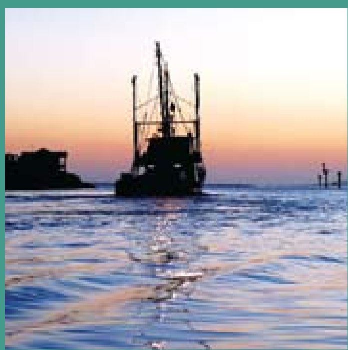
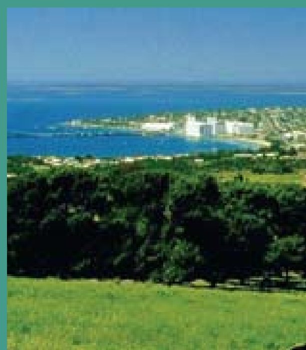
Port Lincoln Community Enterprises Limited

ABN 29 127 996 187

2008 annual report







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Chairman's report

For year ending 30 June 2008

Annual report

This is the inaugural annual report for our newly formed Company and looking back on what has evolved over the last year, we can all be very proud of what has been achieved in a very short time. The Company was registered in November 2007 and successfully raised the minimum capital of $700,000 within two weeks of the prospectus launch. Due to the demand for shares we decided to accept oversubscription of $200,000 to bring the total raised to $900,000.

Performance for financial year 2007/08

It is very pleasing to be able to report to the shareholders that after our successful opening on 11 March and due to the hard work and dedication of Phil and his team we have made a very solid start with income above budget.

This report only covers our first three and a half months of trading so needs to be considered in this light. But the signs are very promising for our future.

Acknowledgements

I must thank those who had the vision to make a **Community Bank®** branch for Port Lincoln a reality. The steering committee under Greg Eden as chairman took us from inception to opening in about a year which is quite fast by **Community Bank®** branch standards.

We had great support from Bendigo Bank and their team and with our treasurer Steven James who came to us with extensive experience with **Community Bank®** branches in Western Australia we were able to progress through all the requirements very quickly.

I must thank the community of Port Lincoln for having the foresight and commitment to have pledged and realised substantial financial support so quickly.

It is the aim of our Board and Phil and his team to reward this faith and commitment as soon as possible by bringing the branch to profit as soon as we can.

To this end of course we require you all to bring us your business and that of your family and friends so that we all may benefit as a community.

I must give recognition to my fellow Board members who have gone out of their way to ensure that the Company has had a successful start.

Most importantly I would like to thank the most important people in the whole equation for their support, our customers.

Chairman's report continued

The future

We are very upbeat about our future because we have a competent and committed Board and a very motivated staff who are working well together. Most importantly we have been getting strong community support.

As more of our community come to realise how powerful the **Community Bank®** concept is in building community facilities and services we can look forward to a very rewarding future for all.

As indicated in the prospectus and our feasibility study we do not expect to reach profit for two to three years, however, if our performance and your support continues along the lines of the first few months, then we could be looking at profits sooner than budgeted.

Lets all work together to promote our bank and our community.

Pat Callaghan
Chairman

Manager's report

For year ending 30 June 2008

Our **Community Bank®** branch opened with great fanfare on 11 March and the level of interest both from the community and the executive of Bendigo and Adelaide Bank was significant, as evidenced by the number of attendees at the official opening ceremony. It was an honour to have our managing Director, Rob Hunt, attend and I appreciated his frank remarks and general guidance for our future direction.

Our team has settled in very well and have all undertaken significant amounts of training; all staff have gained their Financial Services Reform Act accreditation which is a pre-requisite when working in a financial institution. Our goal of providing superior customer service has been met without question. I am proud of the way our staff have responded to at times quite challenging situations, always though keeping our customers best interests first. From my perspective, I see and hear the friendly atmosphere that has become common place here together with the increasing numbers of people coming in to our branch.

