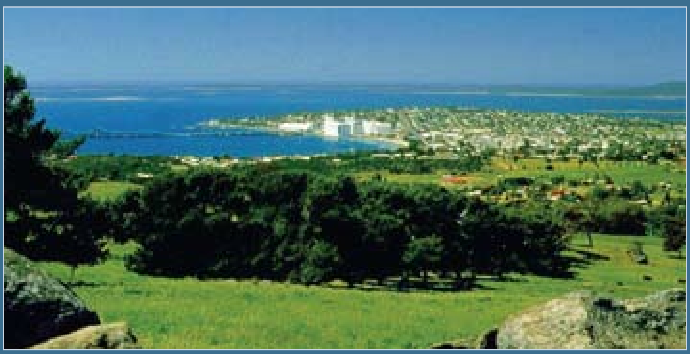
annual report 2009



Port Lincoln Community
Enterprises Limited
ABN 29 127 996 187

Port Lincoln **Community Bank®** Branch

Contents

Chairman's report	**2**
Manager's report	**3**
Directors' report	**4-7**
Financial statements	**8-11**
Notes to the financial statements	**12-26**
Directors' declaration	**27**
Independent audit report	**28-29**

Chairman's report

For year ending 30 June 2009

As it is 15 months since the **Community Bank®** branch doors opened, we are able to present the first annual report for our Company with full financial year figures.

It can be safely stated that most of us will never experience a year anything like we have just witnessed. The financial impact of the financial crisis on global finances and sentiment was devastating.

Fortunately we live in an affluent country that has very good governance and regulations in financial matters and have not been as seriously affected as other countries.

We also have a franchisor in Bendigo and Adelaide Bank Ltd that is secure and conservative yet prepared to be competitive and most important locally we have a great team working within a supportive community.

Phil Channon and his team have put up an amazing performance in writing so much new business for the year and put us in a position that, based on our original projections, would have put us in profit by now.

However despite our fortunate circumstances we were not completely immune from the effects of the above mentioned global financial crisis. The profit margins on our banking business were considerably reduced over this period.

Thankfully healthier profit margins are beginning to return and we look forward in the near future to being in profit. Still within the two to three years predicted in our prospectus.

Due to the amount of business on the books we have been generating income in our market development fund and as a consequence have been able to financially support projects that we believe will help to generate more business for us.

I must acknowledge the efforts of my fellow Board members throughout the year. They have generously provided their valuable time and worked diligently and in good spirit for the benefit of the Company and I thank them for their support and enthusiasm. I would also like to recognise the team at the branch, who have not only produced good figures, but have provided excellent personalised service to their customers in a friendly and community oriented environment.

To the most important people of all, our customers, who are growing in numbers by the day. I thank you for your support and ask that you spread the word amongst family and friends so that we can quickly become the significant influence in our community that we envisage.

Pat Callaghan

Chairman

Manager’s report

For year ending 30 June 2009

Our business continues to grow with 1,280 accounts having now been opened. Funds under management amount to $45 million.

Under the conditions that prevailed when we opened the branch, this should have been sufficient to have generated a profit, but due to the margin squeeze caused by the global financial crisis it proved insufficient, but we are well on our way and as our Chairman indicated we expect to be profitable within the time frames expressed in the prospectus.

During the year Rachel Boxer left to become a full time Mum and Melinda Richardson, who is about to become a full time Mum, again took the opportunity to relocate to Cummins where she resides. I acknowledge the valuable contribution they have both made to our business.

Our continuing philosophy of employing locally has seen Prue Hywood and Aaron Sayers join our team. Both have taken the commitment of Customer Service to a high level. During the year we were joined by a full time Business Banker in Mark Mooney who has had many years of banking experience. Natasha Koch has accepted the increased responsibility of supervising the office and teller functions and does so in a friendly and efficient manner and Gail Bassham has increased her hours as our lending book grows.

Customer Service remains an extremely high priority here, as was evidenced by the several nominations we received in the Business Excellence Awards conducted by the Port Lincoln Chamber of Commerce. We were proud to receive them and were the only Bank nominated.

