

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

GENERAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

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 2011.

Directors

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

Kwang Il Kim
Sook Jin Lee Kwak
Keith Kwon
Jeong Hyun Lee
Un Dok Pak
Moon Ki Kim
Yoon Sin Lee
Sun Do Kim
Joon Young Lee
Kenneth Park
DongJoo Kim (Appointed 20/11/10)

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 \$104,722 (2010: \$43,856).

Dividends Paid or Recommended

No dividend was declared since the start of the financial year. Dividend of \$960 was paid during the year.

Review of Operations

A review of the operations of the company during the financial year and the results of those operations shows that the company had increased its revenue and net profit after tax by 12% and 139% respectively.

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.

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

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 if required. The overdraft facility will be provided to support the company's operations for the 2011/2012 financial year if necessary 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.

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

Un Dok Pak

Deputy Chairman

Age: 49

Experience: Managing Partner of KP Lawyers

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

Kwang Il Kim

Director

Age: 50

Experience: Managing Director of Hakost Pty Limited

Interest in shares: 55,000 ordinary shares of Korean Community Financial Services Limited

Joon Young Lee

Director

Age: 37

Experience: Managing Director of Gong Ju Holding Pty Ltd

Interest in shares: 35,000 ordinary shares of Korean Community Financial Services Limited

Sook Jin Lee Kwak

Director

Age: 49

Experience: Managing Director of Segi Pty Limited

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

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

Information on Directors (cont'd)

Yoon Sin Lee
Director

Age: 53

Experience: Managing Director of The Sydney Korean Herald

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

Sun Do Kim
Director

Age: 52

Experience: Managing Director of Sun Do Motors

Interest in shares: 48,000 ordinary shares of Korean Community Financial Services Limited

Keith Kwon
Director and Company Secretary

Age: 49

Experience: Managing Partner of KP Lawyers

Interest in shares: 10,000 ordinary shares of Korean Community Financial Services Limited

Jeong Hyun Lee
Director

Age: 57

Experience: Managing Director of Sunshine Group Australia Pty Limited

Interest in shares: 32,500 ordinary shares of Korean Community Financial Services Limited

Moon Ki Kim
Director

Age: 57

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

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

Seung Chun Park
Director

Age: 50

Experience: Managing Director of Dental Focus Pty Ltd

Interest in shares: 20,000 ordinary shares of Korean Community Financial Services Limited

DongJoo Kim
Director

Age: 37

Experience: Managing Director of Matrix Education Pty Ltd

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

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

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: **13**

Number of Meetings Attended:	No. of Meetings Eligible Attend	No. of Meetings Attended
Un Dok Pak	13	13
Kwang Il Kim	13	1
Keith Kwon	13	13
Jeong Hyun Lee	13	7
Moon Ki Kim	13	2
Sun Do Kim	13	12
Yoon Sin Lee	13	4
Sook Jin Lee Kwak	13	10
Joon Young Lee	13	11
Kenneth Park	13	3
DongJoo Kim	13	8

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.

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

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.

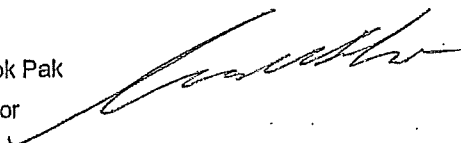
The company was not a party to any such proceedings during the year.

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:

Un Dok Pak
Director



Dated at Sydney this 26 day of October 2011

The Directors
Korean Community Financial Services Limited
44 The Boulevard
STRATHFIELD NSW 2135

26 October 2011

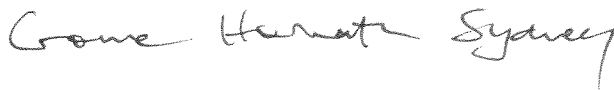
Dear Sir,

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

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

As lead audit principal for the audit of the financial statements of the Korean Community Financial Services Limited, for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



CROWE HORWATH SYDNEY



ROGER WONG
Principal



Liability limited by a scheme approved under Professional Standards Legislations

Crowe Horwath Sydney Pty Ltd is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

The accompanying notes form part of these financial statements.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Revenue	2	1,046,317	931,832
Cost of sales	3	(242,023)	(260,719)
Borrowing costs expense	3	(6,354)	(16,283)
Employee benefits expense		(307,565)	(306,910)
Occupancy costs expense		(152,769)	(123,340)
Depreciation and amortisation expense	3	(38,575)	(39,150)
Administration expenses		<u>(127,743)</u>	<u>(111,761)</u>
Profit before income tax		171,288	73,669
Income tax (expense) / benefit	4	<u>(66,566)</u>	<u>(29,813)</u>
Net profit after income tax		<u>104,722</u>	<u>43,856</u>
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		<u>104,722</u>	<u>43,856</u>
Profit attributable to members		<u>104,722</u>	<u>43,856</u>