You, our shareholders have been the means to our local branch getting started, many of you have opened accounts and are promoting us when you are able, and we appreciate this support. Please do not look upon your investment with our **Community Bank®** branch as purely a commercial transaction that will one day return you a dividend, it is an investment in your community. For those of you who have not yet opened an account I simply say, we need the support of ALL our shareholders to help OUR **Community Bank®** branch reach it's full potential.

As at 30 June we have opened 428 accounts, ranging from corporate customers to the traditional mum and dads investors, and we value every opportunity we get.

Phil Channon
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit their report of the Company for the financial period ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial period are:

Pat Callaghan
Chairman
Occupation: Retired Dentist
(Appointed 15 October 2007)

Terri Christensen
Company Secretary
Occupation: Retired Manager
(Appointed 15 October 2007)

Faye Davis
Director
Occupation: Real Estate Manager
(Appointed 15 October 2007)

Gregory Eden
Director
Occupation: Accountant/Financial Planner
(Appointed 15 October 2007)

Anne-Marie Hammond
Director
Occupation: Field Officer
(Appointed 15 October 2007)

Graham Henderson
Director
Occupation: Retired
(Appointed 15 October 2007)

Steven James
Treasurer
Occupation: Accountant
(Appointed 15 October 2007)

Leslie Karutz
Director
Occupation: Accountant
(Appointed 15 October 2007)

Directors were in office for this entire period unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the period.

Operating results

Operations have performed in line with expectations. The loss of the Company for the financial period after provision for income tax was $256,133.

Directors' report continued

Dividends

No dividends were declared or paid during the period.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial period that have 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 years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

During the year Terri Christensen received $600 for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $19,965 in respect of accounting and share registry fees from the Company.

Eden Wiseman Pty Ltd of which Gregory Eden is a partner received $102 in respect of administration fees from the Company.

Other than above, no Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the period were:

Number of meetings held:	**14**
Number of meetings attended:	
Pat Callaghan (appointed 15 October 2007)	11
Terri Christensen (appointed 15 October 2007)	14
Faye Davis (appointed 15 October 2007)	8
Gregory Eden (appointed 15 October 2007)	9
Anne-Marie Hammond (appointed 15 October 2007)	11
Graham Henderson (appointed 15 October 2007)	12
Steven James (appointed 15 October 2007)	12
Leslie Karutz (appointed 15 October 2007)	12

Company Secretary

Terri Christensen has been the Company Secretary of Port Lincoln Community Enterprises Limited since date of incorporation in 2007. Terri has a Bachelor of Arts in Business.

Corporate governance

The Company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee are Steven James, Gregory Eden and Pat Callaghan;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

10 September 2008

The Directors
Port Lincoln Community Enterprises Limited
PO Box 2179
PORT LINCOLN SA 5606

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Port Lincoln Community Enterprises Ltd for the period ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

W Sinnott.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Port Lincoln on 10 September 2008.

P Callaghan

Pat Callaghan

Director

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $
Revenue from ordinary activities	2	28,139
Employee benefits expense	3	(102,385)
Charitable donations and sponsorship		(595)
Depreciation and amortisation expense	3	(12,550)
Finance costs	3	(526)
Other expenses from ordinary activities		(229,056)
Loss before income tax benefit		**(316,973)**
Income tax benefit	4	(60,840)
Loss after income tax benefit		**(256,133)**

