Korean Community Financial Services Ltd
ACN 099 137 541

ANNUAL REPORT 2013
Chairman's report

For year ending 30 June 2013

It is my great pleasure to present the 11th Annual Report of Korean Community Financial Services Limited (Strathfield Community Bank® Branch) to our shareholders.

I am pleased to report that this year ending June 2013 has showed a great growth in our balance sheet, but net profit has been significantly reduced due to fall in gross margin and trailer fee:

- $150 million in business from $110 million in 2012
- $99.4 million in deposits from $65.6 million in 2012
- $44.0 million in loans from $37 million in 2012
- $6 million in others (super and bank guarantee) from $5.2 million in 2012
- 5,895 in accounts from 5,825 in 2012 (closed 170 dormant accounts in December 2012)
- $972,000 in revenue from $995,000 in 2012
- $63,000 in net profit before tax from $112,000 in 2012 largely due to a significant decrease in gross margin stemming from lending rate fall and reduction to 0.25% from 0.375% (previous 0.5%) of trailer fee on greater than 90 days term deposit and fixed home loan (from April 2013).

We have paid $50,000 over 30 sponsorships, donations and grants made to Korean community in the fields of sports, education, art, charity and others.

Our future still remains bright with our mid/long term plans and strategies:

- Expanding our branch to other areas like Eastwood, CBD City and Chatswood, not to mention Melbourne, Gold Coast and Perth from a long term perspective.
- Growing awareness of the Community Bank® concept as well as Bendigo and Adelaide Bank in the Korean community.
• Increasing networking points (540 branch offices plus 100 agencies) of Bendigo and Adelaide Bank in NSW and other states.

Bendigo and Adelaide Bank’s long term rating to A- from BBB+ was upgraded by International Rating Agencies such as Standard & Poors (S & P), Moody’s and Fitch since December 2011.

Bendigo and Adelaide Bank recorded $300 million net profit in the financial year ending June 2013. And they have a total branch of 540 and agencies of 100 including 300 Community Bank® branches, and they have ATM of 1,900 at all states.

The Community Bank® wide-network of 300 branches has returned more than $100 million to support and strengthen local communities.

We have had some challenges in operating and competing with other banks; we are struggling with the fact that due to Bendigo and Adelaide Bank’s conservative credit policy and a higher rate we have difficulty in writing new loans.

In September 2012, three Directors (Jeong Hyun Lee, Kwang Il Kim and D J Kim) resigned due to their own circumstances and afterwards three Directors (Soon Jae Kwon, Hong Heo and Young Soo Gong) have been newly appointed in October 2012, July 2013 and August 2013 respectively.

Now as three new Directors with extensive experiences in banking industry and professional business joined the company we have taken the new shape for the Board of Directors. Our Directors have profound commitments to the company as they have a true understanding of the Community Bank® concept, and therefore I expect they will instigate a number of positive changes including active support to our branch and effort to achieve the best outcomes for our shareholders, customers, staff and the community.

I am both proud and honoured to have the opportunity to continue to work for our Community Bank® branch as I took on the role of Chairman of our Board in October 2012. One of my major roles is to develop our business as well as create the new customer and retain the existing customers in support of our Branch Manager’s role.
We are the only ethnic Community Bank® branch amongst the 300 Community Bank® branches Australia-wide and our main target market is the Korean community.

All staff including the Branch Manager have been actively engaged in the community and joined the events organised by the local and Korean community and also they are committed to clearly differentiating our Community Bank® branch from other banks in serving our customers.

Looking into the future we may go through a hard challenge to run and maintain our operation and raising awareness of our Community Bank® branch to the young generation of Koreans. Therefore, we need to make a special effort to return more parts of our profit for attracting the young generation as they are the customers of our future.

The long term vision for our Community Bank® branch is to build on our outstanding reputation and strive to become the most valued and desired bank in Korean Community.

On behalf of the Board of Directors, I would like to take this opportunity to recognise and thank all staff for their strenuous efforts and dedication over the past 12 months.

In closing, I trust that our financial report will be satisfactory and thank you for your continued support throughout the year.

Yours sincerely,

Chang Soo Yoon
Chairman
Manager’s report

For year ending 30 June 2013

It is pleasing to report to our shareholders about our Community Bank® branch’s performance at the Annual General Meeting (AGM). It’s been a great and challenging year for both the branch and myself. We have tried to be the perfect example of a Community Bank® model for strength, commitment and engagement.

