Port Lincoln **Community Bank®** Branch

annual report 2012

Port Lincoln Community Enterprises Limited

ABN 29 127 996 187

Contents

Chairman's report

For year ending 30 June 2012

The 2011/2012 financial year has been the most exciting yet. The business has reached a maturity that has enabled us to produce increasing monthly profits beyond budget forecasts. Please refer to our financial report enclosed for details.

All credit for our success must go to our Branch Manager Phil Channon and his team at the branch. The business has increased even more than projected, mainly due to word of mouth referral. Excellent customer service and genuine care for people has won us a lot of new business. Having the experience of Chris Miller as our Business Banker has also been of great benefit.

As a result we have been able to return considerable capital back into the community in the form of dividends to shareholders and in grants and sponsorships to customers and community organisations.

In March we conducted a Community Forum to attempt to better understand community needs. Over 60 individuals representing many local organisations presented their case for funding and all voted on the neediest projects. From this we were able to establish priorities, both immediate and longer term, for the investment of our profits back in to the local community.

The most significant immediate need that was identified was a car for community use. As a consequence we have purchased a suitable vehicle and finalised a memorandum of understanding with Red Cross who will use and administer the use of the vehicle locally. The keys were handed over with much fanfare in July 2012.

With the car and the other sponsorships and grants and the bushfire appeal we have returned $190,000 to the community since our inception 4 years ago.

In April we jointly hosted with Tumby Bay District **Community Bank®** Branch and the Cummins District **Community Bank®** Branch the, SA/NT State conference which was a great success and an economic boost for the area.

I must thank Bendigo and Adelaide Bank for their support at many levels. The dedication and experience of their staff is very reassuring. I must say that I find the ethics and culture of Bendigo and Adelaide Bank very impressive and it is reflected in the dedication and attitude of their staff.

I must also thank my fellow Board members for their support and generosity in providing their time, experience and expertise. It is very reassuring for me as Chairman to know we have a very talented and dedicated Board working hard to make us successful and compliant with our corporate responsibility to our company, its shareholders, our staff and our community.

The most important people in the world are our customers. Thank you for your support and especially for your word of mouth referrals, our greatest source of new business.

We hope you are enjoying the sense of community and belonging that that **Community Bank®** concept brings. Looking forward, we are confident that our business plan is working well for us but are mindful that we live in a world of rapid change. To remain successful requires constant vigilance, reassessment and a willingness to adapt as required.

Pat Callaghan
Chairman

Manager’s report

For year ending 30 June 2012

It is with great pleasure I submit to you my report for the financial year ended 30 June 2012. The year was one of continued and sustained growth. Our operating revenue reached $860,000 equating to a 21% increase. Net Profit before tax increased from $129,000 to a solid $214,000 representing a 66% increase. Our total footings grew by 34% and have established around $110 million represented by 3,000 accounts.

Following this type of financial achievement the Board felt comfortable in making $20,000 available for community grants and further chose to hold a Community Forum to clearly establish the priority needs of the community. The turnout of 60 odd people to that Forum bore testament to that decision. It was decided to support the West Coast Youth Services with $15,000 toward the new digital projector; without the new projector there would be no cinema in Port Lincoln past 2012. Those funds coupled with the fantastic efforts of Miss Tunarama, Jessica Webb, have gone a long way to securing that goal. The balance of that grant went to community projects including a new back board for the local Basketball Association, assistance for the Elliston Sports Club for resurfacing their tennis courts, Port Lincoln Gym Club for new sponge in their trampoline pit and Riding for the Disabled to cover insurance costs.

Throughout the year numerous other grants were made to other local community groups. Following the Community Forum the need for a community vehicle was also clearly recognised, with our Board confident that the performance of the Port Lincoln **Community Bank®** Branch could be maintained, they chose to make the vehicle available, and this amazing gesture brings community support provided by the Port Lincoln **Community Bank®** Branch to $190,000 since we opened.

Our best source of new business remains the word of mouth referrals from our existing customers. Our philosophy of a ‘can do’ approach coupled with a friendly and courteous service with staff that are committed to finding the best solution for our customers remains the benchmark of this branch. I would like to take this opportunity to thank my staff for their continued efforts.

