



Financial Report

for the half year ended

31 December 2009

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

Your Directors submit the financial report of the company for the half year ended 31 December 2009.

Directors

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

Name	Age	Occupation
Robert George Hunt (Chairman)	59	Bendigo and Adelaide Bank Limited
Graham William Bastian	58	Consultant
Andrew Cairns	48	Chief Executive Officer – Community Telco Australia P/L
Donald James Erskine	64	Managing Director – Industrial Conveying (Aust.) P/L
Leslie Alan Kilmartin	66	Principal of The Insight Group
Geoffrey Ralph Michell	59	Consultant
Margot Spalding	56	Owner & Director – Jimmy Possum Furniture P/L
Malcolm B. Campbell (Company Secretary)	68	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 continued to perform in line with expectations and the company has continued to make significant investment in infrastructure assets to position itself for future growth. The net profit of the company for the financial period was \$220,471 (31 December 2008 \$268,959). EBITDA increased to \$677,319 in the six months to 31 December 2009 compared to \$631,760 in the comparable six month period for 2008. The franchise agreement with Community Developments Australia Pty Limited was renewed for a further five year term to December 2014.

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.

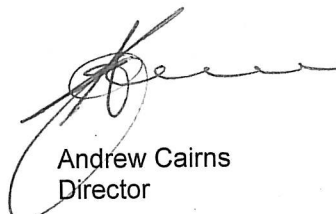
Auditor's independence declaration

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 17 February 2010.



Don Erskine
Director



Andrew Cairns
Director



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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, in relation to the review for the half-year ended 31 December 2009 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 17th day of February 2010

Bendigo Community Telco Limited
ABN 88 089 782 203
Statement of Comprehensive Income
for the half year ended 31 December 2009

	2009	2008
	\$	\$
Revenue from ordinary activities	13,558,743	12,402,226
Cost of products sold	(9,240,124)	(8,293,682)
Other revenue	21,447	55,960
Salaries and employee benefit costs	(1,801,776)	(1,667,708)
Occupancy and associated costs	(266,980)	(245,049)
General administration costs	(596,016)	(699,518)
Depreciation and amortisation costs	(372,715)	(271,177)
Advertising and promotion costs	(180,597)	(150,110)
Systems costs	(785,956)	(709,067)
Borrowing costs	(34,634)	(37,645)
Profit before income tax expense	301,392	384,230
Income tax expense	(80,921)	(115,271)
Profit for the period	220,471	268,959
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	220,471	268,959
Total comprehensive income attributable to members of Bendigo Community Telco Limited	220,471	268,959

Overall Operations

	cents	cents
Basic earnings per share	3.94	4.80
Diluted earnings per share	3.94	4.80

Bendigo Community Telco Limited
ABN 88 089 782 203
Statement of Financial Position
as at 31 December 2009

	31-Dec-09 \$	30-Jun-09 \$ Restated	31-Dec-08 \$ Restated
Current Assets			
Cash and cash equivalents	1,544,961	1,751,910	1,392,071
Trade and other receivables	1,962,282	1,790,330	2,077,562
Prepayments	1,274,624	701,480	731,368
Inventories	144,337	200,185	150,156
Total Current Assets	4,926,204	4,443,905	4,351,157
Non Current Assets			
Property, plant and equipment	2,250,903	2,236,746	2,405,414
Deferred Tax Asset	157,078	166,995	136,707
Intangibles	1,299,400	1,129,863	1,057,341
Total Non Current Assets	3,707,381	3,533,604	3,599,462
TOTAL ASSETS	8,633,585	7,977,509	7,950,619
Current Liabilities			
Trade and other payables	3,887,479	3,020,771	2,994,187
Borrowings	380,356	328,561	270,519
Provisions	303,025	286,697	241,829
Taxation	(43,222)	108,179	10,861
Total Current Liabilities	4,527,638	3,744,208	3,517,396
Non Current Liabilities			
Borrowings	246,553	324,593	544,074
Provisions	68,682	58,331	34,700
Total Non Current Liabilities	315,235	382,924	578,774
TOTAL LIABILITIES	4,842,873	4,127,132	4,096,170
NET ASSETS	3,790,712	3,850,377	3,854,449
EQUITY			
Issued capital	3,366,860	3,366,860	3,366,860
Retained earnings	423,852	483,517	487,589
TOTAL EQUITY	3,790,712	3,850,377	3,854,449

Bendigo Community Telco Limited
ABN 88 089 782 203
Statement of Changes in Equity
for the half year ended 31 December 2009

