

Annual Report 2022

Korean Community
Financial Services Limited



Community Bank
Strathfield

ABN 52 099 137 541



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Chairman's report

For year ending 30 June 2022



Our 20th Anniversary marked the right moment for us to renew our pledge to further strengthen the position of our Community Bank. To continue to remain a growing bank in the coming years, we must continue to play a significant role in our community in the future as we have done over the past 20 years.

Dear shareholders

Welcome to the Annual General Meeting of Korean Community Financial Services Limited. I am very pleased to be here today as this is my 10th opportunity to speak directly with our shareholders at the AGM.

2022 is a significant year in the history of Korean Community Financial Services Limited as it marks 20 years since it opened its doors on 24 June 2002 under the trading name of "Community Bank Strathfield". As the Chairman of the Board, it has been my privilege and honour to work together with my fellow Directors and staff members as part of our Community Bank over the last 20 years.

I would like to extend my heartfelt thanks to the Board Directors, employees, both past and present, shareholders, and customers, for their support over the last 20 years. I would especially like to express my sincere gratitude for the initiative and commitment of the pioneers and shareholders who laid the cornerstone to set up this Community Bank in the Korean community. They had a vision to not only provide banking service to our Korean community, but also improve the economic prospects for the Korean community.

Over the years there have been many difficult and challenging times which we have continually been able to overcome. These challenges have helped us grow stronger and more resilient. They could not have been overcome without our Directors and staff's continued support and dedication. It is through those efforts and tenacity that we have become what we are today, with these hardships really being a blessing in disguise. We saw our first profit in 2007 and since then we have continued to sustainably grow our business.

A great milestone on this journey has been achieved this year with us being able to possess a property of our own. This will be an invaluable asset, adding value for our shareholders over the long term, and continue to leave a sound legacy for the next generation.

This small property is to keep abreast of the current retail banking practices and cope well with the rapidly changing banking industry into a digital era.

Even though the mortgage of \$1,260,000 for the purchase of property may initially seem like financial burden until we fully pay the loan, the property will help have our community and customers put their trust in our Community Bank. In addition, this move will help us to save \$150,000 annually in operating expenses. This can be used to provide further financial support to our community to attract more customers in the long run.

Financial performances

We recognise the importance of meeting shareholder expectations and delivering long-term shareholder value and that it is a fundamental principle for our Community Bank Board.

Despite the challenging economic and market environment, we have achieved an excellent performance in FY 2021-22 and as a result we delivered attractive returns for shareholders as the Board was able to approve a dividend of 7% or seven cents per share, which were fully franked.

Chairman's report (continued)

We pride ourselves on the level of business and profitability we have achieved in FY 2021-22. As our business continues to grow, we look forward to continuing to deliver a stable dividend for our shareholders over the long term.

I am delighted to report that our net profit before tax recorded \$474K, an increase of 102% from \$234K in FY 2020-21 and our business increased to \$255 million, up 12% from the previous financial year. Our current branch accounts are in excess of 6,000. This makes our performance even more pleasing as the results were achieved despite some major challenges, including low interest margin with the low level of RBA's cash rate, and the ever-intensifying competition with the big four banks in our business location.

Contribution to the community

In support of the community, we returned \$96,000 to five individuals and 24 organisations in FY 2021-22 in the form of grants, donations and sponsorships that connect with the local and Korean community. Our financial support over the last 20 years amounts to about \$1.0 million which is a remarkable testament that we are playing an increasingly important role in our community.

This contribution coupled with a dividend payment of \$700K is a big benefit we have delivered into the economy of our community, and our other contributions such as staff salaries and operating expenses of about \$15.0 million since 2002 also helped improve the economy of the Korean and local community. Throughout the last 20 years, we have ensured that our Community Bank has remained strongly aligned with the community, enabling the continued support of many local community groups and individuals. This support in turn builds trust and loyalty to our Community Bank.

Strategy for the future

Our strategy remains community-oriented and continues to focus our effort on deepening the connection with the community and satisfying the customers with the best and friendly services in a highly competitive marketplace.

Also, we make a point of the bank's on-going sustainability by retaining a grass roots community connection establishing uniqueness and value of our Community Bank model through the solid presence in our community.

In light of the demographic of our customers, we will have to continue to attract the younger generation as our customer in order to grow our business and improve our profitability in the future. Continued support for their social and sports events with our financial assistance will further raise awareness of our Community Bank within this generation.

