payable to directors for their membership on subsidiary boards.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Details of the nature and amount of each element of the emoluments of each Director of the company and each of the officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's diverse operations and achieving the company's strategic objectives.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of the company for the year ended 30 June 2007 are set out in the following table.

Non-executive Directors of King Equipment Limited

Name	Directors' base fee \$	Superannuation \$	Other \$	Total \$
Sean Corbin	24,000	-	-	24,000
Robert Joseph	18,000	-	-	18,000
Total	42,000	-	-	42,000

Executive Directors of King Equipment Limited

Name	Primary		Post-employment		Equity	
	Cash salary and fees \$	Allowances \$	Super-annuation\$	Termination payments \$	Options \$	Total \$
Siegfried Konig	108,124	23,970	8,515	-	-	140,609
Total	108,124	23,970	8,515	-	-	140,609

The company does not have any other executives.

King Equipment Limited and its controlled entities

30 June 2007

DIRECTORS' REPORT (continued)

Share options granted to Directors.

There were no options over unissued ordinary shares of the company granted during or since the end of the financial year to any of the Directors of the consolidated entity.

Shares under option

Unissued ordinary shares of the company under option at the balance date are as follows:

	<i>Number</i>	<i>Issue price of shares</i>	<i>Expiry date</i>
Listed options	19,504,375	25 cents	30/6/2009

Options are convertible to ordinary shares at the exercise prices and prior to the expiry dates detailed above. No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Environmental Matters

The company is not subject to any significant environmental legislation.

Insurance of officers

During the financial year, the company held insurance for the managing director until 31 December 2006.

Auditors Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 8.

Proceedings on behalf of company

Proceedings have been brought by a customer of a distributor company and King Equipment Limited has been joined in the action. The company's lawyers advise that a finding against our company is unlikely. Mr. Konig attended a voluntary mediation in an effort to resolve the action.

This report is made in accordance with a resolution of Directors.



Siegfried Konig
Chairman and Managing Director

Brisbane 09 November 2007



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF KING EQUIPMENT LIMITED**

In relation to our audit of the financial report of King Equipment Limited and its controlled entities for the year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Pitcher Partners

PITCHER PARTNERS

S A Green

S A Green
Partner

Brisbane, 9 November 2007

King Equipment Limited and its controlled entities

30 June 2007

CORPORATE GOVERNANCE STATEMENT

This documents sets out the principles of governance of King Equipment Limited ("the company") and the conduct of the Board. The company adopted a corporate governance policy at a Board meeting held on 4 February 2005 and complies with the NSX Corporate Governance Councils Principles of Good Corporate Governance and Best Practice Recommendations which are considered appropriate to their circumstances given the size and maturity of the company.

The company's corporate governance policies are supported by the following specific charters, codes, and policies, which are available on our website at www.kingequipment.com.au

Code of Conduct
Continuous Disclosure Policy
Securities Trading Policy
Risk Management Policy

Commitment

The company and the Board are committed to the achievement of high standards of integrity and governance in all aspects of the company's activities. The principal obligation of the company is to its shareholders through increasing shareholder wealth, and this is sought to be while commensurately recognising the interests of employees, customers, creditors, the communities in which the company operates, and other stakeholders.

Role of the Board

The key responsibilities of the Board are to:

- Review, advance and approve the company's:
 - objectives and strategies, and
 - capital management.
- Monitor the company's businesses, financial performance, and corporate governance.
- Oversee the financial position of the company.
- Report to shareholders.
- Ensure effective control systems are in place.
- Establish a culture of high ethical, environmental, health and safety standards.
- Ensure the Board is effective.

Directors' independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a Director must be a non-executive and:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years, not have been employed in an executive capacity by the company or been a Director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional advisor or a material consultant to the company, or an employee materially associated with the service provided
- not be a material supplier or customer of the company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have not material contractual relationship with the company other than as a Director
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the individual Directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.

King Equipment Limited and its controlled entities

30 June 2007

CORPORATE GOVERNANCE STATEMENT (continued)

Role of Management

The management of the business of the company is conducted by the Executive Director, as appointed by the Board, and by those other officers and employees to whom the management function is properly designated by the Executive Director.

The Board sets authorities for the Executive Director which are reviewed and updated as required.

A position description for the Executive Director, and any other executive Director, is developed and agreed between the Board and Executive Director, along with periodic statements of the objectives of the Executive Director.

