

# Annual Report 2017

Korean Community Financial Services  
Limited

Strathfield **Community Bank**<sup>®</sup> Branch

ABN 52 099 137 541

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

**TABLE OF CONTENTS**

	Page No.
Chairman Report	3
Branch Manager Report	5
Directors' Report	6
Auditor's Independence Declaration	10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	34
Independent Auditor's Report	35

## Chairman's message to shareholder

It gives me great pleasure to share another year of success for our **Community Bank®** branch at our 15th Annual General Meeting.

Our **Community Bank®** branch has achieved another good result for the year ended 30 June 2017 despite the ever-intensifying competitive environment in our operating location. The result is a result of our strong confidence and continued focus on providing solid customer services, even under the challenging and fragile environment compared with big four banks.

I am very excited to report that last year's financial performance was nothing less than excellent, as our business grew by 12.0% to \$186.7 million and especially lending book grew by 15.50% to \$94.2 million.

Our **Community Bank®** branch recorded a profit before tax of \$150,000 for the 12 months ending 30 June 2017, a 10% increase on the previous year. The fully franked dividend of \$0.05 or 5% per share, which is equal to the previous year, will be paid on 16 October 2017.

On behalf of our Board, I would like to express my sincere thanks to all our staff members who work hard and our customers who continue to support our **Community Bank®** branch

The remarkable achievement for our lending book is attributable to our customers' satisfaction of competitive rates and a consistent policy that supports the introduction of new loan referral system.

With our continued successful business, we will be in a position to contribute more money into our community and our business growth gives the Directors and staff even greater confidence to realise the huge potential opportunities across our community.

We are grateful to Bendigo and Adelaide Bank for the continued support, professional relationship and strong commitment to both community and customer, which I believe are all integral parts of our continued success and growth in business.

We are very confident that Branch Manager will continue to build on the strong position of our **Community Bank®** branch by supporting our excellent team members and the Board of Directors. I do realise how great all of our staff members are and how passionate they are about their job and our company, and therefore I have a renewed respect and appreciation for what they all do on the front line. I could not be more proud of them.

Our **Community Bank®** branch is well managed and customer-connected and oriented. This leads it to be well positioned for the future to meet the challenges of the changing banking landscape.

While the operating environment continues to be uncertain, we remain confident about our ability to continue to deliver good returns for our shareholders as well as improve our financial position.

We will continue to make every effort to expand our business by developing the relationship between sub-branch and customer service centre in the suburbs where the Korean community continues to grow moving forward. We will prudentially go ahead with our expansion plan, which is another stage of the company's life that has many opportunities for expansion and growth.

Our shareholders are vital to our long-term growth and I once again encourage all shareholders to refer business to our branch, introducing family, friends and business associations to our staff members.

As a Chairman it has been an honour and a pleasure to serve our **Community Bank®** branch and community. And I together with our Board and staff are always proud to work for **Community Bank®** branch, committed to the benefits of our community and customers.

And also as a chairman I have focused on growing our business over the last five years, but I now realise we have to put more energy into improving our policies and systems to create a new environment for all our staff members and volunteer Board of Directors.

I know that, as a public company, we should focus on the bottom line and what we do to satisfy our shareholders and customers. So we will make every effort to out perform our budget every year and to lift the shareholders' value as well. And I will do my role in order that our shareholders' expectations and dreams for the continued success in business may be realised. I hope our shareholders will continue to support and encourage us for our efforts to produce an abundant harvest.

Finally I would like to thank our customers and shareholders for their continuing support for our **Community Bank®** branch as well as our staff members upon whom we deeply rely for our future success and our Board who works voluntarily without monetary rewards.

Chang Soo Yoon

Chairman

10 November 2017

## Manager's Report

We have had another successful year and it is with great honour to deliver the Manager's report for Korean Community Financial Services Limited for the year ended 30 June 2017. The 2016/17 financial year has been exceptional and our **Community Bank**® branch has had outstanding results and our business has performed consistently well in all areas.

