



Interim Financial Report

for the Half-year ended

31 December 2012

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Robert George Hunt
Graham William Bastian
Andrew Cairns
Donald James Erskine
Geoffrey Ralph Michell
Michelle Kaye O'Sullivan

Review of Operations

Bendigo Community Telco Limited has continued to consolidate its position within the Bendigo and Central Victorian market. The business provides high quality data and network services Australia wide as well as fixed and mobile telephone services and broadband internet access. We also manage the Bendigo Data Centre which is the major site for our own MPLS network and also delivers our business customers with cloud hosting services and secure data back-up. Bendigo Community Telco provides network management and monitoring services via its network operations centre and combined with our wholesale business we are able to offer these professional services on a national scale. The supply and installation of PABX and telephone systems, videoconferencing equipment, and data cabling are some of the additional services we provide.

Bendigo Community Telco has continued in its Franchise Agreement with Community Telco Australia and has maintained wholesale agreements with AAPT, SingTel Optus, Telstra and NextGen Pure Data.

The company net profit after tax for the period was \$441,609 (31.12.2011: \$318,389).

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 2 for the half-year ended 31 December 2012.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Robert Hunt, Chairman



Don Erskine, Director

Dated this 20th day of February 2013.



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Bendigo Community Telco Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- no contraventions of any applicable code of professional conduct in relation to the review.

Graeme Stewart
Auditor

ANDREW FREWIN STEWART
61-65 Bull Street
Bendigo, Victoria

Dated this 20th day of February 2013

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

| | 31.12.2012 | 31.12.2011 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Revenue | 11,247,920 | 12,379,010 |
| Cost of products sold | (6,073,313) | (7,745,228) |
| Other revenue | 41,879 | 23,322 |
| Salaries and employee benefit costs | (2,333,092) | (1,965,129) |
| Occupancy and associated costs | (301,428) | (235,987) |
| General administration costs | (499,394) | (511,405) |
| Depreciation and amortisation costs | (469,143) | (455,202) |
| Advertising and promotion costs | (139,715) | (94,686) |
| Systems costs | (719,447) | (804,995) |
| Borrowing costs | <u>(115,302)</u> | <u>(120,782)</u> |
| Profit before income tax | 638,965 | 468,918 |
| Income tax expense | <u>(197,356)</u> | <u>(150,529)</u> |
| Net profit for the period | 441,609 | 318,389 |
| Other comprehensive income for the period, net of tax | - | - |
| Total comprehensive income for the period | <u><u>441,609</u></u> | <u><u>318,389</u></u> |
| Total comprehensive income attributable to members of Bendigo Community Telco Limited | <u><u>441,609</u></u> | <u><u>318,389</u></u> |
| Earnings per share | | |
| Basic earnings per share (cents) | 7.78 | 5.66 |
| Diluted earnings per share (cents) | 7.78 | 5.66 |

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

| | 31.12.2012 | 30.06.2012 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Current Assets | | |
| Cash and cash equivalents | 2,014,543 | 768,001 |
| Trade and other receivables | 1,854,026 | 2,216,696 |
| Prepayments | 932,935 | 1,090,302 |
| Inventories | 158,168 | 135,746 |
| Taxation | 29,481 | - |
| Total Current Assets | 4,989,153 | 4,210,745 |
| Non Current Assets | | |
| Property, plant and equipment | 1,943,383 | 2,134,819 |
| Intangible assets | 1,617,643 | 1,672,956 |
| Deferred tax assets | 167,295 | 204,040 |
| Total Non Current Assets | 3,728,321 | 4,011,815 |
| TOTAL ASSETS | 8,717,474 | 8,222,560 |
| Current Liabilities | | |
| Trade and other payables | 3,324,027 | 2,730,287 |
| Financial liabilities | 104,711 | 60,970 |
| Provisions | 427,281 | 505,339 |
| Taxation | - | 53,430 |
| Total Current Liabilities | 3,856,019 | 3,350,026 |
| Non Current Liabilities | | |
| Financial liabilities | - | 77,965 |
| Provisions | 112,323 | 89,909 |
| Total Non Current Liabilities | 112,323 | 167,874 |
| TOTAL LIABILITIES | 3,968,342 | 3,517,900 |
| NET ASSETS | 4,749,132 | 4,704,660 |
| EQUITY | | |
| Issued capital | 3,437,522 | 3,437,522 |
| Retained earnings | 1,311,610 | 1,267,138 |
| TOTAL EQUITY | 4,749,132 | 4,704,660 |

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

| | Ordinary Share Capital \$ | Retained Earnings \$ | Total \$ |
|--|---------------------------------|----------------------------|------------------|
| Balance at 1 July 2011 | 3,394,022 | 960,097 | 4,354,119 |
| Comprehensive Income | | | |
| Profit for the period | - | 318,389 | 318,389 |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive income for the period | 3,394,022 | 1,278,486 | 4,672,508 |
| Transaction with owners, in their capacity as owners, and other transfers | | | |
| Dividends recognised for the period | - | (281,460) | (281,460) |
| Shares issued during the period | - | - | - |
| Total transactions with owners and other transfers | - | (281,460) | (281,460) |
| Balance at 31 December 2011 | 3,394,022 | 997,026 | 4,391,048 |
| Balance at 1 July 2012 | 3,437,522 | 1,267,138 | 4,704,660 |
| Comprehensive Income | | | |
| Profit for the period | - | 441,609 | 441,609 |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive income for the period | 3,437,522 | 1,708,747 | 5,146,269 |
| Transaction with owners, in their capacity as owners, and other transfers | | | |
| Dividends recognised for the period | - | (397,137) | (397,137) |
| Shares issued during the period | - | - | - |
| Total transactions with owners and other transfers | - | (397,137) | (397,137) |
| Balance at 31 December 2012 | 3,437,522 | 1,311,610 | 4,749,132 |