Board Membership

The following principles have been adopted for the membership of the Board:

- The Board has a majority of Non-Executive Directors.
- As required by law, the term of each Director (except the Executive Director) is limited to three years, with one-third of the Board being subject to re-election by shareholders at each Annual General Meeting.

Board Nomination

Nominations for the Board are considered by the Board as a whole. The Board aims to ensure that it always has an appropriate diversity of qualifications, experience and expertise, consistent with the objectives of the company. As such:

- Suitable candidates for the Board are identified for appointment having regard to the skills desired and skills represented.
- A formal letter of appointment is issued to all Directors.
- Annually the Chairman conducts a performance review of the Board focused on:
 - the overall effectiveness and competencies of the Board,
 - the availability and contribution of each individual Director,
 - effectiveness of Directors' training and orientation, and
 - succession planning.

Board Procedures

- Each Director is expected to declare any actual or potential conflict of interest.
- Where conflicts may arise, affected Directors absent themselves from Board deliberation and decisions.
- Non-Executive Directors regularly meet in private.
- Where reasonably necessary, Directors may obtain independent advice with prior notification to the Chairman.
- Directors are expected to be familiar with the company's strategy, operations, financing and risks; the company must arrange suitable orientation and training.
- Directors may access continuing education to ensure their skills and knowledge are up to date.
- Directors have a right to expect all information relevant to the company's business and performance to be presented at Board meetings, and can access further information on request.
- Directors must maintain confidentiality of information learned by virtue of their position as Director.
- Non-Executive Directors must confirm they are able to devote such time as is necessary to carry out their duties on the Board.
- Directors advise the Chairman prior to accepting new appointments.

Company Secretary

In recognition of the key role played by the Company Secretary:

- The appointment of the Company Secretary must be approved by the Board.
- All Directors have direct access to the Company Secretary.
- The Company Secretary is expected to monitor the company's corporate governance procedures, and advise of possible improvements.

King Equipment Limited and its controlled entities

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CORPORATE GOVERNANCE STATEMENT (continued)

Standards and Code of Conduct

It is the objective of the Board to foster a culture of high ethical and compliance standards. To this end:

- Directors must act honestly, in good faith, with high standards of care, diligence and enquiry, and in the best interests of the company as a whole.
- All Directors and employees must abide by the company's Code of Conduct.
- Directors and senior management must not use their position to trade in the company's securities, with all transactions being in accordance with the company's Securities Trading Policy.

Financial Standards

The company is committed to high standards of financial integrity and reporting.

- Financial reports are required to present a true and fair view, in all material respects, of the company's financial condition and operating results.
- A sound and effective system of risk management and internal control is required, consistent with the company's Risk Management Policy.
- The company does not have a formally appointed Audit Committee rather the functions of the audit committee are performed by the Board as a whole.

Remuneration Standards

The company's overriding remuneration principle is to provide a fair and sufficient incentive to attract, motivate and retain a high quality Board and management team, based upon rewarding performance to enhance shareholder value.

- The remuneration of the senior management team may contain the following components:
 - fixed salary and benefits,
 - a short term incentive based on individual performance, and
 - a long term incentive derived from consideration of the performance of both the company and the individual.
- The remuneration of Non-Executive Directors consists solely of fixed fees.
- The company's Annual Report discloses all components of the remuneration of Directors, including advice of any discretionary incentive payments, and the remuneration of executives in accordance with prevailing applicable rules.

Market Disclosure

In accordance with its obligations under relevant legislation:

- The company keeps the market fully informed of information which may have a material effect of the price of the company's shares.
- Disclosures are to be:
 - timely;
 - factual;
 - comprehensive; and
 - understandable
- The company's Continuous Disclosure Policy sets the standards and procedures for information disclosure.

Shareholder Communications

The company aims to ensure that shareholders are well informed of all major developments affecting the company. This programme includes:

- Included in the company's website:
 - Annual and half yearly reports and accounts
 - Notices of general meetings
 - All media and stock exchange releases

King Equipment Limited and its controlled entities

30 June 2007

CORPORATE GOVERNANCE STATEMENT (continued)

- Key policies
 - General company background
- Facilitating the full participation by shareholders at the company's Annual General Meeting.
- Requiring the attendance of the company's external auditor at the Annual General Meeting.

King Equipment Limited and its controlled entities

30 June 2007

Financial report – 30 June 2007

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This financial report covers both King Equipment Limited as an individual entity and the consolidated entity consisting of King Equipment Limited and its controlled entities.

King Equipment Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

7 Oak Street
HAWTHORNE QLD 4171

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the Directors' Report on pages 4 to 7.