As of 30 June 2017, our total footings stood at \$186 million, made up over \$94 million in lending and \$84 million in deposit and \$8 million in others like bank guarantee, lease and superannuation. We have approximately 6,439 accounts under management and 5,390 relationships with our customers covering a wide geographic area.

I would like to acknowledge the support, dedication and professionalism of my team, Susan, Sonia, Ian, Anna, Sienna, Caroline and Abe throughout this year. I am very glad that I've got the great team and again commend their efforts in meeting the needs of our customers and community.

I also extend my thanks to our Directors, shareholders, customers and the Bendigo Bank team whose continuous support has enabled us to grow steadily.

As our current business model is so successful, it has proven to be a great benefit to the Korean and Strathfield communities, and continues to provide a quality face-to-face banking service. If you are yet to experience the way we do business, please call in and have a chat with my friendly staff or myself and together we will work to achieve the best possible outcomes for our communities.

As we have in 15 years trading, there is much to be excited about and look forward to in the year to come.

Myung Hee Park

Branch Manager

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

**DIRECTORS' REPORT**

Your directors present their report on Korean Community Financial Service Limited ("the company") for the year ended 30 June 2017.

**Directors**

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

Sook Jin Lee Kwak  
Moon Ki Kim  
Joon Young Lee  
Chang Soo Yoon  
Paul Soon Jae Kwon  
Jong Wook Lee  
Oh Jun Kim (Appointed on 02/11/2016)  
Young Soo Gong (Appointed on 02/11/2016)

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

**Principal activities**

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

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

**Dividends Paid or Recommended**

Dividend of \$0.05 per ordinary share has been declared during the financial year. Dividends of \$44,865 was paid during the year which relates to dividend declared for the current financial year. As at the balance date, \$24,016 is payable to the shareholders in respect of dividends previously declared.

**Review of Operations**

The profit for the financial year after providing for income tax amounted to \$140,958 (2016:\$90,450). Despite increased overhead costs incurred during the year, it was offset by increased sales. The profit result was considered satisfactory given the current ever-intensifying competitive environment in both Strathfield and the financial market.

**Financial Review**

The net assets have increased by 21% from 2016 to 2017 financial year. This is largely due to increase in cash balances and reduction in lease liabilities. The company intends to maintain a strong financial position including a healthy working capital ratio.

**Significant Changes in State of Affairs**

During the financial year there have been no significant changes in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

**Events Subsequent to Reporting Date**

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.

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

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

**Environmental Issues**

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

**Information on Directors**

**Chang Soo Yoon**

**Executive Director and Chairman**

Age: 69

Experience: Chairman of Korean Community Financial Services Limited with 38 years of experience in banking industry

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

**Joon Young Lee**

**Non-Executive Director and Company Secretary**

Age: 43

Experience: Managing Director of GongJu Holding Pty Ltd

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

**Sook Jin Lee Kwak**

**Non-Executive Director and Marketing & Sponsorship Committee Member**

Age: 55

Experience: Managing Director of Jae My Holdings Pty Limited

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

**Moon Ki Kim**

**Non-Executive Director and Human Resources Committee Member**

Age: 63

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

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

**Paul Soon Jae Kwon**

**Non-Executive Director and Governance Committee Member**

Age: 56

Experience: PSK legal lawyers

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

**Jong Wook Lee**

**Non-Executive Director**

Age: 45

Experience: Accounting

**Oh Jun Kim**

**Non-Executive Director and Marketing & Sponsorship committee Member**

Age: 52

Experience: Marketing

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

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

**Young Soo Gong**  
**Non-Executive Director and Treasurer**

Age: 66

Experience: Managing Director of IMT Global Company Limited

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

**Directors' Benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company 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.