	2009 \$	2008 \$ Restated
<u>Equity</u>		
Total equity at the beginning of the financial year	3,850,377	3,977,681
Net profit/(loss) for the year	220,471	268,959
Net other comprehensive income	-	-
Dividends provided for or paid	(280,136)	(392,191)
Shares issued during period	-	-
Total equity at the end of the financial year	<u>3,790,712</u>	<u>3,854,449</u>
<u>Retained earnings</u>		
Retained earnings at the beginning of the period	483,517	610,821
Net profit attributable to members	220,471	268,959
Dividends paid to members	(280,136)	(392,191)
Retained earnings at the end of the period	<u>423,852</u>	<u>487,589</u>

Bendigo Community Telco Limited
ABN 88 089 782 203
Statement of Cash Flows
for the half year ended 31 December 2009

	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	14,223,498	14,274,778
Interest paid	(34,634)	(37,645)
Cash paid in course of operations	(13,312,485)	(13,804,226)
Income tax paid	(222,405)	(308,601)
Interest received	21,447	55,960
Net cash used in operating activities	675,421	180,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangible assets	(225,039)	(64,165)
Purchase of property, plant and equipment	(374,881)	(697,648)
Proceeds from sale of assets	26,678	41,818
Net cash used in investing activities	(573,242)	(719,995)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of borrowings	135,947	116,776
Repayment of finance lease	(164,939)	(135,198)
Dividends paid	(280,136)	(392,191)
Net cash provided by financing activities	(309,128)	(410,613)
Net increase in cash held during the half year	(206,949)	(950,342)
Cash at beginning of the half year	1,751,910	2,342,413
Cash at the end of the half year	1,544,961	1,392,071

Bendigo Community Telco Limited
ABN 88 089 782 203
Notes to the interim financial report
for the half year ended 31 December 2009

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 2009 has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update of the latest annual financial statements of Bendigo Community Telco Limited. 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 ended 30 June 2009 and with any public announcements made during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 17 February 2010.

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 2009.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Standard not previously applied

The Company has adopted the following revised Australian Accounting Standard issued by the AASB which is mandatory to apply to the current interim period. Disclosures required by this Standard that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that made previously available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit and loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- The adoption of the single statement approach to the presentation of the statement of comprehensive income;
- Other financial statements are renamed in accordance with this Standard.

Bendigo Community Telco Limited
ABN 88 089 782 203
Notes to the interim financial report
for the half year ended 31 December 2009

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.

The company entered into a new commercial property lease after the period end. The lease commences 1 March 2010 for a minimum five year term.

3. Dividends Paid

A final fully franked dividend of 5.0 cents per share franked at the tax rate of 30% equating to \$280,136 was paid during the half year period (2008 – \$392,191).

4. Related Parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2009 annual financial report.

5. Contingent Liabilities and Contingent Assets

Bendigo Community Telco has raised several billing disputes with its wholesale provider of telecommunication services, AAPT Limited. The financial effect of the outcome of the billing disputes is unable to be reliably estimated at the date of this report.

6. Correction of Error

Correction of accounting error in previous financial years

An accounting error was made in prior years in relation to GST being incorrectly claimed on finance leases. Prior year adjustments have been made to correct this error and so that the reported profit more appropriately reflects the performance of the company in the current period.

The impacts of these errors in the year ended 30 June 2009 and half year ended 31 December 2008 are set out below.

Balance Sheet (Extract)	30 June 2009	Increase/ (decrease)	30 June 2009 (Restated)	31 December 2008	Increase/ (decrease)	31 December 2008 (Restated)
Trade and Other Payables	2,896,490	124,281	3,020,771	2,869,906	124,281	2,994,187
Taxation	145,463	(37,284)	108,179	48,145	(37,284)	10,861
Net Assets	3,937,374	(86,997)	3,850,377	3,941,446	(86,997)	3,854,449
Retained Earnings	570,514	(86,997)	483,517	574,586	(86,997)	487,589
Total Equity	3,937,374	(86,997)	3,850,377	3,941,446	(86,997)	3,854,449

Bendigo Community Telco Limited
ABN 88 089 782 203
Notes to the interim financial report
for the half year ended 31 December 2009

Directors' Declaration

The directors of the company declare that:

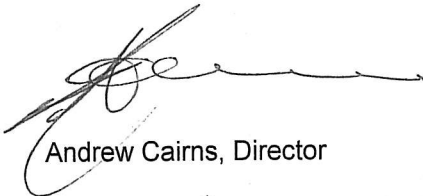
1. The financial statements and notes, as set out on pages 1 to 9:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the company's financial position at 31 December 2009 and of its performance for the half-year 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.

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

On behalf of the Directors



Don Erskine, Director



Andrew Cairns, Director

Dated this 17th day of February 2010

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 2009, 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, the accounting policies and other selected explanatory notes 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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 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 2009 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 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.


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 2009 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
Dated this 17th day of February 2010