Through the use of the Internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company.

For queries in relation to our reporting please e-mail sk@kingequipment.com.au

King Equipment Limited and its consolidated entities
Income Statements
For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue/ Income	4	417,487	630,392	417,487	630,392
Cost of goods sold	5	(278,016)	(577,967)	(278,016)	(577,967)
Employee benefits expense		(49,018)	(49,887)	(49,018)	(49,887)
Depreciation and amortisation expenses	5	(25,481)	(38,657)	(25,481)	(38,657)
Borrowing costs expense	5	(78,194)	(38,690)	(78,194)	(38,690)
Consultancy and management expenses		(238,694)	(294,875)	(238,694)	(294,875)
Reduction in the carrying amount of assets	5	-	(5,000)	-	(5,000)
Rental expense relating to operating leases	5	(16,974)	(66,382)	(16,974)	(66,382)
Other expenses from ordinary activities		(257,086)	(292,301)	(257,086)	(292,301)
(Loss) before related income tax expense		(525,976)	(733,367)	(525,976)	(733,367)
Income tax benefit/(expense)	6	-	-	-	-
Net (loss) for the year		(525,976)	(733,367)	(525,976)	(733,367)
		Cents	Cents	Cents	Cents
Basic earnings per share (loss)	28	(0.7)	(2.7)	(0.7)	(2.7)
Diluted earnings per shares (loss)	28	(0.7)	(2.7)	(0.7)	(2.7)

The Income Statements should be read in conjunction with the Notes to the Financial Statements.

King Equipment Limited and its consolidated entities
Balance Sheets
As at 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Current assets					
Cash and cash equivalents	7	27	157,880	27	157,880
Receivables	8	5,636	33,164	5,636	33,164
Inventories	9	423,031	249,315	423,031	249,315
Financial assets	10	-	7,000	-	7,000
Other	11	-	115,624	-	115,624
Total current assets		428,694	562,983	428,694	562,983
Non-current assets					
Property, plant and equipment	12	3,100	47,642	3,100	47,642
Intangible assets	13	-	4,050	-	4,050
Total non-current assets		3,100	51,692	3,100	51,692
Total assets		431,794	614,675	431,794	614,675
Current liabilities					
Payables	14	300,794	118,742	300,794	118,742
Interest bearing liabilities	15	270,301	93,788	270,301	93,788
Total current liabilities		571,095	212,530	571,095	212,530
Non-current liabilities					
Interest bearing liabilities	16	-	15,470	-	15,470
Total non-current liabilities		-	15,470	-	15,470
Total liabilities		571,095	228,000	571,095	228,000
Net (Liabilities)/ Assets		(139,301)	386,675	(139,301)	386,675
Equity					
Contributed equity	18	2,084,356	2,084,356	2,084,356	2,084,356
Retained (losses)		(2,223,657)	(1,697,681)	(2,223,657)	(1,697,681)
Total equity		(139,301)	386,675	(139,301)	386,675

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

King Equipment and its consolidated entities
Statements of Changes in Equity
For the year ended 30 June 2007

	<i>Contributed equity \$</i>	<i>Consolidated Retained (losses) \$</i>	<i>Total \$</i>
Total at 1 July 2005	1,186,487	(964,314)	222,173
Share issues net of costs	897,869	-	897,869
Net (loss) for 2006	-	(733,367)	(733,367)
Total at 30 June 2006	<u>2,084,356</u>	<u>(1,697,681)</u>	<u>(386,675)</u>
Total at 1 July 2006	2,084,356	(1,697,681)	386,675
Net (loss) for 2007	-	(525,976)	(525,976)
Total at 30 June 2007	<u>2,084,356</u>	<u>(2,223,657)</u>	<u>(139,301)</u>