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

| | 31.12.2012 | 31.12.2011 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 13,055,047 | 14,301,790 |
| Interest paid | (115,302) | (120,782) |
| Payments to suppliers and employees | (10,837,805) | (12,700,702) |
| Income tax paid | (243,522) | (411,793) |
| Interest received | 16,670 | 23,322 |
| Net cash provided by operating activities | <u>1,875,088</u> | <u>1,091,835</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of intangible assets | (94,450) | (409,033) |
| Purchase of property, plant and equipment | (141,598) | (234,975) |
| Proceeds from sale of property, plant and equipment | 38,864 | - |
| Net cash used in investing activities | <u>(197,184)</u> | <u>(644,008)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | - | - |
| Repayment of finance lease | (34,225) | (57,888) |
| Dividends paid | (397,137) | (281,460) |
| Net cash used in financing activities | <u>(431,362)</u> | <u>(339,348)</u> |
| Net increase in cash held | 1,246,542 | 108,479 |
| Cash and cash equivalents at beginning of period | 768,001 | 1,576,393 |
| Cash and cash equivalents at end of the period | <u>2,014,543</u> | <u>1,684,872</u> |

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Note 1: Summary of significant accounting policies

Basis of Preparation

These general purpose financial statements for half-year reporting period ended 31 December 2012 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update of the latest annual financial statements of Bendigo Community Telco Limited. As such, it does not contain information that represents relatively insignificant changes during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2012, together with any public announcements made during the following half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2012 annual report.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Presentation of Items of Other Comprehensive Income

The Company adopted AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income on 1 July 2012. AASB 2011-9 is mandatorily applicable from 1 July 2012 and amends AASB 101: Presentation of Financial Statements.

AASB 2011-9 amends the presentation requirements of other comprehensive income. It requires items of other comprehensive income to be grouped between:

- items that will not be reclassified subsequently to profit or loss; and
- those that will be reclassified subsequently to profit or loss when specific circumstances occur.

It also requires, when items of other comprehensive income are presented before the related tax effects with a single amount shown for the aggregate amount of income tax relating to those items, the amount of tax effect to be allocated between:

- items that will not be reclassified subsequently to profit or loss; and
- those that might be reclassified subsequently to profit or loss.

AASB 2011-9 also amends AASB 101 to change the "statement of comprehensive income" to "statement of profit or loss and other comprehensive income" when the single statement approach is followed. Other titles are also permitted.

The adoption of AASB 2011-9 only changed the presentation of the Company's financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the Company's financial statements.

Note 2: Dividends

| Distributions paid / provided for: | 31.12.2012 | 31.12.2011 |
|---|------------|------------|
| | \$ | \$ |
| Final fully franked dividend declared and paid on 8 October 2012 (post year-end) of 7.0 (2011: 5.0) cents per share franked at the tax rate of 30% (2011: 30%). | 397,137 | 281,460 |

Note 3: Operating Segments

(a) Information about reportable segments

| Aggregated Communications Departments | 31.12.2012 | 31.12.2011 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| External segment revenues | 11,247,920 | 12,379,010 |
| Segment expenses | (10,089,610) | (11,297,363) |
| Net segment profit before tax | <u>1,158,310</u> | <u>1,081,647</u> |

(b) Reconciliation of Reportable Segment Revenue

| | | |
|---|----------------|----------------|
| Total profit for reportable segments (aggregated) | 1,158,310 | 1,081,647 |
| Other revenue | 41,879 | 23,322 |
| Unallocated amounts: | | |
| Finance expense | (115,302) | (120,782) |
| Depreciation and amortisation | (469,143) | (455,202) |
| Debtor impairment | 23,221 | (60,067) |
| Consolidated profit before income tax | <u>638,965</u> | <u>468,918</u> |

Assets & Liabilities

No information is disclosed for segment assets as no measure of segment assets is regularly provided to the chief operating decision maker.

Note 4: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting period.

Note 5: Events after the end of the interim period

Other than the following, the directors are not aware of any significant events since the end of the interim period.

Since the end of the interim period, the directors have resolved to pay an interim fully franked dividend of 5.5 cents per share (2012: 5.0 cents per share) payable on 27 March 2013 to shareholders on the share register at 13 March 2013. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Directors' Declaration

In accordance with a resolution of the directors of Bendigo Community Telco Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 9 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting; and
 - b. giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-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.

On behalf of the Directors



Robert Hunt, Chairman



Don Erskine, Director

Dated this 20th day of February 2013



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Independent Review Report to the Members of Bendigo Community Telco Limited

Scope

We have reviewed the accompanying half-year financial report of Bendigo Community Telco Limited which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of profit and loss, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bendigo Community Telco Limited is not in accordance with *Corporations Act 2001*, including:

- i. giving a true and fair view of the entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Graeme Stewart
Auditor

ANDREW FREWIN & STEWART
61-65 Bull Street
Bendigo, Victoria