



KARAGI COURT Ltd

Karagi Court Limited

ANNUAL REPORT – 2009

PO Box 6232
WEST GOSFORD NSW 2250

BOARD OF DIRECTORS:

2008 - 2009

President:

Bill Richards

Vice President:

Graeme Ingall

Secretary:

David Walker

Treasurer:

John Edgington

Directors:

Max Hiron
Jim Westbrook

Fred Koch
Gary Young



KARAGI COURT Ltd

ABN 92 002 044 500
Secretary
David B Walker
267 The Scenic Road,
Killcare 2257
Phone 02 43 60 1666

Ref: KC 2054

NOTICE OF ANNUAL GENERAL MEETING.

Karagi Court limited
A Company Limited by Guarantee

Notice is given hereby that the

Annual General Meeting of Karagi Court Limited

will be held in the Board Room of the

Gosford RSL Club,

26 Central Coast Highway, WEST GOSFORD

on

Tuesday 14th April, 2009 commencing at 7-30 pm,

By Order of the Board

David B Walker
Secretary
19th February, 2009.

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KARAGI COURT Ltd

AGENDA:

- 1. Welcome. Declared open atpm.**
- 2. Proxies.**
Secretary to declare all proxies received under Rule 13.

Resolution:

'That the proxies received be accepted.'

Moved: _____ **2nd:** _____

Carried: _____

- 3. Apologies.**

Resolution:

'That the apologies be received and accepted.'

Moved: _____ **2nd:** _____

Carried: _____

- 4. Minutes of the 2008 Annual General Meeting.**

Resolution:

'That the minutes of the 2007 Annual General Meeting held on 25th March, 2008 as contained in the Annual Report be accepted.'

Moved: _____ **2nd:** _____

Carried: _____

- 5. Matters arising from the minutes.**

- 6. President's Report by Mr. Bill Richards.**

Resolution:

'The President's report be adopted.'

Moved: Bill Richards _____ **2nd:** _____

Carried: _____

7. Audit Report by Fortunity Assurance.

Resolution:

'That the audited financial report and notes, if any, by Fortunity Assurance be received and adopted and be signed by David Walker, John Edgington and Graeme Ingall.'

Moved: David Walker **2nd:**

Carried:

8. Recommendation from Fortunity Assurance.

On 10th February, 2009, this recommendation was presented to, discussed and approved by the Board.

Resolution:

'That the base capital of Karagi Court Limited be declared at \$ 3.6M and the dividends and income from that capital be declared at \$ 65,000 making a total of \$ 3.665 M to be the capital as at 31th December, 2008.'

Moved: David Walker **2nd: John Edgington**

Carried:

9. Brief Overview will be presented by the following Directors.

(The full report is contained in this Annual Report)

- i. Treasurer's 2009 Financial Summary (Part A) – Mr. David Walker.
- ii. Treasurer's 2009 Financial Summary (Part B) – Mr. John Edgington.
- iii. Secretary's Report – Mr. David Walker.
- iv. Charity Report – Mr. John Edgington.
- v. Constitution & Rules – Mr. Graeme Ingall.

Resolution:

'That the reports presented be adopted.'

Moved: **2nd:**

Carried:

10. Proposed Special Resolution.

That the Constitution of the Company be amended by inserting in the Constitution at **Rule 11.1 Line 7,**

Resolution:

' to form a finance committee to manage investments as per Clause 4.1 and report to the Board of their actions.'

Moved: I. Fred Koch **2nd: Max Hiron**

Carried:

Amendments, pertaining to the above special resolution, will be accepted.

No. 4 - MINUTES OF THE ANNUAL GENERAL MEETING OF KARAGI COURT LTD.

Held at - The Central Coast Leagues Club on Tuesday 25th March 2008.

Present: M. Hiron, G .Ingall, W. Robertson, F. Koch, G. Young, W. Richards, J. Westbrook, R. McKenzie, D. Walker and J .Edgington.

Mr. Richards took the chair and welcomed all present and opened the meeting.

Apologies: N. Finlay.

Minutes: The minutes of the AGM held on 27 March 2007 were read and confirmed as true record and were signed by the Chairman.

Correspondence: Nil.