The accompanying notes form part of these financial statements.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	2011 \$	2010 \$
CURRENT ASSETS			
Cash assets	5	104,128	1,260
Receivables	6	92,958	167,700
Other assets	7	<u>19,326</u>	<u>19,326</u>
TOTAL CURRENT ASSETS		<u>216,412</u>	<u>188,286</u>
NON-CURRENT ASSETS			
Plant and equipment	8	150,418	176,411
Other assets	9	10,000	20,000
Deferred tax assets	10	<u>57,287</u>	<u>123,853</u>
TOTAL NON-CURRENT ASSETS		<u>217,705</u>	<u>320,264</u>
TOTAL ASSETS		<u>434,117</u>	<u>508,550</u>
CURRENT LIABILITIES			
Payables	11	75,631	50,642
Interest bearing liabilities	12	9,439	212,002
Provisions	13	<u>23,261</u>	<u>19,304</u>
TOTAL CURRENT LIABILITIES		<u>108,331</u>	<u>281,948</u>
NON CURRENT LIABILITIES			
Provisions	13	8,989	5,087
Interest bearing liabilities	12	<u>35,990</u>	<u>45,430</u>
TOTAL NON CURRENT LIABILITIES		<u>44,979</u>	<u>50,517</u>
TOTAL LIABILITIES		<u>153,310</u>	<u>332,465</u>
NET ASSETS		<u>280,807</u>	<u>176,085</u>
EQUITY			
Contributed equity	14	897,300	897,300
Accumulated Losses		<u>(616,493)</u>	<u>(721,215)</u>
TOTAL EQUITY		<u>280,807</u>	<u>176,085</u>

The accompanying notes form part of these financial statements.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Share Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010			
Share issued during the year	897,300	(721,215)	176,085
Shares issued during the year	-	-	-
Dividend declared during the year	-	-	-
Profit / (Losses) attributable to the entity for period	-	104,722	104,722
Balance at 30 June 2011	<u>897,300</u>	<u>(616,493)</u>	<u>280,807</u>

	Share Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009			
Share issued during the year	859,300	(765,071)	94,229
Shares issued during the year	38,000	-	38,000
Dividend declared during the year	-	-	-
Profit / (Losses) attributable to the entity for period	-	43,856	43,856
Balance at 30 June 2010	<u>897,300</u>	<u>(721,215)</u>	<u>176,085</u>

The accompanying notes form part of these financial statements.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers and franchisor		1,048,898	930,174
Interest received		523	194
Payments to suppliers and employees		(724,655)	(872,968)
Interest paid		<u>(6,354)</u>	<u>(16,283)</u>
Net cash provided by operating activities	15(b)	<u>318,412</u>	<u>41,117</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant and equipment		<u>(2,582)</u>	<u>(18,743)</u>
Net cash used in investing activities		<u>(2,582)</u>	<u>(18,743)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid		(960)	(21,221)
Proceeds from share issue		-	38,000
Repayment of borrowings		<u>(8,612)</u>	<u>(42,857)</u>
Net cash used in financing activities		<u>(9,572)</u>	<u>(26,078)</u>
Net increase/(decrease) in cash held		306,258	(3,704)
Cash at beginning of financial year		<u>(202,130)</u>	<u>(198,426)</u>
Cash at end of financial year	15(a)	<u>104,128</u>	<u>(202,130)</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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.

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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(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:

Class of fixed asset	Depreciation rates	Depreciation basis
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 2011

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

(f) 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.

(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 Balance Sheet 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(k) 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.

(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. 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 2011/2012 financial year by way of appropriate working capital and/or term debt facilities.
- For the year ended 30 June 2011, the company has realised a profit after income tax of \$104,722 and net asset of \$280,807.

(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 2011 as company realised a profit after income tax of \$104,722 which exceeded budget.

(n) 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.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 2: REVENUE		
Operating activities		
- Service fees	1,043,521	931,484
- Interest	523	194
- Other	<u>2,273</u>	<u>154</u>
	<u>1,046,317</u>	<u>931,832</u>
 NOTE 3: PROFIT FROM ORDINARY ACTIVITIES		
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>242,023</u>	<u>260,719</u>
Borrowing costs:		
- Other persons	<u>6,354</u>	<u>16,283</u>
Depreciation of non-current assets		
- Furniture and equipment	17,959	14,995
- Motor Vehicle	<u>10,616</u>	<u>14,155</u>
	<u>28,575</u>	<u>29,150</u>
Amortisation of non-current assets		
- Franchise Fees	<u>10,000</u>	<u>10,000</u>
Rental expense on operating leases	<u>100,347</u>	<u>106,703</u>
Wages and salaries	<u>271,892</u>	<u>272,714</u>

