annual report 2010

Port Lincoln Community
Enterprises Limited
ABN 29 127 996 187

Port Lincoln **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2010

It is my pleasant duty to be able to report on the conclusion of another successful year for your **Community Bank®** branch.

Our Treasurer Steven James' financial report is included and indicates that, despite the global financial crisis and lower profit margins, we have managed to position the Company for profitability from now on. Our start up costs are covered and we are now earning enough money on a monthly basis to cover our running costs. We should therefore be in a position at this time next year to be declaring a profit. This is great news for the shareholders and the community. This performance, I might add is, recognised by Bendigo and Adelaide Bank Ltd as phenomenal.

To be in this position at such an early stage of our history is testament to the hard work and dedication of our manager Phil Channon and his staff and the support that customers have provided.

We have made a solid start and laid the foundations for a very successful enterprise that will only get stronger with time.

As we become even more successful, we hope to become the financial institution of first choice for all thinking Port Lincoln residents. Why wouldn't you support a financial institution that was able to return half of its profits back into your community?

Our marketing subcommittee has just embarked on a publicity campaign through the Port Lincoln Times whereby we will be educating the local population about our services, our local activities, our donations and sponsorships and actively promoting businesses who bank with us.

We hope that business people will eventually realise how powerful it is to use the services of a locally owned and operated financial institution and be able to tap into the resource of 280 local shareholders and over 1,800 accounts. As shareholders I suggest that you could easily lobby business people who do not already bank with us to consider their position. Just noting the logo on their eftpos machine and a simple polite comment that you are "a **Community Bank®** shareholder/customer and would prefer to deal with businesses that support local business" is all that is required. The power of community spirit, mutual support and word of mouth can be very impressive.

At our AGM in November Brian Barnett was elected to the Board of Directors and his experience has been invaluable to us. We have also just appointed Joseph Anderson, who brings legal experience to our Board and also represents a much younger demographic which we feel we need to reach within the community. Joseph will be formally appointed at our AGM.

Thanks to the efforts of our Board we have had a very successful year. I would particularly like to thank Secretary Terri Christensen for her dedicated work and also Treasurer Steven James for his expertise, experience and dedication. Also a special thanks to Glen Karutz for standing in as Chairman when I have been away. Not only have we worked together well as a Board but we have managed to get to know each other better and appreciate each others unique input.

Chairman's report continued

I know Phil will talk about his wonderful staff in his report, but I would like to thank Gail, Aaron, Prue, Natasha and Breanna for being a fantastic team and such charismatic individuals. Many customers comment to me on the wonderful personalised service that they receive from these delightful young people. Well done and keep it up as genuine old fashioned customer service and relating to others with courtesy and respect makes life and business so much more enjoyable and successful.

Other exciting news locally is the success of Tumby Bay in getting off the ground to form their locally owned **Community Bank®** branch. They have a talented and dedicated team of locals pushing this and we wish them well. Also Cummins **Community Bank®** Branch have really gone up another notch in financial performance and community contribution in recent times and they won the National Hall of Fame award last year at the National Convention. Congratulations to them on their magnificent achievements. Our Board currently jointly meets with the Cummins Board twice a year and with Tumby Bay coming on stream soon our combined strength, resources, customer and shareholder base should help us to all establish an even stronger presence on Lower Eyre Peninsula.

I must thank the Bendigo and Adelaide Bank Ltd support staff and in particular Regional Manager Kellie Basset in Adelaide and Business Banker Mark Mooney in Port Lincoln, for their invaluable help during the year and we look forward to working with them in this coming year.

So as you can see, we are all looking excitedly towards a year full of promise and importantly our first profitable year. The extent of our profitability will depend not only on Phil and his staff but on how well we all promote the bank to family, friends and local businesses. So spread the word and come into the branch and say hello.

I wish you all the best of health and happiness.

Pat Callaghan
Chairman

Manager's report

For year ending 30 June 2010

Our business has continued to strengthen over the past reporting year. Our prime objective of achieving profitability was reached in May, which has been a personal goal of mine and I am proud to say was completed in two years and two months of trading. This result will position us well for a full year profit for the 2010/2011 financial year. These results have been achieved by sustained growth in our deposit portfolio and significant growth within our lending book. Our total footings are in excess of $60 million with the number of accounts opened now close to 2,000.