**Directors Meetings**

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

<b>Number of Meetings Held:</b>	<b>12</b>	
<b>Number of Meetings Attended:</b>	<b>No. of Meetings Eligible to Attend</b>	<b>No. of Meetings Attended</b>
Chang Soo Yoon	12	12
Joon Young Lee	12	10
Jong Wook Lee	12	11
Paul Soon Jae Kwon	12	6
Moon Ki Kim	12	3
Sook Jin Lee Kwak	12	4
Oh Jun Kim	8	7
Young Soo Gong	8	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:

- 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**  
**ABN 52 099 137 541**

**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.

**Company Secretary**

The following person held the position of company secretary at the end of the financial year: Joan Young Lee  
- Managing director of GongJu Holding Pty Ltd.

**Auditor's Independence Declaration**

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

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



Chang Sao Yoon  
Chairman

Dated at Sydney this

day of *September* 2017

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED  
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor of Korean Community Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



**Frank Vrachas**

Partner

**Rothsay Chartered Accountants**

Sydney, 26 September 2017

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 \$	2016 \$
Revenue	2	1,231,311	1,113,395
Cost of sales	3 (a)	(284,481)	(204,825)
Gross profit		<u>946,830</u>	<u>908,570</u>
Employee benefits expense		(360,529)	(416,474)
Occupancy costs expense		(188,668)	(180,172)
Administration expenses		<u>(188,931)</u>	<u>(168,550)</u>
Profit before income tax		208,702	143,374
Income tax expense	4	<u>(67,744)</u>	<u>(52,924)</u>
Net profit after income tax		<u>140,958</u>	<u>90,450</u>
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		<u>140,958</u>	<u>90,450</u>
Profit attributable to members		<u>140,958</u>	<u>90,450</u>
Total comprehensive income attributable to members		<u>140,958</u>	<u>90,450</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 2017**

	Notes	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	455,933	350,939
Trade and other receivable	6	<u>132,128</u>	<u>98,809</u>
<b>TOTAL CURRENT ASSETS</b>		<u>588,061</u>	<u>449,748</u>
<b>NON-CURRENT ASSETS</b>			
Other assets	7	46,366	39,891
Plant and equipment	8	92,846	115,180
Intangible assets	9	61,557	12,173
Deferred tax assets	10	<u>10,944</u>	<u>10,683</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>211,713</u>	<u>177,927</u>
<b>TOTAL ASSETS</b>		<u>799,774</u>	<u>627,675</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	89,364	65,690
Current tax payable		37,659	21,064
Interest bearing liabilities	12	14,119	18,790
Employee entitlements	13	<u>26,646</u>	<u>21,989</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>167,788</u>	<u>127,533</u>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	11	49,246	-
Interest bearing liabilities	12	20,746	34,865
Employee entitlements	13	<u>13,149</u>	<u>12,525</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>83,141</u>	<u>47,390</u>
<b>TOTAL LIABILITIES</b>		<u>250,929</u>	<u>174,923</u>
<b>NET ASSETS</b>		<u>548,845</u>	<u>452,752</u>
<b>EQUITY</b>			
Issued capital	14	897,300	897,300
Accumulated losses		<u>(348,455)</u>	<u>(444,548)</u>
<b>TOTAL EQUITY</b>		<u>548,845</u>	<u>452,752</u>

The accompanying notes form part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Share Capital</b> <b>\$</b>	<b>Accumulated</b> <b>Losses</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<b>Balance at 1 July 2016</b>	897,300	(444,548)	452,752
Profit for the year	-	140,958	140,958
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	140,958	140,958
<b>Transaction with owners in their capacity as owners</b>			
Dividend declared during the year	-	(44,865)	(44,865)
<b>Balance at 30 June 2017</b>	897,300	(348,455)	548,845

	<b>Share Capital</b> <b>\$</b>	<b>Accumulated</b> <b>Losses</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<b>Balance at 1 July 2015</b>	897,300	(499,106)	398,194
Profit for the year	-	90,450	90,450
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	90,450	90,450
<b>Transaction with owners in their capacity as owners</b>			
Dividend declared during the year	-	(35,892)	(35,892)
<b>Balance at 30 June 2016</b>	897,300	(444,548)	452,752

