DKN Financial Group Limited
ABN 75 008 112 150

Victoria
Level 10, 30 Collins
Street
Melbourne VIC 3000
Tel: +61 3 9667 0700
Fax: +61 3 9667 0799

6 September 2005

The Australian Stock Exchange Limited
Company Announcements Office
20 Bond Street
SYDNEY NSW 2000

Dear Sir

Declaration of Dividend
2005 Annual Report

Following completion of the audit of the 30 June 2005 financial statements the Directors of DKN Financial Group Limited (DKN) have formally declared a fully franked dividend of 3 cents per fully paid ordinary share. The record date for determining dividend entitlements will be 5 pm on 23 September 2005, with payment of the dividend to follow on 17 October 2005.

Attached is a copy of the DKN 2005 Annual Report, which incorporates a listing of the Top Twenty shareholders.

Yours faithfully

Derek Russell
Company Secretary

DKN FINANCIAL GROUP LIMITED

(formerly Deakin Financial Services Group Limited)

A.B.N. 75 008 112 150

Annual Report
2005

Contents

Directors	Rob Hunwick (Chairman) Chris Kelaher Peter Dunn
Chief Executive Officer	Phil Butterworth
Company Secretary	Derek Russell
Principal Office	Level 10 30 Collins Street Melbourne Vic 3000 Telephone: (03) 9667 0700 Facsimile: (03) 9667 0799 www.dkn.com.au
Registered Office	Level 10 30 Collins Street Melbourne Vic 3000
Share Registry	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 66009 Telephone: (08) 9389 8033
Auditor	Deloitte Touche Tohmatsu 22 Elizabeth Street Hobart Tas 7000
Solicitors	Baker & McKenzie 525 Collins Street Melbourne Vic 3000 Middletons Lawyers 200 Queen Street Melbourne Vic 3000
Bankers	Commonwealth Bank of Australia Ltd 385 Bourke Street Melbourne Vic 3000
Stock Exchange Listing	DKN Financial Group Limited shares are listed on the Australian Stock Exchange. The ASX code is DKN. The company's shares are also traded on unregulated market segments of the Frankfurt, Berlin-Bremen and Stuttgart stock exchanges. Trading occurs in Euro under the code ADE.

1. Chairman's perspective

We have pleasure in presenting the 2005 Annual Report to shareholders. The report includes all information required to be disclosed under the *Corporations Act 2001* and by the Australian Stock Exchange. In addition to our statutory obligations, we have included additional information to further assist you in understanding the activities of DKN Financial Services Group Ltd and its controlled entities (the Group). The Board is committed to transparent reporting to its shareholders. This means providing consistent reporting and communicating good and bad news in a timely manner. As was the case with the Annual Report last year this report includes some new disclosures that we believe will contribute to our move towards greater transparency.

2. Financial results for the year

Net Profit was significantly improved by a claim for prior tax losses which impacted on the year's results by approx $0.7 m. At an operational level, performance was also highly satisfactory, with consolidated net profit before interest, tax, depreciation and amortisation (EBITDA) being $3.7 m for the year compared with $1.2 m in 2004. This 205% growth in profits included the profits of AustChoice for a full year compared with only 6 months in 2004, but also reflects successful integration and further development of the businesses. Core Funds Under Administration (FUA) reached $2.0 billion at year end, up 29% compared with the same products in 2004. This resulted in revenues of $7.4 m in the Platform Solutions and Product Solutions Divisions compared with $3.3 m in 2004, when AustChoice was only included in the results for 6 months. The Dealer Solutions Division continued to disappoint, with a segment loss of $0.8 m and substantial efforts to restructure that Division are continuing as at the reporting date (see below). Despite the growth in revenues and the inclusion of AustChoice for a full year, total group operating expenditure was contained to an increase of only 15.9%. Staff levels are down 9 to 13. These improvements have resulted in earnings per share rising from zero to 3.0 cents (fully diluted).

3. Significant matters affecting the results for the year under review

(Operational Matters – See Item 14)

Tax - The Group has accrued significant tax losses in prior years. The Group has always taken the conservative view that future tax benefits relating to these losses should not be recognised in the consolidated financial statements as these may not be available under prevailing legislation, or may not be recovered by offsetting future earnings. However, after taking tax advice from its advisers, the Group has found that at least part of these losses is available to offset current earnings. In particular, the losses incurred in 2003 are available to offset the 2004 results and therefore the 2005 tax expense reflects a significant overprovision of the 2004 tax provision. The effect is to increase the 2005 Net Profit After Tax (NPAT) by $709,351 compared with the result that would have been achieved had the tax losses not been available. It is possible that relatively modest benefits may be achieved in future years from prior year tax losses that have not yet been recovered but this will depend on many complex issues and consequently the possible benefits have not been anticipated in the financial statements of the Group.

Cash - The Group has developed a strategy of investing in financial services businesses where such businesses require capital to assist in succession planning or expansion. The first of these investments took place in May 2005 and the second since year end, in July 2005. In both cases, while a minority stake was purchased, shareholder agreements are in place whereby DKN holds a Board seat and various production and other commitments have been made by the entities involved. It is anticipated that this strategy will have the effect of securing the income streams from these entities, and returning satisfactory rates of return on DKN's investment. These investments have substantially impacted on the levels of cash previously held by the Group. The Board regards this as a very positive step, as it was always the intention to use the cash for expanding the Group business base. At year end the Group remained free of debt with $8.7 m cash at bank (see Item 16).

Amortisation of Goodwill - In common with all public companies, the Group has moved to introduce new accounting policies to comply with International Financial Reporting Standards (IFRS). The most important affect of this will be the treatment of goodwill. After 2005 it will no longer be permissible to amortise infinite life intangibles such as goodwill. Goodwill will in the future be subject to an impairment test under which the values will be assessed by the Group and written down where necessary to reflect any impairment in value since the previous assessment. The Group has accumulated significant goodwill and the amortisation of it has, in the view of the Board, represented a distortion of the financial results of the Group. It is to be welcomed therefore, that the 2005 year is the last time such a distortion will be included in the financial statements. The Group has established procedures for assessing goodwill which will be consistently applied in the future. It is not anticipated that any impairment will occur under current known conditions.

Dealer Division - As detailed below in Item 14, the Dealer Solutions Division is in the process of being restructured at year end. The impact of this restructure on future profits is small, with the segment unlikely to earn substantial income in its own right, but the outcome is lower risk and a Division more tightly focused on its core business of distributing financial products through quality financial planning practices. The segment is expected to contribute materially to the earnings of other segments. The costs of the reorganisation have been approximately $0.3 m and these have been absorbed in the 2005 results.

DKN Partner Program - The Group has operated a loyalty scheme known as the DKN Partner Program since merging with AustChoice. Due to technical accounting reasons, the cost of this Program is now deemed to be a form of commission rather than a fully franked dividend. In addition, the costs must now be accrued in the year of being earned rather than paid out of profits after year end. Part of the cost of the 2004 Partner Program has therefore had to be taken up in the current year. However, these costs are now a tax deduction, so the final Net Profit After Tax outcome is the same (except for timing differences) as it would have been before these technical changes were made. In addition, the 2005 costs are higher than had been anticipated because of the substantial growth in FUA.

Product Margins - As set out below under Item 14, margins were impacted by a combination of factors. Margins are expected to stabilize at current levels.

4. Group overview history

The most significant event in the history of the Group occurred when it acquired 100% of AustChoice Financial Services Ltd with effect from 1 January 2004. For an outline of the history prior to that date, please refer to the Review of Operations and Activities contained in the 2004 Annual Report and available on the Company's website.

The acquisition brought together the two financial services distribution businesses operated by DKN and AustChoice. This was achieved with substantial economies of scale and rationalization of products and services so as to make a profitable and viable business today.

Since the acquisition, the company changed its name to DKN Financial Services Group Ltd following the approval by shareholders at the 2004 Annual General Meeting.

5. Economic environment

The financial services industry has continued to grow at a rapid rate owing predominantly to the massive savings being poured into superannuation under government incentive. Beyond the government incentives there has also been a highly favourable investment market in the last 2-3 years adding even further to the inflow of investment funds.

The financial services industry fulfils the various functions of investment, accounting/administration, distribution and advice. Some large institutions and banks perform all functions, while other companies specialize in a subset of these functions. DKN focuses primarily on distributing product and business solutions to financial planning practices that wish to remain independent of the institutional framework.

The industry is dominated by banks and large institutions. However there is a large variety of smaller groups who find success in such a dynamic industry. While smaller companies are often successful in their own right, there is a constant move amongst the players to acquire each other and to build greater critical mass. In addition, there is a trend towards lower margins at all levels which has the effect of strengthening the bigger players at the expense of the smaller ones. Thus there is a good deal of activity in corporate mergers and acquisitions as well as in the businesses themselves.

DKN has achieved critical mass in this context and being a publicly listed company it can compete successfully in the distribution sector of this industry.

Large banks and institutions have made substantial investments in systems (platforms) and products for distribution through their own and other distribution groups. There is now a wide variety of such platforms and products and the institutions have a powerful incentive to find new outlets for the distribution of them. As a specialist packager and distributor in this field, DKN has used the buying power of its affiliated financial planning practices to offer a choice of competitively priced platforms and products for distribution without having any reason to undertake the large scale investment to develop its own.

All this means that DKN competes with other distributors for its business. It finds a ready source of product to distribute and a huge and growing market for its services. However, competition within this space is fierce and there is great incentive to expand so as to achieve lower cost ratios with which to compete for even more growth.

6. Regulatory environment

There have been recent moves to change superannuation legislation, which will result in greater choice for the superannuation participant over the funds into which his/her contributions will be invested. This potentially opens up new opportunities for independent advice where contributions will no longer necessarily be directed automatically into industry funds or corporate sponsored funds.

Government policy continues to support this industry strongly. It is not anticipated that this environment will change.

7. Competitive position

The size and quality of DKN's distribution network both through its own dealership and associated dealers is important, as products are sourced from providers who, invariably, are willing to offer access to tailored products and cost reductions for volume. DKN's competitive position, therefore is dependent on building a presence in the market place, which allows it to source financial services products (and, in particular, investment opportunities and platforms) at a competitive price, which, in turn, will attract further advisers and dealers to the DKN distribution network.

One of DKN's key competitive advantages is that it offers choice and flexibility to advisers. Unlike most of its competitors, DKN offers a range of products and services from which advisers can select, depending on their business' needs, structure and preference. The scope and cost-effectiveness of products offered is very attractive to advisers who wish to compete against the institutional dealer networks.

The products supported by DKN are selected for their quality and competitiveness. By limiting the variety of products, DKN can generate greater buying power in each product.

It is important to note, however, that DKN does not compete on the basis of price alone. Advisers affiliated to DKN benefit from access to a range of quality services, supported with advice and assistance to maximize business efficiency. The objective is to assist practitioners build a more profitable practice and a quality offering to their clients. Affiliated advisers also benefit from sharing knowledge and experiences with industry peers on a regular basis at meetings facilitated by DKN.

8. Strategy

Summary

- To use buying power and act as a facilitator to source and package the products and services that financial planning practices need to run their business profitably and to assist their clients achieve their financial goals.

- To increase scale and relevance as a provider of platform product and service solutions through a co-operative approach with financial planning practices who choose to remain non-aligned to the major institutions.

- To build a leading dealer network recognised for practice development, best available technology, profitability, professionalism and quality advice.

- To grow and diversify revenue by taking minority equity positions in affiliated financial planning practices by providing capital and funding to facilitate the growth, expansion and succession issues.

- To encourage financial advisers to be shareholders.

- To grow the value and diversity of preferred supplier relationships so as to meet the core needs of the financial planning practices in the network.

- To maintain a low fixed cost base and continued growth in FUA to underpin future earnings.

Commentary

DKN currently distributes a limited range of investment platforms. These are otherwise known as Wrap Accounts and Master Funds. They have evolved to enable investors to purchase a variety of investments (usually unit trusts, but more recently a very wide array of investments) and to manage the accounting, tax calculation, and cash/dividend management involved in multiple investments.

The investment in systems behind these platforms has grown immensely and the better versions are now backed by large institutions. DKN is able to gain access to these platforms at competitive rates because of its scale.

In addition to being competitive in terms of price, DKN can also provide services to dealer groups who are not of sufficient size to manage such issues as investment research, compliance and training at competitive rates.

DKN has the opportunity to source a variety of investment products for distribution through its network. Examples are securitised property investments; equity issues and managed funds. DKN's policy is that it will distribute such products on a "best endeavours" basis without taking a risk against its own balance sheet. In addition, DKN must be satisfied that the products concerned have passed the usual stringent tests of compliance, disclosure and quality so that the products serve the needs for which they are intended.

The dominant income stream for DKN comes from wholesale purchasing arrangements in respect of platforms and investment products. DKN also earns income from the operation of its dealer network, but it is clear that the profit margin from this Division is quite small. Its value to DKN lies chiefly in adding volume to the distribution of products which yield an additional profit margin.