Business volume has greatly been increased to $149.6 million from $107.4 million in 2012 but net profit has been fallen by $49,000 to $62,900 due to falls in gross margin and trailer fees. Our business has continued to grow and remain stable. We have had three main strategies to boost our business; Customer Service, Relationship Building and Community connection and engagements.

As of 30 June 2013, we held 5,895 accounts and $149 million in total business. Deposit accounts totaled $44.2 million and lending totaled $99.4 million.

At the time of writing this report (25/10/13), total business currently has $147.5 million and account numbers have reached 5,905.

I would like to acknowledge the Chairman and the Directors of Korean community Financial Limited who have been active in promoting the branch, supporting both myself and my staff and identifying successful community partners and outcomes.

I would like to thank our shareholders, who not only provided the startup capital for our business, but also bank with us. To the more than 50% of shareholders whose banking business still remains elsewhere, why not give us the opportunity to be of service and see how we perform?

I would like to acknowledge the support and dedication of my team, Susan, Jin-Young, Sonia, Julie and James (new staff member). I again commend their efforts in relation to satisfying the needs of our customers and community.

In the oncoming year we will face many challenges as we are surrounded by St. George Bank and the big four banks who compete with us in the banking environment; however I am confident that with both our shareholders and customers spreading the word, our business will grow accordingly.

Thank you,

Myung Hee Park
Branch Manager
Your directors present their report on Korean Community Financial Service Limited, the company for the year ended 30 June 2013.

Directors
The names of the directors in office at any time during or since the end of the financial year are:

Sook Jin Lee Kwak
Moon Ki Kim
Yoon Sin Lee
Sun Do Kim
Joon Young Lee
Kenneth Park
Chang Soo Yoon (Appointed as Chairman on 1/10/12)
Jeong Hyun Lee (Resigned on 26/09/12)
Dong Ju Kim (Resigned on 26/09/12)
Kwang Il Kim (Resigned on 26/09/12)
Paul Soon Jae Kwon (Appointed on 1/10/12)
Hong Heo (Appointed on 28/05/13)
Young Soo Gong (Appointed on 31/07/13)

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

Principal activities
The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchise of Bendigo Bank Limited.

No significant change in the nature of these activities occurred during the year.

Dividends Paid or Recommended
Dividend of $0.05 per ordinary share has been declared during the financial year. Dividend of $36,210 was paid during the year which relates to dividend declared in the previous and current financial years. As at the balance date, $20,542 is still payable to the shareholders in respect of dividend previously declared.

Review of Operations
The profit for the financial year after providing for income tax amounted to $27,656 (2012: $68,490). This represented a slight decrease in total income earned during the year whereas moderate increase in costs from both at the head office and branch level.

A review of the operations of the company during the financial year and the results of those operations shows that the company continued to achieve a profit despite the current challenges associated with the global economy and increased competition in the local market.

Financial Review
The net assets have been decreased by 5% from 2012 to 2013 financial year. This is largely due to increase in trade creditors and dividend payable. Despite the decrease in net assets, the company still maintained strong financial position including healthy working capital ratio.
KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
ABN 52 099 137 541  
DIRECTORS' REPORT (CONT'D)

Significant Changes in State of Affairs  
During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

After Balance Date Events  
There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

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

Environmental Issues  
The company’s operations are not regulated by any significant Commonwealth or State environmental legislation. The nature of the company’s business does not give rise to any significant environmental issues.

Information on Directors

Chang Soo Yoon  
Executive Director and Chairman (Appointed on 1/10/12)  
Age: 65  
Experience: Chairman of Korean Community Financial Services Limited with 37 years of experience in banking industry  
Interest in shares: 20,000 ordinary shares of Korean Community Financial Services Limited

Hong Heo  
Non-Executive Director and Audit Committee Member (Appointed on 28/05/13)  
Age: 50  
Experience: Managing director of Helen & Henry Pty Ltd  
Interest in shares: 10,000 ordinary shares of Korean Community Financial Services Limited

Kwang Il Kim  
Non-Executive Director (Resigned on 28/09/12)  
Age: 52  
Experience: Managing Director of Hakost Pty Limited  
Interest in shares: 25,000 ordinary shares of Korean Community Financial Services Limited

Joon Young Lee  
Non-Executive Director and Company Secretary  
Age: 39  
Experience: Managing Director of GongJu Holding Pty Ltd  
Interest in shares: 35,000 ordinary shares of Korean Community Financial Services Limited
Information on Directors (CONT'D)