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

King Equipment and its consolidated entities
Cash Flow Statements
For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
		Inflow / (Outflow)		Inflow / (Outflow)	
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		514,327	720,319	514,327	720,319
Payments to suppliers and employees (inclusive of GST)		(680,799)	(1,304,848)	(680,799)	(1,304,848)
		(166,472)	(584,529)	(166,472)	(584,529)
Interest received		84	117	84	117
Interest paid		(78,194)	(38,690)	(78,194)	(38,690)
Net cash inflows / (outflow) from operating activities	27	(244,582)	(623,102)	(244,582)	(623,102)
Cash flows from investing activities					
Payments for property, plant and equipment		-	(21,178)	-	(21,178)
(Repayment) Payments for investments		-	(10,000)	-	(10,000)
Proceeds from sale of investment		5,495	-	5,495	-
Net cash inflows / (outflow)/inflow from investing activities		5,495	(31,178)	5,495	(31,178)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		-	903,238	-	903,238
Payment of capital raising costs		-	(5,369)	-	(5,369)
Proceeds from borrowings		93,725	-	93,725	-
Repayment of borrowings / lease liabilities		(12,491)	(61,199)	(12,491)	(61,199)
Net cash inflows / (outflows) from financing activities		81,234	836,670	81,234	836,670
Net increase/(decrease) in cash held		(157,853)	182,390	(157,853)	182,390
Cash at the beginning of the financial year		157,880	(24,510)	157,880	(24,510)
Cash at the end of the financial year	7	27	157,880	27	157,880

The Cash Flow Statements should be read in conjunction with the Notes to the Financial Statements.

King Equipment and its consolidated entities
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For the year ended 30 June 2007

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King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of King Equipment Limited comply with International Financial Reporting Standards (IFRSs).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by King Equipment Limited as at 30 June 2007 and the results of all controlled entities for the year then ended. King Equipment Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(c) Income tax

Current income tax is based on the profit 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. On the operating loss disclosed for the year ended 30 June 2007 there is no income tax payable.

Deferred tax is accounted for using the balance sheet 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 recognized 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 recognized to the extent that it is probable that the company's income tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account which may be realised is based on the assumption that no adverse change will occur in income taxation legislation and anticipation that the consolidated entity will derive sufficient assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Revenue recognition

Revenue from the sale of goods and services is recognised (net of returns, discounts and allowances, and duties and taxes paid) when the control of goods passes to the customer or services are provided.

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 1 Summary of significant accounting policies (continued)

(e) Trade and other Receivables

All trade debtors are recognised at the amounts receivable.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists and in any event when the debt is more than 90 days overdue.

(f) Inventories

Finished goods are stated at the lower of cost and net realisable value.

(g) Financial Instruments

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Depreciation of Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rate for each class of depreciable asset is:

<i>Class of depreciable asset</i>	<i>Depreciation rate</i>
Plant and equipment	8%-30%
Leased plant and equipment	8%-30%

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 1 Summary of significant accounting policies (continued)

(i) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(j) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated cash outflows to be made for those benefits. Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(k) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents includes deposits at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(l) Earnings per share

Basic and diluted earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2 Going Concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and discharge of liabilities in the ordinary course of business and in accordance with the Chairman's Report to Shareholders and as stated below.

The company and consolidated entity have incurred a loss from ordinary activities (after a nil provision for income tax) of \$525,976 compared to a loss of \$733,367 for the year ended 30 June 2006.

The continuation of the company and consolidated entity as a going concern is dependent upon their ability to achieve the following:

The continued short term support of major creditors;

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 2 Going Concern (continued)

Obtaining continued support from its financiers to be able to continue to pay its debts on a timely basis;

Obtaining additional facilities, funding or capital from financiers, shareholders, Directors and/or related parties in order to achieve a sufficient working cash flow level; and

The generation of future profits by the business activities.

The Directors currently believe that the company and consolidated entity will be successful in achieving the above objectives and accordingly have prepared the financial report as a going concern basis based on the criteria outlined above.

In the event that the company or consolidated entity are not able to accomplish any one of the above criteria necessary within a certain timeframe to enable the entity to trade on a basis of solvency, the Directors would take the required steps to determine the entity's future. The financial report for the year under review does not reflect any adjustments that may be necessary to the recoverable values of assets shown at that date or any increases in liabilities that might occur should the entity not continue as a going concern post balance date.

Note 3 Segment information

The company only operated in a single business segment in the reporting period.

Note 4 Revenue/ Income

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Revenue from operations</i>				
Revenue from sales of goods	415,908	604,986	415,908	604,986
Revenue from services	-	24,816	-	24,816
	415,908	629,802	415,908	629,802
<i>Other revenue</i>				
Interest	84	117	84	117
Other	-	473	-	473
	84	590	84	590
	415,992	630,392	415,992	630,392
<i>Income</i>				
Net gain on sale of financial asset	1,495	-	1,495	-
	1,495	-	1,495	-
Revenue/ Income	417,487	630,392	417,487	630,392