9. Core values

Fundamental to the success of the Group are our core values; our culture is a reflection of these values and they are visible in the way in which we think, act and work together and with all stakeholders. At all times success and respect are commanded through the passionate and professional provision of quality advice and services. The core values are as set out below:

- **Quality:** The products we distribute must have been through rigorous review by a team of specialists who can determine quality, compliance and relevance to client needs. Our objective is achievement of excellence through attention to consistency and detail.
- **Respect:** We have diverse relationships with clients, suppliers, dealer groups, advisers, other professionals, regulators, and investors. In all these relationships we seek to be seen as professional, trustworthy, responsive and open with each other.
- **Success:** Our staff is selected for their professionalism, capabilities and diligence. We understand that there is an appropriate balance between the private and working lives of our people and we endeavour to make our working environment enjoyable and supportive. We strive for excellence in reputation and financial results.
- **Passion:** Pursuit of best business outcomes through energy, drive and creativity.

10. Our culture

Our culture is an enthusiastic pursuit of our strategy and goals but tempered by patience and competence. We energetically embrace competition and we are keen to push into new ventures after careful scrutiny of the opportunities. We welcome the support and camaraderie of our network of dealers and advisers and we enjoy our co-operative relationships with them.

We are confident we can perform at the forefront of this highly competitive industry. Based on this confidence, we treasure the fact that we are not aligned with any large institution and we derive great satisfaction by competing successfully against much larger competitors. We seek to build the business by attracting others who believe in our core values and are attracted by our culture.

11. Operating structure

DKN Platform Solutions Division

Responsible for sourcing and managing the distribution of platforms to the network of financial planners. These platforms are also known as Master Funds and Wrap Accounts. A margin is earned on such products as DKN distributes a sufficient volume to be seen by the suppliers as a wholesaler. DKN can provide these products to the investor through an adviser at rates below that which would prevail if the adviser obtained the service direct from the provider at retail rates.

DKN Dealer Solutions Division

Responsible for managing the dealer network and for compliance with requirements under the Australian Financial Services Licence.

DKN Product Solutions Division

Responsible for researching and sourcing investment products for distribution through the above networks.

Corporate Division

Responsible for all issues related to corporate governance, facilitating and managing investments in financial services businesses, Board, ASX and ASIC compliance.

12. Rewards

Our reward system is based on recognizing short term and long term performance. Staff incentives which are a mix of bonuses that recognise short term success and options which recognise long term success are based upon delivery of particular key performance indicators. All reward structures are reviewed annually.

As the Group's key asset is its small team of staff it is its intention to recognise all staff with options after a qualifying period. Employee options have been issued and it is expected that more will be issued where continued growth and return to shareholders are demonstrated. Any further issue of options would at all times be subject to meeting strict guidelines imposed by the Remuneration Committee of the Board of Directors.

13. Primary financial performance and condition measures going forward

Our financial performance objectives will continue to evolve over time. However, at this time, our objectives are as follows:

Financial performance objectives 2006

Economic environment

Our performance will be influenced by our economic environment. The key conditions upon which we have based our forecasts are:

- Official Reserve Bank interest rates to remain within the range of 5.0% to 6.0%
- The share market to be supportive of investment and superannuation contributions and the ASX 200 continues to grow without severe downturns
- The legal framework surrounding the operation of the Group and superannuation legislation remains essentially unchanged
- Political and social issues to remain stable and supportive of investment and savings

Vision and purpose

A leading packager and distributor delivering quality financial services to professional financial planning practices, nationally.

Governing purpose

To build shareholder value consistently and for the long term.

Financial performance and condition objectives

- Achieve net FUA growth of 15% inclusive of market movements
- Achieve annual earnings per issued fully paid ordinary share (on IFRS basis) of at least 5.0 cents in 2006 supported by Net Profit of at least $3.2 m
- Pay dividends of 2 cents per share interim and 3 cents final. Given the lower than expected tax payments in respect of 2005, it is possible that a proportion of these dividends will be unfranked.
- To achieve an expenses to net revenue ratio of less than 55%.

14. Business dynamics

DKN Dealer Solutions Division

At the start of the year there were 125 financial advisers who were Authorised Representatives under DKN's Australian Financial Services Licence. Throughout the year there was a restructure of the Division to focus on fewer but higher quality financial advisers. The focus on performance and restructure ultimately led to the resignation of the Division's General Manager, and a new General Manager, Chris Lack was appointed. The Perth office has closed, the branch office at Box Hill will be closed in September with management of the Division relocated to the Melbourne Office; in addition professional indemnity insurance costs have been reduced by more than half in respect of the coming year (see Item 18). Only selected financial advisers were offered continued authorization and as a result the number of financial advisers has now been reduced to 64. The end result is a stronger business focused more on the investment and platform products provided by DKN. Costs are down and risks are lower. It is expected that the Division will break even or better (before share of corporate costs), while contributing materially to the income of the Group through the distribution of products which earn a margin for other Divisions.

Key Performance Indicators for this Division are:

	2005	**2004**
Number of Advisers	64	125
Gross revenue	$19.5 m	$21.1 m
Net revenue (after commissions paid)	$ 2.7 m	$ 3.6 m
Funds under Administration contributed to other Divisions	$189 m	$100 m

DKN Platform Solutions Division

Six new groups that meet our strict criteria have been attracted to the network of DKN. Their contribution to FUA has been very strong, but, of course, their effect is only felt for part of the year. Recruitment, retention and growth of existing relationships are a strong influence on future revenue and we can confidently look forward to good growth in 2006.

Apart from its competitive and supportive position, DKN attracts new dealers through its Partner Program, which ultimately (at the dealer's option) provides equity in DKN in recognition of support for the Group. This Program also encourages loyalty, in terms of retention of FUA.

Product margins have been reduced by a combination of factors. These factors include retirement of obsolete products in favour of new more competitive products, restructuring of Partner Program entitlements on certain products. In addition DKN has refined its core products to be included in FUA as from 1 July 2004 making comparisons with margins prior to that date misleading. Margins in future are expected to stabilize at approximately current levels.

This Division provides the core earnings of the Group, and its Key Performance Indicator is:

	2005	2004
Funds under Administration (FUA)	$1.768 bn	$1.425 bn

DKN Product Solutions Division

This Division was operated as part of the Platform Solutions Division for the year to June 2004, and consequently 2004/5 is its first year of separate operation/reporting. Its purpose is to source investment products for distribution through the other divisions and to generate interest from external distribution groups who may in time become associated with DKN more fully. Results for the year were satisfactory, although not indicative of the potential for significant improvement in the future.

Key Performance Indicator for the Division is:

	2005	2004
Funds under Administration (FUA)	$273 m	$143 m

Corporate

This Division conducts the management and corporate activities of the Group. One of the major objectives of this Division is to keep costs to a minimum, consistent, however, with maintaining high standards of corporate governance and minimisation of risks. Corporate also has the responsibility of identifying, assessing and implementing acquisitions primarily through the acquisition and succession program (see below). Worthy of note is the overall staff levels which averaged 19 compared with 22 last year and 20 within Deakin prior to the merger with AustChoice. Operating expenses in 2005 were a total of $7.1 m compared with $6.1 m in 2004 (65.3% of net revenue compared with 83.2% in 2004).

Acquisition and Succession Program

DKN has implemented a strategy to diversify and grow revenue by taking minority equity positions in financial planning practices to help them grow through acquisition and succession.

Over the next 3-5 years the industry will see substantial activity in mergers, acquisitions and succession in financial planning practices. During this period it will also continue to develop from a fragmented industry to one that will produce a significant number of professional, profitable financial planning practices within the non-aligned sector.

Key benefits of the strategy are outlined below:

- Secure key clients through part ownership and shareholder agreements.
- Secure new clients through acquisition.
- Build stronger relationships with existing clients by assisting their expansion through acquisition.
- Develop earnings streams through profit share from equity investments.
- Drive business flows through preferred products.

A key to the success of this model is to make sure that the practices partly acquired by DKN are well managed so as to ensure earnings grow and that preferred products are supported. This is addressed by implementing standard monthly reporting, board representation and shareholder agreements.

Two transactions have been completed to date, one prior to the year end and the second in July 2005, details are as follow:

1. DKN has invested in Quill Group Financial Planners, a financial planning business in southern Queensland, by way of a $700,000 minority equity and support package. The Quill Group currently owns two financial planning practices with combined FUA of $110 m, located in Brisbane and the Gold Coast. The practices are affiliated with the Quill Group Business Accountants.

   As part of the investment, DKN granted the other shareholders 400,000 unlisted options to subscribe for fully paid ordinary shares in DKN expiring 30 April 2008, the exercise price is $0.71.

2. DKN has also invested in Goldsborough Financial Services which has 2,400 clients generating FUA of $300m.

   DKN's minority stake in Goldsborough has been acquired for $2.4 m of which 75% was paid upon completion with the remaining 25% payable on receipt of the June 2006 financial statements and the business meeting earnings targets. In addition, DKN has provided a 5 year loan, at commercial rates, totalling $2.5 m to the succeeding advisers within the Goldsborough Group enabling them to take up equity positions in the practice. This investment is expected to be earnings and cash-flow positive for DKN immediately and offers strong potential for further growth.

   As part of the investment DKN granted the advisers of Goldsborough a total of 400,000 unlisted options to subscribe for fully paid ordinary shares in DKN expiring 30 June, 2008, the exercise price is $0.75.

15. Shareholder returns

	2005	2004	2003	2002	2001
Earnings per share (consolidated)					
- Basic (cents)	3.3	(0.04)	(0.5)	0.0	(5.2)
- Diluted (cents)	2.5	(0.02)	(0.5)	0.0	(5.2)
Dividend per share (cents)	5.0	2.0	Nil	Nil	Nil

We are pleased to announce that the Company will be in a position to pay a fully franked final dividend of 3 cents per share in October 2005, which, following the interim dividend of 2 cents, makes the total dividend for the year 5 cents per share.

As stated earlier in this report, consolidated results are significantly affected by the amortisation of goodwill arising predominantly from the acquisition of AustChoice. The accounting standards surrounding the practice of amortising goodwill are to change and it is not expected that there will be such a charge made after 2005. Intangible assets will henceforth be subject to an impairment review. It is also important to note that amortisation of goodwill is not a cash expense and therefore the cash generated by the business is to that extent larger than the reported profits. Further, amortisation of goodwill occurs only on consolidation – there is no such charge in any individual company. Therefore the profits of the individual companies add up to more than the consolidated profits. By paying dividends from the individual companies to the parent, the parent company result is larger than the consolidated result. This enables the parent to pay a dividend larger than is supported by the consolidated result.

The share price has improved since the merger with AustChoice. The merger, which was completed on 1 January 2004, was negotiated based on a DKN share price of 55 cents (equivalent value after share consolidation), since then the share price has traded between 55 cents and 90 cents per share. The share price has reflected the satisfactory completion of the merger and the prospects for future growth.

Shareholders should be aware of the dilutive effect of the converting preference shares on issue. Under the terms of the merger, these shares were issued to advisers/dealers associated with AustChoice in exchange for their shares in AustChoice. The converting preference shares will convert on a 1:1 basis according to the following table over the period to September 2006, providing that the advisers'/dealers' FUA formerly with AustChoice remain with DKN on the date of conversion. Any shortfall will result in the conversion into ordinary shares being reduced on a pro rata basis, subject to case-by-case discretion of the Board.

Fully Paid Ordinary Shares Currently On Issue	**50,845,343**
Conversion of 2005 Preference Shares (30 September 2005)	7,683,100
	58,528,443
Conversion of 2006 Preference Shares (30 September 2006)	7,683,100
Fully Diluted Position 1 October 2006	**66,211,543**
Note: the calculation above assumes conversion of all preference shares on a 1:1 basis	

Shareholders should also be aware that under the DKN Partner Program, advisers and dealers who sell products provided by the Group may earn and receive Partner Shares in DKN Partner Solutions Limited as part of their remuneration. Such shares will earn the right to a distribution from DKN Partner Solutions Limited under the Partner Program. Importantly, such distribution will be restricted to a proportion of the revenue growth so that the existing contribution to the Group's earnings is not affected. DKN has agreed to purchase the Partner Shares in DKN Partner Solutions Limited issued under the Partner Program from the advisers/dealers in September 2006, at a price of 8.68 times the 2006 tax effected earnings (as calculated by formula) of the business introduced during the Program and will pay for the shares by the issue of DKN fully paid ordinary shares based on a weighted average price of those shares at that time. While the Program refers to "shares", under the prevailing accounting standards, they are treated as debt, since there is a commitment to purchase the value from the holder. This is explained in the notes to the financial statements.

It is not possible to predict accurately the number of DKN ordinary shares that will be issued as a result of the Partner Program, since that number depends on future growth and the share price of DKN in September 2006. However, the number is likely to be a maximum of 10,000,000 shares.

16. Review of financial position

Cash

The liquidity position of the Group remains strong, with approximately $8.7 m cash on hand at 30 June 2005 ($6.7 m in June 2004). Total current assets less total current liabilities were $8.5 m at 30 June 2005 ($6.6 m at June 2004). Since balance date there has been a further acquisition of equity in a dealer group, Goldsborough Financial Services. Together with the anticipated dividend payable in October 2005, cash resources of $6.5 m have been committed which will reduce the above cash reserves, subject to further growth from operations as time progresses.