Sook Jin Lee Kwak
Non-Executive Director and Marketing & Sponsorship Committee Member
Age: 51
Experience: Managing Director of Jae My Holdings Pty Limited
Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

Yoon Sin Lee
Non-Executive Director and Public Relations Coordinator
Age: 55
Experience: Managing Director of The Sydney Korean Herald
Interest in shares: 500 ordinary shares of Korean Community Financial Services Limited

Sun Do Kim
Non-Executive Director and Marketing & Sponsorship Committee Member
Age: 54
Experience: Managing Director of Sun Do Motors
Interest in shares: 48,000 ordinary shares of Korean Community Financial Services Limited

Kenneth Park
Non-Executive Director and Marketing & Sponsorship Committee Member
Age: 52
Experience: Managing Director of Dental Focus
Interest in shares: 20,000 ordinary shares of Korean Community Financial Services Limited

Young Soo Gong
Non-Executive Director and Treasurer (Appointed on 31/07/13)
Age: 61
Experience: Managing Director of IMT Global Company Limited
Interest in shares: 10,000 ordinary shares of Korean Community Financial Services Limited

Moon Ki Kim
Non-Executive Director and Human Resources Committee Member
Age: 59
Experience: Managing Director of New-Tech C & C Pty Limited
Interest in shares: 5,000 ordinary shares of Korean Community Financial Services Limited

DongJoo Kim
Non-Executive Director (Resigned on 26/09/12)
Age: 39
Experience: Managing Director of Matrix Education Pty Ltd
Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

Paul Soon Jae Kwon
Non-Executive Director and Governance Committee Member (Appointed on 1/10/12)
Age: 52
Experience: PSK legal lawyers
Interest in shares: 10,000 ordinary shares of Korean Community Financial services Limited
Directors' Benefits
No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which the Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors Meetings
The numbers of Directors' meeting attended by each of the Directors of the company during the year were:

<table>
<thead>
<tr>
<th>Number of Meetings Held:</th>
<th>12</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number of Meetings Attended:</th>
<th>No. of Meetings Eligible Attend</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chang Soo Yoon</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Jeong Hyun Lee</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Moon Ki Kim</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Sun Do Kim</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Sook Jin Lee Kwak</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Joon Young Lee</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Yoon Sin Lee</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Kenneth Park</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Paul Soon Jae Kwon</td>
<td>12</td>
<td>6</td>
</tr>
</tbody>
</table>

Share Options
No options were granted nor shares issued as a result of the exercise of options during the financial year or since the end of the financial year. No unissued shares are subject to options as at the date of this report.

Indemnification of Officer or Auditor
The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs of expenses to defend legal proceedings; with the exception of the following matter.

During the year the company paid a premium to insure the directors listed in this report against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of directors of the company. The terms of the policy prohibit disclosure of the premium paid.

Proceedings on Behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.
Company Secretary
The following person held the position of company secretary at the end of the financial year: Joon Young Lee - Managing director of GongJu Holding Pty Ltd.

Auditors Independence Declaration
The auditor independence declaration under Section 307C of the Corporations Act 2001 forms part of this Directors Report and is attached on page 6.

Signed in accordance with a resolution of the Board of Directors:

Chang Soo Yoon
Chairman

Dated at Sydney this 20 day of OCT. 2013
AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001

As lead auditor of Korean Community Financial Services Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

Frank Vrachas
Partner

Rothsay Chartered Accountants

Sydney, 30 October 2013
<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2</td>
<td>$972,035</td>
<td>$995,304</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>3 (a)</td>
<td>$(214,232)</td>
<td>$(257,638)</td>
</tr>
<tr>
<td>Borrowing costs expense</td>
<td>3 (b)</td>
<td>$(351)</td>
<td>$(40)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>$(364,689)</td>
<td>$(307,106)</td>
</tr>
<tr>
<td>Occupancy costs expense</td>
<td></td>
<td>$(147,190)</td>
<td>$(141,194)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>3 (c)</td>
<td>$(38,547)</td>
<td>$(34,192)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td></td>
<td>$(144,063)</td>
<td>$(143,178)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td></td>
<td>$62,963</td>
<td>$111,956</td>
</tr>
<tr>
<td>Income tax (expense) / benefit</td>
<td>4</td>
<td>$(35,307)</td>
<td>$(43,466)</td>
</tr>
<tr>
<td>Net profit after income tax</td>
<td></td>
<td>$27,656</td>
<td>$68,490</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>$27,656</td>
<td>$68,490</td>
</tr>
<tr>
<td>Profit attributable to members</td>
<td></td>
<td>$27,656</td>
<td>$68,490</td>
</tr>
<tr>
<td>Total comprehensive income attributable to members</td>
<td></td>
<td>$27,656</td>
<td>$68,490</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5</td>
<td>234,117</td>
</tr>
<tr>
<td>Trade and other receivable</td>
<td>6</td>
<td>82,950</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>317,067</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>7</td>
<td>39,891</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>8</td>
<td>138,508</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>48,693</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>10</td>
<td>10,992</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>238,084</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>555,151</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>11</td>
<td>136,906</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>12</td>
<td>31,630</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>19,903</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td></td>
<td>188,441</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>12</td>
<td>22,025</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>12,596</td>
</tr>
<tr>
<td><strong>TOTAL NON CURRENT LIABILITIES</strong></td>
<td></td>
<td>34,621</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>223,062</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>332,089</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued Capital</td>
<td>14</td>
<td>897,300</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td></td>
<td>(565,211)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>332,089</td>
</tr>
</tbody>
</table>
## Statement of Changes in Equity
### For the Year Ended 30 June 2013