Earnings per share (cents per share)		
- basic for loss for the period	22	(28.46)
- diluted for loss for the period	22	(28.46)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $
Current assets		
Cash assets	6	345,664
Receivables	7	21,276
Other	8	4,164
Total current assets		**371,104**
Non-current assets		
Property, plant and equipment	9	269,891
Deferred income tax asset	4	60,840
Intangible assets	10	18,000
Total non-current assets		**348,731**
Total assets		**719,835**
Current liabilities		
Payables	11	41,212
Interest bearing liabilities	12	5,164
Provisions	13	6,374
Total current liabilities		**52,750**
Non-current liabilities		
Interest bearing liabilities	12	23,210
Total non-current liabilities		**23,210**
Total liabilities		**75,960**
Net assets		**643,875**
Equity		
Share capital	14	900,008
Accumulated losses	15	(256,133)
Total equity		**643,875**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $
Cash flows from operating activities		
Cash receipts in the course of operations		6,548
Cash payments in the course of operations		(297,708)
Interest received		8,883
Borrowing costs		(526)
Net cash flows used in operating activities	**16b**	**(282,277)**
Cash flows from investing activities		
Payment for intangible assets		(20,000)
Payments for property, plant and equipment		(280,441)
Net cash flows used in investing activities		**(300,441)**
Cash flows from financing activities		
Proceeds from issue of shares		900,008
Proceeds from borrowings		28,374
Net cash flows from financing activities		**928,382**
Net increase in cash held		**345,664**
Add opening cash brought forward		-
Closing cash carried forward	**16a**	**345,664**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $
SHARE CAPITAL		
Ordinary shares		
Balance at start of period		-
Issue of share capital		900,008
Share issue costs		-
Balance at end of period		**900,008**
Accumulated losses		
Balance at start of period		-
Loss after income tax benefit		(256,133)
Dividends paid		-
Balance at end of period		**(256,133)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 10 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Fit out costs	10%
Plant & equipment	18.75 - 40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST).

Note 1. Basis of preparation of the financial report (continued)

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

The entity commenced operations during the period, hence there are no comparative figures.

Note 2. Revenue from ordinary activities

	2008 $
Operating activities	
- services commissions	12,385
- other revenue	-
Total revenue from operating activities	**12,385**

Notes to the financial statements continued

	2008 $
Note 2. Revenue from ordinary activities (continued)	
Non-operating activities:	
- interest received	15,754
- other revenue	-
Total revenue from non-operating activities	**15,754**
Total revenue from ordinary activities	**28,139**

Note 3. Expenses

	2008 $
Employee benefits expense	
- wages and salaries	55,396
- superannuation costs	30,431
- workers' compensation costs	43
- other costs	16,515
	102,385
Depreciation of non-current assets:	
- plant and equipment	4,017
- buildings	6,533
Amortisation of non-current assets:	
- intangibles	2,000
	12,550
Finance costs:	
- Borrowing expenses	526
Bad debts	6

Notes to the financial statements continued

	2008 $

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:	
Prima facie tax on loss before income tax at 30%	(95,092)
Add tax effect of:	
- Non-deductible expenses	34,252
Current income tax expense	**(60,840)**
Income tax benefit	(60,840)
Deferred income tax asset	
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**60,840**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:	
- Audit or review of the financial report of the Company	**2,700**

Note 6. Cash assets

Cash at bank and on hand	**345,664**

Note 7. Receivables

GST receivable	7,112
Trade debtors	14,151
Other	13
	21,276

Note 8. Other

Prepaid expenses	**4,164**

	2008 $
Note 9. Property, plant and equipment	
Fit out costs	
At cost	236,095
Less accumulated depreciation	(6,533)
	229,562
Plant and equipment	
At cost	44,346
Less accumulated depreciation	(4,017)
	40,329
Total written down amount	**269,891**
Movements in carrying amounts	
Fit out costs	
Carrying amount at beginning of period	-
Additions	236,095
Disposals	-
Depreciation expense	(6,533)
Carrying amount at end of period	**229,562**
Plant and equipment	
Carrying amount at beginning of period	-
Additions	44,346
Disposals	-
Depreciation expense	(4,017)
Carrying amount at end of period	**40,329**

Notes to the financial statements continued

	2008 $
Note 10. Intangible assets	
Franchise fee	
At cost	10,000
Less accumulated amortisation	(1,000)
	9,000
Prepaid training expenses	
At cost	10,000
Less accumulated amortisation	(1,000)
	9,000
	18,000
Note 11. Payables	
Trade creditors	21,800
Other creditors and accruals	19,412
	41,212
Note 12. Interest bearing liabilities	
Current	
Chattel mortgage - secured	**5,164**
Non-current	
Chattel mortgage - secured	**23,210**
Note 13. Provisions	
Employee benefits	6,374
Number of employees at period end	**4**

	2008 $

Note 14. Share capital

900,008 Ordinary Shares fully paid of $1 each	**900,008**

All the above shares were issued during the period ended 30 June 2008.