Reports:

The Treasurer presented the audited Annual Financial Report for the year ending 31 December 2007 as prepared by Fortunity Value Creation. It was moved and that the reports be accepted. **Carried.**

Directors Report was presented as included in The Financial Report
It was moved and 2nd that the report be signed by M.R .Hiron & L.F. Koch. **Carried.**

Mr. G. Ingall presented the report on the sale of the Village and the Future Proposals as attached. John Edgington advised on discussions, he and David Walker had with a local charitable organisation.

Discussion was held on the proposals for new constitution and rules, several questions were asked and answered.

It was moved W Richards 2nd G. Ingall with prudence:

1. That we have an Interim Audit conducted to complete the sale and to settle any odd discrepancy with A.U.
2. That the above banking accounts and together with any other monies from the sale, in total, be placed with the Newcastle Permanent Bank Wyoming Branch on call at best interest rate, payable on withdrawal.
3. That the services of Warren Richardson of Richardson Legal, be engaged to write a Draft Constitution and Rules for presentation to the Special General Meeting on 0' June 2008. **Carried.**

Election of Board:

The Chairman declared all positions vacant.

It was moved and 2nd that the following people are over the age of 72 and are candidates for re-appointment as a Director of Karagi Court Ltd.

Lester Frederick Koch - 83 years 1 month
William Henry Richards - 82 years 5 months

Should those listed be re-appointed, they will hold the position until the conclusion of the Company's next AGM. **Carried.**

Mr. McKenzie took the chair and called for nominations for the ensuing 12 months. It was moved and 2nd that the following be elected.

Chairman: Mr. W. Richards

Vice Chairman: Mr. G. Ingall

Secretary-Treasurer: Mr. M. Hiron

Directors: Mr. L.F. Koch Mr. W. Robertson Mr. J. Westbrook
Mr G. Young Mr. J. Edgington Mr. D.B. Walker **Carried.**

There being no further business, the Chairman declared the meeting closed.

.....
Bill Richards
President.

Date:.....

No. 6 - PRESIDENT'S REPORT - MR. BILL RICHARDS:

To all Members, of Karagi Court Ltd.

Thank you all for coming to this, our first Annual General Meeting under the new constitution, which was approved by Members on the 9th December, 2008.

In the mid 1970's, we commenced the plans for the 'Central Coast Retirement Village'. After much planning and the climbing of many hurdles, stage one was commenced and then opened on 20th August, 1976 naming this stage, 'Karagi Court'. Two more stages were finalised and this completed the village in the early 1980's. In 1980, the 'Central Coast Retirement Village' changed its Memorandum and Articles of Association to become 'Karagi Court Limited'.

During these last thirty years, Karagi Court has served its original purpose with distinction and has housed and helped so many people. The many happy and contented residents have regarded our efforts as being very successful.

In August, 2007, an offer was made by Australian Unity to purchase the retirement village. Also, at the same time, the state government was proposing and making considerable changes to the standards of operation and the standard of accommodation to be provided. In addition, the operating and maintenance costs were continually increasing and had exceeded the income received as well as the units purchased were not selling. These extra costs were being paid from accrued monies.

Director David Walker was able to point out the future problems of remaining as a retirement care provider, the possible high costs of meeting the suggested Government changes and the need to invest in some major repairs. After many deliberations, we met to consider our alternatives. Your Board of Directors has worked hard to find solutions.

A committee of David Walker and Max Hiron was established to investigate the alternatives and after their report, it was decided to add Graeme Ingall and John Edgington to their team and I am grateful to all these Directors for their help and input.

From their report, it was decided that in the best interests of the Company, we should have Karagi Court valued and seek a buyer. At the same time, we considered changing our "modus operandi" and become a charitable company with the aim of assisting organisations and necessitous persons on the Central Coast. This included the writing of a new Constitution.

The Board supported the sale of the village and it was put to the Members, at a special meeting, who voted to adopt the recommendation. I am pleased to report that we were all in agreement and this has allowed us to move on to achieve new objectives.

I am grateful to Graeme Ingall, your Vice President, in conjunction with John Edgington and the advice and guidance from Warren Richardson, our solicitor, for the presentation of the new Constitution, which was adopted by the Extra-Ordinary General Meeting on 9th December, 2008.