Note 5 Profit/(loss) before Income Tax Expense

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Expenses				
Cost of sales of goods	278,016	577,967	278,016	577,967
Depreciation and amortisation				
Plant and equipment	25,481	38,657	25,481	38,657
Other charges against assets				
Provision for write down to fair value	-	3,000	-	3,000
Provision for write down to recoverable amount	-	2,000	-	2,000
Total write downs	-	5,000	-	5,000

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 5 Profit/(loss) before Income Tax Expense (continued)

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Borrowing costs				
Interest and finance charges paid/payable	78,194	38,690	78,194	38,690
Rental expense relating to operating leases	16,974	66,382	16,974	66,382

Note 6 Income tax expense

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) The income tax expense for the financial year differs from the amount calculated on the (loss). The differences are reconciled as follows:				
Net (loss) before income tax expense	(525,976)	(733,367)	(525,976)	(733,367)
Income tax calculated at 30% (2006 – 30%)	157,793	220,010	157,793	220,010
Tax losses not recognised	(157,793)	(220,010)	(157,793)	(220,010)
Income tax expense / (benefit)	-	-	-	-
(b) No part of the deferred tax assets is attributable to tax losses. The Directors estimate that the potential income tax benefit in respect of tax losses not brought to account is:	667,097	509,304	667,097	509,304

This benefit for tax losses will only be obtained if:

- the consolidated entity derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 7 Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and on hand	27	157,880	27	157,880

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

Cash at bank and on hand	27	157,880	27	157,880
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King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 8 Current assets – Receivables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade debtors	5,636	7,430	5,636	7,430
Other debtors	-	25,734	-	25,734
	5,636	33,164	5,636	33,164

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Note 9 Current assets – Inventories

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Finished goods – at cost	423,031	251,315	423,031	251,315
Provision for write down to recoverable amount	-	(2,000)	-	(2,000)
	423,031	249,315	423,031	249,315

Note 10 Current assets – Financial assets

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Investments traded on organised markets</i>				
Shares in listed entity – at cost	-	10,000	-	10,000
Provision for write down to fair value	-	(3,000)	-	(3,000)
	-	7,000	-	7,000

The investment included above includes the following:

Name	Principal Activities	Percentage Ownership		Carrying Amount	
		2007	2006	2007	2006
		%	%	\$	\$
Norton Gold fields Limited	Mining	-	0.07	-	7,000
				-	7,000

Note 11 Current assets – Other Assets

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deposit on purchase of equipment	-	106,624	-	106,624
Security deposit	-	9,000	-	9,000
	-	115,624	-	115,624

King Equipment Limited and its controlled entities

Notes to the financial statements

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Note 12 Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Plant and equipment				
At cost	67,489	88,667	67,489	88,667
Accumulated depreciation	(64,389)	(41,026)	(64,389)	(41,026)
	<u>3,100</u>	<u>47,641</u>	<u>3,100</u>	<u>47,641</u>

	Property, plant and equipment
	\$
Consolidated	
Carrying amount as at 30 June 2006	47,641
Additions	-
Disposals	(19,060)
Depreciation/amortisation expense (note 5)	(25,481)
Carrying amount as at 30 June 2007	<u>3,100</u>

Note 13 Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trademarks	-	4,050	-	4,050

Note 14 Current liabilities – Payables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Unsecured</i>				
Trade creditors	198,079	83,624	198,079	83,624
Other creditors	102,715	35,118	102,715	35,118
	<u>300,794</u>	<u>118,742</u>	<u>300,794</u>	<u>118,742</u>

Note 15 Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Secured</i>				
Lease liabilities (note 23)	24,293	21,314	24,293	21,314
<i>Unsecured</i>				
Trade finance	182,144	-	182,144	-
Directors loans	88,157	72,474	88,157	72,474
	<u>270,301</u>	<u>93,788</u>	<u>270,301</u>	<u>93,788</u>

King Equipment Limited and its controlled entities

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30 June 2007

Note 15 Current liabilities – Interest bearing liabilities (continued)

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Financing arrangements</i>				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements	-	-	-	-
Bank overdraft facility	-	-	-	-
Related party loan facility	250,000	250,000	250,000	250,000
Used facility as at balance date	88,157	177,526	88,157	177,526
Unused at balance date	161,843	72,474	161,843	72,474

Note 16 Non current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Secured</i>				
Lease liabilities (note 23)	-	15,470	-	15,470

Note 17 Contributed equity

		Parent entity		Parent entity	
	Notes	2007	2006	2007	2006
		Shares	Shares	\$	\$
(a) <i>Share capital</i>					
Fully paid ordinary shares	(c)	75,767,738	75,767,738	2,084,356	2,084,356

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
30 th June 2005	Balance	22,720,000		1,186,487
5 th June 2006	Rights issue	52,750,000	\$0.021	1,107,750
30 th June 2006	Share placement	297,738	\$0.021	6,252
30 th June 2006	Share issue costs			(216,133)
30 th June 2006	Balance	75,767,738		2,084,356
30 th June 2007	Balance	75,767,738		2,084,356

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

These issues represent options exercised during the year. Each option was converted into one ordinary share at the issue price noted above.

