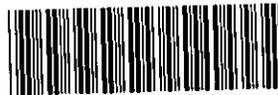


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-42352

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: King Financial Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
110 Fieldcrest Ave 7th Floor
 (No. and Street)
Edison, NJ 08837
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Diana Cucciniello (732) 417-2200
 (Area Code - Telephone Number)

OFFICIAL USE ONLY
FIRM I.D. NO.

PROCESSED
MAR 08 2007
THOMSON FINANCIAL

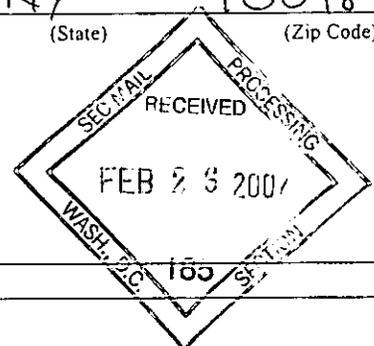
B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Bernath & Rosenberg, P.C.
 (Name - if individual, state last, first, middle name)
1430 Broadway 13th Flr New York NY 10018
 (Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.



FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

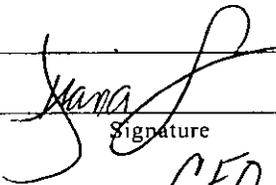
SEC 1410 (06-02)

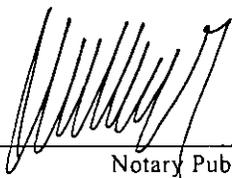
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

I, Diana Cucciniello, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of King Financial Services, Inc., as of December 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature
CEO
Title


Notary Public

ANTHONY J. MUGGIOLA
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 1/31/2007

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

KING FINANCIAL SERVICES, INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006

KING FINANCIAL SERVICES, INC.

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Condition	3
Statement of Operations	4
Statement of Changes in Stockholders' Equity (Deficit)	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-9
SUPPLEMENTARY INFORMATION	
Schedule 1 - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	10
Schedule II - Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	11
Schedule III - Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	12
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5	13-14



BERNATH & ROSENBERG, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL PLANNERS

James H. Bernath CPA/PFS, CFP
Jacob I. Rosenberg CPA/PFS, CFP

1430 Broadway, 13th Floor
New York, NY 10018-3308
Tel: (212) 221-1140
Fax: (212) 221-1944

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KING FINANCIAL SERVICES, INC.
Edison, NJ

We have audited the accompanying statement of financial condition of KING FINANCIAL SERVICES, INC., a New York corporation as of December 31, 2006, and the related statements of operations, changes in stockholders' deficit and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KING FINANCIAL SERVICES, INC. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in schedules I, II and III, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in a all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



BERNATH & ROSENBERG, P.C.
Certified Public Accountants

New York, New York
February 19, 2007

KING FINANCIAL SERVICES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2006

ASSETS

Cash	\$1,038,453
Cash Segregated Under Federal Regulations	250,000
Deposits with Clearing Organizations	20,000
Securities Owned, at Market Value	2,783
Property and Equipment, Net	16,455
Other Assets	<u>18,887</u>
TOTAL ASSETS	<u>1,346,578</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Liabilities:

Payable to Non-Customers	10,162
Accounts Payable, Accrued Expenses and Other Liabilities	<u>12,757</u>
TOTAL LIABILITIES	<u>22,919</u>

Subordinated Borrowings 3,000,000

Commitments and Contingencies

Stockholders' Deficit:

Common Stock, No Par Value, 200 Shares Authorized; 85 Shares Issued and Outstanding	500
Additional Paid-In Capital	661,350
Treasury Stock at cost, 15 Shares	(5,010)
Accumulated Deficit	<u>(2,333,181)</u>
TOTAL STOCKHOLDERS' DEFICIT	<u>(1,676,341)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u><u>\$1,346,578</u></u>

The accompanying notes are an integral part of these financial statements.