In September, 2008, Max Hiron resigned as our Secretary / Treasurer and I thank him for his contribution over many years.

In October, 2008, a Finance Committee was established with our new Secretary / Treasurer David B Walker, John Edgington and Graeme Ingall who have worked tirelessly to achieve a result which can overcome the international downfall in interest rates.

The financial report is testimony to their management skills and efforts and I am grateful to this team, whose efforts have secured the Company for the start of 2009

Jim Westbrook, Fred Koch and Gary Young have been on the board for over 71 years in total and that is a lot of very valuable time to make a tremendous contribution to your Company and I personally thank them for their help and support over their time on the Board.

As we move on to new ideas and plans for your Company's future, we must be conscious of the early efforts of the many people who helped make the Karagi Court village at Bateau Bay. I think of our current members - Kevin Rubie, Neil Finlay, Bruce Hibbard, Denis Dean, Ron MacKenzie, and Jim Kirkness who have all been with us for so long and have attended meetings, when possible. I personally thank them for their contributions.

Fred Koch and I are in our eighties, and have been on the Board since its inception some 30 years ago. I feel it is now the time for new and younger people to step forward and contribute some new ideas, to ensure that the Company continues to be a successful in making a worthwhile effort for those a little less fortunate on the Central Coast.

Our Directors are promoting the new Company and we are genuinely looking for new Members, to take an active role in the future of the Company.

I wish to thank our current Secretary for commencing a "NEWSLETTER" to keep you all informed and his efforts in putting together this Annual Report.

I am joining with Fred Koch to prepare a history of Karagi Court and, if anyone has any old photos or bits n' pieces could you please let me have copies for the first 30 year report on our achievements.

Finally, I thank everyone for their personal support during 2008 and wish the Company every success for the future.

.....
Bill Richards – President.

No. 7 - AUDITOR'S REPORT BY FORTUNITY ASSURANCE.

KARAGI COURT LIMITED

ABN 92 002 044 500

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

KARAGI COURT LIMITED
ABN 92 002 044 500

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KARAGI COURT LIMITED
ABN 92 002 044 500

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2008.

The names of the directors in office at anytime during or since the end of the year are:

David Bowring Walker
Lester Frederick Koch
William Henry Richards
Graeme Kenneth Ingall
John Edgington
James Edward Westbrook
Gary Robert Young
Maxwell Robert Hiron

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The net profit of the company for the financial year amounted to \$2,184,934.

A review of the operations of the company during the financial year and the results of those operations are as follows:

The company sold the Karagi Retirement Village in March 2008.

Since that date, the company has operated as an investment company whose main objective is to donate a portion of income earned on investments to charitable organisations on the Central Coast.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of the State.

The company has paid premiums to insure its present and former directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

KARAGI COURT LIMITED
ABN 92 002 044 500

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is attached to this financial report.

Signed in accordance with a resolution of the board of directors:

Director _____
David Bowring Walker

Director _____
John Edgington

Director _____
Graeme Kenneth Ingall

Dated this Day of 2009

KARAGI COURT LIMITED
ABN 92 002 044 500

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
Revenues	2	<u>244,333</u>	<u>63,759</u>
Gross profit		244,333	63,759
Other revenue	2	2,040,505	198,691
Distribution expenses		(231)	(132)
Marketing expenses		(3,409)	(13,486)
Occupancy expenses		(4,295)	(21,324)
Administration expenses		(44,741)	(144,298)
Other expenses		<u>(42,608)</u>	<u>(123,282)</u>
Profit (loss) before income tax expense	3	2,189,554	(40,071)
Income tax expense		<u>-</u>	<u>-</u>
Profit (loss) attributable to member of the company		<u><u>2,189,554</u></u>	<u><u>(40,071)</u></u>

The accompanying notes form part of these financial statements.

