Port Lincoln Community Enterprises Limited

ABN 29 127 996 187

annual report 2011

Port Lincoln **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

At just over three years since we opened the branch doors and sitting on over $80 million on the books we are in a strong position. As foreshadowed last year we paid our first dividend of 5% to shareholders a few months ago.

It is worth noting that in March this year Bendigo and Adelaide Bank Ltd announced to all **Community Bank®** branches it would be adjusting trailer commissions payable to us on deposits greater than 90 days and fixed rate home loans from 0.50% to 0.375% from 1 April 2011.

The rationale for this was that due to falling margins, because of the impact of the global financial crisis and increased competition, the arbitrarily determined figure of 0.5% commission on the above mentioned products was unrealistic in the current climate. Bendigo and Adelaide Bank Ltd had been carrying the reduced margins for the last year or so while the community Companies margins remained the same. Hence their 'Restoring the Balance' strategy of restoring the profit margin to 50:50 share.

As a consequence of these changes we need to write more business than before to make the same profit. Fortunately this is exactly what has happened thanks to the exceptional performance of Phil and the team at the branch and the way that the community has embraced the concept.

This has given us the confidence that the existing formula of face to face banking, with charming, caring staff, competitive rates, and profits being retained in the community, will be enduring and lead your company to even greater success and profitability.

As the business matures, it is the Board's desire to continue our strong growth path. This will require communicating with our customers and the wider community about the key point of difference that we have.

Our Board members, all volunteers, have worked hard and I thank them for their time and efforts, especially retiring directors Glenn Karutz and Faye Davis.

To further our goals we are looking to employ a part time Administrator and Marketing Assistant with particular focus on marketing.

The recent opening of Tumby Bay **Community Bank®** Branch was a great milestone. With three **Community Bank®** branches now on the Lower Eyre Peninsula, we should be a much more influential force for community good. As a group we are tendering for the SA/NT **Community Bank®** State Conference to be held here in April 2012. If our bid is successful this will be high profile for us and inject significant tourist dollars into the community.

The appointment of former Cummins **Community Bank®** Branch Manager, Chris Miller as the Bendigo Bank Business Banking Manager for the Eyre Peninsula as from July this year is a very positive move for our business and we are already seeing the benefits that his experience brings to our team.

As a Board we are proud of where we are and grateful for the foresight of the shareholders and the support of our customers. We look forward in this next year to consolidating our business and better communicating our points of difference and the unique ability of the **Community Bank®** model to retain capital that is otherwise being lost to us.

Patrick Callaghan
Chairman

Manager's report

For year ending 30 June 2011

It is with a great deal of pride that I am able to report to you that your **Community Bank®** branch was able to achieve a full year profit for the first time, this in turn enabled us to pay our first dividend to shareholders. Whilst these achievements are meritorious for a fledgling Company that has only been in existence for three years, along the way our contributions to local sporting, charitable and community organisations together with individuals affected by the 2009 bushfires has exceeded $100,000 – what better example of the potential of your **Community Bank®** branch.

As shareholders you too can be proud of these achievements, knowing the business you do with the bank makes these things possible. For those shareholders not currently banking with us I urge you to reconsider your decision. Your **Community Bank®** branch should not just be an investment from which to gain a dividend, the benefits we can pass on are far reaching.

Our total business grew by 41% for the reporting period. This represents significant and sustained growth in nearly 500 new accounts. This continued growth can only be attributed to the efforts of my staff who strive to make every customer feel welcome and provide a solution to whatever they need. Aaron Sayers has had an excellent year and has continued to expand his knowledge, likewise with Brea Price who has stepped up to manage our Treasury function. Gail Bassham has continued to grow in the lending role and has excelled in assisting customers reach the outcome they are looking for. Prue Hywood remains the benchmark of what customer service is all about and enthuses others around her. Natasha Kenny has settled in and demonstrates a willingness to support all other team members. Danielle Heaslip joined us during the year and brings not only a wealth of experience but also excellent customer service ethics. We will deliver.

During the year Bendigo and Adelaide Bank Ltd implemented the 'Restoring the Balance' solution that our Chairman has already touched on. The process was akin to moving the goal posts halfway through the third quarter. Whilst it decreased our revenue stream it did not dent our enthusiasm, their reasons were well explained and our only option was to get on and continue to grow the business.