<table>
<thead>
<tr>
<th></th>
<th>Share Capital $</th>
<th>Accumulated Losses $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July 2012</strong></td>
<td>897,300</td>
<td>(548,003)</td>
<td>349,297</td>
</tr>
<tr>
<td>Profit / (Losses) for period</td>
<td>-</td>
<td>27,656</td>
<td>27,656</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>897,300</td>
<td>(520,347)</td>
<td>376,953</td>
</tr>
<tr>
<td>Transaction with owners in their capacity as owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend declared during the year</td>
<td>-</td>
<td>(44,865)</td>
<td>(44,865)</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2013</strong></td>
<td>897,300</td>
<td>(565,212)</td>
<td>332,088</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Share Capital $</th>
<th>Accumulated Losses $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July 2011</strong></td>
<td>897,300</td>
<td>(616,483)</td>
<td>280,807</td>
</tr>
<tr>
<td>Profit / (Losses) for period</td>
<td>-</td>
<td>68,490</td>
<td>68,490</td>
</tr>
<tr>
<td>Total Comprehensive Income For The Period</td>
<td>897,300</td>
<td>(548,003)</td>
<td>349,297</td>
</tr>
<tr>
<td>Transaction with owners in their capacity as owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend declared during the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2012</strong></td>
<td>897,300</td>
<td>(548,003)</td>
<td>349,297</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
## KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
### ABN 52 099 137 541
### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED 30 JUNE 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers and franchisor</td>
<td>985,682</td>
<td>992,526</td>
</tr>
<tr>
<td>Interest received</td>
<td>11,138</td>
<td>7,847</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(825,115)</td>
<td>(850,410)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(4,153)</td>
<td>(3,828)</td>
</tr>
<tr>
<td>Income Tax Paid</td>
<td>(28,736)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>15(b)</td>
<td>138,816</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for plant and equipment</td>
<td>(32,939)</td>
<td>(5,504)</td>
</tr>
<tr>
<td>Payment for intangible assets</td>
<td>(60,866)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from other non-current assets</td>
<td>11,060</td>
<td>-</td>
</tr>
<tr>
<td>Payments made for other non-current assets</td>
<td>(34,019)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td></td>
<td>(116,764)</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend Paid</td>
<td>(36,210)</td>
<td>(2,980)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>32,432</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(14,767)</td>
<td>(9,439)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td></td>
<td>(18,545)</td>
</tr>
<tr>
<td><strong>Net increase in cash held</strong></td>
<td>1,777</td>
<td>128,212</td>
</tr>
<tr>
<td><strong>Cash at beginning of financial year</strong></td>
<td>232,340</td>
<td>104,128</td>
</tr>
<tr>
<td><strong>Cash at end of financial year</strong></td>
<td>234,117</td>
<td>232,340</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.

- 11 -
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Korean Community Financial Services Limited.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a 'for-profit' entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report except for cash flow statement has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 30 October 2013 by the directors of Korean Community Financial Services Ltd.

(a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on the taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.
(b) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis or fair value less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated on a diminishing value basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Class of fixed asset</th>
<th>Depreciation rates</th>
<th>Depreciation basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture &amp; Equipment</td>
<td>5%-11%</td>
<td>Diminishing Value</td>
</tr>
</tbody>
</table>

(c) Employee Entitlements

Provision is made for the company’s liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(d) Cash and Cash Equivalent

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than 14 days and net of bank overdrafts.