Our Community Bank was established to support Korean background customers and the Korean community and our current customer numbers are about 5,000 which represents only 5% of the Korean background population in Greater Sydney. Accordingly, to retain our long-term sustainability and viability as a Community Bank we should have a continued focus on enticing more customers of Korean background from the big four banks.

As the growth of our business has steadied, we may need to expand our business to reach other suburbs where there are a lot of people of Korean background. That being said, the Community Bank Eastwood branch will be greatly served as one of our integral network points over time.

Our 20th Anniversary marked the right moment for us to renew our pledge to further strengthen the position of our Community Bank. To continue to remain a growing bank in the coming years, we must continue to play a significant role in our community in the future as we have done over the past 20 years.

We are proud that we have made a great contribution to our community's economy through employment, financial support, and provision of financial needs over the last 20 years and the value that this has led to for shareholders.

I'd now like to acknowledge the efforts of those that have been key to the success of the Community Bank. Firstly, to the Directors and staff without which we would not be where we are today. Through their continued support and dedication, we can see our Community Bank grow for generations to come. Our staff members have made it possible for our business partner, shareholders, and customers to place their faith and trust in us. We must strengthen this faith, trust, and mutual bonds we have established in order to make our vision for the future, a reality.

In an effort to implement the succession plan for our Directors, we have been seeking the right people who have a wealth of knowledge in all aspects of the Community Bank's model and operations. They would be pivotal in managing our Community Bank into the future by continuous pursuit of our Community Bank strategic plans while at the same time, keeping our focus on supporting the local community which differentiates ourselves from other banking institutions.

Chairman's report (continued)

We are looking forward to seeing our Community Bank being taken to a new level in the near future as we strive to be one of the biggest and most profitable Community Banks in NSW/ACT.

In closing

We have continued to build a highly successful Community Bank. Our future is definitely exciting as our business moves to its next phase of growth.

And I would like to take this opportunity to thank Bendigo and Adelaide Bank Limited for guiding us in the right direction. Without their guidance and support we would not be what we are today.

We will strive to ensure Community Bank Strathfield continues to grow its business and profit through maintaining and strengthening the sense of community to those we serve.

Finally, from the depth of my heart, I would like to thank the Board Directors and staff members for their support during the year. We have had a solid and resilient year and our outlook is positive and bright. We remain a strong and safe bank and our business is well positioned to continue to prosper into the future.

I look forward to the years ahead with confidence and also working with the Board and a dedicated team of staff to ensure that we remain one of the best Community Bank branches. On behalf of the Board, thank you for your support as shareholders over the past year.



C S Yoon
Chairman of the Board

Manager's report

For year ending 30 June 2022



I am very proud and consider myself lucky enough to be a part of our branch's history where our business went from Nil to over \$255 million, and we now serve over 5,000 customers.

It is with my greatest delight that I present this report to our shareholders. It has been an amazing 20 years since our branch doors first opened in 2002. We have overcome a lot of challenges and hurdles to stand where we are now. 20 years ago I started my career here at Community Bank Strathfield as a Customer Service Officer, and worked in various roles before becoming the Branch Manager in 2012. I am very proud and consider myself lucky enough to be a part of our branch's history where our business went from Nil to over \$255 million, and we now serve over 5,000 customers.

The 2022 financial year was a successful year where we more than doubled our net profit figures, increasing it to \$528K from \$234k last year. Our business volume also increased to \$255 million from \$228 million.

We have chosen to focus on connecting and supporting the younger generations with our Community Bank by acting as sponsors and by attending their events to celebrate their success. This year we have given back \$96,000 to our community in the form of grants, donations, and sponsorships.

We have now managed to purchase our own property with the assistance of a commercial loan from Bendigo and Adelaide Bank Limited. We see this investment as a bright part of our future and do not see this causing any significant changes in our overall cash flow. With the rate of our current property rental payments, the loan should be paid out within 10 years.

With the current rate increases and the margin returns, we are confident those will form a strong portfolio and balance sheet.

