



Financial Report

for the half year ended

31 December 2006

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Financial Report
Directors' Report

Your Directors submit the financial report of the company for the half year ended 31 December 2006.

Directors

The names of directors who held office during the half year and until the date of this report are as below:

Robert George Hunt – Chairman
Age – 56
Managing Director – Bendigo Bank Group

Graham William Bastian – Director
Age - 55
Consultant

Andrew Cairns - Director
Age - 44
Chief Executive Officer – Community Telco
Australia Ltd

Donald James Erskine - Director
Age - 61
Managing Director – Industrial Conveying
(Aust.) P/L
Managing Director – Bendigo Brick P/L

Leslie Alan Kilmartin – Director
Age – 63
Higher Education Consultant

Geoffrey Ralph Michell - Director
Age – 56
Chief Executive – Coliban Water

Malcolm B. Campbell - Company Secretary
Age - 65
Solicitor

Principal activities

The principal activities of the company during the course of the half year were the provision of telecommunications services. There were no significant changes in the principal activities of the Company in the course of the financial period.

Review and results of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period was \$362,476 (31 December 2005 \$219,728).

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

Signed in accordance with a resolution of the Directors at Bendigo on 20 February 2007.



Chairman

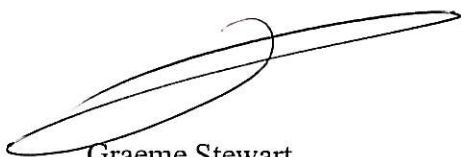


Director

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, in relation to the review for the
financial period ended 31 December 2006 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
Bendigo, Victoria

Dated: 21 February 2007

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Income Statement
for the half year ended 31 December 2006

	2006	2005
	\$	\$
Revenue	10,731,938	8,817,504
Cost of products sold	(7,612,250)	(6,661,720)
Other revenue	70,926	54,830
Salaries and employee benefit costs	(1,304,582)	(845,860)
Occupancy and associated costs	(109,376)	(95,953)
General administration costs	(459,589)	(379,264)
Depreciation and amortisation costs	(112,452)	(96,501)
Advertising and promotion costs	(202,150)	(73,259)
Systems costs	(496,713)	(391,698)
Borrowing costs	(11,281)	(14,181)
Profit before income tax expense	494,471	313,898
Income tax expense	(131,995)	(94,170)
Profit for the period	362,476	219,728
Profit attributable to members of Bendigo Community Telco Limited	362,476	219,728
Overall Operations	cents	cents
Basic earnings per share	6.49	4.22
Diluted earnings per share	6.49	4.22

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Balance Sheet
as at 31 December 2006

	31-Dec-06 \$	30-Jun-06 \$	31-Dec-05 \$
Current Assets			
Cash and cash equivalents	1,347,227	2,900,623	2,537,079
Trade and other receivables	4,156,677	2,795,574	2,859,043
Prepayments	611,188	408,555	482,985
Other financial assets	210,838	50,402	93,490
Total Current Assets	6,325,930	6,155,154	5,972,597
Non Current Assets			
Property, plant and equipment	1,119,179	670,838	700,698
Intangibles	530,933	–	–
Total Non Current Assets	1,650,112	670,838	700,698
TOTAL ASSETS	7,976,042	6,825,992	6,673,295
Current Liabilities			
Trade and other payables	3,335,811	2,673,952	2,556,479
Borrowings	169,529	139,222	104,622
Provisions	249,694	80,495	81,106
Taxation	271,462	144,856	126,908
Total Current Liabilities	4,026,496	3,038,525	2,869,115
Non Current Liabilities			
Borrowings	90,689	89,818	200,709
Provisions	33,002	10,829	–
Total Non Current Liabilities	123,691	100,647	200,709
TOTAL LIABILITIES	4,150,187	3,139,172	3,069,824
NET ASSETS	3,825,855	3,686,820	3,603,471
EQUITY			
Issued capital	3,350,678	3,350,678	3,349,678
Retained earnings	475,177	336,142	253,793
TOTAL EQUITY	3,825,855	3,686,820	3,603,471

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Statement of Changes in Equity
for the half year ended 31 December 2006

	2006 \$	2005 \$
Equity		
Total equity at the beginning of the half year	3,686,820	1,708,743
Net profit/(loss) for the half year	362,476	219,728
Dividends provided for or paid	(223,441)	–
Shares issued during half year	–	1,675,000
Total equity at the end of the half year	<u>3,825,855</u>	<u>3,603,471</u>

Retained earnings

Retained earnings at the beginning of the half year	336,142	34,065
Net profit attributable to members	362,476	219,728
Dividends paid to members	(223,441)	–
Retained earnings at the end of the half year	<u>475,177</u>	<u>253,793</u>