(e) Revenue and Other Income

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

(f) Financial Instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument’s category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss, or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the ‘finance income’ or ‘finance costs’ line item respectively.

(g) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company’s management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Company has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

(l) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

(j) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include listed securities and its investment in Example Investment Company.

Purchases and sales of available-for-sale investments are recognised on settlement date.

The investment in [investment name] is reported at cost less any impairment charges, as its fair value cannot currently be reliably estimated.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(k) Financial Liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

(l) Impairment of Financial Assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial Assets at Amortised Cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

(n) Available-for-sale Financial Assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(o) Impairment of Non-Financial Assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(p) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of cash-generating unit to which the asset belongs.

(s) Intangibles

Franchise fees paid for the right to use the brand name and operating systems of the franchisor are recognised as an intangible asset. The asset is recognised initially at cost and amortised over a period of 5 years representing the term of the franchise agreement.

(t) 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 Taxation 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 expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(u) Payment Terms

Receivables and payables are non-interest bearing and generally have payment terms between 30 and 90 days. Receivables are recognised and carried at original invoice less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the company.

(v) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on short-term and long-term borrowings.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

(w) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable or redeemable only at the company’s option, and any dividends are discretionary.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

(x) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership that are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(y) Going Concern

The financial report has been prepared on a going concern basis, which assumes that the company will be able to pay its debts as and when they fall due. The directors have based this assessment on the following:

- The franchisor Bendigo Bank Ltd agreed to continue to financially support Korean Community Financial Services Ltd over 2013/2014 financial year by way of appropriate working capital and/or term debt facilities.

- For the year ended 30 June 2013, the company has realised a profit after income tax of $27,656 and net asset of $332,089.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

(z) Critical Accounting Estimates and Judgements
The directors evaluate estimates and judgements incorporated into 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.

Key estimates – Impairment
The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(aa) New Accounting Standards for Application in Future Periods
The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. The company does not believe that those future requirements and their impact on the company will be significant. Further assessments will be made each year. The company’s assessment of new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below.

<table>
<thead>
<tr>
<th>Standard Name</th>
<th>Impact</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 9 Financial Instruments and amending standards</td>
<td>Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to de-recognition of financial instruments.</td>
<td>30 June 2016</td>
<td>The impact of AASB 9 has not yet been determined as the entire standard has not been released.</td>
</tr>
<tr>
<td>AASB 2010-7 / AASB 2012-6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 10 Consolidated Financial Statements</td>
<td>AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.</td>
<td>30 June 2014</td>
<td>The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.</td>
</tr>
</tbody>
</table>
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

(aa) New Accounting Standards for Application in Future Periods (CONT’D)

<table>
<thead>
<tr>
<th>Standard</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 13 Fair Value Measurement</td>
<td>30 June 2014</td>
<td>AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.</td>
</tr>
</tbody>
</table>
| AASB 119 Employee Benefits (September 2011) | 30 June 2014 | The main changes in this standard relate to the accounting for defined benefit plans and are as follows:

- elimination of the option to defer the recognition of gains and losses (the 'corridor method');
- requiring remeasurements to be presented in other comprehensive income; and
- enhancing the disclosure requirements. |

Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required.

The entity has not yet determined the magnitude of any changes which may be needed.

Some additional disclosures will be needed.

Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact.

Where the entity has a defined benefit plan, the impact of this standard should be calculated and disclosed.

(ab) Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.8 The directors are satisfied that the services disclosed below did not compromise the external auditor’s independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.
NOTE 2: REVENUE
Operating activities
- Service fees  
  $980,897  $966,183
- Interest  
  11,138  7,847
- Other  
  -  1,274

Total revenue  
972,035  995,304

NOTE 3: PROFIT FOR THE YEAR
Profit / (losses) from ordinary activities before income tax expenses (income tax revenue) has been determined after
Expenses:
(a) Cost of sales:
  - Share of fixed overhead costs of Franchisor  
    214,232  257,638

(b) Borrowing costs:
  - Other persons  
    3,511  40

(c) Depreciation and amortisation of non-current assets
  - Furniture and equipment  
    15,188  16,204
  - Motor Vehicle  
    11,186  7,988
  - Franchise Fees  
    12,173  10,000