KARAGI COURT LIMITED
ABN 92 002 044 500

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	3,888,044	178,129
Trade and other receivables	6	-	15,742
Financial assets	7	3,830	4,690
Other current assets	8	-	15,515
TOTAL CURRENT ASSETS		<u>3,891,874</u>	<u>214,077</u>
NON-CURRENT ASSETS			
Financial assets	7	-	120,017
Property, plant and equipment	9	27,600	3,733,251
TOTAL NON-CURRENT ASSETS		<u>27,600</u>	<u>3,853,268</u>
TOTAL ASSETS		<u><u>3,919,474</u></u>	<u><u>4,067,345</u></u>
CURRENT LIABILITIES			
Trade and other payables	10	-	11,642
Short-term provisions	11	-	3,170
Other	12	5,850	12,851
TOTAL CURRENT LIABILITIES		<u>5,850</u>	<u>27,663</u>
NON-CURRENT LIABILITIES			
Long-term provisions	11	-	2,243
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>2,243</u>
TOTAL LIABILITIES		<u>5,850</u>	<u>29,905</u>
NET ASSETS		<u><u>3,913,624</u></u>	<u><u>4,037,439</u></u>
EQUITY			
Reserves		530	2,313,899
Retained profits		3,913,094	1,723,540
TOTAL EQUITY		<u><u>3,913,624</u></u>	<u><u>4,037,439</u></u>

The accompanying notes form part of these financial statements.

KARAGI COURT LIMITED
ABN 92 002 044 500

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2008

	Share Capital			Total \$
	Retained Earnings \$	Property revaluation reserve \$	Investment fluctuation reserve \$	
Balance at 1 January 2007	1,763,611	2,312,509	1,390	4,077,510
Profit (loss) attributable to equity shareholders	(40,071)			(40,071)
Balance at 31 December 2007	1,723,540	2,312,509	1,390	4,037,439
Profit attributable to equity shareholders	2,189,554	-	-	2,189,554
Transfers from reserves	-	(2,312,509)	(860)	(2,313,369)
Balance at 31 December 2008	3,913,094	-	530	3,913,624

The accompanying notes form part of these financial statements.

KARAGI COURT LIMITED
ABN 92 002 044 500

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		82,995	237,895
Payments to suppliers		(102,427)	(288,781)
Dividends received		280	280
Interest received		229,067	8,865
Net cash provided by operating activities	14	<u>209,915</u>	<u>(41,741)</u>
Cash flows from investing activities			
Proceeds on sale of retirement village		3,500,000	-
Payment for investments		-	-
Net cash used in investing activities		<u>3,500,000</u>	<u>-</u>
Net decrease in cash held		3,709,915	(41,741)
Cash at beginning of year		178,129	219,870
Cash at end of year	14	<u><u>3,888,044</u></u>	<u><u>178,129</u></u>

The accompanying notes form part of these financial statements.

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to meet the needs of members. The directors have determined that the company is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, and the following applicable Accounting Standards and Urgent Issues Group Interpretations:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 1031:	Materiality
AASB 1048:	Interpretation and Application of Standards

No other Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

Accounting Policies

(a) Financial Assets

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

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

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(b) Revenue

Interest revenue is recognised when received.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of a service to the customers.

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

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
2. REVENUE			
Operating activities			
Telstra Corporation Limited		280	280
Interest received	2(a)	229,067	8,865
Other Income		3,695	17
Rent received		10,935	48,244
Subscriptions and donations		356	6,353
Total Revenue		244,333	63,759
Non-operating activities			
Gain on disposal of property, plant and equipment		1,988,238	-
Maintenance fees		52,267	198,691
Other Revenue		2,040,505	198,691
(a) Interest received from:			
Other corporations		229,067	8,865
3. PROFIT (LOSS) FROM OPERATING ACTIVITIES			
Expenses:			
Depreciation and amortisation expense		1,397	7,790
Net loss on disposal of non-current assets:			
Property, plant and equipment		-	647
		-	647
4. AUDITORS' REMUNERATION			
Audit		5,850	4,996
		5,850	4,996
5. CASH AND CASH EQUIVALENTS			
Cash on hand		-	200
Interest Bearing Deposits		3,499,989	115,681
Cash at bank		388,055	62,248
		3,888,044	178,129

