

**KOREAN COMMUNITY FINANCIAL SERVICES LTD**  
**ABN 52 099 137 541**

**Annual REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

Il Hoon Cho – Chairperson



ASSURANCE OF BETTER RESULTS – A RESULT OF 6 YEARS OF  
HARD TOILS

Dear shareholders,

On behalf of the Board of Directors, I would like to convey my sincere and heartfelt gratitude to you for your important role in making our company a financial centre of our local and Korean Community.

It is particularly pleasing to report to you of the company's sound financial position at the sixth anniversary of our community bank and deep appreciation must also be extended to our loyal customers.

I am also pleased to report to you that we have now more than 5000 accounts with business volume of more than 100 million dollars. Furthermore, the fact that we are able to pay dividends to you two years in a row after initial difficulties speaks for sound operation of our community bank.

Dear shareholders,

excellent results we are presently rejoicing are products of combined efforts of Mr. C. S. Yoon, our branch manager and his dedicated staff and unrelenting adherence by directors of 'community first banking concept'.

The success so far should not make us complacent as there are many more obstacles we have to overcome before fulfilling our true potentials.

First of all, we must always be mindful of existence of our competitions since they are giving us with backhand compliments by constantly endeavouring to outbid us in every department in local banking activities.

Secondly, the tough economic and financial times ahead of us provide us with formidable challenges and only our resolute and united stance will see us through what is truly a difficult financial passage before we reach our ultimate aim of catering for all our local financial and banking needs.

That is why I am urging you, fellow directors and the staff of our community bank to concentrate on a big picture of the Community First Concept on which our company was first built so as to ensure that our local community will be look after in every sense.

I thank you for your efforts in making our community bank what it is today and look forward serving you all in the future with same dedication that I had in the beginning of our collective journey to a better local community.

15 October 2008

Il Hoon Cho

Chairman of the Board of Directors  
Korean Community Financial Services Limited

## **Branch Manager's Report**

Dear Shareholders



It is pleased to report to our shareholders about our community bank branch's performance and the current financial market environment on the occasion of Annual General Meeting (AGM). It is certainly amazing how quickly time passes and as I reflect on the past, it does not seem like six years ago that we celebrated the opening of our Branch.

I can honestly say that I am very proud of the wonderful accomplishments since we opened our doors for business despite the difficulties that can be encountered in opening and operating a viable banking business.

I am very delighted to advise that our Strathfield Community Bank has passed \$100m in business footings and the realisation of this milestone is an excellent reflection of our customer's satisfaction in our Community Bank and their confidence in our team. The account numbers have been increased to more than 6,000 from 4,000 last year and more importantly we continue to open the new accounts at a rate of more than 150 each month, which I believe is a positive sign for steady growth in the future. In line with this growing business we have achieved break-even point last year and now continue to make a net profit each month.

Our Community Branch initiatives clearly demonstrate our commitment to the community and our customers and also demonstrate that we are able to generate our success through the success of our customer and community.

We differentiate ourselves from competitors simply due to our higher level customer service which is appreciated by all segments of our market. We also pride ourselves on this exceptional customer service and strive to build better relationship with all of our customers.

We can report that our customers are not coming to our branch simply for competitive pricing alone. As I reflect on this further, I can also add that this is an excellent result given the intensive competitive market and environment in which we operate in the Strathfield community.

I believe that Bendigo Bank's merger with Adelaide Bank Ltd will see the combination of strong and complementary retail and wholesale businesses provide greater diversity in funding and revenues which will be of further benefit to our customers. Bendigo and Adelaide Bank has 500 retail transactional outlets including 220 community bank branches in the banking network in Australia and also has more than 500 ATM's and 10,000 EFTPOS devices.

Recently people are feeling about the challenges now facing the financial system and the global economy, which have been largely caused by collapsed sub-prime mortgage market in the United States. Australia's economy continues to perform strongly and is in a good position to weather the global financial storm. Australia enjoys strong employment, interest rates are declining and domestic banks are

reporting very low levels of non-performing loans. Australian banking system generally is soundly managed, well capitalized and strong regulated.

Bendigo Bank was established in 1858 and has a history of most conservative lending offering long term stability to its customers. It too has very low levels of non-performing loans and has a strong balance sheet which provides good security for customers.

Over our 150 year history Bendigo Bank has declared a profit each year and it has without fail honoured its depositors. Our customer will not be disadvantaged by the changing conditions in the global financial markets.