Total depreciation and amortisation  
38,547  34,192

Rental expense on operating leases  
110,644  100,236

Wages and salaries  
315,116  277,581
NOTE 4: INCOME TAX EXPENSE

A. The components of tax expense comprise:
   - Current tax expense $32,478
   - Deferred tax expense $2,829

B. The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:
   Prima facie income tax payable on profit from ordinary activities before income tax at 30% $18,889
   Add:
   Tax effect of:
   - Other non-allowable items $15,238
   - Movement in timing difference $1,180

   Income tax expense attributable to entity $35,307

C. DEFERRED INCOME TAX

Deferred income tax at 30 June 2013 as follows:
   Closing balance of current and non-current provisions 9,750
   Non-deductible motor vehicle depreciation 1,242
   Non-deductible expenses relating to franchise renewal
   Tax losses carried forward

   Deferred Income Tax Asset 10,992

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank and in hand

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>234,117</td>
<td>232,278</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>234,117</td>
<td>232,340</td>
</tr>
</tbody>
</table>
NOTE 6: RECEIVABLES

CURRENT
Trade Debtors $62,950  85,991
Income Tax Refundable - 19,052
Other Receivable - 24

$82,950 105,067

Trade receivables are non-interest bearing receivables and the terms are generally within 30 days. Trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. No provision was required at the end of 30 June 2013.

Other receivables related to costs reimbursable to the company from outside parties.

There are no balances within trade and other receivables that contain assets that are past due and not impaired. It is expected these balances will be received when due.

NOTE 7: OTHER ASSETS

Non-CURRENT
Deposits paid 8,266  19,326
Bank Guarantee 31,625 -

$39,891 19,326

NOTE 8: PLANT AND EQUIPMENT

(a) Plant and equipment
At cost 316,260  312,805
Less accumulated depreciation (219,956) (204,768)
96,304 108,037

(b) Motor Vehicle
At cost 93,767  64,282
Less accumulated depreciation (51,563) (40,376)
42,204 23,906
NOTE 8: PLANT AND EQUIPMENT (CONT'D)

(c) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

<table>
<thead>
<tr>
<th></th>
<th>Plant &amp; Equipment</th>
<th>Motor Vehicle</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>108,037</td>
<td>23,906</td>
<td>131,943</td>
</tr>
<tr>
<td>Additions</td>
<td>3,455</td>
<td>29,484</td>
<td>32,939</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(15,188)</td>
<td>(11,186)</td>
<td>(26,374)</td>
</tr>
<tr>
<td>Carrying amount at end of year</td>
<td>96,304</td>
<td>42,204</td>
<td>138,508</td>
</tr>
</tbody>
</table>

NOTE 9: INTANGIBLE ASSETS

NON-CURRENT
Franchise fees at cost | 60,866 | 100,000
Less accumulated amortisation | (12,173) | (100,000)
| 48,693 |

NOTE 10: DEFERRED TAX ASSETS

Deferred tax assets | 10,992 | 13,821
| 10,992 | 13,821 |

NOTE 11: PAYABLES

CURRENT
Trade creditors | 58,168 | 27,442
Other payables | 269 | -
GST liabilities | 32,604 | 16,748
Payroll deductions payable | 20,607 | 13,359
Provision for income tax | 3,718 | 19,052
Dividend payable | 20,542 | 11,887
| 136,908 | 88,469 |
### NOTE 12: INTEREST BEARING LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liability</td>
<td>31,630</td>
<td>10,346</td>
</tr>
<tr>
<td>NON-CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liability</td>
<td>22,025</td>
<td>25,645</td>
</tr>
<tr>
<td></td>
<td>53,655</td>
<td>35,990</td>
</tr>
</tbody>
</table>

### NOTE 13: PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>19,903</td>
<td>16,482</td>
</tr>
<tr>
<td>NON-CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>12,596</td>
<td>12,230</td>
</tr>
<tr>
<td>(a) Aggregate employee benefits liability</td>
<td>32,499</td>
<td>28,722</td>
</tr>
<tr>
<td>(b) Number of employees at year-end</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

### NOTE 14: CONTRIBUTED EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully paid ordinary shares – refer to 14(a)</td>
<td>897,300</td>
<td>897,300</td>
</tr>
<tr>
<td></td>
<td>897,300</td>
<td>897,300</td>
</tr>
</tbody>
</table>

(a) Ordinary Shares (893,000 shares issued in total)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the reporting period</td>
<td>897,300</td>
<td>897,300</td>
</tr>
<tr>
<td>Shares bought back during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At reporting date</td>
<td>897,300</td>
<td>897,300</td>
</tr>
</tbody>
</table>
NOTE 14: CONTRIBUTED EQUITY (CONT’D)

(b) Fully Paid Ordinary Shares

Ordinary Shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Unpaid Ordinary Shares

Unpaid ordinary shares are not entitled to a vote when a poll is called.