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
6. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade debtors		-	7,649
Residents		-	7,247
Goods and services tax		-	1
Other debtors		-	845
		<u>-</u>	<u>15,742</u>
7. FINANCIAL ASSETS			
Available-for-sale financial assets		<u>3,830</u>	<u>124,707</u>
Analysis of total financial assets:			
Current		3,830	4,690
Non-current		-	120,017
		<u>3,830</u>	<u>124,707</u>
Available-for-sale financial assets comprise:			
Shares in other corporations		3,830	4,690
Village unit purchased for resale		-	120,017
		<u>3,830</u>	<u>124,707</u>
8. OTHER ASSETS			
CURRENT			
Prepayments		<u>-</u>	<u>15,515</u>
9. PROPERTY, PLANT AND EQUIPMENT			
Leasehold land		<u>-</u>	<u>3,648,790</u>
Caretakers cottage - share of lease		<u>27,600</u>	<u>27,600</u>
Property improvements		<u>-</u>	<u>5,640</u>
Total land and buildings		<u>27,600</u>	<u>3,682,030</u>
Plant and equipment		<u>-</u>	<u>82,864</u>
Less accumulated depreciation		<u>-</u>	<u>(33,950)</u>
		<u>-</u>	<u>48,915</u>
Office furniture and equipment		<u>-</u>	<u>18,026</u>
Less accumulated depreciation		<u>-</u>	<u>(15,720)</u>
		<u>-</u>	<u>2,306</u>

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
Total plant and equipment		-	51,221
Total property, plant and equipment		27,600	3,733,251
10. TRADE AND OTHER PAYABLES			
CURRENT			
Trade creditors		-	11,642
		-	11,642
11. PROVISIONS			
Analysis of Total Provisions			
Current		-	3,170
Non-current		-	2,243
		-	5,412
12. OTHER LIABILITIES			
CURRENT			
Accrued charges		5,850	8,457
Income in advance		-	4,395
		5,850	12,851
13. COMPANY DETAILS			
The registered office of the company is:			
Fortunity Erina Business Park 155 The Entrance Road ERINA NSW 2250			
The principal place of business is:			
Karagi Court Limited 267 The Scenic Road KILLCARE NSW 2257			

KARAGI COURT LIMITED
ABN 92 002 044 500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 \$	2007 \$
14. CASH FLOW INFORMATION			
(a) Reconciliation of Cash			
Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:			
Cash		-	200
Cash at Bank		388,055	62,302
Interest bearing deposits		3,499,989	157,367
		3,888,044	219,869
(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax			
Profit from ordinary activities after income tax		2,189,554	(40,071)
Non-cash flows in profit from ordinary activities:			
Depreciation		1,397	7,790
Profit on sale of assets		(1,988,238)	647
Changes in Assets & Liabilities:			
(Increase)/decrease in receivables		15,743	(15,201)
(Increase)/decrease in prepayments		15,515	1,482
Incr/(decr) in trade creditors and accruals		(18,643)	3,701
Incr/(decr) in provisions		(5,413)	(89)
Net cash provided by operating activities		209,915	(41,741)

**KARAGI COURT LIMITED
ABN 92 002 044 500**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the attached financial statements and notes are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the company
2. 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.

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

Director _____
David Bowring Walker

Director _____
John Edgington

Director _____
Graeme Kenneth Ingall

Dated this Day of 2009

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
KARAGI COURT LIMITED**

Report on the Financial Report

We have audited the financial report of Karagi Court Limited, which comprises the Balance Sheet as at 31 December 2008 and the Income Statement, Statement of Changes in Equity, and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* and Australian professional ethical pronouncements.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
KARAGI COURT LIMITED**

Auditor's Opinion

In our opinion, the financial report of Karagi Court Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian accounting Interpretations) and the Corporations Regulations 2001; and

the financial report also complies with International financial reporting standards as disclosed in Note 1.