I see the year ahead as a further period of growth, the appointment of Chris Miller as our Business Banker can only help grow this part of our lending portfolio. Subject to economic conditions I remain optimistic of the prospects of the year ahead.

Our greatest source of new business is the recommendations we receive from existing customers. I earnestly ask you to recommend us to friends and family, we will not let you down. The more people that bank with our branch, the greater our contributions back to the community.

Phil Channon
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

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

Graham Henderson
Director
Occupation: Retired

Faye Davis (resigned 16 May 2011)
Director
Occupation: Real Estate Manager

Anne-Marie Hammond
Director
Occupation: Field Officer

Leslie Karutz (resigned 8 November 2010)
Director
Occupation: Accountant

Steven James
Treasurer
Occupation: Accountant

Joseph Anderson
Director
Occupation: Solicitor

Angela Cordon (appointed 28 March 2011)
Director
Occupation: Assistant Project Officer

Michael Munro (appointed 28 March 2011)
Director
Occupation: Semi Retired

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.

Review of operations

The profit/(loss) of the Company for the financial year after provision for income tax was $99,020 (2010: ($60,879)).

Dividends

Dividends paid during the financial year were as follows:

	2011 $	2010 $
Interim unfranked dividend for the year ended 30 June 2011 of 5 cents per ordinary share paid on 28 April 2011 (2010: nil)	45,000	-

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

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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.

Remuneration report

During the year Terri Christensen received $1,100 (2010: $1,200) for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $18,534 (2010: $7,920) 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.

Indemnification and insurance of Directors and Officers (continued)

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' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #	Audit committee meetings #
Pat Callaghan	10 (12)	2 (2)
Terri Christensen	11 (12)	N/A
Faye Davis (resigned 16 May 2011)	9 (9)	N/A
Anne-Marie Hammond	9 (12)	N/A
Graham Henderson	9 (12)	N/A
Steven James	11 (12)	2 (2)
Leslie Karutz (resigned 8 November 2010)	4 (4)	N/A
Joseph Anderson	11 (12)	2 (2)
Angela Cordon (appointed 28 March 2011)	4 (4)	N/A
Michael Munro (appointed 28 March 2011)	4 (4)	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, Joseph Anderson 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

15 September 2011

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 2011, 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 15 September 2011.

Terri Christensen

Terri Christensen, Director

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	711,834	424,765
Employee benefits expense	3	(322,106)	(280,314)
Charitable donations and sponsorship		(5,052)	(7,105)
Depreciation and amortisation expense	3	(37,616)	(40,307)
Finance costs	3	(2,831)	(1,755)
Other expenses		(214,727)	(190,360)
Profit / (loss) before income tax expense		**129,502**	**(95,076)**
Income tax expense / (benefit)	4	30,482	(34,197)
Profit / (loss) after income tax expense		**99,020**	**(60,879)**
Other comprehensive income		-	-
Total comprehensive income		**99,020**	**(60,879)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	11.00	(6.76)
- diluted for profit / (loss) for the year	23	11.00	(6.76)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	121,236	31,455
Receivables	7	66,498	46,745
Other	8	8,774	7,786
Total current assets		**196,508**	**85,986**
Non-current assets			
Property, plant and equipment	9	201,760	215,597
Deferred tax assets	4	145,231	175,713
Intangible assets	10	6,000	10,000
Total non-current assets		**352,991**	**401,310**
Total assets		**549,499**	**487,296**
Current liabilities			
Payables	11	40,675	40,852
Loans and borrowings	12	6,422	6,128
Provisions	13	26,209	22,737
Total current liabilities		**73,306**	**69,717**
Non-current liabilities			
Loans and borrowings	12	16,050	11,456
Total non-current liabilities		**16,050**	**11,456**
Total liabilities		**89,356**	**81,173**
Net assets		**460,143**	**406,123**
Equity			
Share capital	14	900,008	900,008
Accumulated losses	15	(439,865)	(493,885)
Total equity		**460,143**	**406,123**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		764,146	450,992
Cash payments in the course of operations		(609,579)	(501,471)
Interest received		1,871	2,258
Borrowing costs		(2,290)	(1,755)
Net cash flows from / (used in) operating activities	**16b**	**154,148**	**(49,976)**
Cash flows from investing activities			
Payments for property, plant and equipment		(35,164)	(12,131)
Proceeds from sale of property, plant and equipment		10,909	-
Net cash flows used in investing activities		**(24,255)**	**(12,131)**
Cash flows from financing activities			
Proceeds from / (repayment of) borrowings		4,888	(5,626)
Dividend paid		(45,000)	-
Net cash flows used in financing activities		**(40,112)**	**(5,626)**
Net increase / (decrease) in cash held		**89,781**	**(67,733)**
Cash and cash equivalents at start of year		31,455	99,188
Cash and cash equivalents at end of year	**16a**	**121,236**	**31,455**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2011