Our staff are very proud of where our branch is positioned and are committed to continue the growth. Customer service remains the flagship for our **Community Bank®** branch and will continue to be so under my management. A team culture is entrenched; support for each other is excellent, we are proud of what we do. We receive a large number of word of mouth referrals from existing customers; there is after all, no better advertisement or recommendation than that. We encourage you all to let friends, family and neighbours know your **Community Bank®** branch is growing and providing the results needed; we will not let you down.

A number of staff changes have occurred over the reporting year. Natasha Koch left which gave Aaron Sayers the opportunity to step up and take further responsibility in the supervisor's role, a position he has now consolidated. Our first operational/compliance review under his watch, saw us achieve the second highest rating possible, which was largely due to his diligence. Breanna Price joined the branch as full time junior teller. She has completed all the compulsory training and has gained confidence in all aspects of her position. Under the capable guidance of Prue Hywood, she displays a friendly warm and helpful manner which is appreciated by customers. Natasha Kenny also joined us during the year and is developing well. Gail and I remain as original starters and between us share the lending portfolio responsibilities. Gail's support to me as a personal assistant is invaluable.

I look forward to the coming year again with cautious optimism. I firmly believe we will deliver a full year profit for the first time and in so doing will see our Company pay its first dividends to shareholders. As we have worked our way to this point though, it must not be overlooked that we have made sponsorships and donations to community groups to raise $53,000 for those affected by the tragic bushfires of Christmas Eve. I encourage you all again to be part of this wonderful community enterprise.

Phil Channon

Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

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 (resigned 8 November 2009)
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

Brian Barnett (appointed 21 September 2009, resigned 21 June 2010)
Director
Occupation: Manager

Joseph Anderson (appointed 19 April 2010)
Director
Occupation: Solicitor

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 $60,879 (2009: $176,873).

Directors' report continued

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.

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 (2009: $1,200) for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $7,920 (2009: $11,439) in respect of accounting and share registry 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings #	Audit committee meetings #
Pat Callaghan	8 (12)	2 (2)
Terri Christensen	12 (12)	1 (1)
Faye Davis	10 (12)	N/A
Gregory Eden (resigned 8 November 2009)	3 (4)	1 (1)
Anne-Marie Hammond	10 (12)	N/A
Graham Henderson	9 (12)	N/A
Steven James	10 (12)	2 (2)
Leslie Karutz	11 (12)	N/A
Brian Barnett (21 September 2009 to 21 June 2010)	8 (9)	N/A
Joseph Anderson (appointed 19 April 2010)	3 (3)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

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 included: Steven James, Greg Eden (resigned), Terri Christensen 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

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

6 September 2010

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 Limited for the year ended 30 June 2010, 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 6 September 2010.

Pat Callaghan
Director

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	424,765	225,380
Employee benefits expense	3	(280,314)	(266,894)
Charitable donations and sponsorship		(7,105)	(423)
Depreciation and amortisation expense	3	(40,307)	(38,204)
Finance costs	3	(1,755)	(2,429)
Other expenses from ordinary activities		(190,360)	(174,979)
Loss before income tax benefit		**(95,076)**	**(257,549)**
Income tax benefit	4	(34,197)	(80,676)
Loss after income tax benefit		**(60,879)**	**(176,873)**
Other comprehensive income		-	-
Total comprehensive income		**(60,879)**	**(176,873)**