The Government's guarantee on all depositors is a positive reinforcement of the safety of our customers' investment which has always been well protected by the strength of the bank's balance sheet, more than \$2.1 billion of capital and our sound and conservative lending practices.

We are all proud of the fact that we have made a lot of donations to Korean and local community every year. Sponsorship is and continues to be an important part of our support for our community. Our financial contributions are most welcomed by those needy charitable, sporting, cultural, educational and artistic groups which all form part of the Strathfield community and Korean community.

In closing, I would like to express a special thanks to our customers, shareholders, Board of Directors, staff and Bendigo team who support and encourage us to make our business a growing success.

November 2008  
Chang Soo Yoon  
Branch Manager

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**DIRECTORS' REPORT**

Your directors present their report on the company for the year ended 30 June 2008.

**Directors**

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

Il Hoon Cho  
Jin-Kyu Chung  
Kwang Il Kim  
Sook Jin Lee Kwak  
Keith Kwon  
Jeong Hyun Lee  
Jeong Ho Lim  
Un Dok Pak  
Moon Ki Kim  
Yoon Sin Lee  
Sun Do Kim  
Chang Soo Yoon

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.

**Operating Results**

The profit for the financial year after providing for income tax amounted to \$321,139 (2007: \$56,494). Included in that amount is an income tax benefit recognised for \$204,071.

**Dividends Paid or Recommended**

Dividends paid or declared since the start of the financial year are as follow:

(a) An unfranked dividend of \$53,838 was declared on 25 August 2008 for payment for the year ended 30 June 2008.

**Review of Operations**

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

- Revenue increased by 21% compared to prior year due to an increase in the number of customers opening accounts with the company with an average of new 100 to 150 accounts per month;
- Net profit before income tax increased by 107% compare to prior year;
- These factors resulted in a surplus of net asset of \$168,540 for the first time since the incorporation of the company. Net assets also increased due to recognition of deferred tax assets of \$204,071.

Based on the above the management believes that the company has performed satisfactorily for the year ended 30 June 2008.

**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**

The franchisor of the company, Bendigo Bank Limited, has agreed to provide the necessary working capital by way of an Overdraft facility to the company. The overdraft facility has been provided to support the company's operations for the 2008/09 financial year and will be provided so long as the company fulfils its ongoing responsibilities under the franchise agreement and continues to work with Bendigo Bank Limited to further develop its business.

Other than the above, 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 regulated by the relevant Commonwealth and State legislation. The nature of the company's business does not give rise to any significant environmental issues.

**Information on Directors**

**Il Hoon Cho**

**Chairman**

Age: 61

Experience: Managing Director of Han Yang Trading Co.

Interest in shares: 40,000 ordinary shares of Korean Community Financial Services Limited

**Un Dok Pak**

**Deputy Chairman**

Age: 46

Experience: Managing Partner of KP Lawyers

Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

**Jin-Kyu Chung**

**Director**

Age: 57

Experience: Managing Director of Malubel Pty Limited

Interest in shares: 11,500 ordinary shares of Korean Community Financial Services Limited

**Kwang Il Kim**

**Director**

Age: 47

Experience: Managing Director of Hakost Pty Limited

Interest in shares: 60,000 ordinary shares of Korean Community Financial Services Limited

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**DIRECTORS' REPORT (CONT'D)**

**Information on Directors (cont'd)**

**Sook Jin Lee Kwak**

**Director**

Age: 46

Experience: Managing Director of Segi Pty Limited

Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

**Yoon Sin Lee**

**Director**

Age: 50

Experience: Managing Director of The Sydney Korean Herald

Interest in shares: 500 ordinary shares of Korean Community Financial Services Limited

**Chang Soo Yoon**

**Director**

Age: 59

Experience: Currently a branch manager of Bendigo Bank at Strathfield

Interest in shares: 50,000 ordinary shares of Korean Community Financial Services Limited

**Sun Do Kim**

**Director**

Age: 49

Experience: Managing Director of Sun Do Motors

Interest in shares: None

**Keith Kwon**

**Director and Company Secretary**

Age: 46

Experience: Managing Partner of KP Lawyers

Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

**Jeong Hyun Lee**

**Director**

Age: 54

Experience: Managing Director of Sunshine Group Australia Pty Limited

Interest in shares: 12,500 ordinary shares of Korean Community Financial Services Limited

