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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden	hours per response..... 12.00

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

SEC FILE NUMBER
8-9173

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING April 1, 2004 AND ENDING March 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Associated Financial Services Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
504 Black Building

Fargo (No. and Street) North Dakota 58102
(City) (State) (Zip Code)

Robert Medhus (City) (State) (Zip Code) (701) 293-9434
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Eide Bailly LLP

(Name - if individual, state last, first, middle name)

406 Main Avenue Suite 3000 Fargo North Dakota 58126-0001
(Address) (City) (State) (Zip Code)

PROCESSED
MAY 26 2005
THOMSON FINANCIAL

SEC M... RECEIVED
MAY 23 2005
WASH. D.C. 152 SECTION

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

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**FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004**

**ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)**

ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Financial Condition	2
Operations and Stockholder's Equity	3
Cash Flows	4
Notes to Financial Statements	5
SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION	
Schedule I	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	7
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	8



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Associated Financial Services, Inc.
(A wholly-owned subsidiary of RTM, Ltd.)
Fargo, North Dakota

We have audited the accompanying statements of financial condition of **Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.)** as of March 31, 2005 and 2004, and the related statements of operations, stockholder's equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.)** as of March 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Eide Bailly LLP

Fargo, North Dakota
April 14, 2005

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ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)
STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash - general funds, including interest-bearing deposits of \$10,052 in 2005 and \$12,752 in 2004	\$ 11,247	\$ 13,364
Note receivable - Officer	24,847	24,399
Employee advance receivable	-	1,625
	<u>\$ 36,094</u>	<u>\$ 39,388</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITY		
Accrued payroll taxes	\$ 396	\$ 396
STOCKHOLDER'S EQUITY		
Common stock, par value \$10 per share		
Authorized, 9,000 shares		
Issued, 2,000 shares	20,000	20,000
Additional paid-in capital	3,000	3,000
Retained earnings	12,698	15,992
	<u>35,698</u>	<u>38,992</u>
	<u>\$ 36,094</u>	<u>\$ 39,388</u>

ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)
STATEMENTS OF OPERATIONS AND STOCKHOLDER'S EQUITY
YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
OPERATIONS		
REVENUE		
Commissions	\$ 151,047	\$ 129,748
Interest	1,128	1,332
	<u>152,175</u>	<u>131,080</u>
OPERATING EXPENSES		
Commissions	50,268	25,307
Other salaries	26,225	22,470
Officers' salaries	15,700	15,000
Office rent and utilities	11,080	12,071
Travel	7,050	5,450
Employee benefits	5,674	5,936
Telephone and postage	4,934	3,822
Dues, fees and insurance	3,462	1,428
Professional services	2,670	2,557
Office supplies	2,593	2,636
Payroll taxes	2,254	1,973
Meals and entertainment	2,165	703
Advertising	1,410	1,170
Equipment rental	494	538
Donations	140	41
Miscellaneous	650	4,130
	<u>136,769</u>	<u>105,232</u>
INCOME BEFORE INCOME TAXES	15,406	25,848
INCOME TAXES	3,200	5,100
NET INCOME	\$ 12,206	\$ 20,748

STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
BALANCE, MARCH 31, 2003	\$ 20,000	\$ 3,000	\$ 17,244	\$ 40,244
Net income	-	-	20,748	20,748
Distributions	-	-	(22,000)	(22,000)
BALANCE, MARCH 31, 2004	20,000	3,000	15,992	38,992
Net income	-	-	12,206	12,206
Distributions	-	-	(15,500)	(15,500)
BALANCE, MARCH 31, 2005	<u>\$ 20,000</u>	<u>\$ 3,000</u>	<u>\$ 12,698</u>	<u>\$ 35,698</u>

ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net income	\$ 12,206	\$ 20,748
Changes in assets and liabilities		
Accrued payroll taxes	-	83
	<u>12,206</u>	<u>20,831</u>
NET CASH FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Net changes in advance to employee	1,625	(1,625)
Net change in loans to officer	(448)	5,123
	<u>1,177</u>	<u>3,498</u>
NET CASH FROM INVESTING ACTIVITIES		
FINANCING ACTIVITY		
Distributions	(15,500)	(22,000)
	<u>(2,117)</u>	<u>2,329</u>
NET CHANGE IN CASH		
CASH AT BEGINNING OF YEAR	<u>13,364</u>	<u>11,035</u>
CASH AT END OF YEAR	<u>\$ 11,247</u>	<u>\$ 13,364</u>

ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.) is a North Dakota corporation operating as a broker/dealer in securities under the Securities Exchange Act of 1934. The Company operates one site in Fargo, North Dakota with representatives in various locations in North Dakota. The Company's primary source of revenue is providing brokerage services to its customers.

