

# Annual Report 2020

Korean Community  
Financial Services Limited

Community Bank  
Strathfield

ABN 52 099 137 541



# Contents

Chairman's report	2
Manager's report	5
Financial highlights	6
Community contributions	7
Sponsorship	8
In the community	9
Directors' report	10
Auditor's independence declaration	16
Financial statements	17
Notes to the financial statements	21
Directors' declaration	33
Independent audit report	34

# Chairman's report

For year ending 30 June 2020



It is my great pleasure to be able to present the annual report on operations and activities of Community Bank Strathfield at our 18th Annual General Meeting.

It is a year that has had many unexpected events. I am sure you would agree that we have all experienced the extensive change across Australia and world due to the COVID-19 pandemic in the second half of the last financial year.

As always, the safety and wellbeing of our staff and customers are our number one priority and so we have taken necessary actions to ensure safe operations continued in these unprecedented and challenging times.

Despite the difficult year for operation, 2020 was another successful year for our Community Bank with numerous achievements and a solid financial performance.

## Financial performance

For the financial year net profit before tax was \$361,696, up 18% from \$307,516 posted in 2019. Margin income from growing lending has greatly contributed to improving the bottom-line Business increased by 4.5% in 2020 to \$230 million, up from \$220 million in 2019. The increase can mainly be attributed to housing loan and term deposit growth.

We serve nearly 6,000 customers of which there are 830 loan customers and 5,300 deposit customers.

A highlight and milestone throughout the year is that our accumulated losses balance of \$32,735 has been completely removed from Balance Sheet and ensuing initial equity of \$897,300 has been fully recovered along with retained earnings of \$166,789 which is the first time since the establishment of our Community Bank in 2002.

It is with great pride that we continue to operate a profitable trading since we reached the break-even point in 2007. Since then we have paid a dividend between 4.0% to 7.0% per share. The shareholders have received a fully franked dividend over the last five years.

Our continuing ability to grow in a sustainable way depends on our ability to cater for demands and expectation of shareholders, staff, customers and the community.

As of 30 June 2020, the bank had no non-performing assets and bad debts that have adverse impact on our profitability. However, we do expect that profitability and growth of the bank in the next financial year will be affected by the COVID-19 pandemic situation.

## Community contributions

Throughout 2020, we have contributed \$80,000 to 40 organisations of Korean and local community to support education, art, cultural initiatives, sports and charity.

In particular, we supported approximately 500 vulnerable young people with a helping pack including daily necessities and foodstuff who were financially suffering from the situation caused by the COVID-19 pandemic.

We continue to increase the financial support to our community with more than 30% of net profit being directly used to strengthen the communities by funding identified needs and projects.



Left to right: Mr Jong Wook Lee, Mr Joon Young Lee, Ms Sook Jin Susan Lee, Mr Oh Jun Kim, Mr Chang Soo Yoon, Mr Young Soo Gong, Mr Paul CS Yu, Mr Keith Kwon. Absent: Mr Moon Ki Kim.

### People – Directors and staff

I would like to acknowledge the hard work and contributions of our staff as they strive to deliver positive outcomes. They have the capability and values required to build a more customer-focused culture and to deliver on the bank's strategy to benefit shareholders, increase customer satisfaction and garner community support.

Our staff work hard to try to make a difference in our community and also are involved in many local community programs with financial assistance.

Please let me thank you, the fellow Directors, for your commitment to secure the bank's future and deliver balanced and sustainable outcomes for our shareholders. I would also like to recognise the time and effort put into the management of the bank by the members of the Board as volunteers.

Our Board, made up of five committees, is allocated to each committee in line with their ability and experience.

To fulfill their obligations as a Director of the Community Bank they need to have extensive business experience, sacrificial spirit and professionalism.

Two of our Directors come from the banking industry; two are from professional backgrounds of law and accountancy and five have experience across diverse business industries.

We will continue to implement the effective succession planning for the Board refreshment through the periodic appointment of new Board members and the retirement of incumbent Directors.

### Business expansion in Lidcombe and Community Bank Eastwood

One thing we aim to do is continue to expand our business. Our main competition mainly comes from customer services of the big four banks which offer more convenience and flexibility through a lot of network points across Australia.

To address this, we are considering an expansion of our business in Lidcombe where another Korean community has been rapidly growing over the past decade. With a carefully managed and implemented expansion our business and profitability could continue to improve.

We are confident that with our business expansion in Lidcombe, we will be able to entice more Korean customers from the big four banks to our Community Bank.

About five years ago we stopped processing the business expansion in Eastwood because we were unsure as to whether we would do well and did not want to pose any risk to our financial position at that time.



## Chairman's report (continued)

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The new Community Bank campaign in Eastwood started in 2019 by some Korean businessmen and the prospectus launched in March 2020.

Community Bank Eastwood can start its operation in a completely different and favourable environment, compared with the hard market conditions that we experienced in 2002.

I believe that we can make concerted effort to overcome the influence of the big four banks by providing both the local and Korean community with the best quality of service as well as fostering good spirited competition between our two Community Banks in each location.

Currently our customer number remains less than 5% of Korean population in Sydney and so we can work together to encourage and entice more customers into our two Community Banks.

### In closing

2020 year marks our Community Bank's 20th anniversary. In recognition of this achievement we hope all of our staff and Directors will pull together to grow our business to more than \$250 million and net profit to over \$500,000 during this time. One key to achieving this is to continue to focus on keeping our customers happy and seeking to continually increase our customer base.