King Equipment Limited and its controlled entities

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Note 18 Retained (losses)

Movements in retained (losses) were as follows:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at 1 July	(1,697,681)	(964,314)	(1,697,681)	(964,314)
Net (loss) for 2007	(525,976)	(733,367)	(525,976)	(733,367)
Balance at 30 June	(2,223,657)	(1,697,681)	(2,223,657)	(1,697,681)

Note 19 Financial Instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity, which has been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

2007	Notes	Floating interest rate \$	Fixed interest maturing in:			Non- Interest Bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash and cash equivalents	7	-	-	-	-	27	27
Receivables	8	-	-	-	-	5,636	5,636
Financial assets	10	-	-	-	-	-	-
		-	-	-	-	5,663	5,663
Weighted average interest rate		-	-	-	-	-	-
Financial liabilities							
Payables		-	-	-	-	300,794	300,794
Interest bearing liabilities		-	270,301	-	-	-	270,301
		-	270,301	-	-	300,794	571,095
Weighted average interest rate		-	8%	-	-	-	-
Net financial assets/(liabilities)		-	(270,301)	-	-	(295,131)	(565,432)

2006	Notes	Floating interest rate \$	Fixed interest maturing in:			Non- interest bearing \$	Total \$
			1 year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets							
Cash and cash equivalents	7	-	-	-	-	157,880	157,880
Receivables	8	-	-	-	-	33,164	33,164
Financial assets	10	-	-	-	-	7,000	7,000
		-	-	-	-	198,044	198,044
Weighted average interest rate		-	-	-	-	-	-

King Equipment Limited and its controlled entities

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30 June 2007

Note 19 Financial Instruments (continued)

2006	Floating interest rate	Fixed interest maturing in:			Non- interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
Financial liabilities						
Payables	-	-	-	-	118,742	118,742
Interest bearing liabilities	-	93,788	15,470	-	-	109,258
	-	93,788	15,470	-	118,742	228,000
Weighted average interest rate	-	8%	8%	-	-	
Net financial assets/(liabilities)	-	(93,788)	(15,470)	-	79,302	(29,956)

Note 20 Key Management Personnel Information

Directors

The following persons were Directors of King Equipment Limited during the financial year:

Executive Chairman

Siegfried Konig

Non-executive directors

Sean Corbin

Robert Joseph

Kevin Wunsh (resigned 5 February 2007)

Principles used to determine the nature and amount of remuneration

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's diverse operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for the Managing Director and certain other senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the Board.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 20 Key Management Personnel Information (continued)

Directors' fees

The Chairman's remuneration is inclusive of committee fees while non-executive directors who chair a committee receive additional yearly fees and additional fees are also payable to directors for their membership on subsidiary boards.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of the company for the year ended 30 June 2007 are set out in the following table.

Non-executive directors of King Equipment Limited

<i>Name</i>	<i>Directors' base fee</i> \$	<i>Superannuation</i> \$	<i>Other</i> \$	<i>Total</i> \$
Sean Corbin	24,000	-	-	24,000
Robert Joseph	18,000	-	-	18,000
Total	42,000	-	-	42,000

Executive directors of King Equipment Limited

<i>Name</i>	<i>Primary</i>		<i>Post-employment</i>		<i>Equity</i>	
	<i>Cash salary and fees</i> \$	<i>Allowances</i> \$	<i>Super-annuation</i> \$	<i>Termination payments</i> \$	<i>Options</i> \$	<i>Total</i> \$
Siegfried Konig	108,124	23,970	8,515	-	-	140,609
Total	108,124	23,970	8,515	-	-	140,609

Executives

The company does not have any other executives.

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 20 Key Management Personnel Information (continued)

Share holdings

The numbers of shares in the company held during the financial year by each Director of King Equipment Limited, including their personally related entities, is set out below.