Our next stage of growth will be the consolidation stage moving to profitability. You as shareholders are the obvious first beneficiaries of this profitability, and I sincerely ask if you are not currently banking with us, please, call in and have a chat. I’m sure you’ll be pleasantly surprised with our service and solutions we can offer. If you are banking with us, I thank you and ask you to refer our services on to family and friends. Currently while 67.3% of our shareholder base is doing banking business with us, our goal is to have 100%.

One thing that has become very obvious is what competition can do. A number of customers have conveyed to us that their existing institutions were prepared to drop rates and fees to encourage them to stay rather than transfer to us. The usual question comes to mind, why weren’t they prepared to do that earlier!

I look forward to the coming year with cautious optimism. With economic conditions now improving our margins are likely to do likewise, and coupled with continued growth, I hope I can report that we have achieved profitability by this time next year.

Phil Channon

Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial year ended 30 June 2009.

Directors

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

Pat Callaghan
Chairman
Occupation: Retired Dentist

Terri Christensen
Company Secretary
Occupation: Retired Manager

Faye Davis
Director
Occupation: Real Estate Manager

Gregory Eden
Director
Occupation: Accountant/Financial Planner

Anne-Marie Hammond
Director
Occupation: Field Officer

Graham Henderson
Director
Occupation: Retired

Steven James
Treasurer
Occupation: Accountant

Leslie Karutz
Director
Occupation: Accountant

Directors were in office for this entire year 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 year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Operating results

The loss of the Company for the financial year after provision for income tax was $176,873 (2008: $256,133).

Dividends

No dividends were declared or paid during the year.

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 year under review not otherwise disclosed in this report.

Directors' report continued

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year 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 $1,200 (2008: $600) for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $11,439 (2008: $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 $Nil (2008: $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 year, 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 year were:

Number of meetings held:	**12**
Number of meetings attended:	
Pat Callaghan	9
Terri Christensen	11
Faye Davis	10
Gregory Eden	7
Anne-Marie Hammond	11
Graham Henderson	12
Steven James	11
Leslie Karutz	9

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 Callghan;

(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

21 September 2009

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 year ended 30 June 2009, 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Port Lincoln on 21 September 2009.

Terri L Christensen

Terri Christensen,

Director/Secretary

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenue from ordinary activities	2	225,380	28,139
Employee benefits expense	3	(266,894)	(102,385)
Charitable donations and sponsorship		(423)	(595)
Depreciation and amortisation expense	3	(38,204)	(12,550)
Finance costs	3	(2,429)	(526)
Other expenses from ordinary activities		(174,979)	(229,056)
Loss before income tax benefit		**(257,549)**	**(316,973)**
Income tax benefit	4	(80,676)	(60,840)
Loss after income tax benefit		**(176,873)**	**(256,133)**
Earnings per share (cents per share)			
- basic for loss for the year	22	(19.65)	(28.46)
- diluted for loss for the year	22	(19.65)	(28.46)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	6	99,188	345,664
Receivables	7	33,804	21,276
Other	8	7,722	4,164
Total current assets		**140,714**	**371,104**
Non-current assets			
Property, plant and equipment	9	239,773	269,891
Deferred income tax asset	4	141,516	60,840
Intangible assets	10	14,000	18,000
Total non-current assets		**395,289**	**348,731**
Total assets		**536,003**	**719,835**
Current liabilities			
Payables	11	28,472	41,212
Interest bearing liabilities	12	5,626	5,164
Provisions	13	17,319	6,374
Total current liabilities		**51,417**	**52,750**
Non-current liabilities			
Interest bearing liabilities	12	17,584	23,210
Total non-current liabilities		**17,584**	**23,210**
Total liabilities		**69,001**	**75,960**
Net assets		**467,002**	**643,875**
Equity			
Share capital	14	900,008	900,008
Accumulated losses	15	(433,006)	(256,133)
Total equity		**467,002**	**643,875**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		213,267	6,548
Cash payments in the course of operations		(465,741)	(297,708)
Interest received		17,677	8,883
Borrowing costs		(2,429)	(526)
Net cash flows used in operating activities	**16b**	**(237,226)**	**(282,277)**
Cash flows from investing activities			
Payment for intangible assets		-	(20,000)
Payments for property, plant and equipment		(4,086)	(280,441)
Net cash flows used in investing activities		**(4,086)**	**(300,441)**
Cash flows from financing activities			
Proceeds from issue of shares		-	900,008
Proceeds from borrowings		-	28,374
Repayment of borrowings		(5,164)	-
Net cash flows from financing activities		**(5,164)**	**928,382**
Net increase in cash held		**(246,476)**	**345,664**
Add opening cash brought forward		345,664	-
Closing cash carried forward	**16a**	**99,188**	**345,664**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		900,008	-
Issue of share capital		-	900,008
share issue costs		-	-
Balance at end of year		**900,008**	**900,008**
Accumulated losses			
Balance at start of year		(256,133)	-
Loss after income tax benefit		(176,873)	(256,133)
Dividends paid		-	-
Balance at end of year		**(433,006)**	**(256,133)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