FORTUNITY ASSURANCE

T R Davidson

ERINA

February 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Karagi Court Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

FORTUNITY ASSURANCE

T R Davidson

ERINA

February, 2009

KARAGI COURT LIMITED
ABN 92 002 044 500

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	\$	\$
INCOME		
Telstra Corporation Limited	280	280
Interest received	229,067	8,865
Other Income	3,695	17
Loss on sale of non-current assets	1,988,238	(647)
Maintenance fees	52,267	198,691
Rent received	10,935	48,244
Subscriptions and donations	356	6,353
	<u>2,284,838</u>	<u>261,803</u>
LESS EXPENDITURE		
Accountancy fees	329	11,280
Administration costs	27,477	105,665
Advertising	3,409	13,486
Auditors' remuneration	5,850	4,996
Bank charges	189	237
Commission paid	0	3,900
Consultancy fees	2,194	5,000
Depreciation	1,397	7,790
Donations	2,793	0
Electricity	221	2,359
Entertainment	38	960
Fire Services	70	295
Insurance	6,899	17,320
Legal fees	2,413	0
Motor vehicle expenses	231	132
Printing, postage and stationery	806	1,061
Rates	4,074	18,965
Repairs and maintenance	35,816	104,689
Subscriptions	352	2,151
Telephone	425	1,589
Travelling expenses	300	0
	<u>95,284</u>	<u>301,874</u>
	<u>2,189,554</u>	<u>(40,071)</u>
NET OPERATING PROFIT (LOSS)	<u>2,189,554</u>	<u>(40,071)</u>
Retained profits at the beginning of the financial year	<u>1,723,540</u>	<u>1,763,611</u>
TOTAL AVAILABLE FOR APPROPRIATION	<u>3,913,094</u>	<u>1,723,540</u>
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR	<u><u>3,913,094</u></u>	<u><u>1,723,540</u></u>

No. 8 - RECOMMENDATION FROM FORTUNITY ASSURANCE:

FORTUNITY

Value Creation

TRD/MAF:44351

5 February 2009

The Board of Directors
Karagi Court Limited
C/- 267 The Scenic Road
KILLCARE NSW 2257

Dear Sirs,

Karagi Court Limited

We have completed our audit of the company's books and records for the year ended 31 December 2008. Our audit included the reconciliation of the amounts received upon the sale of Karagi Court Retirement Village and the investment of surplus funds.

At your request we have reviewed the accounts and in accordance with the company's new constitution have determined that the company's base capital as at 19 March 2008 was \$3,600,000.

The constitution provides that the company should provide charitable donations to the value of 70% of its surplus for each year so the maximum amount of donations in relation to the year ended 31 December 2008 has been calculated as follows:-

Retained Earnings as at 31 December 2008	\$3,913,094
Less: Base capital	3,600,000
Surplus	<u>\$313,094</u>
70% available for donations	219,166
20% available for reinvestment	62,619
10% available for overheads	31,309
	<u>\$313,094</u>

Should you require any additional information please contact Tim Davidson on 4304 8888.

Yours sincerely,
FORTUNITY



Tim Davidson
Director



**MAJOR PARTNERS
2006-2010**
BUSINESS & FINANCIAL ADVISORS
TO THE CENTRAL COAST MARINERS

Directors: C. Ayling, P. Bolton, P. Cotterell,
T. Cullen, T. Davidson, J. Harwood
Consultant: D. Purkiss
Liability limited by a scheme approved under
Professional Standards Legislation

Fortunity ABN 26 756 348 361
Erina Business Park 155 The Entrance Road
PO Box 3622 Erina NSW 2250 Australia
Tel: 02 4304 8888 Fax: 02 4304 8800
info@fortunity.com.au www.fortunity.com.au

LHF_0608

No. 9 - DIRECTOR'S REPORTS:

The Director's will present an overview of their report.

I. TREASURER'S 2009 FINANCIAL SUMMARY (PART A) - MR. DAVID WALKER:

To the Members of Karagi Court Ltd.

I report in part on the financial activities of the Company

Since the sale of Karagi Court and to October, there were limited records of our financial activity. To eliminate this problem and to address the future activity of the Company, a system was developed to eliminate any of the earlier problems and have a current record of the financial position in order that donations can be recommended to the Board at any time.

As at the start of 2009 the Company's financial year, we have the following term deposits:

- **NAB** - \$500,000 3 months @ 5.6% and \$ 500,000 for 4 months @ 5.5%;
- **ANZ** - \$ 1,000,000 for 3months @ 5.6%;
- **Bendigo** - \$ 499,989 for 3 months @ 5.5%; and
- **Newcastle Permanent** - \$ 1,000,000 for 4 months @ 5.7%.