**Moon Ki Kim**

**Director**

Age: 54

Experience: Managing Director of New-Tech C & C Pty Limited

Interest in shares: 30,000 ordinary shares of Korean Community Financial Services Limited

**Jeong Ho Lim**

**Director**

Age: 44

Experience: Managing Director of Trade Ocean International(Aust) Pty Limited

Interest in shares: 5,000 ordinary shares of Korean Community Financial Services Limited

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
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**DIRECTORS' REPORT (CONT'D)**

**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 number of Directors meetings attended by each of the Directors of the company during the year were:

**Number of Meetings Held:**

**12**

**Number of Meetings Attended:**

**No. of Meetings  
Eligible Attend**

**No. of Meetings  
Attended**

Il Hoon Cho	12	12
Un Dok Pak	12	12
Jin-Kyu Chung	12	4
Kwang Il Kim	12	4
Keith Kwon	12	10
Jeong Hyun Lee	12	10
Jeong Ho Lim	12	-
Moon Ki Kim	12	3
Chang Soo Yoon	12	10
Sun Do Kim	12	10
Yoon Sin Lee	12	11
Sook Jin Lee Kwak	12	6
Won Jai Kim	12	10

**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.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
ABN 52 099 137 541

DIRECTORS' REPORT (CONT'D)

**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.

**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:



Il Hoon Cho  
Director



Un Dok Pak  
Director

Dated this 13<sup>th</sup> day of October 2008

AUDITOR'S INDEPENDENCE DECLARATION

To : The Directors  
Korean Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

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

*WHK Horwath Sydney*  
WHK HORWATH SYDNEY

  
DAVID SINCLAIR

Dated this 13<sup>th</sup> day of October 2008

The accompanying notes form part of these financial statements.

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KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
ABN 52 099 137 541

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
Revenue	2	847,014	707,456
Cost of sales	3	<u>(216,535)</u>	<u>(187,713)</u>
Gross profit		630,479	519,743
Borrowing costs expense	3	(20,958)	(19,875)
Employee benefits expense		(212,831)	(212,525)
Occupancy costs expense		(137,584)	(103,280)
Depreciation and amortisation expense	3	(27,946)	(30,032)
Administration expenses		<u>(114,092)</u>	<u>(97,537)</u>
Profit before income tax		117,068	56,494
Income tax benefit	4	<u>204,071</u>	-
Profit for the year		<u>321,139</u>	<u>56,494</u>

The accompanying notes form part of these financial statements.

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

	Notes	2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash assets	5	502	1,832
Receivables	6	81,702	67,887
Other assets	7	<u>19,326</u>	<u>10,660</u>
<b>TOTAL CURRENT ASSETS</b>		<u>101,530</u>	<u>80,379</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	8	144,499	159,135
Other assets	9	40,000	50,000
Deferred tax assets	10	<u>204,071</u>	<u>-</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>388,570</u>	<u>209,135</u>
<b>TOTAL ASSETS</b>		<u>490,100</u>	<u>289,514</u>
<b>CURRENT LIABILITIES</b>			
Payables	11	101,576	78,440
Interest bearing liabilities	12	146,684	205,904
Provisions	13	<u>790</u>	<u>22,754</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>249,050</u>	<u>307,098</u>
<b>NON CURRENT LIABILITIES</b>			
Payables	11	70,000	75,971
Provisions	13	2,510	4,760
Interest bearing liabilities	12	<u>-</u>	<u>9,419</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>72,510</u>	<u>90,150</u>
<b>TOTAL LIABILITIES</b>		<u>321,560</u>	<u>397,248</u>
<b>NET ASSETS / (DEFICIENCY)</b>		<u>168,540</u>	<u>(107,734)</u>
<b>EQUITY</b>			
Contributed equity	14	897,300	897,300
Accumulated profits/(Loss)		<u>(728,760)</u>	<u>(1,005,034)</u>
<b>TOTAL EQUITY</b>		<u>168,540</u>	<u>(107,734)</u>

The accompanying notes form part of these financial statements.