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Purchased during the year</i>	<i>Other changes during the year</i>	<i>Balance at the end of the year</i>
Siegfried Konig	20,837,500	-	-	20,837,500
Sean Corbin	270,000	-	-	270,000
Robert Joseph	120,238	-	-	120,238
Kevin Wunsh	1,690,476	-	(1,690,476) *	-

* Resigned as a Director

Options

The numbers of options in the company held during the financial year by each Director of King Equipment Limited, including their personally-related entities, is set out below.

<i>Name</i>	<i>Balance at the start of the year</i>	<i>Converted during the year</i>	<i>Other changes during the year</i>	<i>Balance at the end of the year</i>
Directors of King Equipment Limited				
Options				
Siegfried Konig	6,810,000	-	-	6,810,000
Sean Corbin	90,000	-	-	90,000
Robert Joseph	25,000	-	-	25,000

Other transactions with directors

First Choice Unit Investments Pty Ltd, a company related to Mr S Konig, has provided an unsecured loan facility to the company up to a limit of \$250,000. The loan is repayable on demand and bears an annual interest rate of 9.00%.

During the financial year the Directors forwarded loans to the company

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Advances by Directors in funds or services	181,882	249,308	181,882	249,308
Repayment of Director loans	(93,725)	(230,396)	(93,725)	(230,396)
	88,157	18,912	88,157	18,912

King Equipment Limited and its controlled entities

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Note 21 Remuneration of auditors

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity	34,500	20,000	34,500	20,000
Remuneration for other services:	-	1,250	-	1,250

Note 22 Contingent liabilities and contingent assets

A customer has commenced legal action against a company distributor and has joined King Equipment Ltd. in the action. The company's lawyers have advised that the action is unlikely to succeed. There are no known contingent assets.

Note 23 Commitments

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	-	-	-	-
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	-	-	-
<i>Finance leases</i>				
Commitments in relation to finance leases are payable as follows:				
Within one year	24,293	24,328	24,293	24,328
Later than one year but not later than 5 years	-	17,250	-	17,250
Later than 5 years	-	-	-	-
Minimum lease payments	22,808	41,578	22,808	41,578
Finance charges	(1485)	(4,794)	(1485)	(4,794)
Lease liability	24,293	36,784	24,293	36,784
Representing lease liabilities				
Current (note 15)	24,293	21,314	24,293	21,314
Non-current (note 16)	-	15,470	-	15,470
Lease liability	24,293	36,784	24,293	36,784

King Equipment Limited and its controlled entities

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Note 24 Related parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 19.

Wholly-owned group

The wholly-owned group consists of King Equipment Limited and its wholly-owned controlled entities.

Transactions between King Equipment Limited and other entities in the wholly-owned group during the years ended 30 June 2007 and 2006 consisted of loans advanced and loans repaid.

Note 25 Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity Holding		Parent entity carrying amount	
			2007 %	2006 %	2007 \$	2006 \$
Tian Gong Pty Ltd	Australia	Ordinary	100	100	-	1,350
SEM Australasia Pty Ltd	Australia	Ordinary	100	100	-	1,350
Jonyang Pty Ltd	Australia	Ordinary	100	100	-	1,350
					-	4,050

Note 26 Event occurring after reporting date

There are no significant events to report post balance date.

Note 27 Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Net (loss) for the year	(525,976)	(733,367)	(525,976)	(733,367)
Depreciation and amortisation (note 5)	25,481	38,657	25,481	38,657
Reduction in the carrying amounts of investments (note 5)	-	5,000	-	5,000
Profit on sale of financial assets	(1,495)	-	(1,495)	-
Change in operating assets and liabilities				
(Increase)/decrease in receivables	27,528	(24,103)	27,528	(24,103)
(Increase)/decrease in inventories	(171,716)	243,693	(171,716)	243,693
(Increase)/decrease in other assets	115,624	(72,803)	115,624	(72,803)
Increase/(decrease) in payables	285,972	(80,179)	285,972	(80,179)
Net cash outflow from operating activities	(244,582)	(623,102)	(244,582)	(623,102)

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

Note 28 Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
Basic earnings per share (loss)	(0.7)	(2.7)
Diluted earnings per share (loss)	(0.7)	(2.7)
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>75,767,738</u>	<u>26,498,743</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>75,767,738</u>	<u>26,498,743</u>
Reconciliations of earnings used in calculating earnings per share	\$	\$
Basic and diluted earnings per share		
Profit (loss) for the year	<u>(525,976)</u>	<u>(733,367)</u>

King Equipment Limited and its controlled entities

Notes to the financial statements

30 June 2007

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 13 to 33

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements; and
- b) give a true and fair view of the company's and consolidated entities financial positions as at 30 June 2007 and of their performance, as represented by the results of their operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) 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 Directors.