In our cheque accounts,

- **Bendigo** - we have a credit balance of \$ 6,342-91 which does not earn any interest; and
- **Newcastle Permanent** - we have a credit balance of \$381,712-41 for which we are receiving 3.8%.

Due to the international monetary problems and the fact that the Government will only guarantee the bank account up to \$ 1.0 M, we were obliged to spread our investments into four banks. We have taken the best available rates and time terms, to ensure our best returns for the first four months. What our interest rate will be in May – June and thereafter, is anybody's guess, but the effect is that our dividends will be reduced therefore, that limits the amount of money available for donations.

.....
David B Walker - Secretary / Treasurer.

II. TREASURER'S 2009 FINANCIAL SUMMARY (PART B) - MR. JOHN EDGINGTON:

To all members:

The new constitution was passed by the Members on the 9th December 2008 and as a result the position of Treasurer was separated from that of Secretary.

At the Board meeting on 13th January 2009 John Edgington, who has been a Board member since 23rd May 2006, was elected Treasurer.

I comment that the new records of the Company are easy to read and are set out in an excellent manner for the Treasurer to record the individual position in each bank account.

Apart from the financial report by David Walker, I add that we also have 1,000 Telstra shares with a market value of about \$ 4,000 and they return us 2 x \$ 140 in dividends each year.

Your Company is in a good and safe financial position to take advantage of the changes in 2009 and we should be able to plan on donating approximately \$ 120,000 if the current returns remain level.

We plan to commence a fifth TD to take the required 20 % capital increase each year, leaving the balance in the cheque account with Newcastle Permanent Bank, which is paying us a daily interest on the balance of funds.

A couple of problems were raised by the auditor – one being, the half share in Unit 4 in Kiah Lodge and the other, some items of expenditure relating to Karagi Court. Firstly, to Unit 4, Kiah Lodge - records, both minutes and auditors' records are being searched for any information relating to the purchase and lastly, certain items of expenditure are being handled by the auditor. These items may, in turn, become issues for the Board.

As at the 31st December 2008, we have met all our financial obligations and have no liabilities.

.....
John Edgington – Treasurer.

I am pleased to report that the account records were delivered to the auditor on the 6th January 2009 to cover the four active T.D's and two cheque accounts, plus the old closed two T.D's and one cheque account.

The company records are now in one place and we are endeavouring to find an acceptable filing system to cover the large amount of papers etc. This will allow us to keep the records for prosperity and be in a position to answer any questions with any authorities.

In November, 2008, the Board decided that all Board Members and Company Members current and future should be covered by Professional Insurance and Public Liability, however we ran into some early problems as the "new" Company operations were not the same as the full financial year of 2007. We have had to estimate some financial figures to substantiate the lower premiums. Your Board believes that the insurance forms part of the protection for all Members, who offer their services free of charge.

We have now commenced a Newsletter to keep members informed and propose to issue updates every quarter, following the distribution of monies to charitable organisations.

I believe this is the first printed report to Members for some many years and we are confident that the reporting method is important and that all members should be kept fully informed and up to date with the activities of the Board.

.....
David B Walker – Secretary.

IV. CHARITY REPORT
- MR. JOHN EDGINGTON:

After many months of legal wrangling with the constitution and other matters, it was very pleasing that in December 2008 our new Company reached its aims, as a charity Company to help the Central Coast Community.

We have so far made donations to number of organisations on the coast from Wyong to Woy Woy and it has been really great to have been able to have helped so many already and we look forward to helping more in the near future.

Just to list a few of the donations already made from December 2008 to February 2009 - Central Coast Outreach Services; Gosford and Wyong Hospitals; Glenvale Special Schools at Narara and also it's sister school at North Entrance; Police Boys Club, Umina; Riding for The Disabled, Kariong; Legacy Nursing Home, Wyoming and several other well deserving Charity organisations on the Central Coast, who were badly in need of a helping hand.

All Central Coast Masonic Lodges have received an invitation for a grant from us with some applications now completed. We have tried to cover all age groups, from the children to the elderly in our Community.