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 2017**

	Notes	2017 \$	2016 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and franchisor		1,252,091	1,078,702
Payments to suppliers and employees		(1,022,451)	(934,749)
Interest received		8,660	9,040
Other income received		-	29,029
Interest paid		(8)	(1)
Income tax paid		<u>(68,004)</u>	<u>(44,372)</u>
<b>Net cash provided by operating activities</b>	15	<u>170,288</u>	<u>137,649</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for branch security deposit		<u>(6,475)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(6,475)</u>	<u>-</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(40,030)	(35,127)
Repayments of borrowings		<u>(18,789)</u>	<u>(17,804)</u>
<b>Net cash used in financing activities</b>		<u>(58,819)</u>	<u>(52,931)</u>
<b>Net increase/(decrease) in cash held</b>		104,994	84,718
<b>Cash at beginning of financial year</b>		<u>350,939</u>	<u>266,221</u>
<b>Cash at end of financial year</b>	5	<u>455,933</u>	<u>350,939</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

This financial report includes the financial statements and notes of Korean Community Financial Services Limited ("the Company").

**Basis of Preparation**

The general purpose financial statements of the company have been prepared in accordance with the requirements of *the Corporations Act 2001*, Australian Accounting Standards ("AASB") and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The Company is a public company incorporated and domiciled in Australia.

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 ("IFRS"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

The financial statements for the year ended 30 June 2017 (including comparative information) were authorised for issue on the 26 September 2017 by the directors of the Company.

**(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 substantively 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 profit and loss 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(b) Plant and Equipment**

**Plant and equipment**

Classes of plant and equipment are measured using the cost model.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of costs of dismantling and restoring the asset, where applicable.

**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	7.5%-60%	Diminishing Value (per FAR)

**(c) Employee Entitlements**

*Employee benefits*

A liability is recognised by the Company for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. At the reporting date the impact of the probability factors and discounting was immaterial. Changes in the measurement of the liability are recognised in profit or loss.

*Defined contribution schemes*

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

**(d) Cash and Cash Equivalent**

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

**(e) Revenue and Other Income**

Revenue arises from fees, commission and interest. Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue, as noted below, has been satisfied. 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 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fees and commissions*

Facility fees are primarily earned for the provision of credit and other facilities to customers and are recognised as the services are provided. Transaction fees are earned for facilitating transactions and are recognised once the transaction is executed. Other non-risk fee income includes advisory and underwriting fees which are recognised when the related service is provided.

*Interest income*

Interest income and expenses are reported on an accrual basis using the effective interest method.

**(f) Financial Instruments**

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

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

*Financial Assets*

Financial assets of the Company comprise:

- loans and receivables;

All income and expenses relating to financial assets are recognised in profit or loss in the 'finance income' or 'finance costs' line item respectively.

*Loans and Receivables*

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

*Financial Liabilities*

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

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

**(g) Impairment of Non-Financial Assets**

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

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

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

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

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

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

**(h) Comparative Amounts**

Comparative amounts are consistent with the prior years unless otherwise stated.

**(i) Trade and other payables**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Intangibles**

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

**(k) 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.

**(l) 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.

**(m) Share Capital**

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

**(n) 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.

**(o) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) New and amended standards adopted by the company**

The Company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2016.

None of the amendments have had a significant impact on the Company.

**(q) Adoption of new and revised accounting standards**

Australian Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been adopted by the Company for the annual reporting period ended 30 June 2017. The Company's assessment of the impact of these new or amended Accounting Standards and most relevant to the Company, are set out below:

*AASB 9 Financial Instruments*

This standard and its consequential amendments to other standards are applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, except where a change in fair value relates to an entity's own credit risk.

It is anticipated that the adoption of this standard in future periods will have no material financial impact on the financial statements of the Company.

*AASB 15 Revenue from Contracts with Customers*

This standard and its consequential amendments to other standards are applicable to annual reporting periods beginning on or after 1 January 2017. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, based on the performance obligations associated with the provision of those goods and services. For goods, the performance obligation is satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided.

