Preliminary final report
Period ending on or after 30 June 2006

Introduced 1/1/2003.

Name of entity

KING EQUIPMENT LIMITED

ABN or equivalent company reference	Financial year ended ('current reporting period')
69 109 947 051	**30 JUNE 2006** (previous reporting period 30 June 2005)

Results for announcement to the market

				$A
Revenues from ordinary activities	Up	75.7%	to	$545,392
Profit (loss) from ordinary activities after tax attributable to members	Up	26.1%	to	(714,369)
Net profit (loss) for the period attributable to members	Up	26.1%	to	(714,369)

Dividends

It is not proposed to pay any dividends.

Discussion and analysis of results

In February 2005 KING raised $893,000 in funds from its initial prospectus offer. At that time the Company objectives were to establish the two brands of SEM and CCIDC in the marketplace and look for opportunities for growth in complementary heavy machinery products.

To this end the Company imported and trialed initial machinery, won its first orders, and promoted the equipment in all states of Australia.

In the prospectus we further outlined that KING'S business is the importing and distribution of Construction Machinery manufactured in China for sale in Australia, New Zealand and PNG. Our strengths are our superior pricing structure, experienced management team, the quality and dependability of the products and our strong Exclusive Distribution Agreements with the manufacturers.

These are still KING's strengths today, but in addition a great deal of work has been done to underpin future growth of the business and to augment our management expertise.

In achieving this, the Directors have been actively seeking and establishing additional business opportunities for KING. Over the period since the IPO the Directors have been successful in:

- securing the sole distribution rights for Jonyang track and wheeled excavators for Australia, New Zealand & PNG. The excavators will be jointly branded with the Company's KING brand.
- securing the sole distribution rights for the Shanghai Peng Pu range of Bulldozers for Australia and New Zealand. The bulldozers will be sold under the Company's KING brand.
- securing the sole distribution rights for the Changlin range of Wheel Loaders and Graders for Australia, New Zealand & PNG. The units will be sold under the Company's KING brand.
- securing the sole distribution rights for the NHL Terex range of Rigid Dump Trucks for Australia, New Zealand & PNG. The Dump Trucks will be jointly branded with the Company's KING brand.
- expanding the Australian Distribution Network. The Company now has Dealers in NSW, WA, Victoria, Tasmania & Queensland and is in discussions with a number of others.
- Raised $954,000 in the June 2006 fully underwritten Rights Issue to be used to build on this core by providing the funds necessary to market this wider range of machinery, allow further stocks to be held in Australia and allow the Directors to seek out further opportunities to develop the King range of products.

In summary, the Board of Directors are positive and excited about the progress that the Company has achieved to date and are looking forward to further progressing the business over the next year**.**

Basis of preparation of financial report

(a) Basis of preparation of the Interim financial report

The half-year consolidated financial statements are s general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 , Australian Equivalents to International Financial Reporting AASB 134:Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by King Equipment Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report . Accordingly a summary of the significant accounting policies under Australian Equivalents to IFRS has been included below. As stated in note 2 these changes in policy have not effected the Financial Statements of King Equipment Limited.

The interim report does not include full disclosures of the type normally included in an annual financial report.

(b) Principles of consolidation

The consolidated interim financial statements incorporate the assets and liabilities of all entities controlled by King Equipment Limited as at 3oth June 2006 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

The charge for 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.

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 future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account 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.

(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.

(e) 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 doubtful debts 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 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.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible 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 it's recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group 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 are:

Class of depreciable asset	**Depreciation rate**
Plant and equipment	8%-30%
Leased plant and equipment	8%-30%

(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 statement of financial performance 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 company'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 future 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.
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(k) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash 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 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.

(m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Statement of Financial Performance
For the year ended 30 June 2006

	Notes	2006 $	2005 $
Revenue from ordinary activities	1	545,392	132,417
Cost of goods sold	2(a)	(481,019)	(101,705)
Employee benefits expense		(49,887)	(46,357)
Depreciation and amortisation expenses	2(a)	(38,657)	(21,834)
Borrowing costs expense	2(a)	(38,690)	(5,800)
Consultancy and management expenses		(287,825)	(623,117)
Reduction in the carrying amount of assets	2(a)		
Rental expense relating to operating leases	2(a)	(66,382)	(53,956)
Other expenses from ordinary activities		(297,301)	(243,962)
Share of (losses) of associates accounted for using the equity method			
Loss from ordinary activities before income tax expense			
Income tax benefit / (expense) on ordinary activities	3	(714,369)	(967,314)
Loss from ordinary activities after income tax			
Net profit attributable to outside equity interest			
Net loss attributable to members of King Equipment Limited		**(714,369)**	**(967,314)**
Net increase in asset revaluation reserve			
Total changes in equity other than those resulting from transactions with owners as owners		**(714,369)**	**(967,314)**