We are committed to improving services to our customers, developing relationships with our community, maintaining partnership with Bendigo and Adelaide Bank Limited, and fostering a strong affinity with our employees. These strategies will strengthen our competitive position and will lead to enhanced operational efficiencies and financial performance for years to come.

The future of our bank is strong as we continue to progress toward our vision to build upon our Korean-Australian heritage in Australia.

The economic and industrial landscape is uncertain as the COVID-19 pandemic do not seem to be slowing across the world and as a result, will have a significant impact on financial market and Australian economy.

Under these uncertain and challenging environments for the banking industry, our strategy includes reducing our exposure to high risk loan and focusing on non-core products whose income represents less than 20% of total revenue as a non-gap income.

As Australia's fifth biggest retail bank and one of Australia's most trusted brands, Bendigo Bank continue to have a positive influence over growing our business. I expect it will continue to be not only the most trusted Australian bank but also one of the most competitive banks in Australia.

I would like to congratulate all our Directors and staff on successful financial results and would, once again, like to encourage all Board and staff to continue the hard and diligent work for even better years ahead.

On behalf of the Board of Directors, I would like to express my deepest appreciation to our employees for their tireless efforts and dedication, our customers for their loyal patronage, our business partner for their collaborative guidance and our shareholders for their on-going trust and support.

Sincerely,



**Chang Soo (CS) Yoon**  
**Chairman of the Board**

# Manager's report

For year ending 30 June 2020



I am pleased to be able to have this opportunity to present the Annual Report as Manager of Community Bank Strathfield at our 18th Annual General Meeting. We all have had unique business and personal experiences in this 2020 financial year, and while we are still navigating our way through the pandemic, we are fortunate as our branch has been able to continue normal day-to-day activities while maintaining proper hygiene and social distancing practices.

Even in this trying situation, we were able to have another successful year in 2020. In the beginning, it was a bit challenging to form our staff structure as I had in 2019. I lost two experienced CSO staff who have been replaced with Emily and Laura, both of which who have been diligently learning and have quickly adopted our

work style and culture. They both bring right attitude to continue our success. I am very proud of my staff for their dedication to our Community Bank Strathfield. We all have a 'can do' attitude and everyone is a team player that brings unique skills to improve our service quality and improve on our customer satisfaction. I also would like to take a moment to acknowledge Sienna who was promoted to Relationship Consultant in July 2020, where she is flourishing and is a great asset for our branch.

Our staff all work well as a team; our Lending team: Susan and Sonia work well individually and support each other, and our Operations team: Sienna, Emily and Laura make sure that our operations compliance meets the bank's policy to reduce business risk.

For the financial year, we have achieved \$361,696 net profit before tax, which has increased by 18% from \$307,516. Our business volume has also increased to \$230 million from \$220 million in 2019.

Our Lending Growth has increased by \$1.546 million (branch \$2.061 million and business banking -\$517,000), and finally our Deposit Growth by \$8.38 million.

General insurance, including motor vehicle, home and contents, landlord and travel insurance, had 103 sold policies in 2020. This is not inclusive of commercial insurance, business insurance and public liability insurance. It is positive to note that our commercial insurance is becoming very popular among our small business customers.

Over the next 12 months, our focus will be to retain existing customers by having relevant conversations to fulfil their current and future financial needs and objectives, and to bring on board new small business customers with the Bendigo Bank business banking team by joint visits and providing a one-stop service.

Lastly, I would like to extend my thanks towards our Directors, our shareholders, our customers, and of course our Bendigo and Adelaide Bank Limited head office team whose continuous support has enabled us to achieve our steady growth.