The policy of the Company is to manage its cash and other resources as profitably as possible, while taking a conservative approach to all investment opportunities. It is pleasing, therefore, that appropriate opportunities have been found to invest the surplus cash that has been available to the Group for some years. The cash position of the Group is expected to remain strong. Virtually all the earnings result in cash flow within a month. Since cash beyond current levels is not needed for the operations of the Group, the dividend policy of the company is at present to pay a high proportion of the current earnings to shareholders in the form of dividends. The company has in-principle agreement from its bankers for a line of credit which would be taken up if needed for expansion.

17. Legal

At the date of this report the Directors are not aware of any significant legal issues pending or notified against the Group.

18. Insurance

The company carries significant insurance cover against Professional Indemnity claims. Cover at present has been purchased until 31 August 2006. Professional Indemnity cover has been a serious issue for the industry in recent years and the Group has been able to negotiate substantially improved terms for the year ahead. Our current insurer is QBE who replaced Allianz from 1 July 2005.

19. Corporate governance

Corporate governance information is included on pages 23 to 30 of this Annual Report

Your directors present their report on the consolidated entity consisting of DKN Financial Group Limited and the entities it controlled at the end of, or during, the year ending 30 June 2005.

Directors

R E Hunwick, C F Kelaher and P J Dunn have been directors of DKN Financial Group Limited during the whole of the financial year and up to the date of this report.

P Butterworth was appointed Chief Executive Officer on 2 September 2005.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the distribution of investment products and solutions to financial intermediaries.

Dividends – DKN Financial Group Limited

Dividends paid to members during the financial year were as follows:

	2005 $'000	2004 $'000
Ordinary dividend for the year ended 30 June 2004 of $0.004 (equivalent to $0.02 after share consolidation) (2003 – Nil) per fully paid ordinary share paid on 15 October 2004, fully franked	**863**	-
Interim ordinary dividend for the year ended 30 June 2005 of $0.02 (2004 - Nil) Per fully paid ordinary share on 6 April 2005, fully franked	**1,017**	-
	1,880	-

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $1,525,360 ($0.03 per fully paid ordinary share) to be paid on or about 17 October 2005 out of retained profits at 30 June 2005.

Review of operations

A detailed review of operations and activities immediately precedes this Directors Report.

Changes in the state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

As recorded in Note 34 on 8 July 2005 DKN Financial Group Limited acquired a minority equity position in Goldsborough Consultants Pty Ltd. The minority position was acquired for $2.4 m of which 75% was payable upon settlement with the remaining 25% being payable following completion of the June 2006 financial statements and the achievement of earnings targets. In addition, 5 year loans at commercial rates totalling $2.5 m were provided to the majority shareholders. Additional consideration in the form of 400,000 unlisted options over DKN Financial Group Limited fully paid ordinary shares was also paid.

Except for the investment referred to above, no other matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulation

The consolidated entity has assessed whether there are any particular or significant environmental requirements which apply to it, and has determined that there are none.

Information on Directors

R E Hunwick – B.Ec, FCA, FAICD – Chairman – Non-executive. Age 59

Experience and expertise
Appointed director of the Company on 14 March 2001, currently non-executive director and Chairman, has in the past filled the role of Executive Chairman. Extensive experience in financial services and accounting.

Special responsibilities
Chairman of the Board

Interest in shares and options
627,240 ordinary shares in DKN Financial Group Limited
600,000 unlisted options in DKN Financial Group Limited (200,000 granted on 8 December 2004)

Former audit partner
R E Hunwick was a partner of auditors Deloitte Touche Tohmatsu from 1972 to 1988.

C F Kelaher – B.Ec, LL.B, ASIA – Non-executive director. Age 50

Experience and expertise
Appointed director of the Company on 8 January 2004. Currently Managing Director of substantial shareholder Select Managed Funds Limited. Extensive experience in financial services industry.

Other current directorships
Managing Director - Select Managed Funds Limited

Special responsibilities
Member of Audit Committee
Member of Remuneration Committee

Interest in shares and options
200,000 unlisted options in DKN Financial Group Limited (granted 8 December 2004)

Information on Directors (cont)

P J Dunn – CFP, FFPA – Independent non-executive director. Age 57

Experience and expertise
Appointed director of the Company on 8 January 2004, currently independent non-executive director. Extensive experience in operating financial planning businesses.

Special responsibilities
Member of Audit Committee
Member of Remuneration Committee

Interest in shares and options
559,880 ordinary shares in DKN Financial Group Limited
539,880 converting preference shares in DKN Financial Group Limited
200,000 unlisted options in DKN Financial Group Limited (granted 8 December 2004)

P Butterworth – Chief Executive Officer. Age 39

Experience and expertise
Appointed Chief Executive Officer of the Company on 2 September 2005, he was previously the Chief Operating Officer. Extensive experience in financial services specifically in strategy, product and distribution.

Interest in shares and options
12,308 ordinary shares in DKN Financial Group Limited
990,000 unlisted options in DKN financial Group Limited (granted 3 March 2004 and 1 July 2005)

Company Secretary

The Company Secretary is D T Russell. Mr Russell who has a banking and administrative background was appointed to the position of Company Secretary in September 2002.

Meetings of Directors

The number of meetings of the company's board of directors held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Number of Meetings Attended While Appointed	**Number of Meetings Held While Appointed**	**Meetings of Committee - Audit**	**Meetings of Committee - Remuneration**
R E Hunwick	13	13	*	*
C F Kelaher	13	13	2	3
P J Dunn	13	13	2	3

* Not a member of the committee

Retirement, election and continuance of office of directors

R E Hunwick is the director retiring by rotation in terms of the Constitution who, being eligible, offers himself for re-election.

REMUNERATION REPORT

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward policy is to ensure the reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice. The Board ensures that executive reward satisfies the following key criteria:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Link to performance

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. The overall level of executive reward takes into account the performance of the consolidated entity over a number of years with greater emphasis given to the current and prior year.

Non- executive directors

Fees and payments to non-executive directors reflect the demands made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically approved by the shareholders. There are no retirement allowances payable to directors.

Executive pay

The executive reward policy has the following components:

- Base pay and benefits
- Short term performance incentives
- Longer term incentives through participation in the DKN Group Employee Share Option Plan
- Superannuation

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

Base pay

Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

Short-term incentives

Should the consolidated entity out-perform its Board approved budget the Remuneration Committee will establish a short term incentive pool for allocation to executives and employees during the annual review process.

DKN Group Employee Share Option Plan

Information on the Employee Share Option Plan is set out in Note 22.

Details of remuneration

Highest remunerated executives

The 5 highest remunerated executives of the Company and the consolidated entity during the year ended were as follows:

- P Butterworth (Chief Executive Officer)
- A Rutter (General Manager, Distribution)
- M Hills (General Manager, Dealer Solutions), resigned 31 March 2005
- W Crawford (National Business Manager, Dealer Solutions)
- D Russell (Company Secretary)

Remuneration report (cont)

Amounts of remuneration

Details of the remuneration of each director of DKN Financial Group Limited and each of the 5 executives of the Company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 are set out in the following tables.

Directors of DKN Financial Group Limited

2005

	Primary			Post-employment		Equity	
Name	**Cash Salary & Fees $**	**Cash Bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement Benefits $**	**Options $**	**Total**
R E Hunwick *Non-Executive - Chairman*	137,393		12,606	7,000		41,000	204,599
C F Kelaher *Non-Executive Director*	45,872			4,128		41,000	97,600
P J Dunn *Non-Executive Director*	45,872			4,128		41,000	97,600
Total	**229,137**	**-**	**12,606**	**15,256**	**-**	**123,000**	**399,799**

R E Hunwick was employed as part time Executive Chairman under an Executive Service Agreement for the reporting period.

2004

	Primary	***Post Employment***	***Equity***	***Other***	***Total***
Name	**Cash Salary & Other**	**Superannuation**	**Options**	***Termination Benefit***	
R Hunwick	161,413	11,000	-	-	172,413
C Kelaher *	24,423	-	-	-	24,423
P Dunn *	22,406	2,017	-	-	24,423
M Hills #	244,881	5,199	7,950	125,000	383,030
M Hancock #	25,009	-	2,250	-	27,259
P Daly #	20,835	-	-	-	20,835
Totals	**498,967**	**18,216**	**10,200**	**125,000**	**652,383**

* for period 8 January 2004 to 30 June 2004
# for period 1 July 2003 to 8 January 2004

The amounts shown for M Hills represents the remuneration received during the financial year, firstly as Managing Director until 8 January 2004, being Cash $96,853 and Superannuation $2,816, and the balance as General Manager, Dealer Solutions.

Remuneration report (cont)

Executives of the consolidated entity

2005

	Primary			Post-employment		Equity	
Name	Cash Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Options $	Total
P Butterworth	192,281			16,702			208,983
A Rutter	158,786			14,291			173,077
M Hills *	119,104		12,988	9,003			141,095
W Crawford	106,536		20,464	11,430			138,430
D Russell	131,500						131,500
Total	**708,207**	**-**	**33,452**	**51,426**	**-**	**-**	**793,085**

* covers period 1 July 2004 to 31 March 2005

2004

	Primary			*Equity*	*Total*
	Cash Salary & Other	Cash Bonus	Superannuation	Options	
P Butterworth	97,592	30,000	8,447	31,000	167,039
P Rowley	53,269	7,000	4,501	-	64,770
V Nikola	111,511		9,000	795	121,306
D Russell	20,070		3,885	-	23,955
Totals	**282,442**	**37,000**	**25,833**	**31,795**	**377,070**

Cash bonuses and options

Granting of cash bonuses and the allotment options under the DKN Group Employee Share Option Plan for the financial year ending 30 June 2005 did not take place until after 30 June 2005. The options granted do not vest until, at the earliest, 1 July 2007. Specific details will be reported in the 2006 Annual Report.

Amounts disclosed for remuneration of directors and specified executives exclude insurance premium paid by the consolidated entity in respect of directors' and officers' liability insurance. The policy does not specify the premiums paid in respect of individual directors and officers. The pro rata premium for the reporting period being $37,500 (2004: $37,500).

Elements of remuneration related to performance

The only elements of remuneration paid to the directors and the executives listed above that were related to the performance of the individual are recorded under the heading of Cash Bonus.

Remuneration report (cont)

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total Value of Options granted, exercised and lapsed	Value of Options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at Grant Date	Value at Exercise Date	Value at time of lapse			
Directors						
R Hunwick	41,000*	-	-	41,000	41,000	20%
C Kelaher	41,000*	-	-	41,000	41,000	42%
P Dunn	41,000*	-	-	41,000	41,000	42%
Executives						
P Butterworth	-	-	-	-	-	-
A Rutter	-	-	-	-	-	-
M Hills	-	-	-	-	-	-
W Crawford	-	-	-	-	-	-
D Russell	-	-	-	-	-	-

* Options which have an exercise price of $0.80 were granted on 8 December 2004, following their approval by shareholders at the 2004 Annual General Meeting. The options which were not related to performance and the terms have not been amended since the grant date. The expiry date of the options is 30 November 2007.

Service agreements

Remuneration and other terms of employment for the senior executives are formalised in Letters of Employment. The major provisions of the letters relating to remuneration are set out below.

P Butterworth
- Term of employment – no fixed term
- Base salary inclusive of superannuation for the year ended 30 June 2005 of $210,000 to be reviewed annually by the Remuneration Committee
- Cash bonus is payable upon out-performance of targets at the discretion of the Board
- Both parties may terminate on three months notice
- Participation in the DKN Group Employee Share Option Plan at the discretion of the Board
- If termination is as a result of a change of control a minimum payment of base salary will be paid

A Rutter
- Term of employment – no fixed term
- Base salary inclusive of superannuation for the year ended 30 June 2005 of $180,000 to be reviewed annually by the Remuneration Committee
- Cash bonus is payable upon out-performance of targets at the discretion of the Board
- Both parties may terminate on one months notice
- Participation in the DKN Group Employee Share Option Plan at the discretion of the Board

W Crawford
- Term of employment – no fixed term
- Base salary inclusive of superannuation for the year ended 30 June 2005 of $138,430 to be reviewed annually by the Remuneration Committee
- Cash bonus is payable upon out-performance of targets at the discretion of the Board
- Both parties may terminate on one months notice
- Participation in the DKN Group Employee Share Option Plan at the discretion of the Board

Remuneration report (cont)

D Russell

- Term of contract – no fixed term
- Engaged on an "as required basis", with payment on an hourly rate
- Cash bonus is payable upon out-performance of targets at the discretion of the Board
- Both parties may terminate on one months notice
- Participation in the DKN Group Option Plan at the discretion of the Board

Share based compensation

Options are granted under the DKN Group Employee Share Option Plan which was approved by the Directors at their meeting on 24 June 2005. Subject to the discretion of the Board all employees are eligible to participate in the Plan.

Options are granted under the Plan for no consideration. Options are granted for a term of four years, with 50% vesting at the completion of year 2 and 50% vesting at the completion of year 3. The exercise price is at a premium to the weighted average price of the Company's ordinary shares determined by the Board from time to time, with a minimum of $0.80.

The first allotment of 1,880,000 options under the Plan was effected on 1 July 2005, the exercise price being $0.80 and expiry 30 June 2009.