Siegfried Konig
Director

Brisbane 09 November 2007



PITCHER PARTNERS

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KING EQUIPMENT LIMITED

We have audited the accompanying financial report of King Equipment Limited ("the company") and its controlled entities ("the consolidated entity"). The financial report comprises the Balance Sheets as at 30 June 2007, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's 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 in 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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF KING EQUIPMENT LIMITED
(continued)**

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

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

Qualification

In the Director's Declaration, the Directors of King Equipment Limited state their opinion on the company's ability to pay its debts as and when they fall due. This statement confirms that the going concern basis has been used in the preparation of the financial report and that the application of the going concern assumption remains appropriate. In our opinion, it is highly improbable that the company will be able to continue as a going concern and therefore we believe the going concern assumption should not be used in the financial report.

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph:

- (a) the financial report of King Equipment Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2007 and of their 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



PITCHER PARTNERS

Brisbane, 9 November 2007



S A Green
Partner

King Equipment Limited Shareholder Information

			Class of Equity Security	
			Shares	Options
1	–	1,000	0	0
1,001	–	5,000	2	84
5,001	–	10,000	43	31
10,001	–	100,000	109	50
100,001	and over		49	27
Totals			203	192

Equity security holders

Twenty largest quoted equity security holders Shares

The names of the twenty largest holders of quoted ordinary shares as at 30 October 2007 are listed below:

Shareholder	Number of Shares	Percentage of issued shares
Kalonda Pty Ltd <ATF The Leibowitz Super Fund A/C>	12,931,954	17.00%
Jennifer Thompson (Konig FT A/C)	10,957,500	14.41%
Ivany Investment Company P/L	9,571,428	12.58%
Mr Paul Jacobs	3,571,428	4.70%
Grajoel properties Pty Ltd	2,857,143	3.76%
Kalonda Pty Ltd <Leibowitz Family A/C>	2,750,000	3.62%
Recycled Technologies (Pacific) Pty Ltd	2,310,000	3.04%
Sandra Konig (Konig – Lawrence A/C)	2,280,000	3.00%
First Choice Unit Investments Pty Ltd	2,273,807	2.99%
Farwest Equities Pty Ltd	1,740,000	2.29%
Kemir Pty Ltd <K&M Wunsh Family A/C>	1,690,476	2.22%
Ernst Rack & Hannelore Rack	1,597,738	2.10%
David Alan Stern	1,500,000	1.97%
Shirmic Pty Ltd	1,428,571	1.88%
Petra Winkelman	1,150,000	1.51%
Soquos Pty Ltd	1,072,500	1.41%
Hecado Pty Ltd	1,000,000	1.31%
Erro One Limited	783,750	1.03%
Heinz Schorpp (Sepp A/C)	782,500	1.03%
Technology Innovation Pty Ltd	770,000	1.01%
	63,018,795	82.85%

King Equipment Limited Shareholder Information

Options

The names of the twenty largest holders of quoted options as at 30 October 2007 are listed below:

Name	Options	
	Number held	Percentage of issued Options
Jennifer Thompson (Konig FT A/C)	4,152,500	21.29%
Petra Winklemann	1,150,000	5.90%
Soquos Pty Ltd	1,072,500	5.50%
Farwest Equities Pty Ltd	1,000,000	5.13%
Hecado Pty Ltd	1,000,000	5.13%
Erro One Limited	783,750	4.02%
Heinz Schorpp (Sepp A/C)	782,500	4.01%
Technology Innovation Pty Ltd	770,000	3.95%
Sandra Konig (Konig – Lawrence A/C)	760,000	3.90%
Logical Technologies Pty Ltd	673,750	3.45%
UAS Holdings Ltd	600,000	3.08%
Red Boulder Pty Ltd	521,875	2.68%
RB Production House Pty Ltd	515,000	2.64%
Ernst & Hannelore Rack	500,000	2.56%
David Alan Stern	500,000	2.56%
First Choice Unit Investments Pty Ltd	390,000	2.00%
Sylvestabri Pty Ltd (Sylvester Farming A/C)	300,000	1.54%
Siegfried Konig (Tara Konig A/C)	210,000	1.08%
Siegfried Konig (Mia Konig A/C)	210,000	1.08%
Siegfried Konig (Matt Dieter Konig A/C)	210,000	1.08%
	16,101,875	82.56%

Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
No voting rights