Gail Bassham and I remain as original starters. Her local knowledge coupled with her banking experience makes her a valuable resource. Gail’s friendly and practical approach is appreciated by our customers and staff alike. Breanna Price, Prue Hywood and Natasha Kenny have all enjoyed a productive year and continue to maintain customer service skills second to none.

During the year Aaron Sayers left to take on the role of Branch Manager at the Robe **Community Bank®** Branch, I acknowledge and thank Aaron for his contribution to our business. Danielle Heaslip has taken up part of Aaron’s role as will our new staff member Ben Menzel, another local to have joined our team.

To those shareholders who are not yet banking with us, I urge you to reconsider your decision. We make a change simple and easy, we’ve had lots of practice and make the transition seamless. Why not bank with Port Lincoln **Community Bank®** Branch?

Phil Channon
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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

Joseph Anderson
Director
Occupation: Solicitor

Anne-Marie Hammond
Director
Occupation: Field Officer

Michael Munro
Director
Occupation: Semi Retired

Steven James
Treasurer
Occupation: Accountant

Angela Cordon
Director
Occupation: Assistant Project Officer

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.

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was $162,935 (2011: $99,020).

Dividends

Dividends paid during the financial year were as follows:

	2012 $	2011 $
Interim unfranked dividend for the year ended 30 June 2012 of 5 cents per ordinary share paid on 22 November 2011 (2011: 5 cents)	45,000	45,000

Financial position

The net assets of the company have increased by $117,935 from June 30, 2011 to $578,078 in 2012. The increase is largely due to improved operating performance of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

During the year Terri Christensen received $1,200 (2011: $1,100) for performing secretarial duties to the company.

RSM Bird Cameron of which Steven James is a partner has received $12,486 (2011: $18,534) 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.

Indemnifying Officers or Auditor

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.

Indemnifying Officers or Auditor (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.

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	11 (12)	N/A
Anne-Marie Hammond	11 (12)	N/A
Graham Henderson	9 (12)	N/A
Steven James	11 (12)	2 (2)
Joseph Anderson	7 (12)	2 (2)
Angela Cordon	9 (12)	N/A
Michael Munro	9 (12)	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 Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Port Lincoln on 24 September 2012.

P Callaghan

Pat Callaghan
Director

Auditor's independence declaration

Richmond
Sinnott &
Delahunty
Chartered Accountants

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24th September 2012

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

To the Directors of Port Lincoln Community Enterprises Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

Warren Sinnott
Partner
Dated at Bendigo, 24th September 2012

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	867,011	711,834
Employee benefits expense	3	(359,623)	(322,106)
Depreciation and amortisation expense	3	(39,321)	(37,616)
Finance costs	3	(1,843)	(2,831)
Other expenses		(215,098)	(214,727)
Operating profit/(loss) before charitable donations & sponsorships		**251,126**	**134,554**
Charitable donations and sponsorship		(28,564)	(5,052)
Profit/(loss) before income tax expense		**222,562**	**129,502**
Income tax expense / (benefit)	4	59,627	30,482
Net profit/(loss) for the year		**162,935**	**99,020**
Other comprehensive income		-	-
Total comprehensive income for the year		**162,935**	**99,020**
Earnings per share (cents per share)			
- Basic for profit / (loss) for the year	23	18.10	11.00
- Diluted for profit / (loss) for the year	23	18.10	11.00