The financial impact on the financial statements of the Company of adopting this standard in future periods is being assessed and is not expected to be significant.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. All leases are recognised as a right-to-use asset and liability, other than short-term leases of less than 12 months duration and leases for low-value assets. Depreciation of right-to-use assets is undertaken in accordance with AASB 116: Property, Plant and Equipment, with a corresponding unwinding of the liability in components of principal and interest. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Transitional provisions of AASB 16 will allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Company will adopt this standard from 1 July 2019. The impact of its adoptions on the financial statements is yet to be assessed.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: REVENUE</b>		
<b>Operating activities</b>		
- Service fees	1,210,666	1,075,326
- Other income	<u>20,645</u>	<u>38,069</u>
	<u><u>1,231,311</u></u>	<u><u>1,113,395</u></u>

**NOTE 3: PROFIT FOR THE YEAR**

The results for the year include the following specific expense items:

(a) Cost of sales:

- Share of fixed overhead costs of franchisor	<u>284,481</u>	<u>204,825</u>
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(b) Depreciation and amortisation of non-current assets

- Furniture and equipment	7,999	9,354
- Motor vehicle	14,335	16,802
- Franchise fees	<u>12,173</u>	<u>12,173</u>
	<u><u>34,507</u></u>	<u><u>38,329</u></u>

(c) Rental expense on operating leases	<u>130,346</u>	<u>126,550</u>
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(d) Wages and salaries	<u>276,845</u>	<u>338,378</u>
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**KOREAN COMMUNITY FINANCIAL SERVICES LIMITED**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
<b>NOTE 4: INCOME TAX EXPENSE</b>		
A. The components of tax expense comprise:		
- Current tax expense	68,004	51,337
- Deferred tax expense/(benefit)	<u>(260)</u>	<u>1,587</u>
	<u><u>67,744</u></u>	<u><u>52,924</u></u>
 B. The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit from ordinary activities before income tax at 27.5%	57,393	43,012
Add:		
Tax effect of:		
- Other non-allowable items	9,460	9,912
- Changes in income tax rate (27.5%)	<u>891</u>	<u>-</u>
Income tax expense attributable to entity	<u><u>67,744</u></u>	<u><u>52,924</u></u>
 C. Deferred income tax (Refer to Note 10)		
Deferred income tax at 30 June 2017 as follows:		
Closing balance of current and non-current provisions	<u>10,944</u>	<u>10,683</u>
Deferred Income tax asset	<u>10,944</u>	<u>10,683</u>
 D. Balance of franking credits	<u><u>106,651</u></u>	<u><u>125,879</u></u>
 <b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	<u>455,933</u>	<u>350,939</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>NOTE 6: RECEIVABLES</b>		
CURRENT		
Trade debtors	<u>132,128</u>	<u>98,809</u>
	<u>132,128</u>	<u>98,809</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. An allowance for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. No allowance was required at the end of 30 June 2017.

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

**NOTE 7: OTHER ASSETS**

NON-CURRENT		
Deposits paid	8,266	8,266
Bank guarantee	<u>38,100</u>	<u>31,625</u>
	<u>46,366</u>	<u>39,891</u>

**NOTE 8: PLANT AND EQUIPMENT**

(a) Plant and equipment		
At cost	316,260	316,260
Less accumulated depreciation	<u>(261,080)</u>	<u>(253,081)</u>
	<u>55,180</u>	<u>63,179</u>
 (b) Motor vehicle		
At cost	89,859	89,859
Less accumulated depreciation	<u>(52,193)</u>	<u>(37,858)</u>
	<u>37,666</u>	<u>52,001</u>
 Total plant and equipment	<u>92,846</u>	<u>115,180</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 8: PLANT AND EQUIPMENT (CONTINUED)**

(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
	\$	\$	\$
<b>2017</b>			
Balance at the beginning of the year	63,179	52,001	115,180
Depreciation expense	<u>(7,999)</u>	<u>(14,335)</u>	<u>(22,334)</u>
Carrying amount at end of year	<u>55,180</u>	<u>37,666</u>	<u>92,846</u>