I would like to extend a huge thank you to my team – Susan, Sonia, Emily, and Laura who consistently go above and beyond to ensure that our customers receive the best service. Thank you to our customers, who are not only getting serviced by us but have also become advocates of the Community Bank, where we receive a lot of referrals from our existing customers. Thank you to our Board of Directors who put their time and effort in promoting our bank to their networks and the wider community. Thank you to my Regional Manager, Tom Woods and all the Bendigo and Adelaide Bank Limited team. Finally, and most importantly, I would like to thank our shareholders. It is with your investment, support, and your trust in us that the Community Bank Strathfield is here.

We are all very proud of what we have achieved in the last 20 years as a community hub and we look forward to seeing how our Community Bank will grow in the future.

Thank you

Myung Hee Park
Branch Manager



Meet Susan, your local Customer Relationship Manager



Meet Sonia, your local Customer Relationship Officer



Meet Emily, your local Customer Service Officer



Meet Laura, your local Customer Service Officer

Financial highlights



Balance sheet

Total business

\$254.8 million ↑ 12% from \$227 million in 2021

Loan

\$134.8 million ↑ 11% from \$122 million in 2021 and represents 53% of total business

Deposit

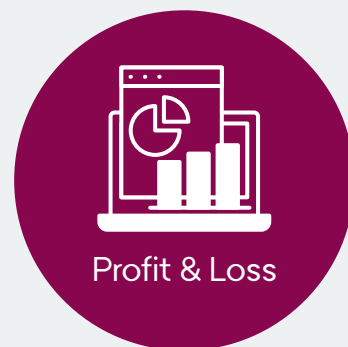
\$108.6 million ↑ 12% from \$97 million in 2021 and represent 42% of total business

Customer numbers

5,051 in 2022, increase of 38 from 5,013 in 2021

Account numbers

6,195 in 2022, increase of 113 from 6,082 in 2021



Profit & Loss

Total revenue

\$1.537 million ↑ 6% from \$1.45 million in 2021

Net profit before tax

\$474,000 ↑ 102% from \$234,000 in 2021



Major financial ratio

Costs to income ratio

69% from 75% in 2021

ROA (Return on Assets)

0.18% from 0.15% in 2021

ROE (Return on Equity)

40% from 34% in 2021

Community contributions

\$16.6 million

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



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



67% per share

Total payments since 2007 – or \$600,000

7.0% per share

Dividend payment in 2022 – or 0.07 cents per share

32

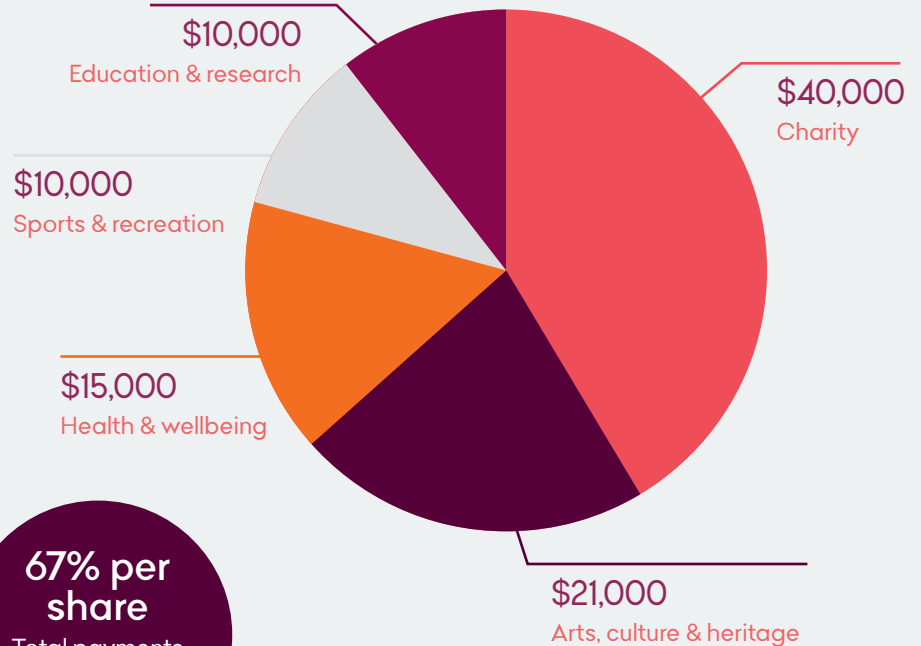
Total employment since 2002 – 10 male: and 22 female

\$9.5 million

Wages since 2002



\$96,000
Financial support in 2021/22



Shareholder distributions

\$600,000

+

Community contributions

\$1 million

+

Local employment and other contributions

\$15 million

=

\$16.6 million



▶ We celebrated our 20th anniversary of Community Bank Strathfield on 23 June 2022.