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 21 September 2009.

(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

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

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.

Notes to the financial statements continued

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).

Notes to the financial statements continued

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 prior period, and hence comparative figures are for the period ended 30 June 2008.

Notes to the financial statements continued

	2009 $	2008 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	212,267	12,385
- other revenue	1,455	-
Total revenue from operating activities	**213,722**	**12,385**
Non-operating activities:		
- interest received	11,658	15,754
- other revenue	-	-
Total revenue from non-operating activities	**11,658**	**15,754**
Total revenue from ordinary activities	**225,380**	**28,139**

Note 3. Expenses

	2009 $	2008 $
Employee benefits expense		
- wages and salaries	160,170	55,396
- superannuation costs	77,970	30,431
- workers' compensation costs	-	43
- other costs	28,754	16,515
	266,894	**102,385**
Depreciation of non-current assets:		
- plant and equipment	10,594	4,017
- buildings	23,610	6,533
Amortisation of non-current assets:		
- intangibles	4,000	2,000
	38,204	**12,550**
Finance costs:		
- Borrowing expenses	2,429	526
Bad debts	754	6

Notes to the financial statements continued

	2009 $	2008 $

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

	2009 $	2008 $
Prima facie tax on loss before income tax at 30%	(77,265)	(95,092)
Add tax effect of:		
- Non-deductible expenses/(other deductible expenses)	(3,411)	34,252
Current income tax expense	**(80,676)**	**(60,840)**
Income tax benefit	**(80,676)**	**(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.	**141,516**	**60,840**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

	2009 $	2008 $
- Audit or review of the financial report of the Company	**3,650**	**2,700**

Note 6. Cash assets

	2009 $	2008 $
Cash at bank and on hand	**99,188**	**345,664**

Note 7. Receivables

	2009 $	2008 $
GST receivable	-	7,112
Trade debtors	31,496	14,151
Other	2,308	13
	33,804	**21,276**

Note 8. Other

	2009 $	2008 $
Prepaid expenses	**7,722**	**4,164**

Note 9. Property, plant and equipment

	2009 $	2008 $
Fit out costs		
At cost	236,095	236,095
Less accumulated depreciation	(30,143)	(6,533)
	205,952	**229,562**
Plant and equipment		
At cost	48,432	44,346
Less accumulated depreciation	(14,611)	(4,017)
	33,821	**40,329**
Total written down amount	**239,773**	**269,891**
Movements in carrying amounts		
Fit out costs		
Carrying amount at beginning of year	229,562	-
Additions	-	236,095
Disposals	-	-
Depreciation expense	(23,610)	(6,533)
Carrying amount at end of year	**205,952**	**229,562**
Plant and equipment		
Carrying amount at beginning of year	40,329	-
Additions	4,086	44,346
Disposals	-	-
Depreciation expense	(10,594)	(4,017)
Carrying amount at end of year	**33,821**	**40,329**

Notes to the financial statements continued

	2009 $	2008 $

Note 10. Intangible assets

	2009 $	2008 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(3,000)	(1,000)
	7,000	**9,000**
Prepaid training expenses		
At cost	10,000	10,000
Less accumulated amortisation	(3,000)	(1,000)
	7,000	**9,000**
	14,000	**18,000**

