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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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 period ended 30 June 2005 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 2005.

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

William Sylvester was a Director from the beginning of the half-year until his resignation on 21 January 2006.

Robert Joseph was appointed as a Director on 26 October 2005 and continues in office as at the date of this report.

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 Company or consolidated entity during the half-year.

Financial Performance

The Company had sales for the half-year of $476,402 and incurred a net loss of $341,710.

Review of Operations

The Company while incurring a net loss has made positive steps towards establishing itself in the Australian market place and in expanding its product range. The Company now has six dealers operating in Australia and expects to commence operations through dealers in New Zealand in the second half of the fiscal year.

The Company has also gained rights to sell additional products including bulldozers, vibrating rollers and dump trucks to augment its current range of products, which are of the same high quality as our current product range.

The Company expects that the increase in dealerships and product range will assist in driving the firm towards profitability in the second half.

Comparative information

During the period ended 31 December 2004 King Equipment Limited issued a prospectus and listed on the Stock Exchange of Newcastle Limited. Prior to listing on the Stock Exchange of Newcastle Limited the Company was not subject to half-year reporting requirements. As such, comparative information has not been provided.

KING EQUIPMENT LIMITED
and its controlled entities

DIRECTORS' REPORT
(continued)

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 2005. 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
Chairman

Brisbane, 16 March 2006

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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 2005, 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
Partner

Brisbane, 16 March 2006

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes thereto as set out on pages 5 to 14:

(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 2005 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, 16 March 2006

KING EQUIPMENT LIMITED
and its controlled entities

Consolidated Income Statement
For the half-year ended 31 December 2005

	Note	December 2005 $
Revenues	3	476,402
Cost of goods sold		(444,980)
Retail and customer service costs		(36,994)
Administration expenses		(104,927)
Consultancy fees		(99,168)
Other expenses		(128,040)
Interest expense		(4,033)
Profit from ordinary activities before related income tax expense		**(341,740)**
Income tax expense		-
Net profit (loss)		**(341,740)**
Total changes in equity other than those resulting from transactions with owners as owners		**(341,740)**

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Consolidated Balance Sheet
As at 31 December 2005

	December 2005 $
Current Assets	
Cash	370
Inventories	228,447
Financial assets	10,000
Other	39,456
Total Current Assets	278,273
Non-Current Assets	
Property, plant and equipment	92,370
Total Non-Current Assets	92,370
Total Assets	370,643
Current Liabilities	
Payables	188,907
Short term borrowings	31,861
Total Current Liabilities	220,768
Non-Current Liabilities	
Long term borrowings	269,442
Total Non-Current Liabilities	269,442
Total Liabilities	490,210
Net Assets	**(119,567)**
Equity	
Contributed equity	1,186,487
Retained earnings	(1,306,054)
Total Equity	**(119,567)**

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2005

	December 2005 $
Total equity at the beginning of the half-year	222,173
Net profit (loss)	(341,740)
Transactions with equity holders in their capacity as equity holders:	
Share issues net of costs	-
Total equity at the end of the half-year	**(119,567)**

The accompanying notes form part of these financial statements.

KING EQUIPMENT LIMITED
and its controlled entities

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2005

	December 2005 $
Cash Flows from Operating Activities	
Receipts from customers (GST inclusive)	523,023
Payments to suppliers and employees (GST inclusive)	(621,698)
Interest received	96
Interest paid	(4,034)
Net operating cash flows	(102,613)
Cash Flows from Investing Activities	
Proceeds from sale of property, plant and equipment	-
Payment for property, plant and equipment	-
Payment for investment	(10,000)
Net investing cash flows	(10,000)
Cash Flows from Financing Activities	
Proceeds from borrowings	152,813
Payment for HP / lease liabilities	(15,320)
Net financing cash flows	137,493
Net increase / (decrease) in cash held	**24,880**
Cash at the beginning of the half-year	(24,510)
Cash at the end of the half-year	**370**

The accompanying notes form part of these financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2005 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 half-year 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 2005.

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

(a) Basis of preparation of the half-year report

This is the first financial report prepared in accordance with the Australian Equivalents of International Financial Reporting Standards ("AIFRS"). The financial reports were prepared under Australian Generally Accepted Accounting Principles ("AGAAP") until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. Reconciliations of equity and operating profit/loss between AGAAP and AIFRS are provided in Notes 7 to 9.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent and of all entities, which King Equipment Limited controlled from time to time during the half-year and at balance date.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All intercompany balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(c) Revenue recognition

Revenue from the sale of goods is recognised 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).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are included within short term borrowings in current liabilities on the balance sheet.

(e) Inventories

Inventories are measured at lower of cost and net realisable values. Costs incurred in bringing each product to its present location and condition, are accounted for as follows.

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) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise which indicate the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is defined as the higher of its fair value less costs to sell and value in use.