Note 15. Accumulated losses

Balance at the beginning of the financial period	-
Loss after income tax	(256,133)
Balance at the end of the financial period	**(256,133)**

Note 16. Cash flow statement

(a) Reconciliation of cash

Cash assets	**345,677**

(b) Reconciliation of loss after tax to net cash provided used in operating activities

Loss after income tax	(256,133)
Non cash items	
- Depreciation	10,550
- Amortisation	2,000
Changes in assets and liabilities	
- (Increase) decrease in receivables / other assets	(25,440)
- (Increase) decrease in deferred tax liability	(60,840)
- Increase (decrease) in payables	41,212
- Increase (decrease) in provisions	6,374
Net cash flows used in operating activities	**(282,277)**

Note 17. Director and related party disclosures

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

Pat Callaghan (appointed 15 October 2007)

Terri Christensen (appointed 15 October 2007)

Faye Davis (appointed 15 October 2007)

Gregory Eden (appointed 15 October 2007)

Anne-Marie Hammond (appointed 15 October 2007)

Graham Henderson (appointed 15 October 2007)

Steven James (appointed 15 October 2007)

Leslie Karutz (appointed 15 October 2007)

During the year Terri Christensen received $600 for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $19,965 in respect of accounting and share registry fees from the Company.

Eden Wiseman Pty Ltd of which Gregory Eden is a partner received $102 in respect of administration fees from the Company.

Other than above, no Director or related entity has entered into a material contract with the Company.

No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**
Pat Callaghan (appointed 15 October 2007)	32,001
Terri Christensen (appointed 15 October 2007)	2,001
Faye Davis (appointed 15 October 2007)	15,001
Gregory Eden (appointed 15 October 2007)	5,001
Anne-Marie Hammond (appointed 15 October 2007)	1,001
Graham Henderson (appointed 15 October 2007)	3,001
Steven James (appointed 15 October 2007)	5,001
Leslie Karutz (appointed 15 October 2007)	10,501

All shared were purchased during the period. Each share held has a paid up value of $1 and is fully paid.

Note 18. Subsequent events

There have been no events after the end of the financial period that would materially affect the financial statements.

Notes to the financial statements continued

Note 19. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Note 20. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients.

The economic entity operates in one geographic area being Port Lincoln, South Australia.

Note 21. Corporate information

Port Lincoln Community Enterprises Ltd is a Company limited by shares incorporated in Australia.

The principal place of business is:
The Centre, 34 Liverpool Street,
Port Lincoln SA 5606

The registered office is:
4 Eyre Street,
Port Lincoln SA 5606

	2008 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008 $
Loss after income tax expense	**(256,133)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**900,008**

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount 2008 $
Cash assets	345,664
Receivables	21,276
	366,940

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Note 23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
30 June 2008					
Payables	41,212	(41,212)	(41,212)	-	-
Interest bearing liabilities	28,374	(34,540)	(7,401)	(27,139)	-
	69,586	**(75,752)**	**(48,613)**	**(27,139)**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2008 $
Fixed rate instruments	
Financial assets	-
Financial liabilities	-
	-
Variable rate instruments	
Financial assets	345,664
Financial liabilities	(28,374)
	317,290

Note 23. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at period end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

   (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the period ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the period.

Director's declaration

In accordance with a resolution of the Directors of Port Lincoln Community Enterprises Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the period ended on that date; and

   (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Pat Callaghan

Director

Signed at Port Lincoln on 10 September 2008.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PORT LINCOLN COMMUNITY ENTERPRISES LTD

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Port Lincoln Community Enterprises Ltd, for the period ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Port Lincoln Community Enterprises Ltd is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the period ended on that date;

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 10 September 2008

Port Lincoln **Community Bank**® Branch
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