(d) Dividend Paid
Unfranked dividend declared and/or paid during the year

\[
\begin{array}{cc}
2013 & 2012 \\
$ & $
\end{array}
\]

44,865  2,980

(e) Capital Management

Management controls the capital of the company in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The company’s debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company’s capital by assessing the company’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.
NOTE 15: CASH FLOW INFORMATION

(a) Reconciliation of cash
Cash at the end of the financial year as shown in the statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at hand</td>
<td>234,055</td>
<td>232,278</td>
</tr>
<tr>
<td>Trust Account</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>

Total: 234,117 232,340

(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from ordinary activities after income tax</td>
<td>27,656</td>
<td>68,490</td>
</tr>
<tr>
<td>Non-cash flows in profit from ordinary activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>26,374</td>
<td>24,192</td>
</tr>
<tr>
<td>Amortisation</td>
<td>12,173</td>
<td>10,000</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) / decrease in receivables</td>
<td>3,066</td>
<td>6,943</td>
</tr>
<tr>
<td>(Increase) / decrease in deferred tax assets</td>
<td>2,829</td>
<td>43,466</td>
</tr>
<tr>
<td>Increase / (decrease) in payables</td>
<td>57,224</td>
<td>(3,429)</td>
</tr>
<tr>
<td>Increase / (decrease) in provisions</td>
<td>7,494</td>
<td>(3,527)</td>
</tr>
</tbody>
</table>

Total: 138,816 146,135

NOTE 16: CAPITAL & LEASING COMMITMENTS

(a) Operating lease
Non-cancellable operating leases contracted for but not capitalised in the financial statements

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- not later than 1 year</td>
<td>126,500</td>
<td>141,878</td>
</tr>
<tr>
<td>- later than 1 year but not later than 5 years</td>
<td>468,494</td>
<td>688,284</td>
</tr>
</tbody>
</table>

Total: 594,994 830,162

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require minimum lease payments shall be increased by 3% in years 2, 4 and 5 and 5% in year 3.

However, the above annual rent increment is subject to negotiation with the lessor.
NOTE 16: CAPITAL & LEASING COMMITMENTS (CONT’D)

2013  2012
$       $

(b) Finance lease

Payable:
- not later than 1 year  31,630  13,227
- later than 1 year but not later than 5 years  22,025  26,720

Minimum lease payments  53,655  39,947
Less : future finance charge  (4,735)  (3,956)

Present value of minimum lease payments  48,920  35,991

The finance lease relates to motor vehicles purchased on 4 December 2009 and 15 October 2012.

NOTE 17: FINANCIAL RISK MANAGEMENT


The company's financial instruments consist mainly of overdraft facility with its franchisor, short-term investments, accounts receivable and payable, loans to or from franchisor, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for company operation.

The company does not have any derivative instruments at 30 June 2013.

I. Treasury Risk Management

The board of directors meet on a regular basis to analyse financial risk exposures and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The directors’ overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

II. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follow:
## NOTE 17: FINANCIAL RISK MANAGEMENT (CONT'D)

<table>
<thead>
<tr>
<th></th>
<th>Weighted Average Effective Interest Rate</th>
<th>Non-Interest Bearing</th>
<th>Fixed Interest Rate</th>
<th>Floating Interest Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>30 June 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>234,117</td>
<td>-</td>
<td>-</td>
<td>234,117</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td>122,841</td>
<td>-</td>
<td>-</td>
<td>122,841</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td></td>
<td>356,958</td>
<td>-</td>
<td>-</td>
<td>356,958</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors and accruals</td>
<td></td>
<td>136,908</td>
<td>-</td>
<td>-</td>
<td>136,908</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>7.50%</td>
<td>-</td>
<td>53,655</td>
<td>-</td>
<td>53,655</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td></td>
<td>32,499</td>
<td>-</td>
<td>-</td>
<td>32,499</td>
</tr>
<tr>
<td>Total Financial Liabilities</td>
<td></td>
<td>169,407</td>
<td>53,655</td>
<td>-</td>
<td>223,062</td>
</tr>
<tr>
<td><strong>Net Financial Assets/(Liabilities)</strong></td>
<td></td>
<td>187,551</td>
<td>(53,655)</td>
<td>-</td>
<td>133,896</td>
</tr>
<tr>
<td><strong>30 June 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>232,340</td>
<td>-</td>
<td>-</td>
<td>232,340</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td>124,393</td>
<td>-</td>
<td>-</td>
<td>124,393</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td></td>
<td>356,733</td>
<td>-</td>
<td>-</td>
<td>356,733</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors and accruals</td>
<td></td>
<td>88,488</td>
<td>-</td>
<td>-</td>
<td>88,488</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>7.50%</td>
<td>-</td>
<td>35,990</td>
<td>-</td>
<td>35,990</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td></td>
<td>28,721</td>
<td>-</td>
<td>-</td>
<td>28,721</td>
</tr>
<tr>
<td>Total Financial Liabilities</td>
<td></td>
<td>117,209</td>
<td>35,990</td>
<td>-</td>
<td>153,199</td>
</tr>
<tr>
<td><strong>Net Financial Assets/(Liabilities)</strong></td>
<td></td>
<td>239,524</td>
<td>(35,990)</td>
<td>-</td>
<td>203,534</td>
</tr>
</tbody>
</table>
NOTE 17: FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk
The company is not exposed to fluctuations in foreign currencies.