We are still on a learning curve, so we must work hard together in a team effort to fine tune our donations and the method of approving the funds to be given out. With this in mind we hope to confirm more donations in May 2009, if they are approved by the board. Thanks must go to all who have worked so hard in forming our new company, and we must also remember that without the vision of our early Board Members, we would not be in such a healthy position to help so many people today.

We have arranged for a large display cheque to be presented to all recipients, which will help promote the donations and the future of our efforts, within the community. During the next 12 months our interest income, will not grow as well as in the last year of 2008 and that will of course affect the volume amount we will be able to donate.

However, we will still be able to be a great help to so many in our community who badly need our assistance. Well Done KARAGI !

.....
John Edgington - Director & Charity Officer.
March 2009



**V. CONSTITUTION REPORT
- MR. GRAEME INGALL:**

In 2007, a Constitution Committee was formed comprising of Max, Hiron, John Edgington David Walker and Graeme Ingall, with direction from Warren Richardson, our solicitor.

After gaining some direction from the members, and continual updating to ensure that the Constitution was in keeping with our ideals, on 9th December, 2008, the final draft was presented to the Extra-Ordinary Meeting and, with some changes, the Constitution was adopted.

All members have received their copy, including the signed originals to Warren Richardson, solicitor; Tim Davidson, auditor; President and Secretary.

At this meeting, a minor amendment needs to be added and some minor changes may be required in the future.

Lastly, I would like to thank all those who availed themselves by making suggestions and corrections and particularly the committee.

.....
Graeme Ingall - Vice President.

No. 10 - PROPOSED SPECIAL RESOLUTION:

On 9th December, 2008, at the Extra-Ordinary General Meeting, David Walker, John Edgington and Graeme Ingall were appointed to re-invest the due investments and, where necessary, arrange investments at new financial institutions as per Rule 7.3.3.

On checking the Constitution, it was found that under Rule 11.1 (The Powers of the Board are) - 5th paragraph - ***to form committees, which shall give recommendations to the Board and for the Board to close those committees.***

Whilst the powers of the Board were sufficient, any committee so formed could only give recommendations to the Board and then the Board had to meet to give instructions.

When investing large amounts of money and in the current financial climate, interest rates change daily and at times, special interest rates would be offered. Whilst the re-investments have taken place, the finance committee is not actually authorised to make such investments, unless the Board has given approval.

For the finance committee to act immediately without calling a Special Board Meeting, which requires a minimum seven days notice, is or could be seen as working with no authority from the Board, even though they had shown due diligence.

To ensure that finance committee has the appropriate authority and right to do so, it is prudent for this special resolution be passed.

I recommend that the Proposed Special Resolution be approved.

.....
Graeme Ingall - Vice President.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS:

	<u>DOB</u>	<u>Appointed</u>	<u>22/01</u>	<u>10/06</u>	<u>7/10</u>	<u>11/11</u>	<u>Total</u>
William Henry RICHARDS	21/10/1925	18/12/1980	#	#	#	#	4/4
Graeme Kenneth INGALL	25/09/1948	26/07/2004	#	#	#	#	4/4
David Bowring WALKER	09/09/1939	22/05/2007	#	#	#	#	4/4
James Edward WESTBROOK	23/05/1938	28/02/1989	#	#	#	#	4/4
Lester Frederick KOCH	21/02/1925	18/12/1980	#	#	#	#	3/4
Gary Robert YOUNG	03/04/1945	15/03/1988	#	#			1/4
John EDGINGTON	03/03/1941	23/05/2006	#	#	#		3/4
Maxwell Robert HIRON	27/10/1942	24/02/1998	#	#		#	3/4
<u>Total</u>			8/8	8/8	5/8	6/8	

LIST OF MEMBERS: (AS OF 07.03.09)

Richard Black	#
Denis Dean	
John Edgington	
Neil Finlay	
Max Hiron	
Graeme Ingall	
Jim Kirkness	
Fred Koch	
Ron MacKenzie	
Chris Matthews	#
Neil McKay	#
Ken Morley	#
Noel Pollard	#
Bill Richards	
Kevin Rubie	
David Walker	
Jim Westbrook	
Gary Young	
Stephen Zeller	#

= Not eligible to vote.