FY2021-22 we entered into an agreement for Community Fund Management with AIM Heart Incorporation which has been registered as DGR (deductible gift recipients) and can receive donations that are tax deductible.



▶ Signing ceremony of a MOU for our fund management between our Community Bank Strathfield and AIM Heart Incorp. and the Board Directors of each party.

▼ OZtag team members.





▲ Two Korean Australian won the gold and bronze medal in a bowling game in the National Championship which was held in Korea.



▲ Annual meeting of KOWIN (Korean Women's International network).



▲ The Table tennis athletes – brothers who won three medals each at the Oceania Championship tournament and qualified for participating in the World Championship and World Junior Championship.

◀ The Bendigo Bees, sponsored by Community Bank Strathfield, won their Division III Grand Final at Thornleigh Brick Pit Stadium with a winning score of 35-29. MVP for the game was Paul Jung (back row far left).



▲ Presented a cheque of \$5,000 to OZtag team for the world tournament.



▲ 2022 music concert by Shine Chorus which has been organized by some Korean churches in Sydney.

Bendigo and Adelaide Bank report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,



Justine Minne
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2022

Your directors present their report on Korean Community Financial Services Limited ("the Company") for the year ended 30 June 2022.

Directors

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

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

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

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, \$7,904 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 \$353,717 (2021: \$178,547). The sales increased during the year. 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 25% from 2021 to 2022 financial year. This is largely due to increase in cash balances. 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

The Company renewed the franchise agreement with Bendigo Bank which extends the existing agreement to 24 September 2022.

Further, the Company entered into a purchase agreement of a property on 1 July 2022. The purchase price is \$1.98 million inclusive of GST. The purchase was then settled on 15 July 2022, which was funded by a loan of \$1,255,862 from Bendigo and Adelaide Bank, and the balance was paid through the Company's existing cash reserves.

Directors' report (continued)

Events Subsequent to Reporting Date (continued)

Apart from the above matters, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

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

Environmental Issues

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

Information on Directors



Chang Soo Yoon

Executive Director and Chairman

- Born on 16 Jan. 1949
- Appointed on 1 October 2012

Occupation: Director of Korean Community Financial Services Ltd

Experience & Qualification:

- 51 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 also Deputy General Manager who controls and manages the Branch Operation in ANZ Korea.
 - 3) Worked in Strathfield Community Bank as the first Branch Manager for 10 years
- Bachelor of Science in Business Administration
- Graduate diploma of International Finance in Postgraduate School
- Graduate certificate of Business Financial Management

Interest in shares: 10,000 ordinary shares



Joon Young Lee

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 & Qualification:

- 18 years of experience in customer service as a dealer principal of Vodafone Select Partner Network (1998 - 2016)
- 14 years of experience in hospitality as an owner of cafes and restaurants (2007 - current)
- 6 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)

Information on Directors (continued)



Young Soo Gong

Non-Executive Director and Treasurer

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

Occupation: Managing Director / HANPASS Pty Ltd

Experience & Qualifications:

- 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 Lee

Non-Executive Director

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

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

Experience & 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

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 & 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 plus 45,000 in his family trust name

Directors' report (continued)

Information on Directors (continued)



Paul CS Yu

Non-Executive Director

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

Occupation: Managing Director of SP Strathfield Plaza Florist Ltd

Experience & 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



Jong Wook Lee

Non-Executive Director

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

Occupation: Principal Director of Hansol Accounting Partners Pty Ltd

Experience & 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

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 Organization

Experience & 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

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 & Marketing & Sponsorship Committee

Occupation: Solicitor

Experience & Qualification:

- Practicing law for more than 30 years.
- Extensive knowledge in small to medium business law and banking law.
- Served the Strathfield local community as a councillor 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
- B. A (Hons.) & LLB

Interest share: 10,000 ordinary shares

Directors' Benefits

No Director has received or become entitled to receive, during or since the end of 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:

Number of Meetings Held: 12

| Number of Meetings Attended: | No. of Meetings Eligible to Attend | No. of Meetings Attended |
|------------------------------|------------------------------------|--------------------------|
| Chang Soo Yoon | 12 | 12 |
| Joon Young Lee | 12 | 11 |
| Jong Wook Lee | 12 | 9 |
| Moon Ki Kim | 12 | 7 |
| Sook Jin Lee | 12 | 11 |
| Oh Jun Kim | 12 | 11 |
| Young Soo Gong | 12 | 11 |
| Paul CS Yu | 12 | 12 |
| Keith Kwon | 12 | 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)

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 ensure 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 17.

