KING EQUIPMENT LIMITED
ABN 69 109 947 051
and its controlled entities

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

This interim financial report does not include all the notes of the type normally included in the annual Financial Report. Accordingly, this report is to be read in conjunction with the annual Financial Report for the year ended 30 June 2006 and any public announcements made by King Equipment Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

KING EQUIPMENT LIMITED
and its controlled entities

DIRECTORS' REPORT

The Directors of King Equipment Limited ("the Company") have pleasure in presenting their report on the consolidated entity, consisting of the Company and the entities it controls, for the half-year to 31 December 2006.

Directors

The following persons were Directors of King Equipment Limited during the whole of the half-year and up to the date of this report:

Siegfried Konig, Sean Corbin and Robert Joseph

Mr Kevin Wunsh was a Director from the beginning of the half-year until his resignation effective 5 February 2007.

Principal Activities

The principal activity of the consolidated entity is the importation and sale of construction equipment. There were no significant changes in the nature of the activities of the consolidated entity or Company during the half-year.

Financial Performance

The consolidated entity had sales for the half-year of $311,565 (2005: $476,402) and incurred a net loss of $332,388 (2005: loss of $341,740).

Review of Operations

Over the past six months your Directors have been actively seeking and establishing additional business opportunities for KING, particularly in the mining and equipment rental sectors. The Directors expect the financial performance for the 6 months to June 2007 to be similar to the current financial performance, however the Directors expect that the Company's continuing focus on the mining and equipment rental sectors should deliver positive results in the 2007/2008 financial year. 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.

Auditor's Independence Declaration

Section 370C of the Corporations Act 2001 requires the Company's auditors, Pitcher Partners, to provide the Directors with a written Independence Declaration in relation to their review of the financial report for the half-year ended 31 December 2006. The Auditor's Independence Declaration is attached and forms part of this Directors' Report.

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

Siegfried Konig
Executive Chairman

Brisbane, 14 June 2007

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

In relation to our independent review of the financial report of King Equipment Limited and its controlled entities for the half-year ended 31 December 2006, 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

S A Green
Partner

Brisbane, 14 June 2007

KING EQUIPMENT LIMITED
and its controlled entities

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes thereto as set out on pages 4 to 12:

(a) comply with Accounting Standard AASB 134 : Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory financial reporting requirements; and
(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date.

In the Directors' opinion:

a) the financial statements and notes thereto 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 and when they become due and payable.

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

Siegfried Konig
Chairman

Brisbane, 14 June 20007

KING EQUIPMENT LIMITED
and its controlled entities

Condensed Consolidated Income Statement
For the half-year ended 31 December 2006

	Note	December 2006 $	December 2005 $
Revenues	4	322,800	476,402
Cost of goods sold		(227,501)	(444,980)
Consultancy fees		(129,864)	(99,168)
Administration expenses		(97,677)	(104,927)
Borrowing costs		(18,037)	(4,034)
Depreciation		(13,799)	(20,023)
Retail & customer service costs		(40,400)	(36,994)
Other expenses		(127,910)	(108,015)
Profit from ordinary activities before related income tax expense		(332,388)	(341,740)
Income tax expense		-	-
Net profit (loss)		(332,388)	(341,740)
Total changes in equity other than those resulting from transactions with owners as owners		(332,388)	(341,740)
		Cents	**Cents**
Basic earnings per share		(0.44)	(1.50)
Diluted earnings per share		(0.44)	(1.50)

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Condensed Consolidated Balance Sheet
As at 31 December 2006

	Note	December 2006 $	June 2006 $
Current Assets			
Cash ad cash equivalents		13,634	157,880
Receivables		-	33,164
Inventories		412,302	249,315
Financial assets		4,000	7,000
Other		-	115,624
Total Current Assets		429,936	562,983
Non-Current Assets			
Property, plant and equipment		33,842	47,642
Intangible assets		-	4,050
Total Non-Current Assets		33,842	51,692
Total Assets		463,778	614,675
Current Liabilities			
Payables		336,510	118,742
Interest bearing liabilities		63,191	93,788
Total Current Liabilities		399,701	212,530
Non-Current Liabilities			
Interest bearing liabilities		9,790	15,470
Total Non-Current Liabilities		9,790	15,470
Total Liabilities		409,491	228,000
Net Assets		54,287	386,675
Equity			
Contributed equity	5	2,084,356	2,084,356
Retained earnings		(2,030,069)	(1,697,681)
Total Equity		54,287	386,675

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2006

	December 2006 $	December 2005 $
Total equity at the beginning of the half-year	386,675	222,173
Net profit (loss)	(332,388)	(341,740)
Share issues net of costs	-	-
Dividends provided for or paid	-	-
Total equity at the end of the half-year	54,287	(119,567)

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Condensed Consolidated Cash Flow Statement
For the half-year ended 31 December 2006