Statement of Financial Position
As at 30 June 2006

	Notes	2006 $	2005 $
Current assets			
Cash assets	4	140,815	-
Receivables	5	23,265	18,061
Inventories	6	261,263	495,008
Other financial assets	7	7,000	33,821
Other	8	115,622	
Total current assets		547,965	546,890
Non-current assets			
Receivables			
Other financial assets	9		
Investments accounted for using the equity method			
Property, plant and equipment	10	47,642	112,394
Deferred tax assets	11		
Intangible assets	12	4,050	4,050
Exploration expenditure	13		
Total non-current assets		51,692	116,444
Total assets		599,657	663,334
Current liabilities			
Payables	14	138,656	252,851
Interest bearing liabilities	15	39,858	109,430
Provisions			
Total current liabilities		178,514	362,281
Non-current liabilities			
Interest bearing liabilities	16	15,470	78,880
Provisions			
Deferred tax liabilities			
Total non-current liabilities		15,470	78,880
Total liabilities		193,984	441,161
Net assets		405,673	222,173
Equity			
Parent entity interest			
Contributed equity		2,084,356	1,186,487
Asset revaluation reserve			
Accumulated losses	17	(1678,683)	(964,314)
Total parent entity interest		405,673	222,173
Outside equity interest in controlled entities			-
Total equity	18	405,673	222,173

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2006

	Issued Capital	Accumulated Losses	Reserves	Total
Balance at 1.7.2005	1,186,487	(964,314)		222,173
Capital Raised				
Loss attributable to members of parent entity		(341,740)		(341,740)
Balance at 31.12.2005	1,186,487	(1,306,054)		(109,567)

	Issued Capital	Accumulated Losses	Reserves	Total
Balance at 31.12.2005	1,186,487	(1,306,054)		(109,567)
Capital Raised	897,869			897,869
Loss attributable to members of parent entity		(382,629)		(382,629)
Balance at 30.6.2006	2,084,356	(1,678,683)		405,673

The Condensed Statement Of Changes in Equity should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows
For the year ended 30 June 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		540,188	135,288
Payments to suppliers (inclusive of GST)		(1,148,782)	(1,277,769)
Interest and other costs of finance paid		(38,690)	(5,800)
Interest received		117	7,992
Net cash outflows from operating activities	19	(647,167)	(1,140,319)
Cash flows from investing activities			
Cash paid for purchases of property, plant and equipment		(21,178)	(4,109)
Cash proceeds from sale of property, plant and equipment			
Payment for purchases of equity investments		(10,000)	
Proceeds from sale of equity investments			
Loans to other entities			
Loans repaid by other entities			
Other			(4,050)
Net cash inflows/(outflows) from investing activities		(31,178)	(8,159)
Cash flows from financing activities			
Repayment of borrowings		(54,199)	(19,881)
Proceeds from borrowings			53,562
Proceeds from share issue		897,869	1,090,287
Net cash inflows from financing activities		843,670	1,123,968
Net increase/(decrease) in cash held		165,325	(24,510)
Cash at the beginning of the financial year		(24,510)	-
Cash at the end of the financial year		140.815	(24,510)

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

	2006 $	2005 $
NOTE 1. REVENUE		
Revenue from operating activities		
Revenue from sale of goods	519,986	121,225
Revenue from services	9,636	
	529,622	121,225
Revenue from outside the ordinary activities		
Interest	117	7,992
Proceeds from sale of investments		
Other	15,653	3,200
	15,770	11,192
Revenue from ordinary activities (excluding shares of equity accounted results of associates)	545,392	132,417

NOTE 2. LOSS FROM ORDINARY ACTIVITIES

(a) Net gains and expenses
Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:

	2006 $	2005 $
Expenses		
Cost of sales of goods	481,019	101,705
Depreciation		
Plant and equipment	410	228
Total depreciation	410	228
Amortisation		
Plant and equipment under finance leases	38,247	21,606
Goodwill		
Total amortisation	38,247	21,606
Net loss on disposal of property, plant and equipment		
Other charges against assets		
Write down of investments to recoverable amount	3,000	
Write down of receivables to recoverable amount		
Write down of goodwill to recoverable amount		
Borrowing costs		
Interest and finance charges paid/payable	38,690	5,800

	2006 $	2005 $
NOTE 2. LOSS FROM ORDINARY ACTIVITIES (continued)		
(a) Net gains and expenses (continued)		
Rental expense relating to operating leases		
Minimum lease payments	66,382	53,956
Total rental expense relating to operating leases	66,382	53,956

NOTE 3. INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the profit / (loss) from ordinary activities. The differences are reconciled as follows:

	2006 $	2005 $
Loss from ordinary activities before income tax expense	(714,369)	(964,314)
Income tax calculated at 30% (2003: 30%)	214,311	289,294
Tax effect of permanent differences:		
Non deductible depreciation and amortisation		
Write off of capital assets		
Tax losses not recognised	(214,311)	(289,294)
Income tax benefit attributed to loss from ordinary activities		
No part of the future income tax benefit shown in note 13 is attributable to tax losses. The directors estimate that the potential future income tax benefit at June 30, 2006 in respect of tax losses not brought to account is	503,605	289,294

The benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or

(ii) the losses are transferred to an eligible entity in the consolidated entity; and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

	2006 $	**2005 $**
NOTE 4. CURRENT ASSETS – CASH ASSETS		
Cash at bank and on hand	140,815	

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

Balances as above	140,815	
Less: Bank overdrafts		(24,510)
Balance as per statement of cash flows	140,815	(24,510)

NOTE 5. CURRENT ASSETS – RECEIVABLES		
Trade debtors	7,430	
Less: Provision for doubtful debts		
	7,430	
Other debtors	15,835	18,061
	23,265	18,061

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.