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



Chang Soo Yoon
Chairman

Dated at Sydney this 24 day of October 2022

Auditor's independence declaration



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

To the directors of Korean Community Financial Services Limited

As lead auditor for the audit of Korean Community Financial Services Limited for the year ended 30 June 2022, 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.

Rothsay Chartered Accountants

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

Daniel Dalla
Partner

Sydney, 24 October 2022

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--|-------|----------------|----------------|
| Revenue | 2 | 1,537,235 | 1,450,100 |
| Cost of sales | 3(a) | (52,791) | (126,196) |
| Gross profit | | 1,484,444 | 1,323,904 |
| Employee benefits expense | | (557,027) | (565,349) |
| Occupancy costs expense | | (51,863) | (79,624) |
| Administration expenses | | (401,449) | (444,527) |
| Profit before income tax | | 474,105 | 234,404 |
| Income tax expense | 4 | (120,388) | (55,857) |
| Net profit after income tax | | 353,717 | 178,547 |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income for the year | | 353,717 | 178,547 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--------------------------------------|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 1,420,857 | 1,098,916 |
| Trade and other receivables | 6 | 143,819 | 124,659 |
| Current tax refundable | | - | 10,358 |
| TOTAL CURRENT ASSETS | | 1,564,676 | 1,233,933 |
| NON CURRENT ASSETS | | | |
| Other assets | 7 | 67,316 | 46,366 |
| Plant and equipment | 8 | 71,283 | 89,357 |
| ROU assets | 9 | 96,767 | 150,636 |
| Intangible assets | 10 | - | 12,311 |
| Deferred tax assets | 11 | 55,022 | 68,524 |
| TOTAL NON CURRENT ASSETS | | 290,388 | 367,194 |
| TOTAL ASSETS | | 1,855,064 | 1,601,127 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 51,248 | 61,464 |
| Current tax payable | | 65,060 | - |
| Interest bearing liabilities | 13 | 104,215 | 176,741 |
| Employee entitlements | 14 | 70,296 | 58,298 |
| TOTAL CURRENT LIABILITIES | | 290,819 | 296,503 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 38,100 | 38,100 |
| Interest bearing liabilities | 13 | 18,402 | 34,164 |
| Employee entitlements | 14 | 12,820 | 10,169 |
| Deferred tax liabilities | 15 | 24,192 | 42,366 |
| TOTAL NON-CURRENT LIABILITIES | | 93,514 | 124,799 |
| TOTAL LIABILITIES | | 384,333 | 421,302 |
| NET ASSETS | | 1,470,731 | 1,179,825 |
| EQUITY | | | |
| Issued capital | 16 | 897,300 | 897,300 |
| Retained earnings | | 573,431 | 282,525 |
| TOTAL EQUITY | | 1,470,731 | 1,179,825 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2022

| | Share capital \$ | Accumulated profits \$ | Total \$ |
|--|------------------------|------------------------------|------------------|
| Balance at 1 July 2021 | 897,300 | 282,525 | 1,179,825 |
| Profit for the year | | 353,717 | 353,717 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | | 353,717 | 353,717 |
| <i>Transaction with owners in their capacity as owners</i> | | | |
| Dividend declared during the year | - | (62,811) | (62,811) |
| Balance at 30 June 2022 | 897,300 | 573,431 | 1,470,731 |
| Balance at 1 July 2020 | 897,300 | 166,789 | 1,064,089 |
| Profit for the year | | 178,547 | 178,547 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 178,547 | 178,547 |
| <i>Transaction with owners in their capacity as owners</i> | | | |
| Dividend declared during the year | - | (62,811) | (62,811) |
| Balance at 30 June 2021 | 897,300 | 282,525 | 1,179,825 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--|-----------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and franchisor | | 1,513,630 | 1,457,362 |
| Payments to suppliers and employees | | (874,149) | (1,016,159) |
| Interest received | | 4,445 | 6,441 |
| Interest paid | | (9,894) | (15,259) |
| Income tax paid | | (49,642) | (123,926) |
| Net cash provided by operating activities | 17 | 584,390 | 308,459 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments for plant & equipment | | (20,950) | - |
| Net cash used in investing activities | | (20,950) | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (61,929) | (61,999) |
| Repayments of borrowings | | (179,570) | (152,630) |
| Net cash used in financing activities | | (241,499) | (214,629) |
| Net increase in cash held | | 321,941 | 93,830 |
| Cash at beginning of financial year | | 1,098,916 | 1,005,086 |
| Cash at end of financial year | 5 | 1,420,857 | 1,098,916 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2022