Share options granted to directors and the most highly remunerated officers

Options over unissued fully paid ordinary shares of DKN Financial Group Limited granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the company and the consolidated entity as part of their remuneration were as follows:

Directors	
R E Hunwick – Chairman	200,000
C F Kelaher – Director	200,000
P J Dunn – Director	200,000
Other executives of the consolidated entity	
P Butterworth	790,000
A Rutter	540,000
C Lack	150,000
W Crawford	100,000
D Russell	100,000

The options granted to the Directors were approved by shareholders at the 2004 Annual General Meeting, while the options granted to executives were granted under the Employee Share Option Plan.

Shares under option

There are 4,720,000 unissued ordinary shares of DKN Financial Group Limited under unlisted options at the date of this report, details of which are set out in the following table. No shares have been issued following the exercise of options during the reporting period.

Grant Date	Number on Issue	Expiry Date	Exercise Price	Value per Option at Grant Date	Date Exercisable
21.6.02	600,000	30 June 2006	$1.75	$0.1175	1.7.03 to 30.6.06
15.10.02	160,000	30 June 2006	$1.75	$0.1175	1.7.03 to 30.6.06
15.11.02	60,000	30 June 2006	$1.75	$0.11	1.7.03 to 30.6.06
21.6.02	200,000	30 June 2007	$2.00	$0.0795	1.7.04 to 30.6.07
15.10.02	160,000	30 June 2007	$2.00	$0.0795	1.7.04 to 30.6.07
15.11.02	60,000	30 June 2007	$2.00	$0.075	1.7.04 to 30.6.07
3.3.04	200,000	1 March 2006	$0.75	$0.155	3.3.04 to 1.3.06
8.12.04	600,000	30 November 2007	$0.80	$0.205	8.12.04 to 30.11.07
4.5.05	400,000	30 April 2008	$0.71	$0.120	50% 1.5.06 to 30.4.08 50% 1.5.07 to 30.4.08
1.7.05	1,880,000	30 June 2009	$0.80	$0.120	50% 1.7.07 to 30.6.09 50% 1.7.08 to 30.6.09
8.7.05	400,000	30 June 2008	$0.75	$0.108	50% 1.7.06 to 30.6.08 50% 1.7.07 to 30.6.08

Insurance of officers

During the financial year, DKN Financial Group Limited put in place a policy to insure the directors, secretary and officers of the Company and the consolidated entities. The liabilities insured are legal costs that may be incurred in defending proceedings that may be brought against them in their capacity as officers in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or improper use by the officers of their position or of information to gain advantage for themselves or to cause detriment to the Company.

Insurance of officers (cont)

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of Non-audit services may be found in Note 23 of the company's financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 22 of this report.

Auditor

At the 2004 Annual General Meeting the shareholders approved a resolution which resulted in the appointment of Deloitte Touche Tohmatsu as auditors. They remain in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

R E Hunwick
Executive Chairman

C F Kelaher
Director

Melbourne
6 September 2005

Independence declaration to the directors of DKN Financial Group Limited

6 September 2005

Dear Board Members

DKN Financial Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of DKN Financial Group Limited.

As lead audit partner for the audit of the financial statements of DKN Financial Group Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

L.T. Cox
Partner
Chartered Accountant

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines. As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place for the entire reporting period, we have identified when such policies or committees were introduced.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3

Recommendation	Section
Recommendation 2.5 Reporting on Principle 2	1.2 and 1.4.6
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry our its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Kelaher and Mr Dunn are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Dunn also meets the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director and:
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Kelaher is a Non-Executive Director of the Company, but is also a Director and shareholder of the Company's major shareholder and as such does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Hunwick who is the Company's Chairman does not meet the Company's criteria for independence. While recognising that the ASX Corporate Governance Council recommends that the role of Chairman be exercised by an independent director the Company feels that the strong influence exercised by the other Board members mitigates any negative impact on the Company that having a non-independent Chairman may have.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

1.4.5 Education and Induction

In future new Directors will undergo an induction process in which they are given a full briefing on the Company. This includes meetings with key executives, visits to offices, an induction package and presentations. Information conveyed to new Directors will include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, to assist them to carry out their responsibilities. The Chairman is to be advised prior to the expense being incurred.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy under which Directors and senior executives and their associates may only trade in the Company's securities during the 45 days commencing immediately after each of the following "trading windows":

- the release by the Company of its half-yearly results to the ASX; and
- the release by the Company of its annual results to the ASX

Other employees not likely to be in possession of unpublished price sensitive information and their associates may trade in the Company's securities during 90 days immediately after each of the following "trading windows":

- the release by the Company of its half-yearly results to the ASX; and
- the release by the Company of its annual results to the ASX

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The completion of any trade by a Director must be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

Each year the Board conducts an evaluation of its performance. The evaluation for this financial year was conducted in March 2005. The objective of the evaluation was to provide best practice corporate governance to the Company and to ensure that an appropriate mix of skills is available to the Company at Board level.

1.4.11 Attestations by CEO and CFO

In accordance with the Board's policy, the CEO and the acting CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

2.1 Audit Committee

The Audit Committee was formed by resolution of the Board in 2001. Below is a summary of the role, composition and responsibilities of the Audit Committee. Further details are contained in the Audit Committee's Charter.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

2.1.2 Composition

The Audit Committee consists of two members. Members are appointed by the Board from amongst the Non-Executive Directors. The current members of the Audit Committee are Mr Dunn and Mr Kelaher. All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications may be found in the Directors' Report.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor and, each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

The Remuneration Committee was formed by resolution of the Board in 2004.

2.2.1 Role

The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

2.2.2 Composition

Mr Kelaher and Mr Dunn are the current members of the Remuneration Committee. Mr Dunn, the Chairman of the Remuneration Committee is an Independent Director.

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations to the Board on any proposed changes and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving those goals.

2.2.4 Remuneration Policy

2.2.4.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the markets and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in an equity based scheme with thresholds approved by the Directors;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

2.2.4.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2.2.5 Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 23 November 2001 and is currently $200,000.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Nomination Committee

As the whole Board only consists of three members, the Company does not have a Nomination Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.1 Criteria for Selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience in the financial services industry. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills; and
- CEO-level business experience.

3. Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 25 August 2004. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community

Responsibility to the Individual

The Company is committed to keeping private information from employees confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

The Company strives to comply with the spirit and the letter of all legislation affecting its operations. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

DKN Financial Group Limited
Financial Report – 30 June 2005

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Financial Report

This financial report covers both DKN Financial Group Limited as an individual entity and the consolidating entity consisting of DKN Financial Group Limited and its controlled entities.

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

DKN Financial Group Limited
10/30 Collins Street
Melbourne, Victoria, 3000

DKN Financial Group Limited
Statements of Financial Performance
For the year ended 30 June 2005

	Notes	Consolidated **2005** $	Consolidated 2004 $	Parent Entity **2005** $	Parent Entity 2004 $
Revenue from ordinary activities	3	**27,529,301**	24,778,418	**2,321,492**	1,664,209
Commissions paid		**(16,710,620)**	(17,444,060)	**-**	-
Depreciation and amortisation expenses	4	**(1,706,754)**	(952,567)	**(2,133)**	(5,409)
Borrowing costs expense		**(2,510)**	(6,402)	**-**	-
Other expenses from ordinary activities	4	**(7,073,436)**	(6,101,695)	**(916,192)**	(847,354)
Profit from ordinary activities before income tax (expense)/benefit		**2,035,981**	273,694	**1,403,167**	811,446
Income tax (expense)/benefit	6	**(412,996)**	(353,933)	**621,831**	118,756
Net profit/(loss) from ordinary activities after income tax benefit/(expense)		**1,622,985**	(80,239)	**2,024,998**	930,202
Net (loss)/profit attributable to outside equity interest		**5,481**	(20,133)	**-**	-
Net profit/(loss) attributable to members of DKN Financial Group Limited	21	**1,617,504**	(60,106)	**2,024,998**	930,202
Total changes in equity attributable to members of DKN Financial Group Limited other than those resulting from transactions with owners as owners	21	**1,617,504**	(60,106)	**2,024,998**	930,202

		2005 Cents	2004 Cents
Basic earnings per share	28	**3.3**	(0.04)
Diluted earnings per share	28	**3.0**	(0.02)

The above statements of financial performance should be read in conjunction with the accompanying notes.

DKN Financial Group Limited
Statements of Financial Position
As at 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Current Assets					
Cash assets	7	**8,660,019**	6,694,449	**1,189,907**	3,028,829
Receivables	8	**3,153,846**	3,440,149	**1,113,276**	2,910,535
Deferred tax assets		**-**	298,216	**-**	298,216
Other financial assets	9	**53,887**	-	**-**	-
Total Current Assets		**11,867,752**	10,432,814	**2,303,183**	6,237,580
Non-Current Assets					
Receivables	10	**234,678**	1,562,572	**5,283,454**	24,213
Investments accounted for using the equity method	11	**786,183**	-	**-**	-
Other financial assets	12	**20,000**	20,000	**27,757,232**	29,137,532
Plant and equipment	13	**127,683**	290,965	**708**	2,841
Deferred tax assets		**272,777**	-	**272,777**	-
Intangible assets	14	**24,563,074**	26,190,270	**-**	-
Total Non-Current Assets		**26,004,395**	28,063,807	**33,314,171**	29,164,586
Total Assets		**37,872,147**	38,496,621	**35,617,354**	35,402,166
Current Liabilities					
Payables	15	**3,148,627**	3,337,006	**144,276**	237,617
Current tax liabilities		**88,269**	250,781	**24,093**	-
Provisions	16	**97,232**	203,322	**22,007**	16,104
Total Current Liabilities		**3,334,128**	3,791,109	**190,376**	253,721
Non Current Liabilities					
Payables	17	**14,402**	124,743	**83,862**	-
Provisions	18	**16,444**	-	**2,024**	-
Other	19	**135,770**	-	**-**	-
Total Non-Current Liabilities		**166,616**	124,743	**85,886**	-
Total Liabilities		**3,500,744**	3,915,852	**276,262**	253,721
Net Assets		**34,371,403**	34,580,769	**35,341,092**	35,148,445
Equity					
Parent entity interest					
Contributed equity	20	**48,342,450**	48,294,650	**48,342,450**	48,294,650
Accumulated losses	21	**(14,033,989)**	(13,771,342)	**(13,001,358)**	(13,146,205)
Total parent entity interest		**34,308,461**	34,523,308	**35,341,092**	35,148,445
Outside equity interest in controlled entities	31	**62,942**	57,461	**-**	-
Total Equity		**34,371,403**	34,580,769	**35,341,092**	35,148,445

The above statements of financial position should be read in conjunction with the accompanying notes.

DKN Financial Group Limited
Statements of Cash Flows
For the year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash Flows From Operating Activities					
Dividends received		-	1,379	**1,250,000**	1,201,379
Interest received		**391,299**	312,419	**103,888**	181,054
Interest Paid		**(2,510)**	(767)	-	-
Proceeds on disposal of securities		-	95,765	-	95,766
Management fees and commissions received		**30,754,637**	25,201,932	-	-
Payments to suppliers/advisers		**(26,336,768)**	(25,050,762)	**(462,011)**	(805,417)
Income taxes paid		**(1,440,342)**	(565,744)	**(1,482)**	(204,432)
Net cash inflow/(outflow) from operating activities	27	**3,366,316**	(5,778)	**890,395**	468,350
Cash Flows from Investing Activities					
Payments for businesses	11	**(738,383)**	-	-	-
Payment for purchases of controlled entities, net of cash acquired	26	-	502,535	-	(709,749)
Net loans from/(to) related parties		**1,294,483**	(47,222)	**5,374**	6,069
Net loans to subsidiaries		-	-	**(854,540)**	(1,862,993)
Payments for fixed assets		**(93,770)**	(40,490)	-	(489)
Proceeds on sale of fixed assets		**17,075**	-	-	-
Net cash inflow/(outflow) from investing activities		**479,405**	414,823	**(849,166)**	(2,567,162)
Cash Flows from Financing Activities					
Dividends paid – members of the parent entity		**(1,880,151)**	-	**(1,880,151)**	-
Net cash outflow from financing activities		**(1,880,151)**	-	**(1,880,151)**	-
Net increase/(decrease) in cash held		**1,965,570**	409,045	**(1,838,922)**	(2,098,812)
Cash at beginning of the financial year		**6,694,449**	6,285,404	**3,028,829**	5,127,641
Cash at the end of the financial year	7	**8,660,019**	6,694,449	**1,189,907**	3,028,829

The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year and are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by DKN Financial Group Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. DKN Financial Group Limited and its controlled entities together are referred to in this financial report as the consolidated entity. A list of the controlled entities appears in Note 26. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively. Consistent accounting policies are applied in the preparation and presentation of the consolidated financial statements.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance 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) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

DKN Financial Group Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has been notified of the election. The AustChoice Group of companies consolidated for tax purposes as at 1 July 2003. The Australian Taxation Office has not yet been advised of the decision to consolidate these entities. The AustChoice Group became a member of the Deakin consolidated tax group following its acquisition.