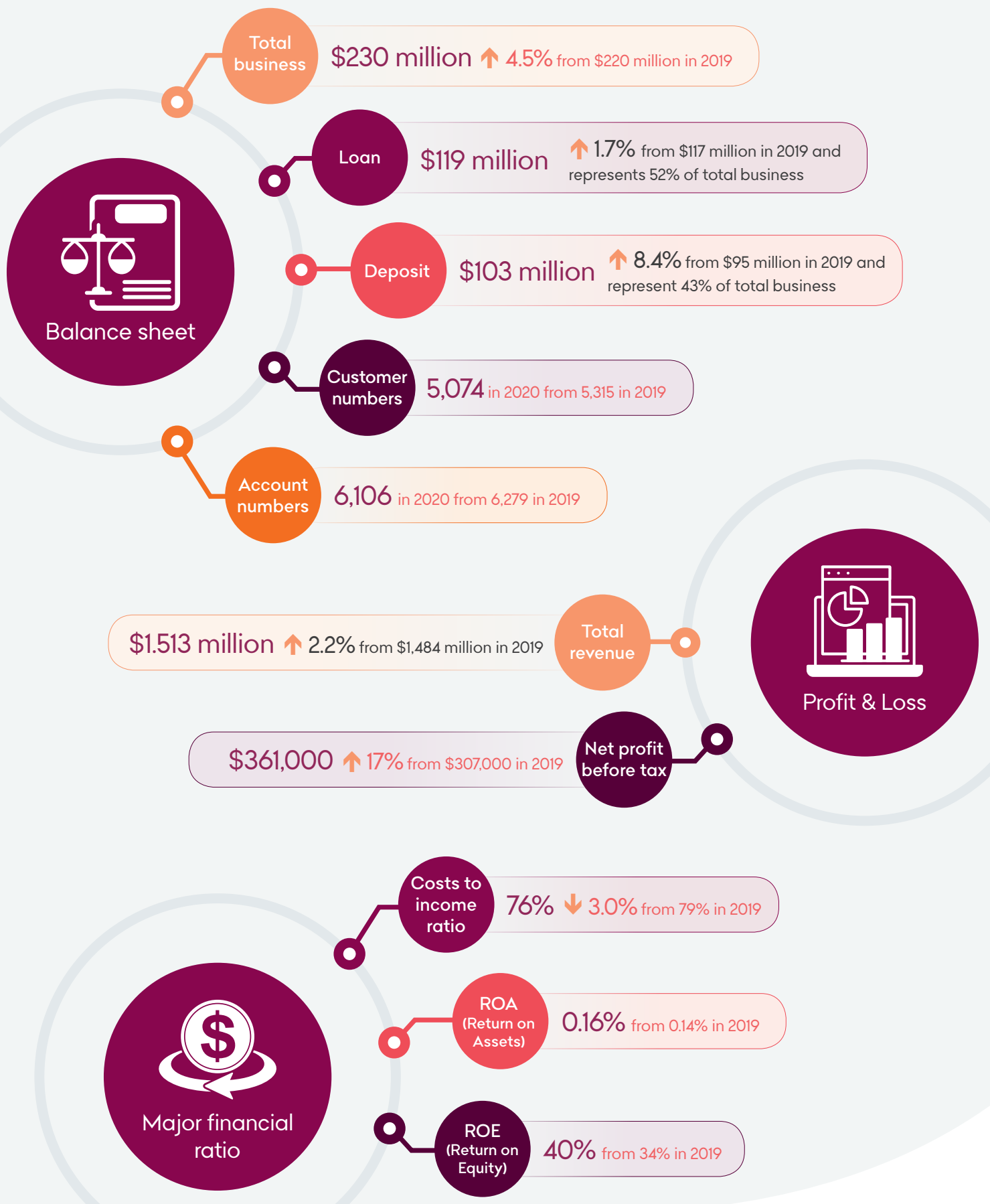
While we will face more challenges in the oncoming year; with the recession from the COVID-19 pandemic, I am sure we will continue to perform well and achieve what we set out to do.

Thank you,

A handwritten signature in black ink, appearing to read 'Myung Hee Park'.

**Myung Hee Park**  
Branch Manager

# Financial highlights



# Community contributions

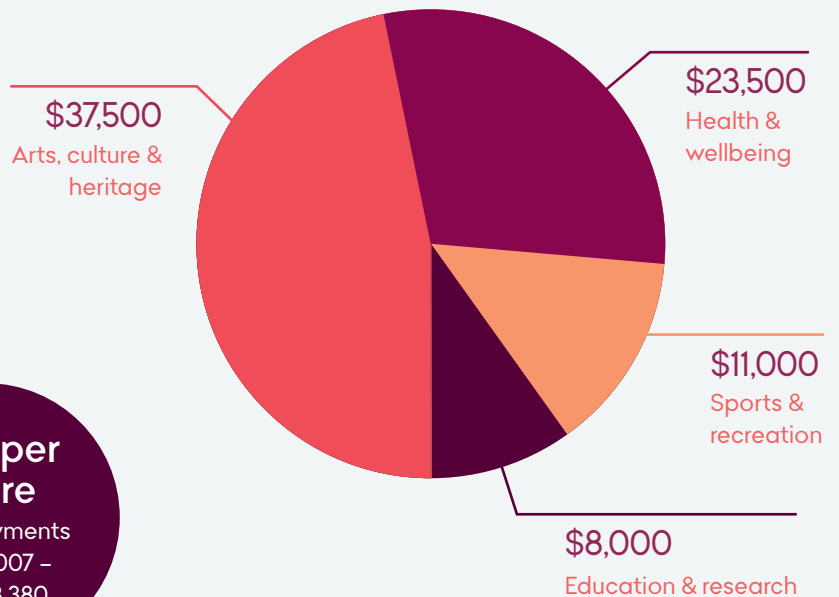
**\$12.34 million**

Economic contributions to Korean and local community by operating expenses since 2002.



Financial support including sponsor, donation and grants that benefit many individuals, 40 community organisations and 5 local organisations each year.

**\$80,000**  
Financial support in 2019/20



**60% per share**

Total payments since 2007 – or \$538,380

**7.0% per share**

Dividend payment in 2020 – or 0.07 cents per share

**30**

Total employment since 2002 – 10 male: and 20 female



**\$7.2 million**

Wages since 2002

Shareholder distributions

**\$540,000**

+

Community contributions

**\$800,000**

+

Local employment and other contributions

**\$11 million**

=

**\$12.34 million**



# Sponsorship

Our Community Bank continues to seek and foster talents of Korean background rising stars in sports.

## Cia Tiffany Lee Judo athlete

- Cia has always been a good ambassador for her club, NSW and the sport of Judo.
- During her NSW State sporting career, Cia has developed her focus and dedication to become a strong competitive player for NSW.
- Her best achievement to date she has been awarded a gold medal in the State and International Judo Tournament. She was 2018 National Championships silver senior girls.