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 2022 (including comparative information) were authorised for issue on the 24 October 2022 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.

Notes to the financial statements (continued)

Note 1: Statement of significant accounting policies (continued)

(b) Plant and Equipment (continued)

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 |
|--|--------------------|-----------------------------|
| Plant and equipment and motor vehicles | 75%-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.

Notes to the financial statements (continued)

Note 1: Statement of significant accounting policies (continued)

(f) Financial Instruments (continued)

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.

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 asset 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.

Notes to the financial statements (continued)

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

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 2021.

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

Notes to the financial statements (continued)

| | 2022 \$ | 2021 \$ |
|----------------------|------------------|------------------|
| Operating activities | | |
| - Service fees | 1,532,790 | 1,398,712 |
| - Other income | 4,445 | 51,388 |
| | 1,537,235 | 1,450,100 |

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 | 52,791 | 126,196 |
| (b) Depreciation and amortisation of non current assets | | |
| - Furniture and equipment | 3,908 | 4,483 |
| - Motor vehicle | 14,165 | 18,887 |
| - Right of Use | 145,151 | 150,635 |
| - Franchise fees | 12,312 | 12,312 |
| | 175,536 | 186,317 |
| (c) Rental expense on operating leases | - | - |
| (d) Wages and salaries | 442,726 | 439,495 |

Note 4: Income tax expense

| | | |
|---|----------------|----------------|
| (a) The components of tax expense comprise: | | |
| - Current tax expense | 125,060 | 65,514 |
| - Deferred tax benefit | (4,672) | (9,657) |
| | 120,388 | 55,857 |
| (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 25% | 118,526 | 60,945 |
| Add: | | |
| Tax effect of: | | |
| - Other non-allowable items | 1,862 | 6,598 |
| - Other non-assessable items | - | (11,686) |
| Income tax expense attributable to entity | 120,388 | 55,857 |
| (c) Deferred income tax (Refer to Note 11 and 15) | | |
| Deferred income tax at 30 June 2022 as follows: | | |
| Closing balance of current and non-current provisions | (30,830) | (26,158) |
| Deferred Income tax asset | 55,022 | 68,524 |
| Deferred Income tax liability | (24,192) | (42,366) |
| | 30,830 | 26,158 |
| (d) Balance of franking credits | 474,106 | 445,401 |

Notes to the financial statements (continued)

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
|--|------------|------------|

Note 5: Cash and cash equivalents

| | | |
|--------------------------|-----------|-----------|
| Cash at bank and on hand | 1,420,857 | 1,098,916 |
|--------------------------|-----------|-----------|

Note 6: Receivables

| Current | | |
|----------------|----------------|----------------|
| Trade debtors | 143,819 | 124,659 |
| | 143,819 | 124,659 |

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 2022.

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.

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
|--|------------|------------|

Note 7: Other assets

| Non-current | | |
|--------------------|---------------|---------------|
| Deposits paid | 26,266 | 8,266 |
| Legal Fee | 2,950 | - |
| Bank guarantee | 38,100 | 38,100 |
| | 67,316 | 46,366 |

Note 8: Plant and equipment

| (a) Plant and equipment | | |
|----------------------------------|---------------|---------------|
| At cost | 316,260 | 316,260 |
| Less accumulated depreciation | (287,474) | (283,566) |
| | 28,786 | 32,694 |
| (b) Motor vehicle | | |
| At cost | 104,631 | 104,631 |
| Less accumulated depreciation | (62,134) | (47,968) |
| | 42,497 | 56,663 |
| Total plant and equipment | 71,283 | 89,357 |

Notes to the financial statements (continued)