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**STATEMENT OF CHANGE IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Share Capital \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2007</b>	897,300	(1,005,034)	(107,734)
Share issued during the year	-	-	-
Dividend declared during the year	-	(44,865)	(44,865)
Profit / (Losses) attributable to the entity for period	-	321,139	321,139
<b>Balance at 30 June 2008</b>	<u>897,300</u>	<u>(728,760)</u>	<u>168,540</u>

	Share Capital \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2006</b>	897,300	(1,061,528)	(164,228)
Share issued during the year	-	-	-
Profit / (Losses) attributable to the entity for period	-	56,494	56,494
<b>Balance at 30 June 2007</b>	<u>897,300</u>	<u>(1,005,034)</u>	<u>(107,734)</u>

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 2008**

	Notes	2008 \$	2007 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and franchisor		903,520	697,754
Interest received		459	-
Payments to suppliers and employees		(744,888)	(576,817)
Interest paid		<u>(20,958)</u>	<u>(19,875)</u>
Net cash used in operating activities	15 (b)	<u>138,133</u>	<u>101,062</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(3,310)	(959)
Payment for franchise fee		-	(50,000)
Payment for other deposits		<u>(8,666)</u>	<u>(2,000)</u>
Net cash used in investing activities		<u>(11,976)</u>	<u>(52,959)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend Paid		(32,880)	-
Repayment of borrowings		<u>(35,387)</u>	<u>(9,597)</u>
Net cash provided by financing activities		<u>(68,267)</u>	<u>(9,597)</u>
Net increase/(decrease) in cash held		57,890	38,506
Cash at beginning of financial year		<u>(204,072)</u>	<u>(242,578)</u>
Cash at end of financial year	15 (a)	<u>(146,182)</u>	<u>(204,072)</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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.

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.

Financial report 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.

**(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.

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'D)**

**(b) Plant and Equipment**

Each class of property 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:

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
Furniture & Equipment	5%-11%	Diminishing Value

**(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**

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**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'D)**

**(f) Impairment of Assets**

At each reporting date, the group 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 group estimates the recoverable amount of cash-generating unit to which the asset belongs.

**(g) Intangibles**

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

**(h) 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 Statement of Financial Position are shown inclusive of GST.

**(i) 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.

**(j) 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.

**(k) Comparative Figures**

Where required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'D)**

**(l) 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. Notwithstanding the deficiency in working capital as at 30 June 2008, directors are confident that the company will continue to operate as a going concern. 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 2008/2009 financial year by way of appropriate working capital and/or term debt facilities.
- For the year ended 30 June 2008, the company has realised a profit before income tax of \$117,068.

**(m) 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.

No impairment has been recognised in respect of franchise fee for the year ended 30 June 2008 as company realised a profit before income tax of \$117,068 which exceeded budget.

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
<b>NOTE 2: REVENUE</b>		
<b>Operating activities</b>		
- service fees	846,533	701,856
- interest	459	-
- other	<u>22</u>	<u>5,600</u>
	<u>847,014</u>	<u>707,456</u>
 <b>NOTE 3: PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit / (losses) from ordinary activities before income tax expenses (income tax revenue) has been determined after:		
Expenses:		
Cost of sales:		
- Share of fixed overhead costs of Franchisor	<u>216,535</u>	<u>187,713</u>
Borrowing costs:		
- Other persons	<u>20,958</u>	<u>19,875</u>
Depreciation of non-current assets		
- Furniture and equipment	<u>17,946</u>	<u>20,230</u>
Amortisation of non-current assets		
- Franchise Fees	<u>10,000</u>	<u>9,802</u>
Rental expense on operating leases	<u>105,541</u>	<u>90,196</u>
Wages and salaries	<u>209,755</u>	<u>184,945</u>

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
<b>NOTE 4: INCOME TAX EXPENSE / (BENEFIT)</b>		
The prima facie tax payable on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit/(loss) from ordinary activities before income tax at 30%	35,120	16,948
Add:		
Tax effect of:		
- Other non-allowable items	11,706	15,181
- Benefit of temporary differences not previously brought to account	(20,616)	-
- Benefit of tax losses not previously brought to account	(230,281)	-
- Benefit of tax losses not brought to account	<u>-</u>	<u>(32,129)</u>
Income tax benefit attributable to operating loss	<u>(204,071)</u>	<u>-</u>

**DEFERRED INCOME TAX**

Deferred income tax at 30 June 2008 as follows:

Closing balance of current and non-current provisions	990	-
Accruals deductible in subsequent financial year	1,626	-
Non deductible franchise fee	18,000	
Tax losses carried forward	<u>183,455</u>	<u>-</u>
Deferred Income Tax Asset	<u>204,071</u>	<u>-</u>
Franking credits available at year end	<u>-</u>	<u>-</u>