As a consequence, DKN Financial Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned controlled entities in this group in these financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities will be settled through intercompany loan accounts. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value or unless there is a stated value as agreed by the parties to the transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Note 1. Summary of Significant Accounting Policies (cont)

(c) Acquisition of Assets (cont)

Where the number of equity instruments to be issued cannot be reliably determined or estimated at the date of acquisition (that is, it is dependent upon the outcome of future events), the cost is only recognised on the future issuance of shares and/or cash, when it is capable of reasonable determination.

Where settlement of any part of cash considerations is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Goodwill is brought to account on the basis described in note 1(k). Where dividends are paid out of pre-acquisition reserves these will be credited to the carrying cost of the asset.

(d) Investments

Investments in listed and unlisted securities other than controlled entities and associates in the consolidated financial statements are brought to account at cost and dividend income is recognised in the statement of financial performance. Investments are valued at the lower of cost and net market realisable value. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(e) Depreciation of Plant and Equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful life is as follows:

Office equipment	3-5 years

(f) Earnings per Share

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

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the income tax effect of interest and other financing costs associated with dilutive potential ordinary, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(g) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity, which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

Note 1. Summary of Significant Accounting Policies (cont)

(h) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows arising from its continued use and subsequent disposal, having been discounted at the rate of 11.5%.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the statement of financial performance.

(i) Revenue Recognition

Revenue is recognised for the major business activities as follows:

Sale of securities
Revenue is recognised when there is a contract of sale and is recorded net of settlement costs.

Commissions
Commissions are recognised when the service is provided.

(j) Receivables

All trade debtors are recognised at the amounts receivable, as they are due for settlement.

Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. An allowance for doubtful debts is raised when some doubt as to collection exists.

(k) Intangible Assets

Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill and amortised on a straight-line basis over ten to twenty years, being the period during which the benefits are expected to arise.

Other Intangibles
Other intangible assets are recorded at cost, and amortised on a straight-line basis over ten to twenty years, the period during which a benefit is expected to arise.

(l) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Interest Bearing Liabilities

Loans and bank debt are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Note 1. Summary of Significant Accounting Policies (cont)

(n) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(ii) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Executive Option Plan and the Employee Option Plan.

No accounting entries are made in relation to the option plans until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration to directors and executives in the Directors' Report include the assessed fair values of options at the date they were granted.

(iii) Bonus Plan

A liability for employee benefits in the form of a bonus plan is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for the bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(o) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. These costs include interest on bank overdrafts and finance lease charges.

(p) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the mount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Note 1. Summary of Significant Accounting Policies (cont)

(q) Goods and Services Tax (cont)

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(r) Operating Leases

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(s) Financial Instruments Issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

(t) International Financial Reporting Standards (IFRS)

The anticipated impact of the introduction of AIFRS on the Company and the consolidated entity is set out in Note 33.

(u) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

(v) Partner Program

DKN Partner Solutions Limited operates a "Partner Program" as set out in Note 25, which involves the issue of Partner Shares to participants in the Partner Program, and the reinvestment of 25% of dividends paid to Program participants into new Partner Shares. The method of accounting for the Partner Program includes:

- The treatment of the Partner Shares as debt in accordance with Accounting Standards
- Entitlements of the holders of the Partner Shares are expensed within DKN Partner Solutions Limited, consistent with the treatment of the Partner Shares as debt

Note 2. Segment Information

Business Segments

2005	**Dealer Solutions $**	**Platform Solutions $**	**Product Solutions**	**Consolidated $**
Segment Sales	**19,453,405**	**6,885,760**	**480,960**	**26,820,125**
Other Revenue	**-**	**-**	**-**	**-**
	19,453,405	**6,885,760**	**480,960**	**26,820,125**
Unallocated Revenue				**709,176**
Total Revenue				**27,529,301**
Segment Result	**(842,249)**	**3,696,628**	**442,761**	**3,297,140**
Unallocated Revenue				**709,176**
Unallocated Expenses				**(343,137)**
Unallocated Expenses – Amortisation of Goodwill & Other Intangibles				**(1,627,198)**
Consolidated Operating Profit before Income Tax				**2,035,981**
Segment Assets	**4,432,555**	**5,506,151**	**65,716**	**10,004,422**
Unallocated Assets				**27,867,725**
Total Assets				**37,872,147**
Segment Liabilities	**1,854,205**	**1,277,969**	**135**	**3,132,309**
Unallocated Liabilities				**368,435**
Total Liabilities				**3,500,744**
Net Assets				**34,371,403**

2004	**Dealer Solutions $**	**Platform Solutions $**	**Inter Segment Eliminations $**	**Consolidated $**
Segment Sales	21,089,519	3,322,003	-	24,411,522
Other Revenue	61,084	69,788	-	130,872
Inter Segment Fees	1,870,000	-	(1,870,000)	-
Total revenue	23,020,603	3,391,791	(1,870,000)	24,542,394
Segment Result (after inter group fees)	1,575,933	207,729	-	1,783,662
Unallocated Revenue				236,023
Unallocated Expenses				(912,702)
Unallocated Expenses – Amortisation of Goodwill				(833,289)
Consolidated operating profit before Income Tax				273,694
Segment Assets	5,671,052	5,095,237		10,766,289
Inter Segment Loans	1,597,930	(1,597,930)		-
Unallocated Assets				27,730,332
Total Assets				38,496,621
Segment Liabilities	2,612,313	930,693		3,543,006
Unallocated Liabilities				372,846
Total Liabilities				3,915,852
Net Assets				34,580,769

Note 2. Segment Information (cont)

Business segments

The DKN Group operates under the divisional/segment structure set out below:

- Dealer Solutions – responsible for the operation of the Deakin dealer network
- Platform Solutions – responsible for the sourcing and management of platforms
- Product Solutions – responsible for sourcing and researching investment products, this division's activities for the period 1 January to 30 June 2004 were recorded under Platform Solutions. This division has been reported on separately from 1 July 2004

Inter Segment Transfers

Inter segment fees are charged in accordance with inter group management agreements and are recorded as a separate item. These transfers are eliminated on consolidation.

Geographical Segments

The company and its controlled entities operate in one geographic area, Australia.

Note 3. Revenue

	Consolidated		**Parent Entity**	
	2005	2004	**2005**	2004
Revenue from Operating Activities	**$**	$	**$**	$
Profit/(loss) on sale of shares	**-**	31,776	**-**	31,776
Commissions earned	**19,011,586**	20,386,165	**-**	-
Fund management fees	**7,349,819**	3,532,788	**-**	250,000
Revenue from Outside the Operating Activities				
Dividends received	**-**	1,379	**1,250,000**	1,201,379
Interest received	**391,299**	312,419	**103,897**	181,054
Proceeds on the sale of non-current assets	**17,075**	-	**-**	-
Sundry income	**759,522**	513,891	**967,595**	-
Total Revenue from Ordinary Activities	**27,529,301**	24,778,418	**2,321,492**	1,664,209

Note 4. Profit from Ordinary Activities

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Net Gains and Expenses				
(Loss)/profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net (gain)/loss on disposal of securities	**-**	(32,691)	**-**	(32,691)
Depreciation/Amortisation :				
Plant and Equipment	**79,558**	73,280	**2,133**	5,409
Amortisation:				
Goodwill	**1,466,576**	879,287	**-**	-
Other intangibles	**160,620**	-	**-**	-
Total Depreciation and Amortisation	**1,706,756**	952,567	**2,133**	5,409
Other Expenses:				
Employee expense	**2,435,929**	2,770,927	**427,890**	317,123
Professional services	**216,948**	137,629	**57,587**	57,761
Marketing expenses	**170,081**	110,937	**350**	13,886
Occupancy & utilities expense	**569,998**	321,142	**275**	11,430
Insurance	**548,443**	521,495	**47,271**	36,675
Software services	**40,897**	288,773	**-**	-
Travel & entertainment	**250,086**	167,622	**12,396**	19,565
Representative equity plan	**793,933**	-	**-**	-
General administration expenses	**1,898,152**	1,746,406	**360,714**	391,829
Group management fees	**-**	-	**-**	-
Other Charges Against Assets:				
Write down of investments to lower of cost or market value	**-**	(915)	**300**	(915)
Written down value of non-current assets sold	**177,494**	49,196	**-**	-
Other provisions:				
Employee entitlements (Note 22)	**(28,527)**	(11,517)	**9,409**	-
Total Other Expenses	**7,073,434**	6,101,695	**916,192**	847,354

Note 5. Sale of Assets

Sales of assets in the ordinary course of business have given rise to the following losses :

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
Net Losses	**$**	$	**$**	$
Property Plant & Equipment	**160,419**	-	**-**	-

Note 6. Income Tax

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
(a) The income tax expense/(benefit) for the financial year differs from the amount calculated on the profit/(loss). The differences are calculated as follows:				
Profit/(loss) from ordinary activities before income tax expense/(benefit)	**2,035,981**	273,694	**1,403,167**	811,446
Profit/(loss) from ordinary activities before income tax expense/(benefit) for controlled entities	**-**	-	**918,026**	1,535,000
	2,035,981	273,694	**2,321,193**	2,346,446
Income tax calculated at 30% (2004 – 30%)	**610,794**	82,108	**696,358**	703,933
Tax effect permanent differences:				
Non-deductible expenses	**10,225**	41,441	**5,645**	41,441
Non-deductible amortisation	**492,614**	263,815	**-**	-
Loss on sale of assets	**-**	-	**-**	-
Intra-group dividends	**-**	-	**(375,000)**	(360,000)
Sundry items	**8,714**	(12,865)	**-**	(10,875)
Income tax adjusted for permanent differences	**1,122,347**	374,499	**327,003**	374,499
Prior year timing differences not previously recognised	**-**	(65,989)	**-**	(65,989)
Future income tax losses not brought to account	**-**	-	**-**	-
Future income tax timing differences not brought to account	**-**	-	**-**	-
Future income tax benefit previously not brought to account	**(561,743)**	-	**(511,037)**	-
Non-deductible pre-acquisition loss	**-**	45,423	**-**	45,423
Benefit of tax losses of prior years recouped	**(147,608)**	-	**(147,608)**	-
Income tax expense/(benefit) attributable to profit from ordinary activities tax consolidated group plus parent entity	**412,996**	353,933	**(331,642)**	353,933
Compensation received from tax consolidated group entities	**-**	-	**(290,189)**	(472,689)
Income tax expense/(benefit) attributable to profit from ordinary activities	**412,996**	353,933	**(621,831)**	(118,756)

(b) The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is:

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Tax losses - revenue	**1,402,576**	2,136,099	**1,402,576**	2,164,596
Tax losses - capital	**195,000**	195,000	**195,000**	195,000
Timing differences	**-**	-	**-**	1,387,613
	1,597,576	2,331,099	**1,597,576**	3,747,209

The benefit of carried forward tax losses is 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; and / 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.

Note 6. Income Tax (cont)

(c) The head entity within the tax-consolidated group for the purposes of the tax consolidation system is DKN Financial Group Limited.

(d) Entities within the tax-consolidated group have entered into a tax sharing arrangement with the head entity. Under the terms of this agreement, DKN Financial Group Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate.

Note 7. Current Assets - Cash Assets

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Cash at bank and on hand	**8,660,019**	6,694,449	**1,189,907**	3,028,829

Note 8. Current Assets - Receivables

Intercompany loans	**-**	-	**-**	4,343,358
Less: Recoverable amount write-down	**-**	-	**-**	(1,494,517)
	-	-	**-**	2,848,841
Receivables	**2,029,620**	2,758,343	**33,023**	-
Less: Allowance for doubtful debts	**(12,967)**	(51,148)	**-**	-
	2,016,653	2,707,195	**33,023**	-
Loans to advisers (interest bearing)	**-**	95,528	**-**	-
Prepayments	**-**	522,734	**-**	36,721
Current tax asset	**802,004**	-	**1,077,648**	24,973
Goods and services tax (GST) recoverable	**203,351**	-	**2,605**	-
Other receivables	**131,838**	114,692	**-**	-
	3,153,846	3,440,149	**1,113,276**	2,910,535

Note 9. Other Current Financial Assets

Prepayments	**53,887**	-	-	-

Note 10. Non-Current Assets - Receivables

Intercompany loans	**-**	-	**5,329,562**	-
Less: Recoverable amount write-down	**-**	-	**(64,947)**	-
	-	-	**5,264,615**	-
Loan to related entity	**-**	1,297,169	**18,839**	24,213
Loans to advisers (interest bearing)	**98,214**	-	**-**	-
Commissions receivable	**19,843**	265,403	**-**	-
Other receivables	**116,621**	-	**-**	-
	234,678	1,562,572	**5,283,454**	24,213

Note 11. Investments Accounted for Using Equity Method

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2005	2004	**2005**	2004
				$	$
Associates					
Quill Group Financial Planner 1 Pty Ltd	Financial Services	**20%**	-	**719,092**	-
Quill Group Financial Planners Trust	Financial Services	**20%**	-	**67,091**	-
Total				786,183	-

	Consolidated	
	2005	2004
	$	$
Movement in investments in associates		
Equity accounted amount of investment at beginning of financial year	-	-
Acquisition of investment in associate	**786,183**	-
Equity accounted amount of investment at the end of the financial year	**786,183**	-
Summarised financial position of associates		
Current assets		
Cash	**54,068**	-
Receivables	**19,777**	-
Other	**9,582**	-
Non-current assets		
Property, plant and equipment	**18,700**	-
Other	**750**	-
Total Assets	**102,877**	-
Current liabilities		
Payables	**27,098**	-
Current tax liability	**13,068**	-
Provisions	**36,988**	-
Non-current liabilities		
Loan	**25,623**	-
Total Liabilities	**102,777**	-
Net assets	**100**	-
Net profit	**Nil**	-
Share of reserves attributable to associates		
Retained profits		
At the beginning of financial year	**Nil**	-
At the end of financial year	**Nil**	-

Note 12. Non-Current Assets - Other Financial Assets

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Non Traded Investments				
Shares in controlled entities (Note 26)	**-**	-	**32,268,393**	32,268,393
Term deposit	**20,000**	20,000	**-**	-
Less: Allowance for diminution in value	**-**	-	**(4,511,161)**	(3,130,861)
	20,000	20,000	**27,757,232**	29,137,532

Non-Current Assets Pledged As Security
To comply with the conditions of its Australian Financial Services Licence subsidiary Deakin Financial Services Pty Ltd is required to lodge and maintain with the Australian Securities & Investments Commission a security approved by them for the amount of $20,000. No other assets have been pledged as security by the parent entity or its consolidated entities.