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

| 2022 | Plant & Equipment \$ | Motor Vehicle \$ | Total \$ |
|---------------------------------------|-------------------------|---------------------|---------------|
| Balance at the beginning of the year | 32,694 | 56,663 | 89,357 |
| Addition | - | - | - |
| Disposal | - | - | - |
| Depreciation expense | (3,908) | (14,166) | (18,074) |
| Carrying amount at end of year | 28,786 | 42,497 | 71,283 |

| 2021 | Plant & Equipment \$ | Motor Vehicle \$ | Total \$ |
|---------------------------------------|-------------------------|---------------------|---------------|
| Balance at the beginning of the year | 37,177 | 75,550 | 112,727 |
| Addition | - | - | - |
| Disposal | - | - | - |
| Depreciation expense | (4,483) | (18,887) | (23,370) |
| Carrying amount at end of year | 32,694 | 56,663 | 89,357 |

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
|--|------------|------------|

Note 9: ROU Assets

| Non-current | | |
|-------------------------------|---------------|----------------|
| Right of Use – Office | 537,925 | 446,643 |
| Less accumulated depreciation | (441,158) | (296,007) |
| | 96,767 | 150,636 |

Note 10: Intangible assets

| Non-current | | |
|-------------------------------|----------|---------------|
| Franchise fees at cost | 61,557 | 61,557 |
| Less accumulated amortisation | (61,557) | (49,246) |
| | - | 12,311 |

Note 11: Deferred assets

| | | |
|--|---------------|---------------|
| Deferred tax assets (refer to Note 4(c)) | 55,022 | 68,524 |
| | 55,022 | 68,524 |

Notes to the financial statements (continued)

| | 2022 \$ | 2021 \$ |
|--|---------------|---------------|
| Note 12: Trade and other payables | | |
| Current | | |
| Trade creditors | 7,838 | 20,119 |
| Other payables | 142 | 1,031 |
| GST and payroll deduction liabilities | 27,775 | 33,292 |
| Superannuation payables | 7,589 | - |
| Dividend payable | 7,904 | 7,022 |
| | 51,248 | 61,464 |
| Non-current | | |
| Make Good Provision | 38,100 | 38,100 |
| | 38,100 | 38,100 |
| | 89,348 | 99,564 |

Note 13: Interest bearing liabilities

| | | |
|--------------------|----------------|----------------|
| Current | | |
| Lease liability | 104,215 | 176,741 |
| Non-current | | |
| Lease liability | 18,402 | 34,164 |
| | 122,617 | 210,905 |

Note 14: Employee entitlements

| | | |
|--|---------------|---------------|
| Current | | |
| Employee entitlements | 70,296 | 58,298 |
| Non-current | | |
| Employee entitlements | 12,820 | 10,169 |
| (a) Aggregate employee benefits liability | 83,116 | 68,467 |
| (b) Number of employees at year-end | 6 | 6 |

Note 15: Deferred liabilities

| | | |
|---|---------------|---------------|
| Deferred tax liabilities (refer to Note 4(c)) | 24,192 | 42,366 |
| | 24,192 | 42,366 |

Notes to the financial statements (continued)

| | 2022 \$ | 2021 \$ |
|---|----------------|----------------|
| Note 16: Contributed equity | | |
| Fully paid ordinary shares – refer to 16(a) | 897,300 | 897,300 |
| | 897,300 | 897,300 |
| (a) Issued Capital | | |
| Ordinary shares | 897,300 | 897,300 |
| | 897,300 | 897,300 |

(b) Fully Paid Ordinary Shares

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

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

(c) Dividend Paid

| | | |
|--|---------------|---------------|
| Fully franked dividend declared and/or paid during the year | 62,811 | 62,811 |
|--|---------------|---------------|

(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.

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Note 17: Cash flow information | | |
| Reconciliation of cash flow from operations with profit after income tax | | |
| Profit after income tax | 353,717 | 178,547 |
| Non cash flows in profit after tax | | |
| Depreciation | 163,224 | 174,005 |
| Amortisation | 12,312 | 12,312 |
| Changes in assets and liabilities | | |
| (Increase) / decrease in receivables | (19,160) | 13,703 |
| Increase / (decrease) in income taxes | 49,431 | (68,068) |
| Increase / (decrease) in payables | 10,216 | (13,383) |
| Increase / (decrease) in employee entitlements | 14,650 | 11,343 |
| Cash flows from operations | 584,390 | 308,459 |

Notes to the financial statements (continued)