	2008 \$	2007 \$
--	------------	------------

**NOTE 5: CASH ASSETS**

Cash at Hand	500	1,830
Trust Account	<u>2</u>	<u>2</u>
	<u>502</u>	<u>1,832</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	2008	2007
	\$	\$
<b>NOTE 6: RECEIVABLES</b>		
CURRENT		
Trade Debtors	78,678	64,863
Other Receivable	<u>3,024</u>	<u>3,024</u>
	<u>81,702</u>	<u>67,887</u>

**NOTE 7: OTHER ASSETS**

CURRENT		
Deposits paid	<u>19,326</u>	<u>10,660</u>

**NOTE 8: PLANT AND EQUIPMENT**

PLANT AND EQUIPMENT		
(a) Plant and equipment		
At cost	283,774	280,464
Less accumulated depreciation	<u>(139,275)</u>	<u>(121,329)</u>
Total plant and equipment	<u>144,499</u>	<u>159,135</u>

**(a) Movements in Carrying Amounts**

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

	Plant & equipment	Total
	\$	\$
<b>2008</b>		
Balance at the beginning of the year	159,135	159,135
Additions	3,310	3,310
Depreciation expense	<u>(17,946)</u>	<u>(17,946)</u>
Carrying amount at end of year	<u>144,499</u>	<u>144,499</u>

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**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
<b>NOTE 9: OTHER ASSETS</b>		
Franchise fees		
At cost	100,000	100,000
Less accumulated amortisation	<u>(60,000)</u>	<u>(50,000)</u>
	<u>40,000</u>	<u>50,000</u>
<b>NOTE 10: DEFERRED TAX ASSETS</b>		
Deferred tax assets	<u>204,071</u>	<u>-</u>
	<u>204,071</u>	<u>-</u>
<b>NOTE 11: PAYABLES</b>		
<b>CURRENT</b>		
Trade creditors	20,540	17,160
GST liabilities	48,335	21,678
Sundry creditors and accruals	20,716	19,602
Other Loan	-	20,000
Dividend Payable	<u>11,985</u>	<u>-</u>
	<u>101,576</u>	<u>78,440</u>
<b>NON-CURRENT</b>		
Directors' loan (Refer Note 19)	<u>70,000</u>	<u>75,971</u>
	<u>171,576</u>	<u>154,411</u>
<b>NOTE 12: INTEREST BEARING LIABILITIES</b>		
<b>CURRENT</b>		
Bank overdraft (Refer Note 1(l))	<u>146,684</u>	<u>205,904</u>
<b>NON-CURRENT</b>		
Mortgage Loan	<u>-</u>	<u>9,419</u>
	<u>146,684</u>	<u>215,323</u>
<b>NOTE 13: PROVISIONS</b>		
<b>CURRENT</b>		
Employee entitlements	12(a) <u>790</u>	<u>22,754</u>
<b>NON-CURRENT</b>		
Employee entitlements	12(a) <u>2,510</u>	<u>4,760</u>
	<u>3,300</u>	<u>27,514</u>
(a) Aggregate employee benefits liability		
(b) Number of employees at year-end	<u>6</u>	<u>6</u>

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	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 14: CONTRIBUTED EQUITY</b>		
Fully paid ordinary shares – refer to 14(a)	<u>897,300</u>	<u>897,300</u>
	<u>897,300</u>	<u>897,300</u>

**(a) Ordinary Shares**

At the beginning of the reporting period	897,300	897,300
Movements during the year	<u>-</u>	<u>-</u>
At reporting date	<u>897,300</u>	<u>897,300</u>

**(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 during the year of \$0.05 per share	<u>44,865</u>	<u>-</u>
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**(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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
<b>NOTE 15: CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
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:		
Cash at hand	500	1,830
Trust Account	2	2
Cash at Bank/(Overdraft)	<u>(146,684)</u>	<u>(205,904)</u>
	<u>(146,182)</u>	<u>(204,072)</u>
<b>(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax</b>		
Profit from ordinary activities after income tax	321,139	56,494
Non-cash flows in profit from ordinary activities		
Depreciation	17,946	20,230
Amortisation	10,000	9,802
Changes in assets and liabilities		
(Increase) / decrease in receivables	(13,815)	(9,702)
(Increase) / decrease in deferred tax assets	(204,071)	-
Increase / (decrease) in payables	31,150	11,579
Increase / (decrease) in provisions	<u>(24,216)</u>	<u>12,659</u>
Cash flows from operations	<u>138,133</u>	<u>101,062</u>

**NOTE 16: CAPITAL & LEASING COMMITMENTS**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable:

- not later than 1 year	117,031	100,662
- later than 1 year but not later than 5 years	<u>406,742</u>	<u>333,205</u>
	<u>523,773</u>	<u>433,867</u>

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 increase by 10% in years 2, 4 and 5% in year 3.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 17: FINANCIAL RISK MANAGEMENT**

**a. Financial Risk Management Policies**

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 2008.