Earnings per share (cents per share)			
- basic for loss for the year	23	(6.76)	(19.65)
- diluted for loss for the year	23	(6.76)	(19.65)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	31,455	99,188
Receivables	7	46,745	33,804
Other	8	7,786	7,722
Total current assets		**85,986**	**140,714**
Non-current assets			
Property, plant and equipment	9	215,597	239,773
Deferred tax assets	4	175,713	141,516
Intangible assets	10	10,000	14,000
Total non-current assets		**401,310**	**395,289**
Total assets		**487,296**	**536,003**
Current liabilities			
Payables	11	40,852	28,472
Loans and borrowings	12	6,128	5,626
Provisions	13	22,737	17,319
Total current liabilities		**69,717**	**51,417**
Non-current liabilities			
Loans and borrowings	12	11,456	17,584
Total non-current liabilities		**11,456**	**17,584**
Total liabilities		**81,173**	**69,001**
Net assets		**406,123**	**467,002**
Equity			
Share capital	14	900,008	900,008
Accumulated losses	15	(493,885)	(433,006)
Total equity		**406,123**	**467,002**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		450,992	213,267
Cash payments in the course of operations		(501,471)	(465,741)
Interest received		2,258	17,677
Borrowing costs		(1,755)	(2,429)
Net cash flows used in operating activities	**16b**	**(49,976)**	**(237,226)**
Cash flows from investing activities			
Payments for property, plant and equipment		(12,131)	(4,086)
Net cash flows used in investing activities		**(12,131)**	**(4,086)**
Cash flows from financing activities			
Repayment of borrowings		(5,626)	(5,164)
Net cash flows used in financing activities		**(5,626)**	**(5,164)**
Net decrease in cash held		**(67,733)**	**(246,476)**
Cash and cash equivalents at start of year		99,188	345,664
Cash and cash equivalents at end of year	**16a**	**31,455**	**99,188**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		900,008	900,008
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**900,008**	**900,008**
Accumulated losses			
Balance at start of year		(433,006)	(256,133)
Loss after income tax benefit		(60,879)	(176,873)
Dividends paid	22	-	-
Balance at end of year		**(493,885)**	**(433,006)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Port Lincoln Community Enterprises Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 6 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

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

Income tax (continued)

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.

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.

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.

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

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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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 reporting 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 statement of cash flows, 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).

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.

Notes to the financial statements continued

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

Loans and borrowings

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.

Share 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

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

	2010 $	2009 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	415,793	212,267
- other revenue	7,500	1,455
Total revenue from operating activities	**423,293**	**213,722**
Non-operating activities:		
- interest received	1,472	11,658
- other revenue	-	-
Total revenue from non-operating activities	**1,472**	**11,658**
Total revenue from ordinary activities	**424,765**	**225,380**

	2010 $	2009 $

Note 3. Expenses

	2010 $	2009 $
Employee benefits expense		
- wages and salaries	221,166	160,170
- superannuation costs	34,529	77,970
- other costs	24,619	28,754
	280,314	**266,894**
Depreciation of non-current assets:		
- plant and equipment	12,226	10,594
- buildings	24,081	23,610
Amortisation of non-current assets:		
- intangibles	4,000	4,000
	40,307	**38,204**
Finance costs:		
- Borrowing expenses	1,755	2,429
Bad debts	700	754

Note 4. Income tax expense

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

	2010 $	2009 $
Prima facie tax on loss before income tax at 30%	(28,523)	(77,265)
Add/(Less) tax effect of:		
- Non-deductible expenses/(other deductible expenses)	(5,674)	(3,411)
Current income tax expense	**(34,197)**	**(80,676)**
Income tax benefit	**(34,197)**	**(80,676)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**175,713**	**141,516**

Notes to the financial statements continued

	2010 $	2009 $

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	**3,900**	**3,650**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**31,455**	**99,188**

Note 7. Receivables

Trade debtors	46,679	31,496
Other	66	2,308
	46,745	**33,804**

Note 8. Other

Prepaid expenses	**7,786**	**7,722**

Note 9. Property, plant and equipment

Fit out costs		
At cost	242,011	236,095
Less accumulated depreciation	(54,224)	(30,143)
	187,787	**205,952**
Plant and equipment		
At cost	54,647	48,432
Less accumulated depreciation	(26,837)	(14,611)
	27,810	**33,821**
Total written down amount	**215,597**	**239,773**

	2010 $	2009 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

Fit out costs		
Carrying amount at beginning of year	205,952	229,562
Additions	5,916	-
Disposals	-	-
Depreciation expense	(24,081)	(23,610)
Carrying amount at end of year	**187,787**	**205,952**
Plant and equipment		
Carrying amount at beginning of year	33,821	40,329
Additions	6,215	4,086
Disposals	-	-
Depreciation expense	(12,226)	(10,594)
Carrying amount at end of year	**27,810**	**33,821**