Note 13. Non-Current Assets - Plant and Equipment

Office Equipment				
Office equipment at cost	**205,288**	555,840	**18,504**	18,504
Less: Accumulated depreciation	**(77,605)**	(264,875)	**(17,796)**	(15,663)
	127,683	290,965	**708**	2,841

Reconciliations
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated	Parent Entity
	2005	**2005**
	$	**$**
Consolidated		
Carrying amount at 1 July 2004	**290,965**	**2,841**
Additions	**93,770**	**-**
Disposals	**(177,494)**	**-**
Depreciation/amortisation expense	**(79,558)**	**(2,133)**
Carrying amount at 30 June 2005	**127,683**	**708**

Note 14. Non-Current Assets - Intangible Assets

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
Goodwill	**29,154,003**	31,536,776	-	-
Less: Accumulated amortisation	**(5,002,646)**	(5,438,506)	-	-
Other intangible assets	**2,336,709**	138,000	-	-
Less: Accumulated amortisation	**(1,924,992)**	(46,000)	-	-
	24,563,074	26,190,270	-	-

During the 2005 financial year two investments previously classified as goodwill were reallocated to other intangible assets. As a result of the re-allocation, net goodwill decreased by $480,337 and other intangibles assets increased by $480,337.

Note 14. Non-Current Assets - Intangible Assets (cont)

Reconciliations

Reconciliation of the carrying amounts of the Intangible Assets at the beginning and end of the current financial year are set out below:

	Goodwill 2005 $	Other Intangibles 2005 $
Consolidated		
Carrying amount at 1 July 2004	**26,098,270**	**92,000**
Reallocations	**(480,337)**	**480,337**
Amortisation expense	**(1,466,576)**	**(160,620)**
Carrying amount at 30 June 2005	**24,151,357**	**411,717**

Note 15. Current Liabilities - Accounts Payable

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Trade creditors (including commissions)	**937,193**	2,485,447	**24,599**	54,652
Accrued expenses	**1,627,888**	851,559	**119,094**	182,965
Goods and Services Tax (GST) payable	**387,182**	-	**583**	-
Income received in advance	**196,364**	-	**-**	-
	3,148,627	3,337,006	**144,276**	237,617

Note 16. Current Liabilities - Provisions

Provision for employee benefits (Note 22)	**97,232**	142,203	**22,007**	14,622
Provision for fringe benefits tax	**-**	-	**-**	1,482
Provision for dividend (Partner Program)	**-**	61,119	**-**	-
Total – Provisions	**97,232**	203,322	**22,007**	16,104

Provision for dividend is for the DKN Partner Solutions Limited Partner Program, movements in the provision are set out below:

Opening balance – 1 July 2004	**61,119**	-	**-**	-
Additional provisions recognised	**-**	61,119		
Reductions arising from payments	**(61,119)**	-		
	-	61,119		

Note 17. Non-Current Liabilities – Payables

Intercompany loans	**-**	-	**83,862**	-
Less: Recoverable amount write-down	**-**	-	**-**	-
	-	-	**83,862**	-
Trade creditors (including commissions)	**14,402**	124,743	**-**	-
	14,402	124,743	**83,862**	-

Note 18. Non-Current Liabilities – Provisions

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Provision for employee benefits (Note 22)	**16,444**	-	**2,024**	-
	16,444	-	**2,024**	-

Note 19. Non-Current Liabilities – Other

Partner program shares	**135,770**	-	**-**	-
	135,770	-	**-**	-

Note 20. Contributed Equity

	2005 Number	2004 Number	**2005 $**	2004 $
(a) Share Capital				
Ordinary shares fully paid	**50,845,343**	43,162,191*	**39,843,240**	35,617,535
Converting preference shares	**15,366,200**	23,049,300*	**8,451,410**	12,677,115
Options	**400,000**	-	**47,800**	-
			48,342,450	48,294,650

* prior year numbers have been adjusted to reflect the 5:1 consolidation undertaken 30 November 2004

(b) Movements in issued and paid up ordinary share capital of the Company during the past two years were as follows:

Details	**Notes**	**No of Shares**	**Issue/Buy-back Price**	**$**
Balance – 1 July 2003		85,540,909		21,287,830
Allotment – Fully Paid Ordinary Shares	(i)	130,270,046	$0.110	14,329,705
Closing Balance – 30 June 2004		**215,810,955**		**35,617,535**
Allotment – Conversion of 2004 Preference Shares	(ii)	38,415,500	$0.110	4,225,705
Total Fully Paid Ordinary Shares on issue prior to 5:1 consolidation		254,226,455		39,843,240
Total Fully Paid Ordinary Shares on issue post consolidation		50,845,291		39,843,240
Allotment – Consolidation Rounding Adjustment		52		-
Closing Balance - 30 June 2005		**50,845,343**		**39,843,240**

(i) The issuance of fully paid ordinary shares as part payment for the AustChoice acquisition.
(ii) The issuance of fully paid ordinary shares following conversion of the 2004 Preference Shares which also formed part of the consideration for the AustChoice acquisition.

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares on issue. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Note 20. Contributed Equity (cont)

(d) Converting Preference Shares

Movements in converting preference share capital:

Details	**No of Shares**	**Issue/Buy-back Price**	**$**
Opening Balance	115,246,500		12,677,115
Conversion of 2004 Preference Shares to ordinary Shares	(38,415,500)	$0.11	(4,225,705)
Total number of Preference shares on issue prior to 5:1 consolidation	76,731,000		-
Total Preference Shares on issue post consolidation	15,366,200		-
Closing Balance	**15,366,200**		**8,451,410**

The converting preference shares represent part consideration for the AustChoice acquisition. The converting preference shares consisted of three equal tranches, being 2004 DKN Preference Shares, 2005 DKN Preference Shares and 2006 DKN Preference Shares. Specific details of the residual are as follows:

- 2005 Preference Shares (Conversion Date 30 September 2005): 7,683,100
- 2006 Preference Shares (Conversion Date 30 September 2006): 7,683,100

The DKN Preference Shares do not carry any right to a dividend or a right to vote except in a number of limited circumstances.

Conversion rights attaching to the DKN Preference Shares are determined by the income generated by the holder. Providing the holder generates income equal to or greater than their Base Partner Equity Income then one preference share will convert into one fully paid ordinary share. The DKN Preference Shares are not listed on the ASX and only transferable with the prior written consent of the company and the ASX.

(e) Options

(i) During the year to 30 June 2004, 920,000 unlisted options over fully paid ordinary shares were issued to directors, 520,000 were issued to senior executives and 70,000 were issued under the Employee Option Plan. (adjusted for the 5:1 consolidation)

(ii) During the year to 30 June 2005, 600,000 unlisted options over fully paid ordinary shares were issued to directors and 400,000 were issued as part consideration for the acquisition of a minority equity position in the Quill Group.

Information relating to the DKN Options issued to directors and executives is provided in the Directors Report and Note 30.

Note 21. Accumulated Losses

	Consolidated		**Parent Entity**	
	2005 **$**	2004 $	**2005** **$**	2004 $
Accumulated Losses				
Accumulated losses at the beginning of the financial year	**(13,771,342)**	(13,711,236)	**(13,146,205)**	(14,076,407)
Net profit/(loss) attributable to members of DKN Financial Group Limited	**1,617,504**	(60,106)	**2,024,998**	930,202
Dividends paid or provided for (Note 31)	**(1,880,151)**	-	**(1,880,151)**	-
Accumulated losses at the end of the financial year	**(14,033,989)**	(13,771,342)	**(13,001,358)**	(13,146,205)

Note 22. Employee Benefits and Provisions

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Employee Benefit and Related On-Cost Liabilities				
Accrual for unpaid salaries	**12,654**	-	**-**	-
Provision for employee benefits – current (Note 16)	**97,232**	142,203	**22,007**	14,622
Provision for employee benefits – non-current (Note 18)	**16,444**	-	**2,024**	-
Aggregate employee benefit and related on-costs liabilities	**126,330**	142,203	**24,031**	14,622

	Consolidated		Parent Entity	
Employee Numbers				
Average number of employees during the financial year	**19**	22	**1**	1

DKN Employee Share Option Plan

The DKN Employee Share Option Plan was approved by the directors on 24 June 2005. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercised each option is convertible into one fully paid ordinary share.

Note 23. Remuneration of Auditors

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
During the year the following amounts were paid to the auditor of the parent entity, its related practices and non-related audit firms:				
Assurance Services – Audit Services				
Fees paid to Deloitte Touche Tohmatsu Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**59,550**	116,570	**34,300**	116,570
Fees paid to other auditors – PricewaterhouseCoopers	**160,570**	-	**160,570**	-
Assurance Services – Other Services				
Fees paid to PricewaterhouseCoopers Australian firm:				
- Other	**1,800**	19,770	**1,800**	19,770
Total Remuneration for Assurance Services	**221,920**	136,340	**196,670**	136,340
Taxation Services				
Fees paid to PricewaterhouseCoopers Australian firm:				
- Tax compliance services, including review of group income tax returns	**76,450**	60,932	**76,450**	60,932
Total Remuneration for Taxation Services	**76,450**	60,932	**76,450**	60,932

Note 24. Commitments for Expenditure

Lease Commitments

Commitments in relation to contracted minimum payments for leases at the reporting date, but not recognised as liabilities payable are as follows:

	Consolidated		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	**$**
Non-cancellable operating leases				
Within one year	**119,573**	413,778	**-**	**-**
Later than one year but not later than 5 years	**194,427**	309,045	**-**	**-**
Commitments not recognised in the financial statements	**314,000**	722,823	**-**	**-**

The commitments are in relation to the lease of premises at 30 Collins Street, Melbourne, Victoria, 991 Whitehorse Road, Box Hill, Victoria and 6/2404 Logan Road, Eight Mile Plains, Queensland.

Note 25. Related Parties

Wholly-Owned Group

The wholly-owned group consists of DKN Financial Group Limited and its wholly-owned controlled entities as listed in Note 26.

Transactions between DKN Financial Group Limited and other entities in the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

- Loans advanced by DKN Financial Group Limited
- Loans repaid to DKN Financial Group Limited
- Provision of administration and management services
- Payment of management fee
- Receipt of inter company dividends

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	Parent Entity	
	2005	2004
	$	$
Dividend Revenue	**1,250,000**	1,200,000
Management Fee Revenue	**-**	250,000

Aggregate net recoverable amounts receivable from entities in the wholly owned group at balance date:

Current receivables (Note 8)	**-**	2,848,841
Non Current receivables (Note 10)	**5,264,615**	-
Non Current payables (Note 17)	**83,862**	-

Loans to Directors and Executives

There were no loans to directors or executives during the reporting period.

Note 25. Related Parties (cont)

Other Transactions with Directors and Specified Executives

A director, C Kelaher, is a director and shareholder of Select Managed Funds Ltd. Subsidiaries of DKN Financial Group Limited have entered into a number of outsourcing contracts with Select Managed Funds Ltd and its wholly owned subsidiary; Sentinel Adviser Services Pty Ltd. C Kelaher is also a director of Sentinel Adviser Services Pty Ltd. The contracts are based on normal commercial terms and conditions.

A director, C Kelaher, is a director and shareholder of Select Managed Funds Ltd. A subsidiary of DKN Financial Group Limited had provided a loan to AustSelect Pty Ltd, a wholly owned subsidiary of Select Managed Funds Pty Ltd. The loan was repaid in full during the financial year.