**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:

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Weighted Average Effective Interest Rate	Fixed Interest Rate		Total \$
		Non- Interest Bearing \$	Floating Interest Rate \$	
	%			
<b>30 June 2008</b>				
Cash		502	-	502
Receivables		101,028	-	101,028
<b>Total Financial Assets</b>		<u>101,530</u>	<u>-</u>	<u>101,530</u>
<b>Financial Liabilities</b>				
Overdrafts	11.60%	-	146,684	146,684
Trade creditors and accruals		171,576	-	171,576
Employee Entitlements		3,300	-	3,300
<b>Total Financial Liabilities</b>		<u>174,876</u>	<u>146,684</u>	<u>321,560</u>
<b>Net Financial Assets/(Liabilities)</b>		<u>(73,346)</u>	<u>(146,684)</u>	<u>(220,030)</u>
<b>30 June 2007</b>				
Cash		1,832	-	1,832
Receivables		78,547	-	78,547
<b>Total Financial Assets</b>		<u>80,379</u>	<u>-</u>	<u>80,379</u>
<b>Financial Liabilities</b>				
Overdrafts	10.15%	-	205,904	205,904
Trade creditors and accruals		154,413	-	154,413
Employee Entitlements		27,514	-	27,514
<b>Total Financial Liabilities</b>		<u>181,927</u>	<u>205,904</u>	<u>387,831</u>
<b>Net Financial Assets/(Liabilities)</b>		<u>(101,548)</u>	<u>(205,904)</u>	<u>(307,452)</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

*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 \$300,000.

*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 2008.

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 Statement of Financial Position. The company does not have any unrecognised financial instruments at year end.

**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 2008, 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:

	2008	2007
Change in profit after tax		
— Increase in interest rate by 2%	(2,054)	(2,883)
— Decrease in interest rate by 2%	2,054	2,883
Change in equity		
— Increase in interest rate by 2%	(2,054)	(2,883)
— Decrease in interest rate by 2%	2,054	2,883

**NOTE 18: RELATED PARTY DISCLOSURES**

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

Il Hoon Cho  
Jin-Kyu Chung  
Kwang Il Kim  
Sook Jin Lee Kwak  
Keith Kwon  
Jeong Hyun Lee  
Jeong Ho Lim  
Un Dok Pak  
Moon Ki Kim  
Yoon Sin Lee  
Sun Do Kim  
Chang Soo Yoon

Keith Kwon and Un Dok Pak, partners of KP Lawyers provided secretarial services of \$1,682.  
The company has repaid directors loan amount of \$5,000 to Un Dok Pak.

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.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 19: RELATED PARTY TRANSACTIONS**

	2008	2007
	\$	\$
As at balance date, the following Directors provided unsecured at call loans to the company:		
Sun Do Kim	20,000	20,000
Il Hoon Cho	10,000	10,000
Jeong Hyun Lee	10,000	10,000
Kwang Il Kim	10,000	10,000
Jin Kyu Chung	5,000	5,000
Un Dok Pak	5,000	10,000
Sook Jin Lee Kwak	<u>10,000</u>	<u>10,000</u>
	<u>70,000</u>	<u>75,000</u>

No interest is payable by the loan and is payable by the company at call.

**NOTE 20: SEGMENT REPORTING**

The company operates in one business and geographical segment, being the franchisee who manages the community bank branch on behalf of Bendigo Bank in Australia.

**NOTE 21: COMPANY DETAILS**

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

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Il Hoon Cho  
Director



Un Dok Pak  
Director

Dated this 13<sup>th</sup> day of October 2008



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

**Report on the financial report**

We have audited the accompanying financial report of Korean Community Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretation) and the *Corporations Act 2001*. The responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

*Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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*, provided to the directors of Korean Community Financial Services Limited on 13 October 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.



WHK Horwath

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
ABN 52 099 137 541

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

*Auditor's 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 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK Horwath Sydney  
WHK HORWATH SYDNEY

DAVID SINCLAIR

Dated this 13<sup>th</sup> day of October 2008