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	302,114	121,236
Receivables	7	92,388	66,498
Other	8	7,624	8,774
Total current assets		**402,126**	**196,508**
Non-current assets			
Property, plant and equipment	9	211,231	201,760
Deferred tax assets	4	85,604	145,231
Intangible assets	10	2,000	6,000
Total non-current assets		**298,835**	**352,991**
Total assets		**700,961**	**549,499**
Liabilities			
Current liabilities			
Payables	11	41,663	40,675
Loans and borrowings	12	15,191	6,422
Provisions	13	26,799	26,209
Total current liabilities		**83,653**	**73,306**
Non-current liabilities			
Loans and borrowings	12	39,230	16,050
Total non-current liabilities		**39,230**	**16,050**
Total liabilities		**122,883**	**89,356**
Net assets		**578,078**	**460,143**
Equity			
Issued capital	14	900,008	900,008
Accumulated losses	15	(321,930)	(439,865)
Total equity		**578,078**	**460,143**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		835,922	764,146
Cash payments in the course of operations		(601,707)	(609,579)
Interest received		6,349	1,871
Borrowing costs		(1,843)	(2,290)
Net cash flows from / (used in) operating activities	**16b**	**238,721**	**154,148**
Cash flows from investing activities			
Payments for property, plant and equipment		(44,792)	(35,164)
Proceeds from sale of property, plant and equipment		-	10,909
Net cash flows used in investing activities		**(44,792)**	**(24,255)**
Cash flows from financing activities			
Proceeds from / (repayment of) borrowings		31,949	4,888
Dividend paid		(45,000)	(45,000)
Net cash flows used in financing activities		**(13,051)**	**(40,112)**
Net increase / (decrease) in cash held		**180,878**	**89,781**
Cash and cash equivalents at start of year		121,236	31,455
Cash and cash equivalents at end of year	**16a**	**302,114**	**121,236**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(439,865)	(493,885)
Net profit/(loss) for the year		162,935	99,020
Dividends paid	22	(45,000)	(45,000)
Balance at end of year		**(321,930)**	**(439,865)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Port Lincoln Community Enterprises Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 24 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

	2012 $	2011 $
Revenue from continuing activities		
- services commissions	859,647	703,880
- other revenue	1,015	5,900
	860,662	**709,780**
Other revenue		
- interest received	6,349	2,054
	6,349	**2,054**
	867,011	**711,834**

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	287,106	243,636
- superannuation costs	58,936	53,837
- other costs	13,581	24,633
	359,623	**322,106**

	2012 $	2011 $

Note 3. Expenses (continued)

Depreciation of non-current assets:		
- plant and equipment	10,861	9,414
- buildings	24,460	24,202
Amortisation of non-current assets:		
- intangible assets	4,000	4,000
	39,321	**37,616**
Finance costs:		
- Borrowing expenses	1,843	2,831
Bad debts	846	2,665

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%	66,769	38,851
Add/(less) tax effect of:		
- Non-deductible expenses/(other deductible expenses)	(7,142)	(8,369)
Current income tax expense / (benefit)	**59,627**	**30,482**
Income tax expense / (benefit)	**59,627**	**30,482**
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.	**85,604**	**145,231**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**4,100**	**3,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**302,114**	**121,236**

Note 7. Receivables

Trade debtors	92,042	66,250
Other	346	248
	92,388	**66,498**

	2012 $	2011 $

Note 8. Other

	2012 $	2011 $
Prepaid expenses	**7,624**	**8,774**

Note 9. Property, plant and equipment

	2012 $	2011 $
Fit out costs		
At cost	249,561	242,011
Less accumulated depreciation	(102,886)	(78,426)
	146,675	**163,585**
Plant and equipment		
At cost	96,947	59,705
Less accumulated depreciation	(32,391)	(21,530)
	64,556	**38,175**
Total written down amount	**211,231**	**201,760**
Movements in carrying amounts		
Fit out costs		
Carrying amount at beginning of year	163,585	187,787
Additions	7,550	-
Disposals	-	-
Depreciation expense	(24,460)	(24,202)
Carrying amount at end of year	**146,675**	**163,585**
Plant and equipment		
Carrying amount at beginning of year	38,175	27,810
Additions	37,242	35,164
Disposals	-	(15,385)
Depreciation expense	(10,861)	(9,414)
Carrying amount at end of year	**64,556**	**38,175**

	2012 $	2011 $

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(9,000)	(7,000)
	1,000	**3,000**
Prepaid training expenses		
At cost	10,000	10,000
Less accumulated amortisation	(9,000)	(7,000)
	1,000	**3,000**
	2,000	**6,000**

Note 11. Payables

	2012 $	2011 $
Trade creditors	14,145	12,283
GST payable	16,146	12,619
Other creditors and accruals	11,372	15,773
	41,663	**40,675**

Note 12. Borrowings

	2012 $	2011 $
Current		
Chattel mortgage - secured	**15,191**	**6,422**
Non-current		
Chattel mortgage - secured	**39,230**	**16,050**

Note 13. Provisions

	2012 $	2011 $
Employee benefits	**26,799**	**26,209**
Movement in employee benefits		
Opening balance	26,209	22,737
Additional provisions recognised	26,449	24,333
Amounts utilised during the year	(25,859)	(20,861)
Closing balance	**26,799**	**26,209**

	2012 $	2011 $

Note 14. Share capital

	2012 $	2011 $
900,008 Ordinary shares fully paid of $1 each	**900,008**	**900,008**

The company has authorised share capital amounting to xxxx ordinary shares.