The Company operates under the provisions of Paragraph (k)(2)(I) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(I) provide that the Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with the activities as a broker/dealer, does not otherwise hold funds or securities for, or owe money or securities to customers and effectuates all financial transactions between itself and its customers through one or more bank accounts each to be designated as "Special Account for the Exclusive Benefit of Customers."

Security Transactions

Commission revenue and expenses are reflected in these financial statements as of the trade date.

Income Taxes

The Company files its income tax returns on a consolidated basis with its parent company, RTM, Ltd. The Company's provision for income taxes is determined using the separate return method. Income taxes are paid by RTM, Ltd.

Estimates

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

Cash Equivalents

The Company considers all certificates of deposit to be cash equivalents.

Advertising

Costs for advertising are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - OPERATING LEASE

The Company leases its office space under a monthly operating lease. The Company is required to pay utilities. Office lease payments, including utilities, for the years ended March 31, 2005 and 2004 were \$11,080 and \$12,071, respectively.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn or dividends paid if the resulting net capital ratio would exceed 10 to 1. As of March 31, 2004 and 2003, the Company's net capital ratio, net capital, and net capital requirements were as follows:

	<u>2005</u>	<u>2004</u>
Net capital ratio	<u>.04:1</u>	<u>.03:1</u>
Net capital	<u>\$ 10,851</u>	<u>\$ 12,968</u>
Net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The Securities and Exchange Commission has adopted certain amendments to its Net Capital Rule requiring increased minimum net capital for brokers and dealers in securities. The Company is still subject to a \$5,000 minimum net capital requirement. The Company is also subject to the requirements that if aggregate indebtedness multiplied by 6-2/3 percent is higher, the minimum net capital would be increased to the higher amount.

NOTE 4 - RESERVE REQUIREMENTS

The Company is exempt from Securities and Exchanges Commission Rule 15c3-3 under section (k)(2)(A) and, therefore, is not required to make the periodic computation for determination of reserve requirements and information relating to the possession and control requirements under Rule 15c3-3.

NOTE 5 - RELATED PARTY TRANSACTIONS

As of March 31, 2005 and 2004, the Company's unsecured 4 percent note receivable balance from one of its officers, due on demand, was \$24,847 and \$24,399, respectively. Interest income from this note receivable totaled \$1,028 and \$1,157 in the years ended March 31, 2005 and 2004, respectively.

ASSOCIATED FINANCIAL SERVICES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF RTM, LTD.)
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
MARCH 31, 2005

	<u>Schedule I</u>
NET CAPITAL	
Total stockholder's equity from the statement of financial condition	\$ 35,698
Deductions	
Nonallowable assets:	
Note receivable from officer	<u>(24,847)</u>
Net capital	<u>\$ 10,851</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS	
Minimum net capital required - higher of 6-2/3% times aggregate indebtedness or \$5,000	<u>\$ 5,000</u>
Excess net capital	<u>\$ 5,851</u>
Excess net capital at 1,000% (Net capital less 10% of total aggregate indebtedness)	<u>\$ 10,811</u>
AGGREGATE INDEBTEDNESS	
Total aggregate indebtedness included in the statement of financial condition	<u>\$ 396</u>
Ratio of aggregate indebtedness to net capital	<u>.04:1</u>
RECONCILIATION WITH COMPANY'S COMPUTATION	
Net capital per Part II of Form X-17A-5, as originally filed	\$ 10,851
Audit adjustments	<u>-</u>
	<u>\$ 10,851</u>
Total aggregate indebtedness per Part II of Form X-17A-5, as originally filed	\$ 396
Audit adjustments	<u>-</u>
	<u>\$ 396</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

The Board of Directors
Associated Financial Services, Inc.
(A Wholly-Owned Subsidiary of RTM, Ltd.)
Fargo, North Dakota

In planning and performing our audit of the financial statements and supplementary schedule of **Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.)** for the year ended March 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by **Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.)** including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons; in recordation of differences required by Rule 17a-13; and in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of **Associated Financial Services, Inc. (a wholly-owned subsidiary of RTM, Ltd.)** is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United State of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that **Associated Financial Services, Inc.'s (a wholly-owned subsidiary of RTM, Ltd.)** practices and procedures were adequate at March 31, 2005, to meet the SEC's objectives.

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



Fargo, North Dakota
April 14, 2005