## Leo Sungmin Lee Judo athlete

- Leo is a future emerging talent.
- He has represented Australia at Oceania, Hong Kong and Macau Open tournaments and medalled in both Cadets and junior competitions and also medalled at these tournaments and is the current Oceania Heavyweight Cadet Champion.
- He has been awarded a gold medal in the State and International tournaments.

## Doey Choi Amateur golfer

- Doey has ticked off many great achievements in 2018 and 2019.
- She has had a wealth of experiences in 2018, including finishing second on the recently concluded 2018 GA Order of Merit with three wins and four other top-three finishes in national rankings events. She was also the anchor of the dominant NSW women's team at the interstate Series in Adelaide and recently announced as the Golf NSW female athlete of the year.



## Enzo Juneseo Moon Junior golfer

- Enzo Juneseo aged at 12 started competitive golf at seven years old.
- He is a hugely competitive and determined, yet humble young boy who works really hard on his golf.
- He has been awarded the first place in the State golf tournaments.

# In the community



Clockwise from above: Annual General Meeting (AGM) held at Strathfield Golf Club; Sponsorship to young athletes; Annual Bendigo Cup Golf Tournament for our customers; Community Bank Strathfield staff, left to right: Laura Yang, Susan Lee, Emily Park, Sonia Park, Myung-hee Park, Absent: Sienna Kim; Our Community Bank's involvement with the Korean Language School.





# Directors' report

For the financial year ended 30 June 2020

Your Directors present their report on Korean Community Financial Service Limited ("the company") for the year ended 30 June 2020.

## Directors

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

Sook Jin Susan Lee	Oh Jun Kim
Moon Ki Kim	Young Soo Gong
Joon Young Lee	Paul CS Yu
Chang Soo Yoon	Keith Kwon
Jong Wook Lee	

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 and Adelaide Bank Limited.

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

## Dividends paid or recommended

A dividend of \$0.07 per ordinary share has been declared during the financial year. Dividends of \$62,811 was paid during the year which relates to dividend declared for the current financial year. As at the balance date, \$6,210 is still 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 \$262,335 (2019: \$209,368). Despite increased overhead costs incurred during the year, it was offset by increased sales. The profit result was considered satisfactory given the current COVID-19 difficult environment in the financial market.

## Financial review

The net assets have increased by 23% from 2019 to 2020 financial year. This is largely due to increase in cash balances and sales. The company intend 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.

## Directors' report (continued)

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### Future developments

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

### Environmental issues

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

### Information on Directors

#### Chang Soo Yoon

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##### Executive Director and Chairman

- Born on 16 January 1949
- Appointed on 1 October 2012

**Occupation:** Director of Korean Community Financial Services Limited

##### Experience and qualification:

- 48 years' banking career: retail banking and wholesale banking including Corporate Banking, International Trade Finance and Project Financing:
  1. Worked in Korean Choheung (currently Shinhan) Bank for 15 years as Manager role including a Representative of Korean Choheung Bank in Manila Philippines for 5 years
  2. Worked in ANZ Korea as Manager and Senior Manager position in Corporate Banking and Marketing & Credit for 15 years and Deputy General Manager who controls the Branch Operation in ANZ Korea.
  3. Worked in Strathfield Community Bank as the first Branch Manager for 10 years
- Justice of Peace (NSW) from 2006
- Bachelor of Science in Business Administration and Graduate diploma of International Finance in Post-Graduate School, and Graduate certificate of Business Financial Management

**Interest in shares:** 10,000 ordinary shares

#### Joon Young Lee

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##### Non-Executive Director and Company Secretary

- Born on 3 April 1974
- Appointed on 23 April 2012
- Member of Marketing & Sponsorship Committee and Budget & Business Development Committee

**Occupation:** Managing Director of Maldini's Wholesale Pty Ltd

##### Experience and qualification:

- 18 years of experience in customer service as a dealer principal of Vodafone Select Partner Network (1998 - 2016)
- 13 years of experience in hospitality as an owner of cafes and restaurants (2007 ~ current)
- 5 years of experience in wholesale business, supplying coffee beans and associated products to local cafes and overseas (2015 ~ current)
- Bachelor of Arts majoring in language & culture (Japanese & French) at UNSW

**Interest in shares:** 20,000 ordinary shares

# Directors' report (continued)

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## Information on Directors (continued)

### Young Soo Gong

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#### Non-Executive Director and Treasurer

- Born on 20 January 1952
- Appointed on 2 November 2016
- Member of Marketing & Sponsorship Committee, Governance & Audit Committee and Budget & Business Development Committee

**Occupation:** Managing Director of IMT Australia Pty Ltd

#### Experience and qualification:

- 18 years of banking experience in Retail Banking, Corporate Banking, International Trade Finance at:
  1. Seoul Bank (currently Hana KEB) in Korea for 4 and half years,
  2. BCCI Seoul Branch for 6 and half years,
  3. Bank of New Zealand in New Zealand for 2 and half years,
  4. Kookmin Bank New Zealand Branch for 4 and half years.
- 8 years of International Money Transfer Business
- Bachelor of Economics specialising in International Trade

**Interest in shares:** 10,000 ordinary shares

### Sook Jin Susan Lee

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#### Non-Executive Director

- Born on 14 July 1961
- Appointed on 24 December 2001
- Member of Marketing & Sponsorship Committee and Public Relations Committee