	Note	2011 $	2010 $
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		(493,885)	(433,006)
Profit / (loss) after income tax expense		99,020	(60,879)
Dividends paid	22	(45,000)	-
Balance at end of year		**(439,865)**	**(493,885)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 15 September 2011.

(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 2010 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.

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.

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

Loans and borrowings

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

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

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.

	2011 $	**2010 $**
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	703,880	415,793
- other revenue	5,900	7,500
	709,780	**423,293**
Non-operating activities:		
- interest received	2,054	1,472
- other revenue	-	-
	2,054	**1,472**
	711,834	**424,765**

	2011 $	2010 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	243,636	221,166
- superannuation costs	53,837	34,529
- other costs	24,633	24,619
	322,106	**280,314**
Depreciation of non-current assets:		
- plant and equipment	9,414	12,226
- buildings	24,202	24,081
Amortisation of non-current assets:		
- intangibles	4,000	4,000
	37,616	**40,307**
Finance costs:		
- Borrowing expenses	2,831	1,755
Bad debts	2,665	700

Note 4. Income tax expense

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

Prima facie tax on profit / (loss) before income tax at 30%	38,851	(28,523)
Add/(less) tax effect of:		
- Non-deductible expenses/(other deductible expenses)	(8,369)	(5,674)
Current income tax expense / (benefit)	**30,482**	**(34,197)**
Income tax expense / (benefit)	**30,482**	**(34,197)**
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.	**145,231**	**175,713**

	2011 $	2010 $

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	**3,900**	**3,900**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**121,236**	**31,455**

Note 7. Receivables

	2011 $	2010 $
Trade debtors	66,250	46,679
Other	248	66
	66,498	**46,745**

Note 8. Other

	2011 $	2010 $
Prepaid expenses	**8,774**	**7,786**

Note 9. Property, plant and equipment

	2011 $	2010 $
Fit out costs		
At cost	242,011	242,011
Less accumulated depreciation	(78,426)	(54,224)
	163,585	**187,787**
Plant and equipment		
At cost	59,705	54,647
Less accumulated depreciation	(21,530)	(26,837)
	38,175	**27,810**
Total written down amount	**201,760**	**215,597**

	2011 $	2010 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts

	2011 $	2010 $
Fit out costs		
Carrying amount at beginning of year	187,787	205,952
Additions	-	5,916
Disposals	-	-
Depreciation expense	(24,202)	(24,081)
Carrying amount at end of year	**163,585**	**187,787**
Plant and equipment		
Carrying amount at beginning of year	27,810	33,821
Additions	35,164	6,215
Disposals	(15,385)	-
Depreciation expense	(9,414)	(12,226)
Carrying amount at end of year	**38,175**	**27,810**

Note 10. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(7,000)	(5,000)
	3,000	**5,000**
Prepaid training expenses		
At cost	10,000	10,000
Less accumulated amortisation	(7,000)	(5,000)
	3,000	**5,000**
	6,000	**10,000**

Note 11. Payables

	2011 $	2010 $
Trade creditors	12,283	15,687
GST payable	12,619	6,587
Other creditors and accruals	15,773	18,578
	40,675	**40,852**

	2011 $	2010 $

Note 12. Loans and borrowings

	2011 $	2010 $
Current		
Chattel mortgage - secured	**6,422**	**6,128**
Non-current		
Chattel mortgage - secured	**16,050**	**11,456**

Note 13. Provisions

	2011 $	2010 $
Employee benefits	**26,209**	**22,737**
Movement in employee benefits		
Opening balance	22,737	17,319
Additional provisions recognised	24,333	7,985
Amounts utilised during the year	(20,861)	(2,567)
Closing balance	**26,209**	**22,737**