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 4: INCOME TAX EXPENSE / (BENEFIT)		
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/(loss) from ordinary activities before income tax at 30%	51,386	22,101
Add:		
Tax effect of:		
- Other non-allowable items	13,297	6,242
- Movement in timing difference	1,883	1,470
Income tax expense attributable to operating loss	<u>66,566</u>	<u>29,813</u>
DEFERRED INCOME TAX		
Deferred income tax at 30 June 2011 as follows:		
Closing balance of current and non-current provisions	8,261	7,317
Accruals deductible in subsequent financial year	-	400
Non deductible motor vehicle depreciation	352	469
Tax losses carried forward	<u>48,674</u>	<u>115,667</u>
Deferred Income Tax Asset	<u>57,287</u>	<u>123,853</u>
NOTE 5: CASH ASSETS		
Cash at Hand	104,066	1,198
Trust Account	<u>62</u>	<u>57,287</u>
	<u>104,128</u>	<u>1,260</u>

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 6: RECEIVABLES		
CURRENT		
Trade Debtors	92,934	95,551
Other Receivable	<u>24</u>	<u>72,149</u>
	<u><u>92,958</u></u>	<u><u>167,700</u></u>

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 2011.

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

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

NOTE 8: PLANT AND EQUIPMENT

(a) Plant and equipment		
At cost	307,300	304,718
Less accumulated depreciation	<u>(188,776)</u>	<u>(170,817)</u>
	<u><u>118,524</u></u>	<u><u>133,901</u></u>
 (b) Motor Vehicle		
At cost	64,282	64,282
Less accumulated depreciation	<u>(32,388)</u>	<u>(21,772)</u>
	<u><u>31,894</u></u>	<u><u>42,510</u></u>

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 52 099 137 541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

	Plant & equipment \$	Motor Vehicle \$	Total \$
2011			
Balance at the beginning of the year	133,901	42,510	176,411
Additions	2,582	-	2,582
Depreciation expense	<u>(17,959)</u>	<u>(10,616)</u>	<u>(28,575)</u>
Carrying amount at end of year	<u>118,524</u>	<u>31,894</u>	<u>150,418</u>
		2011 \$	2010 \$

NOTE 9: OTHER ASSETS

Franchise fees

At cost

100,000 100,000

Less accumulated amortisation

(90,000) (80,000)

10,000 20,000

NOTE 10: DEFERRED TAX ASSETS

Deferred tax assets

57,287 123,853

57,287 123,853

NOTE 11: PAYABLES

CURRENT

Other payables

34,763 12,442

GST liabilities

19,923 15,231

Sundry creditors and accruals

6,079 7,143

Dividend Payable

14,866 15,826

75,631 50,642

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 12: INTEREST BEARING LIABILITIES

	2011	2010
	\$	\$
CURRENT		
Bank overdraft (Refer Note 1(l))	-	203,390
Lease liability	<u>9,439</u>	<u>8,612</u>
	<u>9,439</u>	<u>212,002</u>
NON-CURRENT		
Lease liability	<u>35,990</u>	<u>45,430</u>
	<u>45,429</u>	<u>257,432</u>

NOTE 13: PROVISIONS

CURRENT		
Employee entitlements	<u>23,261</u>	<u>19,304</u>
NON-CURRENT		
Employee entitlements	<u>8,989</u>	<u>5,087</u>
(a) Aggregate employee benefits liability	<u>32,250</u>	<u>24,391</u>
(b) Number of employees at year-end	<u>8</u>	<u>8</u>

NOTE 14: CONTRIBUTED EQUITY

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	859,300
Shares bought back during the year	-	-
Shares issued during the year	<u>-</u>	<u>38,000</u>
At reporting date	<u>897,300</u>	<u>897,300</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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.

2011	2010
\$	\$

(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	_____ - _____	<u>21,220</u>
---	---------------	---------------

(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.