2022
\$

2021
\$

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:

| | | |
|---------------------------------------|----------------|----------------|
| Interest expense on lease liabilities | 9,873 | 15,221 |
| Depreciation of right-of-use assets | 145,151 | 150,636 |
| | 155,024 | 165,857 |

Statement of Cash Flows

| | | |
|---|----------------|----------------|
| Cash outflows on lease liabilities | 161,076 | 146,857 |
|---|----------------|----------------|

Lease Liabilities

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

| | < 1 year \$ | 15 years \$ | > 5 years \$ | Total undiscounted lease liabilities \$ | Lease liabilities included in this Statement of Financial Position \$ |
|-------------------|----------------|----------------|-----------------|--|--|
| 2022 | | | | | |
| Lease liabilities | 120,766 | 19,029 | - | 139,795 | 122,617 |

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 operations.

The Company does not have any derivative instruments at 30 June 2022.

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)

| | Weighted Average Effective Interest Rate % | Non-Interest Bearing \$ | Fixed Interest Rate \$ | Floating Interest Rate \$ | Total \$ |
|---|---|-------------------------------|---------------------------------|------------------------------------|------------------|
| 30 June 2022 | | | | | |
| <i>Financial Asset</i> | | | | | |
| Cash | | 40,458 | - | 1,380,399 | 1,420,857 |
| Receivables | | 170,085 | 38,100 | - | 208,185 |
| Total Financial Assets | | 210,543 | 38,100 | 1,380,399 | 1,629,042 |
| <i>Financial Liabilities</i> | | | | | |
| Trade creditors and other payables | | 89,348 | - | - | 89,348 |
| Lease liabilities | 5.62% | - | 122,617 | - | 122,617 |
| Employee entitlements | | 83,116 | - | - | 83,116 |
| Total Financial Liabilities | | 172,464 | 122,617 | - | 295,081 |
| Net Financial Assets/(Liabilities) | | 38,079 | (84,517) | 1,380,399 | 1,333,961 |
| 30 June 2021 | | | | | |
| <i>Financial Asset</i> | | | | | |
| Cash | | 22,875 | - | 1,076,041 | 1,098,916 |
| Receivables | | 132,925 | 38,100 | - | 171,025 |
| Total Financial Assets | | 155,800 | 38,100 | 1,076,041 | 1,269,941 |
| <i>Financial Liabilities</i> | | | | | |
| Trade creditors and other payables | | 99,564 | - | - | 99,564 |
| Lease liabilities | 5.62% | - | 210,905 | - | 210,905 |
| Employee entitlements | | 68,467 | - | - | 68,467 |
| Total Financial Liabilities | | 168,031 | 210,905 | - | 378,936 |
| Net Financial Assets/(Liabilities) | | (12,231) | (172,805) | 1,076,041 | 891,005 |

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 2022.

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.

Notes to the financial statements (continued)

Note 19: Financial risk management (continued)

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.

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 Lee Kwak | Moon Ki Kim |
| Joon Young Lee | Chang Soo Yoon |
| Jong Wook Lee | Oh Jun Kim |
| Young Soo Gong | Paul CS Yu |
| Keith Kwon | |

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.

| | |
|------|------|
| 2022 | 2021 |
| \$ | \$ |

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 | 60,125 |
| Other long-term benefits | 5,712 | 24,996 |
| Total KMP compensation | 62,837 | 85,121 |

Note 22: Events subsequent to reporting date

The Company renewed the franchise agreement with Bendigo Bank which extends the existing agreement to 24 September 2022.

Further, the Company entered into a purchase agreement of a property on 1 July 2022. The purchase price is \$1.98 million inclusive of GST. The purchase was then settled on 15 July 2022, which was funded by a loan of \$1,255,862 from Bendigo and Adelaide Bank, and the balance was paid through the Company's existing cash reserves.

Apart from the above matters, no matters or circumstances have arisen since the end of the financial year which 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.

Notes to the financial statements (continued)

Note 23: Contingencies liabilities and contingent assets

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (2021: None).

Note 24: Company details

The registered office of the Company is:

Korean Community Financial Services Limited
44 The Boulevard
Strathfield NSW

Directors' declaration

For the financial year ended 30 June 2022

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 34 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 2022 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 24 day of October 2022

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 2022, 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 2022 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 2022 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.

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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 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.



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, 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, 24 October 2022

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