Note 10. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(5,000)	(3,000)
	5,000	**7,000**
Prepaid training expenses		
At cost	10,000	10,000
Less accumulated amortisation	(5,000)	(3,000)
	5,000	**7,000**
	10,000	**14,000**

	2010 $	2009 $
Note 11. Payables		
Trade creditors	15,687	13,537
GST payable	6,587	3,039
Other creditors and accruals	18,578	11,896
	40,852	**28,472**

Note 12. Loans and borrowings

	2010 $	2009 $
Current		
Chattel mortgage - secured	**6,128**	**5,626**
Non-current		
Chattel mortgage - secured	**11,456**	**17,584**

Note 13. Provisions

	2010 $	2009 $
Employee benefits	**22,737**	**17,319**

Note 14. Share capital

	2010 $	2009 $
900,008 Ordinary Shares fully paid of $1 each	**900,008**	**900,008**

Note 15. Accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	(433,006)	(256,133)
Loss after income tax	(60,879)	(176,873)
Balance at the end of the financial year	**(493,885)**	**(433,006)**

	2010 $	2009 $

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**31,455**	**99,188**

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

Loss after income tax	(60,879)	(176,873)
Non cash items		
- Depreciation	36,307	34,204
- Amortisation	4,000	4,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(13,005)	(16,086)
- (Increase) decrease in deferred tax asset	(34,197)	(80,676)
- Increase (decrease) in payables	12,380	(12,740)
- Increase (decrease) in provisions	5,418	10,945
Net cash flows used in operating activities	**(49,976)**	**(237,226)**

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 (resigned 8 November 2009)

Anne-Marie Hammond

Graham Henderson

Steven James

Leslie Karutz

Brian Barnett (21 September 2009 to 21 June 2010)

Joseph Anderson (appointed 19 April 2010)

During the year Terri Christensen received $1,200 (2009: $1,200) for performing secretarial duties to the Company.

Note 17. Director and related party disclosures (continued)

RSM Bird Cameron of which Steven James is a partner has received $7,920 (2009: $11,439) in respect of accounting and share registry 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	**2010**	**2009**
Pat Callaghan	33,668	33,668
Terri Christensen	2,001	2,001
Faye Davis	6,667	16,667
Gregory Eden (resigned 8 November 2009)	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
Brian Barnett (21 September 2009 to 21 June 2010)	-	-
Joseph Anderson (appointed 19 April 2010)	-	-

Faye Davis's share holding reduced by 10,000 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.

Notes to the financial statements continued

Note 21. Corporate information

Port Lincoln Community Enterprises Limited 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

Note 22. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2010 $	2009 $

Note 23. 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 preferenc shares).

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

	2010 $	2009 $
Loss after income tax expense	**(60,879)**	**(176,873)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**900,008**	**900,008**

Note 24. 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.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

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

	Carrying amount	
	2010	**2009**
	$	**$**
Cash assets	31,455	99,188
Receivables	46,745	33,804
	78,200	**132,992**

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 (2009: 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 24. Financial risk management (continued)

(b) Liquidity risk (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 2010					
Payables	40,852	(40,852)	(40,852)	–	–
Loans and borrowings	17,584	(19,737)	(7,401)	(12,336)	–
	58,436	**(60,589)**	**(48,253)**	**(12,336)**	**–**
30 June 2009					
Payables	28,472	(28,472)	(28,472)	–	–
Loans and borrowings	23,210	(27,139)	(7,401)	(19,738)	–
	51,682	**(55,611)**	**(35,873)**	**(19,738)**	**–**

(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.

Notes to the financial statements continued

Note 24. 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 2010 $	2009 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(17,584)	(23,210)
	(17,584)	**(23,210)**
Variable rate instruments		
Financial assets	31,455	99,188
Financial liabilities	-	-
	31,455	**99,188**

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. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

Note 24. Financial risk management (continued)

(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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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 2010 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.

Pat Callaghan
Director

Signed at Port Lincoln on 6 September 2010.

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 LIMITED

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Port Lincoln Community Enterprises Limited, for the year ended 30 June 2010.

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

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 Limited 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 2010 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

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 6 September 2010

Port Lincoln **Community Bank®** Branch
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Phone: (08) 8682 5226
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