



Interim Financial Report

for the Half-year ended

31 December 2014

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014.

Directors

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

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

Review of Operations

Bendigo Community Telco delivered a net profit after tax for the six months to 31 December 2014 of \$587,286. This result reflects the repositioning of the company revenue stream away from the industry-wide decline in traditional fixed-voice services. Revenue from voice services is progressively being replaced by the company's development of VPN, data management and cloud products. Data service product revenue was up by 10%. This growth was achieved predominantly through attracting new customers for virtual private networks (up 17%) and cloud data products (up 37%).

The company continued to make investments into the key growth areas of virtual private networks, cloud services and leveraging the National Broadband Network (NBN). Other major revenues continued to come from products such as data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

Significant new investment has also been made by the company in its ability to deliver business grade services over the NBN Network. This new capability known as 'TC2 NBN' will enable the company to deliver high quality data, voice and video services to business clients nationwide.

During the period, the company strengthened its business relationships with suppliers of primary telecommunications services and now has direct wholesale contracts in place with Telstra, AAPT, NextGen and NBN co. These direct relationships will allow the business to access services at lower costs and enable us to remain price competitive in a dynamic marketplace.

In October 2014, the company acquired McPherson Media, a telecommunications provider based in Shepparton. McPherson Media is a 'community focussed' company and has significant synergy with the traditional business model of Bendigo Community Telco. Work is now underway to convert the installed base of McPherson Media customers to newer technologies such as the National Broadband Network. This process will allow us to recontract these customers while moving them to higher margin products that provide better value and new services for the customers.

During September of 2014, the company appointed Jeff Jordan as General Manager. Jeff comes with both a wealth of experience in business management and close connections to the Bendigo business community. Mr. Jordan's initial period with the company has been centred on ensuring an increased focus on sales and marketing, and strengthening strategic relationships for the business.

Significant work has been undertaken in the area of corporate branding. During the period, the company changed its business name from Bendigo Community Telco to simply - Bendigo Telco. This brand now sits alongside our national brand for our high-end products 'BCT' and complements the McPherson Media brand that we have retained for Shepparton

The net assets of Bendigo Telco were \$5,714,396 which is an increase of \$358,369 since 31 December 2013. Cash flows from operating activities continued to be strong, providing a net cash inflow of \$642,898 during the six month period.

Bendigo Telco has maintained good working capital, with current assets exceeding current liabilities by \$1,607,475. The company has no borrowings.

The directors believe the company is in a strong and stable financial position to expand and grow its current operations

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2014.

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



Don Erskine, Chairman



Graham Bastian

Dated this 18th day of February 2015



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bendigo Community Telco Ltd

We declare that to the best of our knowledge and belief, during the half-year year ended 31 December 2014 there has been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review.
- any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 18th day of February 2015

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

Adrian Downing
Lead Auditor

Liability limited by a scheme approved under Professional Standards Legislation. ABRN: 51 061 795 337.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	31.12.2014	31.12.2013
	\$	\$
Revenue	10,853,782	11,377,135
Cost of products sold	(5,352,994)	(5,875,348)
Other income	71,793	27,047
Salaries and employee benefit costs	(2,551,116)	(2,424,679)
Occupancy and associated costs	(291,238)	(320,365)
General administration costs	(578,153)	(466,067)
Depreciation and amortisation costs	(484,992)	(452,216)
Advertising and promotion costs	(151,178)	(67,904)
Systems costs	(379,990)	(744,634)
Borrowing costs	<u>(341,878)</u>	<u>(165,757)</u>
Profit before income tax	794,036	887,212
Income tax expense	<u>(206,750)</u>	<u>(165,253)</u>
Net profit for the period	587,286	721,959
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u><u>587,286</u></u>	<u><u>721,959</u></u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited	<u><u>587,286</u></u>	<u><u>721,959</u></u>
Earnings per share		
Basic earnings per share (cents)	10.24	12.63
Diluted earnings per share (cents)	10.24	12.63

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	31.12.2014	30.06.2014
	\$	\$
Current Assets		
Cash and cash equivalents	1,451,768	3,157,294
Trade and other receivables	1,209,807	1,010,188
Prepayments	1,660,141	681,057
Inventories	137,640	108,736
Taxation	51,650	-
Total Current Assets	4,511,006	4,957,275
Non Current Assets		
Property, plant and equipment	2,465,420	1,997,665
Intangible assets	1,601,353	1,525,508
Deferred tax assets	206,492	186,881
Total Non Current Assets	4,273,265	3,710,054
TOTAL ASSETS	8,784,271	8,667,329
Current Liabilities		
Trade and other payables	2,397,077	1,959,481
Provisions	506,454	512,096
Taxation	-	223,207
Total Current Liabilities	2,903,531	2,694,784
Non Current Liabilities		
Provisions	166,344	146,474
Total Non Current Liabilities	166,344	146,474
TOTAL LIABILITIES	3,069,875	2,841,258
NET ASSETS	5,714,396	5,826,071
EQUITY		
Issued capital	3,532,436	3,484,505
Retained earnings	2,181,960	2,341,566
TOTAL EQUITY	5,714,396	5,826,071