	Plant & Equipment	Motor Vehicle	Total
	\$	\$	\$
<b>2016</b>			
Balance at the beginning of the year	72,533	68,803	141,336
Depreciation expense	<u>(9,354)</u>	<u>(16,802)</u>	<u>(26,156)</u>
Carrying amount at end of year	<u>63,179</u>	<u>52,001</u>	<u>115,180</u>

**NOTE 9: INTANGIBLE ASSETS**

NON-CURRENT

	2017	2016
	\$	\$
Franchise fees at cost	61,557	60,865
Less accumulated amortisation	<u>-</u>	<u>(48,692)</u>
	<u>61,557</u>	<u>12,173</u>

**NOTE 10: DEFERRED TAX ASSETS**

Deferred tax assets (refer to Note 4(c))	<u>10,944</u>	<u>10,683</u>
	<u>10,944</u>	<u>10,683</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 11: TRADE AND OTHER PAYABLES</b>		
CURRENT		
Trade creditors	29,663	19,532
Other payables	12,543	-
GST and payroll deduction liabilities	23,142	26,977
Dividend payable	<u>24,016</u>	<u>19,181</u>
	89,364	65,690
NON-CURRENT		
Other payables	<u>49,246</u>	<u>-</u>
	<u>138,610</u>	<u>65,690</u>
 <b>NOTE 12: INTEREST BEARING LIABILITIES</b>		
CURRENT		
Lease liability	<u>14,119</u>	<u>18,790</u>
NON-CURRENT		
Lease liability	<u>20,746</u>	<u>34,865</u>
	<u>34,865</u>	<u>53,655</u>
 <b>NOTE 13: EMPLOYEE ENTITLEMENTS</b>		
CURRENT		
Employee entitlements	<u>26,646</u>	<u>21,989</u>
NON-CURRENT		
Employee entitlements	<u>13,149</u>	<u>12,525</u>
(a) Aggregate employee benefits liability	<u>39,795</u>	<u>34,514</u>
(b) Number of employees at year-end	<u>6</u>	<u>5</u>
 <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>
 <b>(a) Issued Capital</b>		
Ordinary shares	<u>897,300</u>	<u>897,300</u>
	<u>897,300</u>	<u>897,300</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 14: CONTRIBUTED EQUITY (CONTINUED)**

**(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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Dividend Paid</b>		
Fully franked dividend declared and/or paid during the year	<u>44,865</u>	<u>35,892</u>

**(d) 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 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**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 15: CASH FLOW INFORMATION</b>		
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	140,958	90,450
Non-cash flows in profit after tax		
Depreciation	22,334	26,156
Amortisation	12,173	12,173
Changes in assets and liabilities		
(Increase) / decrease in receivables	(33,320)	(5,629)
Increase / (decrease) in income taxes	16,334	1,587
Increase / (decrease) in payables	6,528	18,201
Increase / (decrease) in employee entitlements	<u>5,281</u>	<u>(5,289)</u>
Cash flows from operations	<u><u>170,288</u></u>	<u><u>137,649</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	152,399	140,914
- later than 1 year but not later than 5 years	<u>656,709</u>	<u>60,476</u>
	<u><u>809,108</u></u>	<u><u>201,390</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 increased by 3% in each year until 2022.

However, the above annual rent increment is subject to negotiation with the lessor.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 16: CAPITAL & LEASING COMMITMENTS (CONTINUED)**

	2017	2016
	\$	\$
(b) Finance lease		
Payable:		
- not later than 1 year	15,539	21,128
- later than 1 year but not later than 5 years	<u>22,793</u>	<u>38,332</u>
Minimum lease payments	<u>38,332</u>	59,460
Less : future finance charge	(3,467)	(5,805)
Present value of minimum lease payments	<u><u>34,865</u></u>	<u><u>53,655</u></u>
The finance lease relates to motor vehicles purchased on 15 October 2012 and 11 February 2015.		