Bendigo Community Telco Limited
ABN 88 089 782 203
Cash Flow Statement
for the half year ended 31 December 2006

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	9,370,835	8,486,252
Interest paid	(11,281)	(14,181)
Cash paid in course of operations	(9,699,886)	(8,353,971)
Interest received	70,926	54,830
Net cash used in operating activities	(269,406)	172,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(560,793)	(182,239)
Purchase of intangible assets	(530,933)	—
Proceeds from sale of investments	—	250,000
Net cash used in investing activities	(1,091,726)	67,761
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	1,675,000
Net proceeds of borrowings	31,178	(40,755)
Dividends paid	(223,441)	—
Cost of Shares Issued	—	(263,627)
Net cash provided by financing activities	(192,263)	1,370,618
Net increase/(decrease) in cash held during the half year	(1,553,395)	1,611,309
Cash at beginning of the half year	2,900,622	925,770
Cash at the end of the half year	1,347,227	2,537,079

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed notes to the interim financial report
for the half year ended 31 December 2006

1. Basis of preparation of the half year financial statements

This general purpose financial report for the interim half year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of Bendigo Community Telco Limited as at and for the year end 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 20 February 2007.

Except as described below, the accounting policies applied in this interim financial report are the same as those applied in the annual financial report as at and for the year ended 30 June 2006.

Property Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on either a straight line or diminishing value basis over their estimated

useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:-

Asset Class	Depreciation Rate (%)
Office Furniture & Equipment	
Advertising Collateral	7.5
Furniture & Fittings	4.5 – 37.5
Office Equipment	7.5 - 40
Computer Equipment	37.5 - 50
Satellite Equipment	50
Software	33 – 40
Business Continuity Centre	2.5 – 37.5
Servicing Equipment	11.25 - 30
Retail/Display Equipment	11.25
Motor Vehicles	18.75 - 22.5
Leasehold	4.5 – 15
Telecommunications & Infrastructure	
Infrastructure	7.59
Connectivity Links	7.5 - 50

Changes in the asset classes and rates in this report compared to the 2006 annual report are:

Asset Class	Depreciation Rate (%)
Computer Equipment	37.5 – 40
Business Continuity Centre	2.5 – 33
Servicing Equipment	-
Retail/Display Equipment	-
Connectivity Links	20 - 50

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for the business exceeds the fair value attributed to its net assets at date of acquisition and is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

2. Events Subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially affect the financial report at the reporting date.

3. Dividends Paid

An interim fully franked dividend of 4 cents per share franked at the tax rate of 30% equating to \$223,441 was paid during the half year period (2005 – Nil).

4. Related Parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2006 annual financial report.

5. Business Combination

On 19 October 2006 Bendigo Community Telco Limited acquired all the assets of Bendigo Communications Pty Ltd, a telecommunications and ancillary services business, for the cash consideration of \$650,000.

At the date of this report it is not possible to provide details of the acquired business contributed revenue and net profit, however it is anticipated that it will be provided for the period 19 October 2006 to 30 June 2007 in the 2007 annual report.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash Paid	\$650,000
Direct costs relating to the acquisition	<u>\$81,205</u>
Total Purchase consideration	\$731,205
Fair value of net identifiable assets acquired (refer below)	\$200,272
Goodwill	\$449,728
Direct costs relating to the acquisition	<u>\$81,205</u>
	\$731,205

The goodwill is attributable to the strong position and profitability in trading in the telecommunications and ancillary services market of Bendigo Communications Pty Ltd and the benefits expected to flow to Bendigo Community Telco Limited from the acquisition. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount \$	Fair Value \$
Computers	25,000	25,000
Furniture	21,884	21,884
Office Equipment	20,358	20,358
Retail/Display Equipment	3,480	3,480
Servicing Equipment	39,050	39,050
Vehicles	90,500	90,500
Total net identifiable assets acquired	<u>200,272</u>	<u>200,272</u>

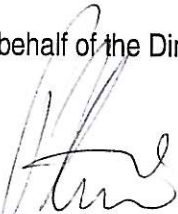
Directors' Declaration

The directors declare that:

- (a) in the directors opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors



Chairman



Director

Dated this 20th day of February 2007.

Independent Review Report to the Members of Bendigo Community Telco Limited

Scope

We have reviewed the accompanying financial report of Bendigo Community Telco Limited comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes 1 – 5 to the financial statements and the directors' declaration for the entity for the half-year ended 31 December 2006.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the interim 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 2006 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 an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2006 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 Partner

BENDIGO 21 February 2007