Aggregate amounts of these transactions with a director of DKN Financial Group Limited are as follows:

	2005	2004
	$	$
Amounts Recognised as an Expense:		
Outsourcing Contracts:		
o Select Managed Funds Pty Ltd – Provision of accounting services	**129,000**	40,000
o Sentinel Adviser Services Pty Ltd – Provision of compliance services	**123,169**	36,984
o Sentinel Adviser Services Pty Ltd – Provision of brokerage services	**211,493**	76,474
o Sentinel Adviser Services Pty Ltd – Provision of partner program support services	**93,778**	-
Conference sponsorship:		
o Sentinel Adviser Services Pty Ltd	**3,000**	-
o Lynchpin Financial Services Pty Ltd	**5,000**	-

Aggregate amounts payable to entities related to Directors of DKN Financial Group Limited at balance date relating to the abovementioned types of transactions:

Current Liabilities		
o Select Managed Funds Pty Ltd	**32,250**	42,222
o Sentinel Adviser Services Pty Ltd	**22,375**	37,636
Amounts Recognised as Revenue		
Interest Received - AustSelect Pty Ltd (subsidiary of Select Managed Funds Pty Ltd)	**85,862**	121,069
Product Management Fees Received – SMF Funds Management Ltd (subsidiary of Select Managed Funds Pty Ltd)	**4,331,372**	1,835,192
Conference Sponsorship – SMF Funds Management Ltd (subsidiary of Select Managed Funds Pty Ltd)	**25,000**	**-**

Aggregate amounts of assets at balance date relating to the above types of transactions:

Non-Current Assets		
Loan – AustSelect Pty Ltd (subsidiary of Select Managed Funds Pty Ltd)	**-**	1,297,169

Note 25. Related Parties (cont)

DKN Partner Solutions Limited - Partner Program

DKN Partner Solutions Limited operates a loyalty program on behalf of the DKN Group of Companies. The program is known as the DKN Partner Program, its main features are as follows:

- All Program participants receive an initial free allocation of 100 DKN Partner Solutions Limited Partner Shares
- Distributions are payable on a six monthly basis, 75% of which are paid in cash and 25% of which are subject to a reinvestment plan. Distributions under the Program are cumulative and all entitlements to date have been accrued.
- On 29 September 2006, all Partner Shares will be purchased by DKN Financial Group Limited (DKN) with the consideration being DKN fully paid ordinary shares
- Value ascribed to Partner shares on conversion is determined by multiplying the aggregate New Partner Equity Income received with respect to the year ended 30 June 2006 by the after tax corporate rate on the dividend (70%) by 8.68
- The price for the DKN shares will be based on the weighted average DKN share price for the 20 trading days prior to 29 September 2006 but at a minimum DKN share price of $0.75
- The aggregate quantum of DKN shares is determined based on the above which will then be divided amongst the holders of Partner shares in proportion to their respective holdings of Partner shares
- Partner shares are non-voting
- The number of Partner Shares on issue as at 30 June 2005 was 660,732

Directors and Specified Executives Interests in Equity Interests

(note adjusted to reflect 5 :1 consolidation in December 2004)

Name	Balance 1.7.04	Received as Remuneration	Options Exercised	Other Net Changes	Balance 30.6.05
Directors					
Ordinary Shares					
R Hunwick	560,240	-	-	67,000	627,240
C Kelaher	-	-	-	-	-
P Dunn	269,940	-	-	289,940	559,880
Converting Preference Shares					
P Dunn	809,820	-	-	(269,940)	539,880
Specified Executives					
Ordinary Shares					
P Butterworth	-	-	-	12,308	12,308
A Rutter	-	-	-	-	-
W Crawford	5,000	-	-	-	5,000
D Russell	14,000	-	-	-	14,000
Total	**1,715,000**	**-**	**-**	**99,308**	**1,758,308**

Note 25. Related Parties (cont)

Options Provided as Remuneration

Details of options over fully paid ordinary shares in the company provided as remuneration to each director of DKN Financial Group Limited and each of the Specified Executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of DKN Financial Group Limited.

Name	No. Options Granted - 2004/5	Number of Options Vested - 2004/5
Directors of DKN Financial Group Limited		
R Hunwick	200,000	200,000
C Kelaher	200,000	200,000
P Dunn	200,000	200,000
Specified Executives		
P Butterworth	-	-
A Rutter	-	-
W Crawford	-	-
D Russell	-	-

The options which have an exercise price of $0.80 were granted on 8 December 2004, following their approval by shareholders at the 2004 Annual General Meeting. The options which were not related to performance and the terms have not been amended since the grant date. The expiry date of the options is 30 November 2007.

No options, which had been provided as remuneration, were exercised during the financial year.

Note 26. Investments in Controlled Entities

Name of Entity	**Country of Incorporation**	**Class of Shares**	**Equity Holding**	
			2005 %	2004 %
DKN Management Pty Ltd (formerly DKN Financial Group Pty Ltd)	Australia	Ordinary	**100**	100
-Deakin Financial Services Pty Ltd				
-DKN Stakeholders Pty Ltd				
-Deakin Financial Services Investments Pty Ltd				
-BPSL Pty Ltd				
- Deakin Financial Services Smartplan Pty Ltd				
Deakin Property Pty Ltd	Australia	Ordinary	**50**	50
DKN Partner Solutions Limited (formerly AustChoice Financial Services Limited) *	Australia	Ordinary	**100**	100
- AustChoice Systems Limited				

No companies were incorporated during the year.

AustSelect Holdings Pty Ltd was deregistered on 26 June 2005.

Note 26. Investments in Controlled Entities (cont)

Outflow of cash to acquire the controlled entities, net of cash acquired	**Consolidated**		**Parent Entity**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Cash consideration	**-**	-	**-**	-
Costs of acquisition	**-**	(709,749)	**-**	(709,749)
Less Balances Acquired				
Cash	**-**	1,212,284	**-**	-
Inflow/(Outflow) of cash	**-**	502,535	**-**	(709,749)

Note 27. Reconciliation of Operating Profit/(Loss) After Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		**Parent Entity**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Operating profit/(loss) after income tax	**1,622,985**	(80,239)	**2,024,998**	930,202
Depreciation and amortisation	**1,706,756**	952,567	**2,133**	5,409
Loss on disposal of plant and equipment	**160,419**	49,196	**-**	-
Non-cash management fees received	**-**	-	**-**	(250,000)
Value of shares issued to advisers	**135,770**	-	**-**	-
Change in provision against investments	**-**	(915)	**(49,270)**	(915)
Allowance for doubtful debts	**38,181**	-	**-**	-
Incorporation costs written-off	**-**	1,250	**-**	-
Discount on acquisition of controlled entity	**-**	(100)	**-**	-
Change in Operating Assets and Liabilities, Net of Effects from Purchase of Controlled Entity				
Decrease (increase) in receivables	**21,595**	(1,327,616)	**(1,027,489)**	(29,963)
Decrease (increase) in future income tax benefit	**25,439**	-	**25,439**	(298,216)
Decrease (increase) in other financial assets	**(53,887)**	63,990	**-**	63,990
Decrease (increase) in other non-current assets	**-**	(267,866)	**-**	-
Increase (decrease) in trade creditors	**(201,296)**	568,574	**(94,825)**	32,691
Increase (decrease) in taxation liabilities	**-**	56,054	**-**	-
Movement in other provisions	**(89,646)**	(20,673)	**9,409**	15,152
Net cash inflow/(outflow) from operating activities	**3,366,316**	(5,778)	**890,395**	468,350

Non-Cash Financing and Investing Activities

	Consolidated		**Parent Entity**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Acquisition of controlled entities by means of ordinary and converting preference share issue - AustChoice	**-**	27,006,820	**-**	27,006,820
Issue of options as part purchase proceeds for investment – Quill Group Financial Planners	**47,800**	-	**47,800**	-
Shares issued under the Representative Share Plan	**136,816**	-	**-**	-
	184,616	27,006,820	**47,800**	27,006,820

Note 28. Earnings Per Share

	Consolidated	
	2005 Cents	2004 Cents
Basic earnings per share	**3.3**	(0.04)
Diluted earnings per share	**3.0**	(0.02)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**48,929,817**	137,324,606

The Converting Preference Shares and Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2005 $	2004 $
Earnings used in calculation	**1,617,504**	(60,106)
Weighted average number of ordinary shares	**48,929,817**	137,324,606

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2005 $	2004 $
Earnings used in calculation	**2,117,505**	(60,106)
Weighted average number of ordinary shares and potential ordinary shares	**70,082,675**	252,571,106

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2005	2004
Weighted average number of ordinary shares used in the calculation of basic EPS	**48,929,809**	137,324,606
2004 Converting Preference Shares	**-**	38,415,500
2005 Converting Preference Shares	**7,683,100**	38,415,500
2006 Converting Preference Shares	**7,683,100**	38,415,500
Unlisted options	**-**	-
Partner Program Shares	**5,788,667**	
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	**70,082,675**	252,571,106

Note 28. Earnings Per Share (cont)

Unlisted options were not considered to be dilutive based upon the requirements of AASB 1027.

Note 29. Financial Instruments

Interest Rate Exposure

DKN Financial Group Limited's exposure to interest rate risk for each class of financial assets and liabilities is set out below:

			Consolidated		
2005	**Notes**	**Fixed Interest Rate**	**Floating Interest Rate**	**Non-Interest Bearing**	**Total**
		$	**$**	**$**	**$**
Financial Assets					
Cash	7	-	8,659,719	300	**8,660,019**
Receivables	8,10	327,834	-	3,060,690	**3,388,524**
Other financial assets	9,12	20,000	-	53,887	**73,887**
Investments accounted for using the equity method	11	-	-	786,183	**786,183**
		347,834	8,659,719	3,901,060	**12,908,613**
Weighted average interest rate		9.9%	3.3%		
Financial Liabilities					
Trade and other creditors	15,17	-	-	3,163,029	**3,163,029**
Allowance for dividend		-	-	-	**-**
Employee benefits	16,18	-	-	113,676	**113,676**
		-	-	3,276,705	**3,276,705**
Weighted average interest rate		0.0%	0.0%		
Net financial assets/(financial liabilities)		347,834	8,659,719	(215,715)	**9,631,908**

Note 29. Financial Instruments (cont)

2004	Notes	Consolidated Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing	Total
		$	$	$	$
Financial Assets					
Cash	7	50,000	6,644,449	-	6,694,449
Receivables	8,10	1,297,169	-	3,705,552	5,002,721
Other financial assets		20,000	-	-	20,000
		1,367,169	6,644,449	3,705,552	11,717,170
Weighted average interest rate		7.7%	3.8%		
Financial Liabilities					
Trade and other creditors	15,17	-	-	3,461,749	3,461,749
Allowance for dividend	16	-	-	61,119	61,119
Employee benefits	22	-	-	142,203	142,203
		-	-	3,665,071	3,665,071
Weighted average interest rate		0.0%	0.0%		
Net financial assets/(financial liabilities)		1,367,169	6,644,449	40,481	8,052,099

Reconciliation of Net Financial Assets to Net Assets	Notes	Consolidated 2005 $	2004 $
Net financial assets as above		**9,631,908**	8,052,099
Future income tax benefit		**272,777**	298,216
Goodwill	14	**24,563,074**	26,190,270
Other fixed assets	13	**127,683**	290,965
Current tax liabilities		**(88,269)**	(250,781)
Other fixed liabilities	19	**(135,770)**	-
Net assets per balance sheet		**34,371,403**	34,580,769

Net Fair Value of Financial Assets and Liabilities
The net fair value of financial assets and liabilities, other than investments, approximates their carrying value.

Derivative Instruments
There was no trading in derivative instruments during the year.

Credit Risk Exposures
The credit risk on financial assets of the Company, which have been recognised on the balance sheet, other than investments, is generally the carrying amount, net of any provisions for doubtful debts.

Note 30. Employee Share Options

The DKN Employee Share Option Plan was approved by the directors on 24 June 2005. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercised each option is convertible into one fully paid ordinary share. No options were issued under the Plan or any other Plan during the 2004/5 financial year.

Note 30. Employee Share Options (cont)

Options issued to executives in prior years under a range of different arrangements are set out below (adjusted to reflect the 5:1 consolidation):

	2005 No.	2004 No.
Balance at beginning of the financial year	**680,000**	480,000
Granted during the financial year	**-**	200,000
Exercised during the financial year	**-**	-
Lapsed during the financial year	**(160,000)**	-
Balance at the end the financial year	**520,000**	680,000

Balance at beginning of the financial year

Options - Series	**No.**	**Expiry Date**	**Exercise Price**
Granted – 15 October 2002	160,000	30 June 2005	$1.50
Granted – 15 October 2002	160,000	30 June 2006	$1.75
Granted – 15 October 2002	160,000	30 June 2007	$2.00
Granted - 3 March 2004	200,000	1 March 2006	$0.75
	680,000		

Granted during the year

No options were granted to executives during the financial year.

Exercised during the year

No options were exercised during the financial year.

Lapsed during the financial year

	2005 No.	2004 No.
Granted – 15 October 2002	**160, 000**	-

Balance at the end of the financial year

2005 - Options - Series	**No.**	**Vested No.**	**Unvested No.**	**Expiry Date**	**Exercise Price**
Granted – 15 October 2002	160,000	160,000	-	30 June 2006	$1.75
Granted – 15 October 2002	160,000	-	160,000	30 June 2007	$2.00
Granted – 3 March 2004	200,000	200,000	-	1 March 2006	$0.75
	520,000				

2004 - Options - Series	**No.**	**Vested No.**	**Unvested No.**	**Expiry Date**	**Exercise Price**
Granted – 15 October 2002	160,000	160,000	-	30 June 2005	$1.50
Granted – 15 October 2002	160,000	160,000	-	30 June 2006	$1.75
Granted – 15 October 2002	160,000	-	160,000	30 June 2007	$2.00
Granted – 3 March 2004	200,000	200,000	-	1 March 2006	$0.75
	680,000				

The options issued to executives carry no rights to dividends and no voting rights. Options may be exercised at any time from the date on which they vest to the date of expiry. Any consideration received on the exercise of these executive options is recognised in contributed equity.