Note 14. Share capital

	2011 $	2010 $
900,008 Ordinary shares fully paid of $1 each	**900,008**	**900,008**

Note 15. Accumulated losses

	2011 $	2010 $
Balance at the beginning of the financial year	(493,885)	(433,006)
Profit after income tax	99,020	(60,879)
Dividends paid	(45,000)	-
Balance at the end of the financial year	**(439,865)**	**(493,885)**

Note 16. Statement of cash flows

	2011 $	2010 $
(a) Cash and cash equivalents		
Cash assets	**121,236**	**31,455**
(b) Reconciliation of profit / (loss) after tax to net cash used in operating activities		
Profit / (loss) after income tax	99,020	(60,879)

Note 16. Statement of cash flows (continued)

	2011 $	2010 $
Non cash items		
- Depreciation	33,616	36,307
- Amortisation	4,000	4,000
- Net loss on disposal of non-current assets	4,476	-
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(20,741)	(13,005)
- (Increase) decrease in deferred tax asset	30,482	(34,197)
- Increase (decrease) in payables	(177)	12,380
- Increase (decrease) in provisions	3,472	5,418
Net cash flows from / (used in) operating activities	**154,148**	**(49,976)**

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 (resigned 16 May 2011)

Anne-Marie Hammond

Graham Henderson

Steven James

Leslie Karutz (resigned 8 November 2010)

Joseph Anderson

Angela Cordon (appointed 28 March 2011)

Michael Munro (appointed 28 March 2011)

During the year Terri Christensen received $1,100 (2010: $1,200) for performing secretarial duties to the Company.

RSM Bird Cameron of which Steven James is a partner has received $18,534 (2010: $7,920) 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.

Note 17. Director and related party disclosures (continued)

Directors' shareholdings	2011	2010
Pat Callaghan	33,668	33,668
Terri Christensen	2,001	2,001
Faye Davis (resigned 16 May 2011)	6,667	6,667
Anne-Marie Hammond	1,001	1,001
Graham Henderson	3,001	3,001
Steven James	5,001	5,001
Leslie Karutz (resigned 8 November 2010)	10,501	10,501
Joseph Anderson	-	-
Angela Cordon (appointed 28 March 2011)	500	500
Michael Munro (appointed 28 March 2011)	2,000	2,000

There was no 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

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent liabilities and assets

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

Note 20. Segment reporting

The economic entity operates in the financial services sector where 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 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

	2011 $	2010 $

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the financial year were as follows:

Interim unfranked dividend for the year ended 30 June 2011 of 5 cents per ordinary share paid on 28 April 2011 (2010: nil)	**45,000**	**-**

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (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 profit / (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:

Profit / (loss) after income tax expense	**99,020**	**(60,879)**
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.

(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:

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

	Carrying amount 2011 $	Carrying amount 2010 $
Cash assets	121,236	31,455
Receivables	66,498	46,745
	187,734	**78,200**

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

None of the assets of the Company are past due (2010: 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.

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 2011					
Payables	40,675	(40,675)	(40,675)	–	–
Loans and borrowings	22,472	(25,870)	(6,422)	(19,448)	–
	63,147	**(66,545)**	**(47,097)**	**(19,448)**	**–**
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)**	**–**

Note 24. Financial risk management (continued)

(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	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(22,472)	(17,584)
	(22,472)	**(17,584)**
Variable rate instruments		
Financial assets	121,236	31,455
Financial liabilities	-	-
	121,236	**31,455**

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 2010 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 2011 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 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 Christensen

Terri Christensen, Director

Signed at Port Lincoln on 15 September 2011.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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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 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 2011 and of its performance for the year ended on that date;

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

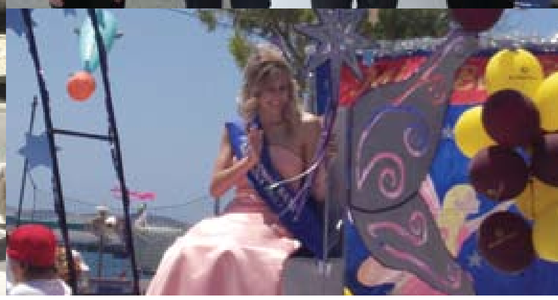
(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner
Bendigo

Date: 15 September 2011



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

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ABN 11 068 049 178. AFSL 237879.
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