Liquidity risk
The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The total overdraft facility is $100,000.

Credit Risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There is no material amounts of collateral held as security at 30 June 2013.

Credit risk is managed on a company basis and reviewed regularly by the board of directors. It arises from exposures to customers as well as through certain deposits with financial institutions.

The board of directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

With the exception of the franchisor, the company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Price risk
The company is not exposed to any material commodity price risk.

Net Fair Values
The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at year end.
NOTE 17: FINANCIAL RISK MANAGEMENT (CONT’D)

b. Sensitivity Analysis

Interest Rate Risk
The company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis:

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate applicable to the overdraft, with all the other variables remaining constant, would be as follow:

<table>
<thead>
<tr>
<th>Change in profit after tax</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in interest rate</td>
<td>($553)</td>
<td>($1,369)</td>
</tr>
<tr>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in interest rate</td>
<td>$553</td>
<td>$1,369</td>
</tr>
<tr>
<td>2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Change in equity

| Increase in interest rate  | ($553)   | ($1,369) |
| 2%                         |          |          |
| Decrease in interest rate  | $553     | $1,369   |
| 2%                         |          |          |

NOTE 18: RELATED PARTY DISCLOSURES

The names of Directors who have held office during the financial year are:

Kwang Il Kim (Resigned on 26/09/12)
Sook Jin Lee Kwak
Jeong Hyun Lee (Resigned on 26/09/12)
Moon Ki Kim
Yoon Sin Lee
Sun Do Kim
Joon Young Lee
Kenneth Park
DongJoo Kim (Resigned on 26/09/12)
Chang Soo Yoon (Appointed on 1/10/12)
Paul Soon Jae Kwon (Appointed on 1/10/12)
Hong Heo (Appointed on 28/05/13)
Young Soo Gong (Appointed on 31/07/13)

The directors may from time to time hold deposit and loan accounts with the franchisor that are originated by the company. The directors are subject to the same terms and conditions as other arm’s length customers.

Except for the above, no other directors or related entity entered into a material contract or transactions with the company during the year.
NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

The total of remuneration of Key Personnel Management (KPM) of the company during the year are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>56,244</td>
<td>-</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>4,769</td>
<td>-</td>
</tr>
<tr>
<td>Total KMP compensation</td>
<td>61,013</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTE 20: AFTER BALANCE DATE EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 21: CHANGE IN ACCOUNTING POLICY

A number of accounting standards have been issued or amended during or since the end of the year which will only apply for future years. It is not expected that the amendments will impact the financial results of the company in future years.

NOTE 22: COMPANY DETAILS

The registered office of the company is:
Korean Community Financial Services Limited
44 The Boulevard
Strathfield NSW

NOTE 23: CONTINGENCIES LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2013 (30 June 2012: None).
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 33 are in accordance with the Corporations Act 2001:
   (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statement, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (b) give a true and fair view of the financial position as at 30 June 2013 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.

Chang Soo Yoon  
Chairman

Dated at Sydney this 20 day of OCT. 2013
INDEPENDENT AUDITOR’S REPORT

To the members of Korean Community Financial Services Limited


We have audited the accompanying financial report of Korean Community Financial Services Limited which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Directors’ Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Korean Community Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Korean Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Rothsay Chartered Accountants

[Signature]

Frank Vrachas
Partner

Sydney, 30 October 2013