Note 11. Payables

	2009 $	2008 $
Trade creditors	13,537	21,800
GST payable	3,039	-
Other creditors and accruals	11,896	19,412
	28,472	**41,212**

Note 12. Interest bearing liabilities

	2009 $	2008 $
Current		
Chattel mortgage - secured	**5,626**	**5,164**
Non-current		
Chattel mortgage - secured	**17,584**	**23,210**

Note 13. Provisions

	2009 $	2008 $
Employee benefits	**17,319**	**6,374**
Number of employees at year end	**5**	**4**

Notes to the financial statements continued

	2009 $	2008 $

Note 14. Share capital

900,008 Ordinary shares fully paid of $1 each	**900,008**	**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 year	(256,133)	-
Loss after income tax	(176,873)	(256,133)
Balance at the end of the financial year	**(433,006)**	**(256,133)**

Note 16. Cash flow statement

(a) Reconciliation of cash

Cash assets	**99,188**	**345,664**

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

Loss after income tax	(176,873)	(256,133)
Non cash items		
- Depreciation	34,204	10,550
- Amortisation	4,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(16,086)	(25,440)
- (Increase) decrease in deferred tax liability	(80,676)	(60,840)
- Increase (decrease) in payables / other liabilities	(12,740)	41,212
- Increase (decrease) in provisions	10,945	6,374
Net cash flows used in operating activities	**(237,226)**	**(282,277)**

Notes to the financial statements continued

Note 17. Director and related party disclosures

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

Pat Callaghan

Terri Christensen

Faye Davis

Gregory Eden

Anne-Marie Hammond

Graham Henderson

Steven James

Leslie Karutz

During the year Terri Christensen received $1,200 (2008: $600) for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $11,439 (2008: $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 $Nil (2008: $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 Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2009**	**2008**
Pat Callaghan	33,668	32,001
Terri Christensen	2,001	2,001
Faye Davis	16,667	15,001
Gregory Eden	5,001	5,001
Anne-Marie Hammond	1,001	1,001
Graham Henderson	3,001	3,001
Steven James	5,001	5,001
Leslie Karutz	10,501	10,501

Pat Callaghan purchased 1,667 shares and Faye Davis purchased 1,666 shares during the year.

There was no other movement in Directors' shareholdings during the year. 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 year that would materially affect the financial statements.

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

	2009 $	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 year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (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:

	2009 $	2008 $
Loss after income tax expense	**(176,873)**	**(256,133)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**900,008**	**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	
	2009	**2008**
	$	**$**
Cash assets	99,188	345,664
Receivables	33,804	21,276
	132,992	**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 (2008: nil 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)

(b) Liquidity risk

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 2009					
Payables	28,472	(28,472)	(28,472)	–	–
Interest bearing liabilities	23,210	(27,139)	(7,401)	(19,738)	–
	51,682	**(55,611)**	**(35,873)**	**(19,738)**	**–**
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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount 2009 $	2008 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(23,210)	(28,374)
	(23,210)	**(28,374)**
Variable rate instruments		
Financial assets	99,188	345,664
Financial liabilities	-	-
	99,188	**345,664**

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 year 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.

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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 year ended 30 June 2009 can be seen in the Income Statement.

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

Directors' 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 2009 and of their performance for the year 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.

Terri L Christensen

Terri Christensen,
Director/Secretary

Signed at Port Lincoln on 21 September 2009.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kennēth 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 year ended 30 June 2009.

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.

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

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 2009 and of its performance for the year 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: 21 September 2009

Port Lincoln **Community Bank®** Branch
The Centre, 34 Liverpool Street, Port Lincoln SA 5606
Phone: (08) 8682 5226   Fax: (08) 8683 0102

Franchisee: Port Lincoln Community Enterprises Limited
The Centre, 34 Liverpool Street, Port Lincoln SA 5606
Phone: (08) 8682 5226   Fax: (08) 8683 0102
ABN: 29 127 996 187

www.bendigobank.com.au/port_lincoln
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9042) (08/09)

Bendigo Bank