	December 2006 $	December 2005 $
Cash Flows from Operating Activities		
Receipts from customers (GST inclusive)	344,652	523,023
Payments to suppliers and employees (GST inclusive)	(488,593)	(621,698)
Interest received	79	96
Interest paid	(18,037)	(4,034)
Net operating cash flows	(161,899)	(102,613)
Cash Flows from Investing Activities		
Payment to acquire financial asset	-	(10,000)
Net investing cash flows	-	(10,000)
Cash Flows from Financing Activities		
Repayment/ proceeds of borrowings	22,785	152,813
Payment for HP / lease liabilities	(5,132)	(15,320)
Net financing cash flows	17,653	137,493
Net increase / (decrease) in cash held	(144,246)	24,880
Cash at the beginning of the half-year	157,880	(24,510)
Cash at the end of the half-year	13,634	370

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the half-year ended 31 December 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an Annual Report. Accordingly, this report is to be read in conjunction with the Annual Report of the company for the year ended 30 June 2006 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by King Equipment Limited as at 31 December 2006 and the results of all controlled entities for the half-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.

(b) Revenue recognition

Revenue from the sale of goods is recognised (net of returns, discounts and allowances, and duties and taxes paid) upon the delivery of goods to the customer. Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised on a proportional basis.

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

(c) 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.

(d) 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.

(e) Inventories

Inventories are measured at lower of cost and net realisable values. Costs include incidental costs necessarily incurred in bringing each item of inventory to a saleable condition.

Notes to the Financial Statements
For the half-year ended 31 December 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment is measured at cost. The depreciable amounts of fixed assets are depreciated on a straight line basis over the estimated useful lives commencing from the time the asset is held ready for use.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risk and benefits incidental to ownership.

Finance leases: Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and a liability equal to the present value of the minimum lease payments and disclosed and plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the term of the lease. Lease payments are allocated between interest expense and a reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included as interest expense in the Income Statement.

Operating leases : lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(h) Intangibles

Goodwill: Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets acquired.

Goodwill is not amortised but is tested for impairment annually or more frequently if changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Trademark and Licences: Trademark and licenses are recognised at cost and are amortised over their estimated useful lives which range from 5 to 10 years. Trademarks and licenses are carried at cost less any accumulated amortisation and impairment losses.

(i) 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 consolidate entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Taxes

The charge for current income tax is based on the profit for the half-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 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 the 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.

(k) 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.

(l) Financial instruments

Financial liabilities include trade payables, other creditors and loans from third parties.

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

(m) 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.

Notes to the Financial Statements
For the half-year ended 31 December 2006

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.

The consolidated entity has incurred a loss from ordinary activities after income tax of $332,388 (2005 : loss of $341,740) for the half-year ended 31 December 2006. As a result of the financial performance of the consolidated entity outlined above, there is uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

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

- The continued short term support of major creditors;
- 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 consolidated entity will be successful in achieving the above objectives and accordingly have prepared the financial report on a going concern basis.

In the event that the consolidated entity does not achieve the above objectives, there is uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish it liabilities in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concerns.

NOTE 3: SEGMENT INFORMATION

The consolidated entity operates in one business segment, being the importation and sale of construction equipment. This business operates in one geographical area, being Australia.

NOTE 4: REVENUE

	December 2006 **$**	**December 2005** **$**
Sales revenue:		
Sale of goods	304,250	476,306
Services	9,652	-
Other sales	8,819	-
Other revenue:		
Interest	79	96
Total Revenue	322,800	476,402

Notes to the Financial Statements
For the half-year ended 31 December 2005

NOTE 5: CONTRIBUTED EQUITY

	December 2006 $	December 2005 $
(a) Share capital:		
Ordinary shares fully paid	2,084,356	1,186,487

(b) Movements in ordinary share capital

Ordinary shares	2006 Number	2005 Number	2006 $	2005 $
Opening balance	75,767,738	22,726,000	2,084,356	1,186,487
Movement	-	-	-	-
Closing balance	75,767,738	22,726,000	2,084,356	1,186,487

NOTE 6: POST BALANCE DATE EVENTS

There have been no matters or circumstances that have arisen since the end of the half-year that has significantly affected, or may affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 7: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities in existence at balance date, nor at the date of signing of the financial report.

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF KING EQUIPMENT LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of King Equipment Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of King Equipment Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of King Equipment Limited's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of King Equipment Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

An Independent Queensland Partnership. ABN 76 118 732 164

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

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of King Equipment Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of King Equipment Limited's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent uncertainty regarding continuation of going concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter.

As a result of the matters described in Note 2 to the financial statements, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be able to pay its debts as they become due and payable and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Pitcher Partners

PITCHER PARTNERS

S A Green
Partner

Brisbane, 14 June 2007