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

		Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2013		3,484,505	1,692,592	5,177,097
Comprehensive Income				
Profit for the period		-	721,959	721,959
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		3,484,505	2,414,551	5,899,056
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	(543,029)	(543,029)
Shares issued during the period		-	-	-
Total transactions with owners and other transfers		-	(543,029)	(543,029)
Balance at 31 December 2013		3,484,505	1,871,522	5,356,027
Balance at 1 July 2014		3,484,505	2,341,566	5,826,071
Comprehensive Income				
Profit for the period		-	587,286	587,286
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		3,484,505	2,928,852	6,413,357
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	(746,892)	(746,892)
Shares issued during the period		47,931	-	47,931
Total transactions with owners and other transfers		47,931	(746,892)	(698,961)
Balance at 31 December 2014		3,532,436	2,181,960	5,714,396

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	31.12.2014	31.12.2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	11,323,199	12,142,221
Interest paid	-	(1,300)
Payments to suppliers and employees	(10,241,830)	(10,979,071)
Income tax paid	(486,596)	(194,892)
Interest received	48,125	26,679
Net cash provided by operating activities	<u>642,898</u>	<u>993,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of McMedia	(596,608)	-
Purchase of intangible assets	(222,184)	(77,012)
Purchase of property, plant and equipment	(821,831)	(205,309)
Proceeds from sale of property, plant and equipment	39,091	9,545
Net cash used in investing activities	<u>(1,601,532)</u>	<u>(272,776)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance lease	-	(87,679)
Dividends paid	(746,892)	(543,029)
Net cash used in financing activities	<u>(746,892)</u>	<u>(630,708)</u>
Net increase / (decrease) in cash held	(1,705,526)	90,153
Cash and cash equivalents at beginning of period	3,157,294	2,371,730
Cash and cash equivalents at end of the period	<u><u>1,451,768</u></u>	<u><u>2,461,883</u></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 the half-year reporting period ended 31 December 2014 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The consolidated entity 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 consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2014, 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 2014 annual report.

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

No significant changes in accounting requirements have arisen during the half year ended 31 December 2014.

Note 2: Dividends Paid and Proposed

	31.12.2014	31.12.2013
	\$	\$
Distributions paid:		
2014 Final fully franked ordinary dividend of 13.0 (2013: 9.5) cents per share franked at the tax rate of 30% (2013: 30%).	746,892	543,029
Distributions proposed:		
2015 Interim fully franked ordinary dividend of 7.0 (2014: 7.0) cents per share franked at the tax rate of 30% (2014: 30%).	402,173	400,127

After the reporting date the above dividend was declared. The amount has not been recognised as a liability as at 31 December 2014 but will be brought into account in the 2015 financial year.

Note 3: Business Combinations

On 1 October 2014, the Group acquired 100% of the shares of McPherson Media Pty Ltd, an internet service provider, for a purchase price of \$596,608

Through acquiring 100% of the shares of McPherson Media, the Group has obtained control of the Company.

Purchase consideration:	
Cash	596,608
Less:	
Intangible assets	(34,928)
Receivables	(81,233)
Prepayments	(534,114)
Tax adjustments	(14,621)
Add:	
Employee entitlements	26,529
Professional services	13,918
Loss / (Gain) on acquisition	<u>(27,841)</u>

Note 4: Operating Segments

(a) Information about reportable segments

Aggregated Communications Departments	31.12.2014	31.12.2013
	\$	\$
External segment revenues	10,853,782	11,377,135
Segment expenses	(9,285,348)	(9,876,571)
Net segment profit	<u>1,568,434</u>	<u>1,500,564</u>

(b) Reconciliation of Reportable Segment Revenue

Total profit for reportable segments (aggregated)	1,568,434	1,500,564
Other revenue	71,793	27,047
Unallocated amounts:		
Finance expense	(341,878)	(165,757)
Depreciation and amortisation	(484,992)	(452,216)
Debtor impairment	(19,321)	(22,426)
Consolidated profit before income tax	<u>794,036</u>	<u>887,212</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 5: Contingent Liabilities

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

Note 6: 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 7.0 cents per share (2014: 7.0 cents per share) payable on 27 March 2015 to shareholders on the share register at 13 March 2015. 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 consolidated entity declare that:

1. The financial statements and notes, as set out on pages 1 to 11 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 consolidated entity's financial position as at 31 December 2014 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 consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Don Erskine, Chairman



Graham Bastian, Director

Dated this 18th day of February 2015



Report on the half year financial report

We have reviewed the accompanying half-year financial report of Bendigo Community Telco Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of Bendigo Community Telco Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including 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 gives a true and fair view and 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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Bendigo Community Telco Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bendigo Community Telco Limited, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bendigo Community Telco Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

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 the *Corporations Act 2001*, including:

- giving a true and fair view of Bendigo Community Telco Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61-65 Bull Street Bendigo 3550
Dated this 18th day of February 2015

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

Adrian Downing
Lead Auditor

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