KINGS FINANCIAL SERVICES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUES:

Interest and Dividend Income	\$42,744
Loss on Securities Trading	(6,140)
	<hr/>
TOTAL REVENUES	36,604
	<hr/>

EXPENSES:

Cost of Services	58,038
Employee Compensation and Benefits	50,425
Communications and Data Service	22,214
Depreciation and Amortization	212,393
Other Expenses	116,556
	<hr/>
TOTAL EXPENSES	459,626
	<hr/>

NET LOSS	<u><u>\$(423,022)</u></u>
----------	---------------------------

The accompanying notes are an integral part of these financial statements.

KING FINANCIAL SERVICES, INC.
 STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Common Stock Shares Outstanding		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total
	Quantity	Amount				
Beginning Balance January 1, 2006	85	\$500	(5,010)	\$541,350	\$(1,910,159)	\$(1,373,319)
Net Loss					(423,022)	(423,022)
Additional Paid in Capital				\$120,000		\$120,000
Ending Balance December 31, 2006	85	\$500	\$(5,010)	\$661,350	\$(2,333,181)	\$(1,676,341)

The accompanying notes are an integral part of these financial statements.

KING FINANCIAL SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss \$(423,022)

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation and Amortization 212,393

Changes in operating assets and liabilities:

Securities Owned at Market Value 6,141

Other Assets 10,099

Accounts Payable, Accrued Expenses and Other Liabilities (6,953)

TOTAL ADJUSTMENTS 221,680

NET CASH USED IN OPERATING ACTIVITIES (201,342)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Additional Paid in Capital 120,000

NET CASH FROM FINANCING ACTIVITIES 120,000

Net Decrease in Cash (81,342)

CASH - Beginning 1,119,795

CASH - Ending \$1,038,453

The accompanying notes are an integral part of these financial statements.

KING FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

King Financial Services, Inc. (the "Company") is a self clearing broker dealer that traded proprietary accounts and provided clearing services through August 2004. The Company has been dormant since August 16, 2004.

The Company is registered with the Securities and Exchange Commission ("SEC"), and is a member of the National Association of Securities Dealers ("NASD"), and Securities Investors Protection Corporation (SIPC).

Basis of Presentation:

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's business is providing brokerage and clearing services. Management is actively looking to recruit an individual for the purposes of acquiring correspondents and new business. The Company's continuation as a going concern is dependent on the outcome of this uncertainty.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided by both the straight line and accelerated methods over estimated useful lives of 3 to 7 years. Leasehold improvements are amortized on a straight-line basis over the term of the related lease or life of the asset, whichever is shorter.

Income Taxes

The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred income taxes have been determined using the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. This method also allows for the recognition of deferred tax assets in the current period for the future benefit of net operating loss carryforwards and items for which expenses have been recognized for financial statement purposes, but will be deductible in future periods for income tax purposes. The temporary differences in these financial statements relate primarily to net operating loss carryforwards. A valuation allowance is provided for deferred tax assets if it is uncertain as to the future realization of these benefits. The deferred tax benefits have been offset by valuation allowances.

KING FINANCIAL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH SEGREGATED UNDER FEDERAL REGULATIONS

Cash of approximately \$250,000 has been segregated in a special reserve bank account for the exclusive benefit of customers and an introducing affiliated broker-dealer, respectively, pursuant to rule 15c3-3 of the Securities and Exchange Commission.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Amount	Estimated Useful Lives
Computer Equipment	\$923,563	5 Years
Leasehold Improvements	138,401	Terms of Leases
	1,061,964	
Less: Accumulated Depreciation and Amortization	(1,045,509)	
TOTAL	\$16,455	

For the year ending December 31, 2006, depreciation and amortization expense amounted to \$212,393.

NOTE 4 - SUBORDINATED BORROWINGS

Subordinated borrowings represent loans from stockholders and consist of the following:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Amount</u>
May 2009	-0-	\$3,000,000

KING FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 - SUBORDINATED BORROWINGS(continued)

These loans qualify as additional capital under the SEC Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. Stockholders elected to forgo any interest on these subordinated borrowings as of June 2003.