**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 the Company's operation.

The Company does not have any derivative instruments at 30 June 2017.

**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:

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Weighted Average Effective Interest Rate %	Non-Interest Bearing \$	Fixed Interest Rate \$	Floating Interest Rate \$	Total \$
<b>30 June 2017</b>					
Cash		60,076	-	395,857	455,933
Receivables		<u>178,494</u>	<u>-</u>	<u>-</u>	<u>178,494</u>
<b>Total Financial Assets</b>		<u>238,570</u>	<u>-</u>	<u>395,857</u>	<u>634,427</u>
<b>Financial Liabilities</b>					
Trade creditors and other payables		176,269	-	-	176,269
Lease liabilities	7.50%	-	34,865	-	34,865
Employee entitlements		<u>39,795</u>	<u>-</u>	<u>-</u>	<u>39,795</u>
<b>Total Financial Liabilities</b>		<u>216,064</u>	<u>34,865</u>	<u>-</u>	<u>250,929</u>
<b>Net Financial Assets/(Liabilities)</b>		<u>22,506</u>	<u>(34,865)</u>	<u>395,857</u>	<u>383,498</u>
<b>30 June 2016</b>					
Cash		43,110	-	307,829	350,939
Receivables		<u>138,700</u>	<u>-</u>	<u>-</u>	<u>138,700</u>
<b>Total Financial Assets</b>		<u>181,810</u>	<u>-</u>	<u>307,829</u>	<u>489,639</u>
<b>Financial Liabilities</b>					
Trade creditors and other payables		86,754	-	-	86,754
Lease liabilities	7.50%	-	53,655	-	53,655
Employee entitlements		<u>34,514</u>	<u>-</u>	<u>-</u>	<u>34,514</u>
<b>Total Financial Liabilities</b>		<u>121,268</u>	<u>53,655</u>	<u>-</u>	<u>174,923</u>
<b>Net Financial Assets/(Liabilities)</b>		<u>60,542</u>	<u>(53,655)</u>	<u>307,829</u>	<u>314,716</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 17: FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Foreign currency risk*

The company is not exposed to fluctuations in foreign currencies.

*Liquidity risk*

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The total overdraft facility is \$100,000 and is unused as at 30 June 2017.

*Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount of the financial assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at 30 June 2017.

Credit risk is managed 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 2017, 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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Change in profit after tax		
--- Increase in interest rate by 2%	(2,819)	(1,809)
--- Decrease in interest rate by 2%	2,819	1,809
Change in equity		
--- Increase in interest rate by 2%	(2,819)	(1,809)
--- Decrease in interest rate by 2%	2,819	1,809

**NOTE 18: RELATED PARTY DISCLOSURES**

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

Sook Jin Lee Kwak  
Moon Ki Kim  
Joon Young Lee  
Chang Soo Yoon  
Paul Soon Jae Kwon  
Jong Wook Lee  
Oh Jun Kim (Appointed on 02/11/2016)  
Young Soo Gong (Appointed on 02/11/2016)

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**  
**ABN 52 099 137 541**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
The total of remuneration of Key Management Personnel (KMP) of the company during the year are as follows:		
Short-term employee benefits	30,720	30,720
Other long-term benefits	<u>34,980</u>	<u>34,980</u>
Total KMP compensation	<u>65,700</u>	<u>65,700</u>

**NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE**

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

**NOTE 21: CONTINGENCIES LIABILITIES AND CONTINGENT ASSETS**

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (2016: None).

**NOTE 22: COMPANY DETAILS**

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

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

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 29 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Chang Sao Yoon  
Chairman

Dated at Sydney this 26 day of September 2017

KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of Korean Community Financial Services Limited.

**Opinion**

We have audited the financial report of Korean Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



## KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

### INDEPENDENT AUDITOR'S REPORT (continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibility of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Rothsay Chartered Accountants**

**Frank Vrachas**

Partner

Sydney, 26 September 2017

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