**Occupation:** Managing Director of Jae My Holdings Pty Ltd and Publisher of Top Media Group

#### Experience and qualification:

- Master of Theology at Charles Sturt University
- Marriage celebrant
- Adjunct Associate Professor at University of Queensland

**Interest in shares:** 48,500 ordinary shares

### Moon Ki Kim

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#### Non-Executive Director

- Born on 6 February 1955
- Appointed on 28 April 2003
- Member of Human Resources Committee

**Occupation:** Managing Director of New-Tech C & C Pty Ltd

#### Experience and qualification:

- Non-Executive Director of RCG (Rodger Consulting Group) – Global Asset – Commercial
- Completion of Ph.D course in Social welfare at Daegu University
- Adjunct Professor of social welfare at Daegu University

**Interest in shares:** 5,000 ordinary shares



# Directors' report (continued)

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## Information on Directors (continued)

### Jong Wook Lee

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#### Non-Executive Director

- Born on 8 January 1973
- Appointed on 23 February 2015
- Member of Budget & Business Development Committee and Governance & Audit Committee

**Occupation:** Principal Director of Hansol Accounting Partners Pty Ltd

#### Experience and qualification:

- Fellow member of institute of public accountants (FIPA 17 years)
- Registered Tax Agent (15 years)
- Strathfield Korean Business Association (Advisory)
- Justice of Peace (NSW)
- Bachelor of BIO Medical Science in University of Newcastle
- Graduate diploma of Accounting in University of New England.

**Interest in shares:** Nil

### Oh Jun Kim

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#### Non-Executive Director

- Born on 8 April 1966
- Appointed on 2 November 2016
- Member of Marketing & Sponsorship Committee

**Occupation:** Managing Director / E-PLANET Pty Ltd and Chairman of Agape International Mission Organisation

#### Experience and qualification:

- Marketing Manager of JHC CO. in Korea for 4 and half years
- Marketing Manager of KOREAN SYSMAX CO. in Korea 4 years
- Managing Director of OJ WORLD Co. in Korea 8 years
- Bachelor of Industrial Engineering

**Interest in shares:** 10,000 ordinary shares

### Paul CS Yu

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#### Non-Executive Director

- Born on 5 December 1955
- Appointed on 25 October 2017
- Member of Human Resources Committee and Budget and Business Development Committee

**Occupation:** Managing Director of SP Strathfield Plaza Florist Ltd

#### Experience and qualification:

- 25 years' florist in Strathfield in NSW
- 5 years' CEO of OneLim Engineering Ltd (vehicle parts manufacturing)
- Patent holder for vehicle parts and components licensed by Korea and USA.
- Member of Strathfield Korean Business Association (Advisory)
- Completion of Business Start-up course at Soongsil University Business School

**Interest in shares:** 5,000 ordinary shares

## Directors' report (continued)

### Information on Directors (continued)

#### Keith Kwon

##### Non-Executive Director

- Born on 16 April 1962
- Appointed on 19 April 2018
- Member of Governance & Audit Committee and Marketing & Sponsorship Committee

**Occupation:** Solicitor

##### Experience and qualification:

- Practicing law for more than 28 years.
- Extensive knowledge in small to medium business law and banking law.
- Served the Strathfield local community as a councilor from 2004 to 2012 and was Mayor of Strathfield municipal council in 2008 and 2009
- Served as a Director of KCFS from 2002 to 2012
- A degree in law and arts

**Interest in shares:** 10,000 ordinary shares

### 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>	13	
<b>Number of meetings attended:</b>	<b>No. Of meetings eligible to attend</b>	<b>No. Of meetings attended</b>
Chang Soo Yoon	13	13
Joon Young Lee	13	8
Jong Wook Lee	13	8
Moon Ki Kim	13	9
Sook Jin Susan Lee	13	11
Oh Jun Kim	13	12
Young Soo Gong	13	11
Paul CS Yu	13	12
Keith Kwon	13	11

### 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.

## Directors' report (continued)

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### 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.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Company Secretary

The following person held the position of company secretary at the end of the financial year: Joon Young Lee - Managing Director of Maldini's Wholesale Pty Limited.

### 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 16.

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



**Chang Soo Yoon**  
Chairman

Dated at Sydney this 28 day of September 2020

# Auditor's independence declaration



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of Korean Community Financial Services Limited for the year ended 30 June 2020, 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.

A handwritten signature in black ink, appearing to read "Dalla".

**Daniel Dalla**  
Partner

**Rothsay Chartered Accountants**

Sydney, 28 September 2020

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# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue	2	1,513,040	1,481,266
Cost of sales	3 (a)	(210,766)	(320,838)
Gross profit		1,302,274	1,160,428
Employee benefits expense		(461,766)	(415,574)
Occupancy costs expense		(58,534)	(209,549)
Administration expenses		(420,278)	(227,789)
<b>Profit before income tax</b>		<b>361,696</b>	<b>307,516</b>
Income tax expense	4	(99,361)	(98,148)
<b>Net profit after income tax</b>		<b>262,335</b>	<b>209,368</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>262,335</b>	<b>209,368</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

### Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,005,086	806,931
Trade and other receivable	6	138,363	137,075
<b>TOTAL CURRENT ASSETS</b>		<b>1,143,449</b>	<b>944,006</b>
<b>NON CURRENT ASSETS</b>			
Other assets	7	46,366	46,366
Plant and equipment	8	112,727	89,322
Right of Use Asset	9	290,743	-
Intangible assets	10	24,623	36,934
Deferred tax assets	11	103,226	12,745
<b>TOTAL NON CURRENT ASSETS</b>		<b>577,685</b>	<b>185,367</b>
<b>TOTAL ASSETS</b>		<b>1,721,134</b>	<b>1,129,373</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	61,725	97,686
Current tax payable		48,053	47,102
Interest bearing liabilities	13	152,630	16,229
Employee entitlements	14	37,472	30,740
<b>TOTAL CURRENT LIABILITIES</b>		<b>299,880</b>	<b>191,757</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	12	50,411	24,622
Interest bearing liabilities	13	200,377	22,665
Employee entitlements	14	19,651	15,607
Deferred tax liabilities	15	86,726	10,157
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>357,165</b>	<b>73,051</b>
<b>TOTAL LIABILITIES</b>		<b>657,045</b>	<b>264,808</b>
<b>NET ASSETS</b>		<b>1,064,089</b>	<b>864,565</b>
<b>EQUITY</b>			
Issued capital	16	897,300	897,300
Retained Earnings / (Accumulated losses)		166,789	(32,735)
<b>TOTAL EQUITY</b>		<b>1,064,089</b>	<b>864,565</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2020

	Share Capital \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2019</b>	897,300	(32,735)	864,565
Profit for the year		262,335	262,335
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	262,335	262,335
<b>Transaction with owners in their capacity as owners</b>			
Dividend declared during the year	-	(62,811)	(62,811)
<b>Balance at 30 June 2020</b>	<b>897,300</b>	<b>166,789</b>	<b>1,064,089</b>

	Share Capital \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2018</b>	897,300	(179,292)	718,008
Profit for the year		209,368	209,368
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	209,368	209,368
<b>Transaction with owners in their capacity as owners</b>			
Dividend declared during the year	-	(62,811)	(62,811)
<b>Balance at 30 June 2019</b>	<b>897,300</b>	<b>(32,735)</b>	<b>864,565</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and franchisor		1,499,332	1,456,561
Payments to suppliers and employees		(975,005)	(1,140,205)
Interest received		12,422	14,933
Interest paid		(22,721)	(10)
Income tax paid		(112,322)	(96,845)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>401,706</b>	<b>234,434</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for plant & equipment		(58,493)	-
Proceeds from disposal of plant & equipment		9,091	-
<b>Net cash used in investing activities</b>		<b>(49,402)</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(70,247)	(62,532)
Proceeds from borrowings		54,500	-
Repayments of borrowings		(138,402)	(20,959)
<b>Net cash used in financing activities</b>		<b>(154,149)</b>	<b>(83,491)</b>
<b>Net increase in cash held</b>		<b>198,155</b>	<b>150,943</b>
Cash at beginning of financial year		806,931	655,988
<b>Cash at end of financial year</b>	<b>5</b>	<b>1,005,086</b>	<b>806,931</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2020

## 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 2020 (including comparative information) were authorised for issue on the 2020 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.

### **(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.

## Notes to the financial statements (continued)

### Note 1: Statement of significant accounting policies (continued)

#### (b) Plant and equipment (continued)

##### Depreciation (continued)

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

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment and motor vehicles	7.5%-60%	Diminishing Value (per FAR)
Right of Use	33%	Prime-cost

#### (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.

##### 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).

##### 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 on the date that the 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 of 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 allowance for impairment. Any change in their value is recognised in profit or loss.



## Notes to the financial statements (continued)

### Note 1: Statement of significant accounting policies (continued)

#### (f) Financial Instruments (continued)

##### Loans and Receivables (continued)

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

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

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

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

For trade receivables, impairment 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 profit and loss 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 any evidence of an impairment indicator for assets.

Where this indicator exists 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.

#### (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.

#### (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.

## Notes to the financial statements (continued)

### Note 1: Statement of significant accounting policies (continued)

#### (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

At the lease commencement, the company recognises a right of use asset and associated lease liability for the lease term. The lease term includes extension periods where the company believes it is reasonably certain that the option will be exercised.

The right of use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right of use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the company's assessment of lease term.

Where the lease liability is remeasured, the right of use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

#### (o) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the 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.

#### (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 2019.

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

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

The company has adopted all standards which became effective for the first time at 30 June 2020.

The company has adopted AASB 16 Leases using the modified retrospective approach from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 2(n).

On adoption of AASB 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6%.

# Notes to the financial statements (continued)

## Note 1: Statement of significant accounting policies (continued)

### (q) Adoption of new and revised accounting standards (continued)

The following adjustments were recognised at 1 July 2019:

	1 July 2019
Right of Use Asset	\$436,115
Lease Liability	\$398,015
Provision for Make Good	\$38,100
Deferred Tax Asset	\$119,932
Deferred Tax Liabilities	\$119,932

	2020 \$	2019 \$
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## Note 2: Revenue

### Operating activities

- Service fees	1,475,469	1,464,777
- Other income	37,571	16,489
	<b>1,513,040</b>	<b>1,481,266</b>

## 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	<b>210,766</b>	<b>320,838</b>
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### (b) Depreciation and amortisation of non current assets

- Furniture and equipment	5,169	5,948
- Motor vehicle	15,446	15,659
- Right of Use	145,372	-
- Franchise fees	12,312	12,312
	<b>178,299</b>	<b>33,919</b>