Note 31. Outside Equity Interests in Controlled Entities

	Consolidated	
	2005	2004
	$	$
Interest in:		
Share capital	**300**	300
Reserves	**-**	-
Accumulated profit/(losses)	**62,642**	57,161
	62,942	57,461

Note 32. Dividends

Recognised amounts:

	2005		2004	
	Cents per share	**Total $**	**Cents per share**	Total $
Fully paid ordinary shares				
Final dividend franked to 30%			**0.002**	863,244
				863,244
Interim dividend franked to 30%	**0.04**	**1,016,907**		
		1,016,907		

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final fully franked ordinary dividend of $1,525,360 ($0.03 per fully paid ordinary share) to be paid on or about 17 October 2005 out of retained profits at 30 June 2005. This amount is yet to be bought to account.

	Parent Entity	
	2005	2004
	$'000s	$'000s
Adjusted franking account balance on a tax paid basis	**1,919**	1,475

Note 33. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretation originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flow.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore until the Company prepares its first full financial statements, the possibility cannot be excluded that the accompanying disclosures may need to be adjusted.

Note 33. Impacts of adopting Australian equivalents to IFRS (cont)

Impact on the statements of financial performance

		Consolidated			Parent Entity		
	Note	Existing GAAP $	Effect of change $	AIFRS $	Existing GAAP $	Effect of change $	AIFRS $
Revenue from ordinary activities		27,529,301	-	27,529,301	2,321,492	-	2,321,492
Commissions paid		(16,710,620)	-	(16,710,620)	-	--	-
Depreciation and amortisation expenses	b	(1,706,754)	1,466,576	(240,178)	(2,133)	-	(2,133)
Borrowing costs expense		(2,510)	-	(2,510)	-	--	-
Other expenses from ordinary activities	c	(7,073,436)	(123,000)	(7,196,436)	(916,192)	(123,000)	(1,039,102)
(Loss)/profit from ordinary activities before income tax (expense)/benefit		2,035,981	1,343,576	3,379,557	1,403,167	(123,000)	1,280,167
Income tax (expense)/benefit		(412,996)	-	(412,996)	621,831	-	621,831
Net (loss)/profit from ordinary activities after income tax benefit/(expense)		1,622,985	1,343,576	2,966,561	2,024,998	(123,000)	1,901,998
Net (loss)/profit attributable to outside equity interest		5,481	-	5,481	-	-	-
Net (loss)/profit attributable to members of DKN Financial Group Limited		1,617,504	1,343,576	2,961,080	2,024,998	(123,000)	1,901,998
Total changes in equity attributable to members of DKN Financial Group Limited other than those resulting from transactions with owners as owners		1,617,504	1,343,576	2,961,080	2,024,998	(123,000)	1,901,9980

Note 33. Impacts of adopting Australian equivalents to IFRS (cont)

Impact on the statements of financial position

		Consolidated			Parent Entity		
	Note	**Existing GAAP**	**Effect of Change**	**AIFRS**	**Existing GAAP**	**Effect of Change**	**AIFRS**
		$	**$**	**$**	**$**	**$**	**$**
Current Assets							
Cash assets		8,660,019	-	8,660,019	1,189,907	-	1,189,907
Receivables		3,153,846	-	3,153,846	1,113,276	-	1,113,276
Deferred tax assets		-	-	-	-	-	-
Other financial assets		53,887	-	53,887	-	-	-
Total Current Assets		11,867,752	-	11,867,752	2,303,183	-	2,303,183
Non-Current Assets							
Receivables		234,678	-	234,678	5,283,454	-	5,283,454
Investments accounted for using the equity method		786,183	-	786,183	-	-	-
Other financial assets		20,000	-	20,000	27,757,232	-	27,757,232
Plant and equipment		127,683	-	127,683	708	-	708
Deferred tax assets		272,777	-	272,777	272,777	-	272,777
Intangible assets	b	24,563,074	1,466,576	26,029,650	-	-	-
Total Non-Current Assets		26,004,395	1,466,576	27,470,971	33,314,171	-	33,314,171
Total Assets		37,872,147	1,466,576	39,338,723	35,617,354	-	35,617,354
Current Liabilities							
Payables		3,148,627	-	3,148,627	144,276	-	144,276
Current tax liabilities		88,269	-	88,269	24,093	-	24,093
Provisions		97,232	-	97,232	22,007	-	22,007
Total Current Liabilities		3,334,128	-	3,334,128	190,376	-	190,376
Non Current Liabilities							
Payables		14,402	-	14,402	83,862	-	83,862
Provisions		16,444	-	16,444	2,024	-	2,024
Other		135,770	-	135,770	-	-	-
Total Non-Current Liabilities		166,616	-	166,616	85,886	-	85,886
Total Liabilities		3,500,744	-	3,500,744	276,262	-	276,262
Net Assets		34,371,403	1,466,576	35,837,979	35,341,092	-	35,341,092
Equity							
Parent entity interest							
Contributed equity		48,342,450	123,000	48,465,450	48,342,450	123,000	48,465,450
Accumulated losses		(14,033,989)	1,343,576	(12,690,413)	(13,001,358)	(123,000)	(13,124,358)
Total parent entity interest		34,308,461	1,466,576	35,775,037	35,341,092	-	35,341,092
Outside equity interest in controlled entities		62,942	-	62,942	-	-	-
Total Equity		34,371,403	1,466,576	35,837,979	35,341,092	-	35,341,092

The following explanatory notes relate to the pro-forma financial statements above and describe, for significant items, the differences between the accounting policies under AIFRS and the current treatment of those items under AGAAP:

Note 33. Impacts of adopting Australian equivalents to IFRS (cont)

(a) Income Tax

Under AASB 112 Income Taxes, the group is required to adopt the Balance Sheet approach when calculating income tax expense. The adjustment required had AASB 112 been applied would have been immaterial and is not reflected in the Note 33 disclosure. In respect of the company the effect of UIG 1052 Tax Consolidation has not yet been examined in detail and as such the impact of applying this standard if any, is not reflected in the restated financial statements

(b) Goodwill

AASB 1 contains provision allowing an entity the option not to restate Business Combinations entered into prior to the date of transition. DKN have decided to apply this exemption.

Under AASB 3 Business Combinations, amortization of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. If the policy required by AASB 3 had been applied during the year ending 30 June 2005, consolidated goodwill at 30 June 2005 would have been $1,466,576 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been $1,466,576 lower.

(c) Equity-based compensation benefits

Under AASB 2 Share based Payment, from 1 July 2004 the group is required to recognize an expense for those options that are issued to employees.

This will result in a change in the current accounting policy under which no expense is recognized for equity-based compensation.

AASB 1 provides an exemption under which options issued prior to 7 November 2002, or those options issued post 7 November 2002 but vesting prior to 1 January 2005 are exempt from the application of AASB 2. DKN have decided to apply this exemption.

If the policy required by AASB had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been $123,000 lower, with a corresponding increase in equity. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been $123,000 higher, with a corresponding increase in the net movement in equity.

(d) Partner Program Shares

DKN are still giving consideration to the treatment of the Partner Program under IFRS and as a result no impact, if any, has been reflected in the restated financial statements.

Note 34. Subsequent Events

On 8 July 2005 the Group acquired a minority equity position in Goldsborough Consultants Pty Ltd, which has not been brought to account in the 2005 financial statements. The minority position was acquired for $2.5 m of which 75% was payable upon settlement with the remaining 25% being payable following completion of the June 2006 financial statements and the achievement of earnings targets. In addition 5 year loans at commercial rates totalling $2.5 m were provided to the majority shareholders. Additional consideration in the form of 400,000 unlisted options over DKN Financial Group Limited fully paid ordinary shares was also paid.

Other than the transaction above, no matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

- the consolidated entity’s operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity’s state of affairs in future financial years

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

R E Hunwick
Chairman

Melbourne
6 September 2005

Independent audit report to the members of DKN Financial Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both DKN Financial Group Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 32 to 64. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) under the heading "remuneration report" in pages 15 to 19 of the directors' report, as permitted by the Corporations Regulations 2001.

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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and the remuneration disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows and whether the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the remuneration disclosures, and the evaluation of accounting policies and significant accounting estimates made by the directors.

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

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion,

(1) the financial report of DKN Financial Group Limited is in accordance with:

- (a) the Corporations Act 2001, including:

  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

- (b) other mandatory professional reporting requirements in Australia.

(2) the remuneration disclosures that are contained in pages 15 to 19 of the directors' report comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

L.T. Cox
Partner
Chartered Accountants
Hobart, 6 September 2005

The shareholder information set out below was applicable as at 2 September 2005.

A. DISTRIBUTION OF EQUITY SECURITIES

(a) The distribution of Equity Securities:

Analysis of numbers of equity security holders by size of holding:

Range of Holdings			Ordinary Shares	Converting Preference Shares	Unlisted Options
1	-	1,000	316	65	-
1,001	-	5,000	503	98	-
5,001	-	10,000	195	52	4
10,001	-	100,000	316	94	13
100,001	-	and over	43	18	13
			1,373	327	30

(b) There were 116 holders of less than a marketable parcel of ordinary shares.

(c) The percentage of total holdings of the twenty largest holders of ordinary shares was 70%.

B. EQUITY SECURITY HOLDERS

Twenty Largest Quoted Equity Security Holders

The names of the twenty largest holders of listed fully paid ordinary shares are listed below:

Name	Ordinary Shares Number Held	Ordinary Shares Percentage of Issued Shares
1. AustSelect Pty Ltd	18,461,239	36.3
2. ANZ Nominees Ltd	5,058,861	10.0
3. J P Morgan Nominees Australia Ltd	2,242,267	4.4
4. Invia Custodian Pty Ltd	1,700,614	3.3
5. Westpac Custodian Nominees Ltd	1,105,500	2.2
6. Cogent Nominees Pty Ltd	848,046	1.7
7. Jagen Pty Ltd	795,801	1.6
8. SMF Funds Management Ltd	758,716	1.5
9. Fretensis Pty Ltd	600,000	1.2
10. SMF Financial Planning Pty Ltd	558,856	1.1
11. United Funds Management Ltd	500,000	1.0
12. Victor John Plummer	500,000	1.0
13. Hazelwood Pty Ltd	484,240	1.0
14. Interbottle Pty Ltd	353,960	0.7
15. H A P Enterprises Pty Ltd	344,500	0.7
16. PCU Investment Services Pty Ltd	307,136	0.6
17. Nuno Godinho & Kathryn Mullins	232,000	0.5
18. Peter & Narelle Kirk	221,704	0.4
19. Dorvell Pty Ltd	220,670	0.4
20. Snapco Pty Ltd	206,380	0.4
	35,500,490	**70.0**

The names of the twenty largest holders of the unlisted converting preference shares are listed below:

Name	Converting Preference Shares Number Held	Converting Preference Shares Percentage of Issued Shares
1. K & G Bailey	685,892	8.9
2. Dwight Mercantile Pty Ltd	539,080	7.0
3. Dreamaster Pty Ltd	367,416	4.8
4. SMF Financial Planning Pty Ltd	279,428	3.6
5. Interbottle Pty Ltd	266,980	3.5
6. Glowshore Pty Ltd	234,132	3.0
7. Account Holdings Pty Ltd	216,640	2.8
8. Supermaster Corporation (Vic) Pty Ltd	186,036	2.4
9. Tony Payne & Associates Pty Ltd	182,988	2.4
10. PCU Investment Services Pty Ltd	153,568	2.0
11. Susan Margaret Logan	142,052	1.8
12. Peter John Kirk	141,348	1.8
13. John William Logan	132,240	1.7
14. Peter Craig Lanham & Jennifer Lanham	132,436	1.7
15. Linda Marion Gowdie	128,784	1.7
16. Kevin Bailey Corporation Pty Ltd	120,000	1.6
17. Peter Richards Consulting Pty Ltd	106,732	1.4
18. Polaneter Pty Ltd	103,504	1.3
19. Ion Whykes	96,000	1.2
20. Stella Moro	90,372	1.2
	4,305,628	**55.8**

Note: there are two remaining tranches of converting preference shares; 2005 and 2006, the holders of each tranche are identical

Unlisted options

	Number on Issue	Number of Holders
Options issued to Directors and Executives	4,720,000	30

C. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are set out below:

Name	Number Held	Percentage
Ordinary Shares		
Select Managed Funds Pty Ltd	20,278,811	39.88
ANZ Nominees Limited	5,118,105	10.06
Unlisted Options		
P Butterworth	990,000	20.97
R Hunwick	600,000	12.71
A Rutter	540,000	11.44

D. VOTING RIGHTS

In accordance with the Company's Constitution, one vote attaches to each fully paid ordinary share held. The unlisted options have no voting rights.