(i) Taxes

Current income tax expense or revenue is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date

(k) 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.

(l) 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 company and consolidated entity have incurred a loss from ordinary activities after income tax of $341,740 for the half-year ended 31 December 2005. The company and consolidated entity were also in a net liability position of $119,567 as at 31 December 2005. As a result of the financial position of the company outlined above, there is significant uncertainty whether the company and 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 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;
- 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 to enable the company and consolidated entity to rectify the current liability imbalance and achieve a sufficient working cash flow level; and
- The continued generation of future profits by the major underlying business.

Subsequent to the end of the half-year the company has prepared a prospectus to issue a maximum of 27,264,000 new ordinary shares to raise $954,240 (before costs) on the basis of six for five ordinary shares held. The offer is fully underwritten.

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 on a going concern basis.

In the event that the company or consolidated entity does not achieve the above objectives, there is significant uncertainty whether the company or consolidated entity will continue as a going concern and, therefore, whether it will realize 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 company and consolidated entity not continue as going concerns.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Comparative information

During the year ended 30 June 2005 King Equipment Limited issued a prospectus and listed on the Stock Exchange of Newcastle Limited. Prior to this date King Equipment Limited was not subject to half-year reporting requirements. As such, comparative information has not been provided.

NOTE 2: 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 3: REVENUE

	December 2005 $
Sales revenue:	
Sale of goods	476,306
Other revenue:	
Interest	96
Total Revenue	**476,402**

NOTE 4: CONTRIBUTED EQUITY

(a) Share capital

Ordinary shares fully paid	1,186,487

(b) Movements in ordinary share capital

Ordinary shares	2005 Number	2005 $
Opening balance	22,726,000	1,186,487
Movement	-	-
Closing balance	22,726,000	1,186,487

NOTE 5: 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 6: 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.

NOTE 7: FIRST TIME ADOPTION OF AIFRS – Reconciliation of cash flow statement

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

NOTE 8: FIRST TIME ADOPTION OF AIFRS – Reconciliation of equity

(a) As at the end of the last financial year: 30 June 2005

	AGAAP $	Adjustment $	AIFRS $
Current Assets			
Receivables	18,061		18,061
Inventories	495,008		495,008
Other	33,821		33,821
Total Current Assets	546,890		546,890
Non-Current Assets			
Property, plant and equipment	112,394		112,394
Intangible assets	4,050		4,050
Total Non-Current Assets	116,444		116,444
Total Assets	663,334		663,334
Current Liabilities			
Payables	252,851		252,851
Interest bearing liabilities	109,430		109,430
Total Current Liabilities	362,281		362,281
Non-Current Liabilities			
Interest bearing liabilities	78,880		78,880
Total Non-Current Liabilities	78,880		78,880
Total Liabilities	441,161		441,161
Net Assets	**222,173**		**222,173**
Equity			
Contributed equity	1,186,487		1,186,487
Retained earnings	(964,314)		(964,314)
Total Equity	**222,173**		**222,173**

NOTE 9: FIRST TIME ADOPTION OF AIFRS – Reconciliation of net profit / (loss)

(a) For the last financial year: 30 June 2005

	AGAAP $	Adjustment $	AIFRS $
Revenues	132,417		132,417
Cost of goods sold	(101,705)		(101,705)
Employee benefits	(46,357)		(46,357)
Depreciation & amortisation	(21,834)		(21,834)
Borrowing costs	(5,800)		(5,800)
Consultancy & management	(623,117)		(623,117)
Rental expense	(53,956)		(53,956)
Other expenses	(243,962)		(243,962)
Profit from ordinary activities before related income tax expense	**(964,314)**		**(964,314)**
Income tax expense (benefit)	-		-
Net profit (loss)	**(964,314)**		**(964,314)**

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF KING EQUIPMENT LIMITED

Scope

The Financial Report and Directors' responsibilities
The financial report comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for King Equipment Limited ("the company") and its controlled entities ("the consolidated entity") for the half-year ended 31 December 2005. The consolidated entity comprises the company and the entities it controlled during the half-year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach
We have conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with Accounting Standard AASB 134 : Interim Financial Reporting, other mandatory financial reporting requirements in Australia and the Corporations Act 2001, a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review procedures were limited to:

i) inquiries of the company's personnel of certain internal controls, transactions, significant accounting estimates and individual items; and
ii) analytical procedures applied to financial data.

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

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

Review Approach (continued)
The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of King Equipment Limited is not in accordance with:

a) the Corporations Act 2001, including:
    i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
    ii) complying with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and
b) other mandatory financial reporting requirements.

Inherent uncertainty regarding continuation of going concern

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

As a result of the matters described in Note 1 to the financial statements, there is significant uncertainty whether the company or 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 company or consolidated entity not continue as a going concern.

Pitcher Partners

PITCHER PARTNERS

S A Green
Partner

Brisbane, 16 March 2006