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
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:		
Cash at hand	104,066	1,198
Trust Account	62	62
Cash at Bank/(Overdraft)	<u>-</u>	<u>(203,390)</u>
	<u>104,128</u>	<u>(202,130)</u>
 (b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	104,722	43,856
Non-cash flows in profit from ordinary activities		
Depreciation	28,575	29,150
Amortisation	10,000	10,000
Changes in assets and liabilities		
(Increase) / decrease in receivables	74,741	(73,211)
(Increase) / decrease in deferred tax assets	66,566	29,814
Increase / (decrease) in payables	25,949	(5,432)
Increase / (decrease) in provisions	<u>7,859</u>	<u>6,940</u>
Cash flows from operations	<u><u>318,412</u></u>	<u><u>283,859</u></u>

NOTE 16: CAPITAL & LEASING COMMITMENTS

(a) Operating lease

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

Payable:

- not later than 1 year	148,688	135,171
- later than 1 year but not later than 5 years	<u>-</u>	<u>148,688</u>
	<u><u>148,688</u></u>	<u><u>283,859</u></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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: CAPITAL & LEASING COMMITMENTS (CONT'D)

	2011	2010
	\$	\$
(b) Finance lease		
Payable:		
- not later than 1 year	13,227	13,227
- later than 1 year but not later than 5 years	<u>39,947</u>	<u>53,174</u>
Minimum lease payments	<u>53,174</u>	<u>66,401</u>
Less : future finance charge	(7,744)	(12,359)
Present value of minimum lease payments	<u><u>45,430</u></u>	<u><u>54,042</u></u>

The finance lease relates to motor vehicle purchased on 4 December 2009. The term of lease is five years with the residual payment of \$21,208.50.

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 2011.

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 2011

NOTE 17: FINANCIAL RISK MANAGEMENT (CONT'D)

	Weighted Average Effective Interest Rate %	Non-Interest Bearing \$	Fixed Interest Rate \$	Floating Interest Rate \$	Total \$
30 June 2011					
Cash		104,128	-	-	104,128
Receivables		112,284	-	-	112,284
Total Financial Assets		<u>216,412</u>	<u>-</u>	<u>-</u>	<u>216,412</u>
Financial Liabilities					
Trade creditors and accruals		75,631	-	-	75,631
Lease liabilities	9.20%	-	45,429	-	45,429
Employee Entitlements		32,250	-	-	32,250
Total Financial Liabilities		<u>107,881</u>	<u>45,429</u>	<u>-</u>	<u>153,310</u>
Net Financial Assets/(Liabilities)		<u>108,531</u>	<u>(45,429)</u>	<u>-</u>	<u>63,102</u>
30 June 2010					
Cash		1,260	-	-	1,260
Receivables		187,026	-	-	187,026
Total Financial Assets		<u>188,286</u>	<u>-</u>	<u>-</u>	<u>188,286</u>
Financial Liabilities					
Overdrafts	6.29%	-	-	203,390	203,390
Trade creditors and accruals		68,642	-	-	68,642
Lease liabilities	9.20%	-	54,042	-	54,042
Employee Entitlements		24,391	-	-	24,391
Total Financial Liabilities		<u>93,033</u>	<u>54,042</u>	<u>203,390</u>	<u>350,465</u>
Net Financial Assets/(Liabilities)		<u>5,253</u>	<u>(54,042)</u>	<u>203,390</u>	<u>350,465</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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 \$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 2011.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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 2011, 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:

	2011	2010
Change in profit after tax		
--- Increase in interest rate by 2%	(\$2,033)	(\$4,021)
--- Decrease in interest rate by 2%	\$2,033	\$4,021
Change in equity		
--- Increase in interest rate by 2%	(\$2,033)	(\$4,021)
--- Decrease in interest rate by 2%	\$2,033	\$4,021

NOTE 18: RELATED PARTY DISCLOSURES

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

Kwang Il Kim
Sook Jin Lee Kwak
Keith Kwon
Jeong Hyun Lee
Un Dok Pak
Moon Ki Kim
Yoon Sin Lee
Sun Do Kim
Joon Young Lee
Kenneth Park
DongJoo Kim

Keith Kwon and Un Dok Pak, partners of KP Lawyers provided secretarial services of \$12,000.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: 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 20: 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 21: COMPANY DETAILS

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

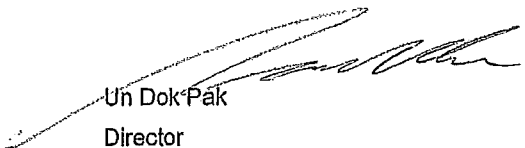
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 26 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 2011 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.



Un Dok Pak
Director

Dated at Sydney this 26 day of October 2011

INDEPENDENT AUDITOR'S REPORT To the members of Korean Community Financial Services Limited

Report on the Financial Statement

We have audited the accompanying financial statements of Korean Community Financial Services Ltd, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 30 June 2011, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation of the financial statements 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 statements that 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 statements 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 statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 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 statements.

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*.



Opinion

In our opinion:

- a) the financial statements of Korean Community Financial Services Ltd Korean Community Financial Services Ltd 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 2011 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 statements also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

R Wong Principal

ROGER WONG
Principal

Dated this *26th* day of *October* 2011