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2006, a stockholder acted as legal counsel to the Company and received \$36,000 in fees.

NOTE 6 - RENT

The Company leases its office space on a month to month basis. Rent expense for the year ended December 31, 2006 amounted to \$33,209.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The total cash held by the Company at December 31, 2006 includes \$1,161,431 in money that is not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 8 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had net capital of \$1,267,671 which was \$1,017,671 in excess of its required net capital of \$250,000. The Company's net capital ratio was .01 to 1.

NOTE 9 - INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for the tax benefit of net operating loss and tax credit carryforwards, measured by enacted tax rates for years in which taxes are expected to be paid or recovered.

The deferred tax benefits have been offset in total by valuation allowances.

The Company had available estimated net operating loss carryforwards for Federal income tax purposes of approximately \$2,900,000 at December 31, 2006, expiring at various dates from December 31, 2023 through December 31, 2026.

For the year ended December 31, 2006, cash paid for income taxes was \$1,114.

KING FINANCIAL SERVICES, INC.
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION
 DECEMBER 31, 2006
 SCHEDULE 1

NET CAPITAL

Total Stockholders' Equity	\$(1,676,341)
Add: Subordinated Liabilities Allowable for Net Capital	3,000,000
Total Capital and Subordinated Liabilities Allowable for Net Capital	1,323,659

DEDUCTIONS AND CHARGES

Property and Equipment, Net	16,455
Other Assets	18,887
Total Non-allowable Assets	35,342
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	1,288,317

HAIRCUTS ON SECURITIES

Marketable Securities	20,646
NET CAPITAL	1,267,671

AGGREGATE INDEBTEDNESS

Payable to customers and Non-Customers	10,162
Accounts Payable, Accrued Expenses and Other Liabilities	12,757
Less:	
Adjustments for Deposits in Special Reserve Accounts	7,000
TOTAL AGGREGATE INDEBTEDNESS	15,919
MINIMUM CAPITAL REQUIRED	250,000
EXCESS NET CAPITAL OVER MINIMUM REQUIRED	\$1,017,671
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	1%

RECONCILIATION WITH THE COMPANY'S COMPUTATION

No material difference exists between this computation and the corresponding computation included in the Company's unaudited Form X-17A-5, Part II filing as of December 31, 2006.

See Independent Auditors' Report.

KING FINANCIAL SERVICES, INC.
 COMPUTATION FOR DETERMINATION OF
 RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE
 SECURITIES AND EXCHANGES COMMISSION
 DECEMBER 31, 2006

SCHEDULE II

	Credits	Debits
Free Credit Balances and Other Credit Balances in Customers' Security Accounts	\$7,000	
Other Credits		
Total Credits		
Debit Balances in Customers' Accounts Excluding Unsecured Accounts		
Securities Borrowed and Customers' Securities Failed to Deliver		
TOTAL	7,000	
Excess Credits Over Debits	7,000	
Balance in Reserve Account as of December 31, 2006	250,000	
Balance in Reserve Account as of January 1, 2007	\$250,000	

RECONCILIATION WITH THE COMPANY'S COMPUTATION

No material difference exists between this computation and the corresponding computation included in the Company's unaudited Form X-17A-5, Part II filing as of December 31, 2006.

See Independent Auditors' Report.

KING FINANCIAL SERVICES, INC.
INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006

SCHEDULE III

Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3).

None

Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under rule 15c3-3.

None

See Independent Auditors' Report.



BERNATH & ROSENBERG, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL PLANNERS

James H. Bernath CPA/PFS, CFP
Jacob I. Rosenberg CPA/PFS, CFP

1430 Broadway, 13th Floor
New York, NY 10018-3308
Tel: (212) 221-1140
Fax: (212) 221-1944

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5

Board of Directors
King Financial Services, Inc.
Edison, NJ

In planning and performing our audit of the financial statements of KING FINANCIAL SERVICES, INC. (the "Company"), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the

practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



BERNATH & ROSENBERG, P.C.
Certified Public Accountants

New York, New York
February 19, 2007