(c) Rental expense on operating leases	-	<b>138,545</b>
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(d) Wages and salaries	<b>388,825</b>	<b>347,407</b>
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	2020 \$	2019 \$
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## Note 4: Income tax expense

### (a) The components of tax expense comprise:

- Current tax expense	113,273	101,164
- Deferred tax benefit	(13,912)	(3,016)
	<b>99,361</b>	<b>98,148</b>

### (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%	99,466	84,567
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## Notes to the financial statements (continued)

	2020 \$	2019 \$
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### Note 4: Income tax expense (continued)

#### (b) The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows (continued)

Add:

Tax effect of:

- Other non-allowable items	6,261	13,581
- Other non-assessable items	(6,366)	-
<b>Income tax expense attributable to entity</b>	<b>99,361</b>	<b>98,148</b>

#### (c) Deferred income tax (Refer to Note 11 and 15)

Deferred income tax at 30 June 2020 as follows:

Closing balance of current and non-current provisions	(16,500)	(2,588)
Deferred Income tax asset	103,226	12,745
Deferred Income tax liability	(86,726)	(10,157)
	<b>(16,500)</b>	<b>(2,588)</b>

<b>(d) Balance of franking credits</b>	<b>343,530</b>	<b>257,853</b>
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### Note 5: Cash and cash equivalents

<b>Cash at bank and on hand</b>	<b>1,005,086</b>	<b>806,931</b>
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### Note 6: Receivables

#### Current

Trade debtors	138,363	137,075
	<b>138,363</b>	<b>137,075</b>

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 2020.

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.

	2020 \$	2019 \$
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### Note 7: Other assets

#### Non-current

Deposits paid	8,266	8,266
Bank guarantee	38,100	38,100
	<b>46,366</b>	<b>46,366</b>

### Note 8: Plant and equipment

Plant and equipment

At cost	316,260	316,260
Less accumulated depreciation	(279,083)	(273,914)
	<b>37,177</b>	<b>42,346</b>

## Notes to the financial statements (continued)

	2020 \$	2019 \$
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### Note 8: Plant and equipment (continued)

#### Motor vehicle

At cost	104,631	106,512
Less accumulated depreciation	(29,081)	(59,536)
	<b>75,550</b>	<b>46,976</b>
<b>Total plant and equipment</b>	<b>112,727</b>	<b>89,322</b>

### (a) 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>2020</b>			
Balance at the beginning of the year	42,346	46,976	89,322
Addition	-	58,493	58,493
Disposal	-	(14,473)	(14,473)
Depreciation expense	(5,169)	(15,446)	(20,615)
<b>Carrying amount at end of year</b>	<b>37,177</b>	<b>75,550</b>	<b>112,727</b>
	Plant & Equipment \$	Motor Vehicle \$	Total \$
<b>2019</b>			
Balance at the beginning of the year	48,294	62,635	110,929
Addition	-	-	-
Disposal	-	-	-
Depreciation expense	(5,948)	(15,659)	(21,607)
<b>Carrying amount at end of year</b>	<b>42,346</b>	<b>46,976</b>	<b>89,322</b>

	2020 \$	2019 \$
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### Note 9: Right of use asset

#### Non-current

Right of Use – Office	436,115	-
Less accumulated depreciation	(145,372)	-
	<b>290,743</b>	<b>-</b>

### Note 10: Intangible assets

#### Non-current

Franchise fees at cost	61,557	61,557
Less accumulated amortisation	(36,934)	(24,623)
	<b>24,623</b>	<b>36,934</b>



## Notes to the financial statements (continued)

	2020 \$	2019 \$
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### Note 11: Deferred tax assets

Deferred tax assets (refer to Note 4(c))	103,226	12,745
	<b>103,226</b>	<b>12,745</b>

### Note 12: Trade and other payables

#### Current

Trade creditors	32,296	55,644
Other payables	1,031	1,031
GST and payroll deduction liabilities	22,188	27,547
Superannuation payables	-	(181)
Dividend payable	6,210	13,645
	<b>61,725</b>	<b>97,686</b>

#### Non-current

Make Good Provision	38,100	-
Other payables	12,311	24,622
	<b>50,411</b>	<b>24,622</b>
	<b>112,136</b>	<b>122,308</b>

### Note 13: Interest bearing liabilities

#### Current

Lease liability	152,630	16,229
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#### Non-current

Lease liability	200,377	22,665
	<b>353,007</b>	<b>38,894</b>

### Note 14: Employee entitlements

#### Current

Employee entitlements	<b>37,472</b>	<b>30,740</b>
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#### Non-current

Employee entitlements	<b>19,651</b>	<b>15,607</b>
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<b>(a) Aggregate employee benefits liability</b>	<b>57,123</b>	<b>46,347</b>
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<b>(b) Number of employees at year-end</b>	<b>5</b>	<b>6</b>
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### Note 15: Deferred tax liabilities

Deferred tax liabilities (refer to Note 4(c))	86,726	10,157
	<b>86,726</b>	<b>10,157</b>

### Note 16: Contributed equity

Fully paid ordinary shares – refer to 16(a)	897,300	897,300
	<b>897,300</b>	<b>897,300</b>

#### (a) Issued Capital

Ordinary shares	897,300	897,300
	<b>897,300</b>	<b>897,300</b>

## Notes to the financial statements (continued)

### Note 16: 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.

	2020 \$	2019 \$
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#### (c) Dividend Paid

<b>Fully franked dividend declared and/or paid during the year</b>	<b>62,811</b>	<b>62,811</b>
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#### (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.