Note 15. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(439,865)	(493,885)
Profit after income tax	162,935	99,020
Dividends paid	(45,000)	(45,000)
Balance at the end of the financial year	**(321,930)**	**(439,865)**

Note 16. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**302,114**	**121,236**

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

	2012 $	2011 $
Profit / (loss) after income tax	162,935	99,020
Non cash items		
- Depreciation	35,321	33,616
- 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	(24,740)	(20,741)
- (Increase) decrease in deferred tax asset	59,627	30,482
- Increase (decrease) in payables	988	(177)
- Increase (decrease) in provisions	590	3,472
Net cash flows from / (used in) operating activities	**238,721**	**154,148**

Note 17. Director and related party disclosures

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

Pat Callaghan
Terri Christensen
Anne-Marie Hammond
Graham Henderson
Steven James
Joseph Anderson
Angela Cordon
Michael Munro

During the year Terri Christensen received $1,200 (2011: $1,100) for performing secretarial duties to the company.

RSM Bird Cameron of which Steven James is a partner has received $12,486 (2011: $18,534) 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 Director's fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2012**	**2011**
Pat Callaghan	33,668	33,668
Terri Christensen	2,001	2,001
Anne-Marie Hammond	1,001	1,001
Graham Henderson	3,001	3,001
Steven James	5,002	5,001
Joseph Anderson	-	-
Angela Cordon	500	500
Michael Munro	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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Port Lincoln, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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

	2012 $	2011 $

Note 22. Dividends paid or provided for on ordinary shares

Dividends paid during the financial year were as follows:

	2012 $	2011 $
Interim unfranked dividend for the year ended 30 June 2012 of 5 cents per ordinary share paid on 22 November 2011 (2011: 5 cents)	**45,000**	**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:

	2012 $	2011 $
Profit / (loss) after income tax expense	**162,935**	**99,020**
Weighted average number of ordinary shares for basic and diluted earnings per share	**900,008**	**900,008**

Note 24. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	302,114	121,236
Receivables	7	92,388	66,498
Total financial assets		**394,502**	**187,734**
Financial liabilities			
Payables	11	41,663	40,675
Total financial liabilities		**41,663**	**40,675**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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 2012 $	 2011 $
Cash and cash equivalents	302,114	121,236
Receivables	92,388	66,498
	394,502	**187,734**

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

None of the assets of the company are past due (2011: 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.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

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

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(41,663)	(41,663)	–	–
Loans and borrowings	(54,421)	(15,191)	(39,230)	–
Total expected outflows	**(96,084)**	**(56,854)**	**(39,230)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	302,114	302,114	–	–
Receivables	92,388	92,388	–	–
Total anticipated inflows	**394,502**	**394,502**	**–**	**–**
Net (outflow)/inflow on financial instruments	**298,418**	**337,648**	**(39,230)**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(40,675)	(40,675)	–	–
Loans and borrowings	(22,472)	(6,422)	(16,050)	–
Total expected outflows	**(63,147)**	**(47,097)**	**(16,050)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	121,236	121,236	–	–
Receivables	66,498	66,498	–	–
Total anticipated inflows	**187,734**	**187,734**	**–**	**–**
Net (outflow)/inflow on financial instruments	**124,587**	**140,637**	**(16,050)**	**–**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(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 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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	243,391	-
Financial liabilities	(54,421)	(22,472)
	188,970	**(22,472)**
Floating rate instruments		
Financial assets	58,723	121,236
Financial liabilities	-	-
	58,723	**121,236**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 24. Financial risk management (continued)

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 2012 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, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 28 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

P Callaghan

Pat Callaghan
Director

Signed at Port Lincoln on 24 September 2012.

Independent audit report

Richmond
Sinnott &
Delahunty
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Port Lincoln Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews
Philip Delahunty, Kathie Teasdale, David Richmond

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Port Lincoln Community Enterprises Limited is 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 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 24th September 2012

Port Lincoln **Community Bank®** Branch
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Port Lincoln SA 5606
Phone: (08) 8682 5226

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Bendigo Bank

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