	2006 $	**2005 $**
NOTE 6. CURRENT ASSETS – INVENTORIES		
Materials – at net realisable value	261,263	495,008
Provision for obsolescence		
	261,263	495,008

NOTE 7. CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Investments traded on organised markets		
Shares in other corporations	7,000	-

NOTE 8. CURRENT ASSETS – OTHER		
Prepayments - Equipment	115,622	33,821

	2006 $	2005 $
NOTE 9 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Investments traded on organised markets		
Shares in other corporations	-	-
Other (non-traded) investments		
Shares in other corporations	-	-
	-	-

At 30 June 2005 all investments have been written down to their anticipated recoverable amount in accordance with directors valuation.

The current and non-current investments included in Note 7 and Note 11 include the following:

Name	Principal activities	Percentage ownership 2006 %	Percentage ownership 2005 %	Carrying amount 2006 $	Carrying amount 2005 $
Other investments				7,000	
				7,000	

	2006 $	2005 $
NOTE 10 NON-CURRENT ASSETS – PLANT AND EQUIPMENT		
Plant and equipment at cost	88,667	134,228
Less: Accumulated depreciation	41,025	21,834
	47,642	112,394

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Plant and equipment $
Carrying amount at 1 July 2005	112,394
Additions	21,178
Disposals / write-offs	(47,273)
Depreciation/amortisation expense	(38,657)
Carrying amount at 30 June 2006	47,642

	2006 $	2005 $
NOTE 11. NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
Future income tax benefit	-	-

No future income tax benefit has been booked in respect of the substantial write-off of investments and other amounts referred to in note 3.

	2006 $	2005 $
NOTE 12. NON-CURRENT ASSETS – INTANGIBLE ASSETS		
Trademark	4,050	4,050
	4,050	4,050
NOTE 13. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE		
Exploration expenditure	-	-
NOTE 14. CURRENT LIABILITIES - PAYABLES		
Trade creditors	120,489	252,851
Other creditors and accruals	18,167	
	138,656	252,851
NOTE 15. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES		
Secured		
Bank overdrafts	-	24,510
Lease liability	21,314	31,358
	21,314	55,868
Unsecured		
Directors Loans	18,584	53,562
	39,858	109,430

	2006 $	2005 $
NOTE 15. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (continued)		
Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
Credit standby arrangements		
Total facilities – Bank overdraft	-	20,000
Used at balance date	-	(24,510)
Unused at balance date	-	(4,510)

The bank overdraft facilities may be drawn at any time.

NOTE 16. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES		
Secured		
Lease Liability	15,470	78,880
	15,470	78,880

NOTE 17. ACCUMULATED LOSSES	2006 $	2005 $
Accumulated losses at the beginning of the financial year	(964,314)	
Net loss attributable to members of King Equipment Limited	(714,369)	(964,314)
	(1,678.683)	(964,314)

NOTE 18. EQUITY		
Total equity at the beginning of the financial year	222,173	
Total changes in equity recognised in the statement of financial performance	(714,369)	(964,314)
Transactions with owners as owners:		
Contributions of equity net of transaction costs	897,869	1,186,487
Total equity at the end of the financial year	405,673	222,173

NOTE 19. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 $	2005 $
Loss from ordinary activities after income tax	(714,369)	(964,314)
Depreciation and amortisation	38,657	21,834
Reduction in the carrying amount of investments	3,000	
Net gain on sale of non-current assets		
Expenses paid through issue of shares		96,200
Change in operating assets and liabilities:		
(Increase)/decrease in Trade Debtors	(5,204)	
(Increase)/decrease in inventories	233,745	(495.008)
(Increase)/decrease in other operating assets	(88,801)	(51,882)
Increase/(decrease) in trade creditors	(114,195)	252,851
Increase/(decrease) in other operating liabilities		
Increase/(decrease) in provisions		
	(647,167)	(1,140,319)

NOTE 20 SEGMENT REPORTING

King Equipment Limited only operated in a single business segment in this period.

NOTE 21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at this time.

NOTE 22 EVENTS OCCURING AFTER BALANCE DATE

There are no after balance date events to report at this time.

	2006 $	2005 $
NOTE. 23 NTA BACKING		
Net tangible asset backing per ordinary security	0.5 cents	1 cent

NOTE 24. EARNINGS PER SHARE

Basic EPS	(0.8 cents)	(4.3 cents)
Diluted EPS	(0.6 cents)	(2.7 cents)

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Statement

This report is based on accounts which are in the process of being audited.

Sign here: Date: .13th September 2006