	2020 \$	2019 \$
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### Note 17: Cash flow information

Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	262,335	209,368
Non cash flows in profit after tax		
Depreciation	165,987	21,607
Amortisation	12,312	12,312
Loss on Sale of Assets	5,383	-
Changes in assets and liabilities		
(Increase) / decrease in receivables	(1,287)	(9,772)
Increase / (decrease) in income taxes	(13,912)	(3,016)
Increase / (decrease) in payables	(39,888)	5,278
Increase / (decrease) in employee entitlements	10,776	(1,343)
<b>Cash flows from operations</b>	<b>401,706</b>	<b>234,434</b>

## Notes to the financial statements (continued)

### Note 18: Leases

#### Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statements of profit or loss and other comprehensive income relating to leases where the company is a lessee are shown below:

	2020 \$	2019 \$
Interest expense on lease liabilities	22,712	2,300
Depreciation of right-of-use assets	145,372	-
Occupancy costs	-	138,545
	<b>168,084</b>	<b>499,738</b>

#### Statement of Cash Flows

Interest expense on lease liabilities	<b>2,038</b>	<b>2,300</b>
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#### Lease Liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$	1 - 5 years \$	> 5 years \$	Total undiscounted lease liabilities \$	Lease liabilities included in this Statement of Financial Position \$
<b>2020</b>					
Lease liabilities	152,630	200,377	-	415,265	353,007

### Note 19: Financial risk management

#### a. Financial Risk Management Policies

The company's financial instruments consist mainly of cash and trade and other receivables and trade and other payables and interest bearing liabilities.

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 2020.

##### 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 follows:

## Notes to the financial statements (continued)

### Note 19: Financial risk management (continued)

#### a. Financial Risk Management Policies (continued)

##### Interest rate risk (continued)

	Weighted Average Effective Interest Rate %	Non-Interest Bearing \$	Fixed Interest Rate \$	Floating Interest Rate \$	Total \$
<b>30 June 2020</b>					
Cash		54,853	-	950,233	1,005,086
Receivables		146,328	38,100	-	184,428
<b>Total Financial Assets</b>		<b>201,181</b>	<b>38,100</b>	<b>950,233</b>	<b>1,189,514</b>
<b>Financial Liabilities</b>					
Trade creditors and other payables		112,136	-	-	112,136
Lease liabilities	5.62%	-	353,007	-	353,007
Employee entitlements		57,123	-	-	57,123
<b>Total Financial Liabilities</b>		<b>169,259</b>	<b>353,007</b>	<b>-</b>	<b>522,266</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>31,922</b>	<b>(314,907)</b>	<b>950,233</b>	<b>667,248</b>
<b>30 June 2019</b>					
Cash		78,110	-	728,821	806,931
Receivables		145,341	38,100	-	183,441
<b>Total Financial Assets</b>		<b>223,451</b>	<b>38,100</b>	<b>728,821</b>	<b>990,372</b>
<b>Financial Liabilities</b>					
Trade creditors and other payables		122,308	-	-	122,308
Lease liabilities	7.50%	-	38,894	-	38,894
Employee entitlements		46,347	-	-	46,347
<b>Total Financial Liabilities</b>		<b>168,655</b>	<b>38,894</b>	<b>-</b>	<b>207,549</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>54,796</b>	<b>(794)</b>	<b>728,821</b>	<b>782,823</b>

##### Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

##### Liquidity risk

The company manages liquidity risk by the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

##### 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 2020.

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.

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.

# Notes to the financial statements (continued)

## Note 19: Financial risk management (continued)

### a. Financial Risk Management Policies (continued)

#### 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.

### 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.

Any reasonably possible change in interest rates would not have a material impact on the company.

## Note 20: Related party disclosures

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

Sook Jin Susan Lee	Oh Jun Kim
Moon Ki Kim	Young Soo Gong
Joon Young Lee	Paul CS Yu
Chang Soo Yoon	Keith Kwon
Jong Wook Lee	

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.

	2020 \$	2019 \$
--	------------	------------

## Note 21: Key management personnel compensation

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

Short-term employee benefits	57,125	53,020
Other long-term benefits	24,996	24,996
<b>Total KMP compensation</b>	<b>82,121</b>	<b>78,016</b>

## Note 22: 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 23: Contingencies liabilities and contingent assets

In the opinion of the Directors, the company did not have any contingencies at 30 June 2020 (2019: None).

## Note 24: Company details

The registered office of the company is: Korean Community Financial Services Limited  
44 The Boulevard, Strathfield NSW 2135

# Directors' declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 32 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 2020 and of the performance for the year ended on that date of the company;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Chang Soo Yoon**  
**Chairman**

Dated at Sydney this 28 day of September 2020

# Independent audit report



## 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 ("the Company"), which comprises the statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards)* ("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 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 2020, 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.

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.

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### KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

#### INDEPENDENT AUDITOR'S REPORT (continued)

##### **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 Responsibilities 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 this 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.
- 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.



### KOREAN COMMUNITY FINANCIAL SERVICES LIMITED

#### INDEPENDENT AUDITOR'S REPORT (continued)

We communicate with the directors regarding, among 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**

Daniel Dalla  
Partner

Sydney, 28 September 2020

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Franchisee: Korean Community Financial Services Limited  
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