



Interim Financial Report

for the half year ended

31 December 2010

Bendigo Community Telco Limited
ABN 88 089 782 203

Directors' Report

Your directors submit the financial report of the company for the half year ended 31 December 2010.

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
Graham William Bastian
Andrew Cairns
Donald James Erskine
Leslie Alan Kilmartin
Geoffrey Ralph Michell
Margot Spalding

Review of Operations

The principal activities of Bendigo Community Telco during the financial period were the provision of a range of telecommunication products and services. These include fixed and mobile phone products and services, broadband internet, the provision and management of data networks and business continuity services. Bendigo Community Telco also provides network monitoring services via its network operations centre and recently entered the wholesale market offering internet and data services.

The company's investment in infrastructure in recent years has enabled an improvement in gross margins. The benefit of this has been reflected in an increase in its net profit after tax to \$432,308 for the period compared to \$220,471 in the same period for the prior year.

Auditor's 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 for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors on 16 February 2011.



Robert Hunt, Chairman



Don Erskine, 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 2010 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 16th day of February 2011

Bendigo Community Telco Limited
ABN 88 089 782 203

Statement of Comprehensive Income
for the half year ended 31 December 2010

	31.12.2010	31.12.2009
	\$	\$
Revenue from ordinary activities	13,424,305	13,558,743
Cost of products sold	(8,586,057)	(9,240,124)
Other revenue	21,642	21,447
Salaries and employee benefit costs	(1,901,602)	(1,801,776)
Occupancy and associated costs	(285,316)	(266,980)
General administration costs	(655,748)	(596,016)
Depreciation and amortisation costs	(387,130)	(372,715)
Advertising and promotion costs	(121,374)	(180,597)
Systems costs	(828,650)	(785,956)
Borrowing costs	(61,329)	(34,634)
Profit before income tax expense	618,741	301,392
Income tax expense	(186,433)	(80,921)
Profit for the period	432,308	220,471
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	432,308	220,471
Total comprehensive income attributable to members of Bendigo Community Telco Limited	432,308	220,471
Earnings per share		
Basic earnings per share (cents)	7.70	3.94
Diluted earnings per share (cents)	7.70	3.94

The accompanying notes form part of these financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203

Statement of Financial Position
as at 31 December 2010

	31.12.2010	30.06.2010
	\$	\$
Current Assets		
Cash and cash equivalents	1,281,819	1,277,953
Trade and other receivables	2,082,289	2,240,892
Prepayments	1,107,417	965,651
Inventories	131,853	130,669
Total Current Assets	4,603,378	4,615,165
Non Current Assets		
Property, plant and equipment	2,271,543	2,139,792
Deferred tax asset	135,965	152,443
Intangibles	1,342,988	1,322,112
Total Non Current Assets	3,750,496	3,614,347
TOTAL ASSETS	8,353,874	8,229,512
Current Liabilities		
Trade and other payables	3,327,102	3,112,879
Borrowings	113,916	273,477
Provisions	316,268	344,006
Taxation	122,363	71,321
Total Current Liabilities	3,879,649	3,801,683
Non Current Liabilities		
Borrowings	149,324	200,550
Provisions	44,110	69,796
Total Non Current Liabilities	193,434	270,346
TOTAL LIABILITIES	4,073,083	4,072,029
NET ASSETS	4,280,791	4,157,483
EQUITY		
Issued capital	3,394,023	3,366,860
Retained earnings	886,768	790,623
TOTAL EQUITY	4,280,791	4,157,483

The accompanying notes form part of these financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203

Statement of Changes in Equity
for the half year ended 31 December 2010

	31.12.2010 \$	31.12.2009 \$
<u>Total Equity</u>		
Total equity at the beginning of the period	4,157,483	3,850,377
Net profit/(loss) for the year	432,308	220,471
Net other comprehensive income	-	-
Dividends provided for or paid	(336,163)	(280,136)
Shares issued during period	27,162	-
Total equity at the end of the financial period	<u>4,280,790</u>	<u>3,790,712</u>
 <u>Retained earnings</u>		
Retained earnings at the beginning of the period	790,623	483,517
Net profit attributable to members	432,308	220,471
Dividends paid to members	(336,163)	(280,136)
Retained earnings at the end of the period	<u>886,768</u>	<u>423,852</u>

The accompanying notes form part of these financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203

Statement of Cash Flows
for the half year ended 31 December 2010

	31.12.2010	31.12.2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	14,858,324	14,223,498
Interest paid	(61,329)	(34,634)
Cash paid in course of operations	(13,576,547)	(13,312,485)
Income tax paid	(118,913)	(222,405)
Interest received	21,642	21,447
Net cash provided by operating activities	1,123,177	675,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(694,778)	(374,881)
Proceeds from sale of assets	20,909	26,678
Payment for intangible assets	(93,662)	(225,039)
Net cash used in investing activities	(767,531)	(573,242)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of borrowings	230,991	135,947
Repayment of finance lease	(246,608)	(164,939)
Dividends paid	(336,163)	(280,136)
Net cash used in financing activities	(351,780)	(309,128)
Net increase (decrease) in cash held	3,866	(206,949)
Cash and cash equivalents at beginning of period	1,277,953	1,751,910
Cash and cash equivalents at end of period	1,281,819	1,544,961

The accompanying notes form part of these financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203

Notes to the financial statements
for the half year ended 31 December 2010

1. Basis of preparation of the half year financial statements

These general purpose financial statements for the interim half year reporting period ended 31 December 2010 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

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 2010 and with any public announcements made during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

Except as described below, the accounting policies applied in this interim financial report are the same as those applied in the annual financial statements for the year ended 30 June 2010.

Depreciation

Bendigo Community Telco has elected to depreciate all fixed assets on a straight line basis for the period ending 31 December 2010. In prior periods the depreciable amount of all fixed assets were depreciated on either a straight line or diminishing value basis. The change has been implemented as the directors are of the opinion that the straight line basis will result in a more accurate carrying value of fixed assets at the end of each reporting period. There has been no material impact on the current period from the change in policy.

2. Dividends Paid

A final fully franked dividend of 6.0 cents per share franked at the tax rate of 30% equating to \$336,163 was paid during the period (2009 – \$280,136).

3. Issued Capital

	31.12.2010	31.12.2009
	\$	\$
5,629,884 (2009 – 5,602,722) fully paid ordinary shares	3,394,023	3,366,861
Ordinary Shares	No.	No.
At the beginning of the reporting period	5,602,722	5,602,722
Shares issued on 29 October 2010	27,162	-
At the end of the reporting period	<u>5,629,884</u>	<u>5,602,722</u>

On 29 October 2010, the company issued 27,162 ordinary shares to eligible employees under the Bendigo Community Telco Limited Employee Share Scheme. These shares had a fair value, which is based on the market price of the Bendigo Stock Exchange at the date of offer of the Employee Share Scheme, of \$1.00 per share.

4. Operating Segments

(a) Information about reportable segments

Aggregated Communications Departments	31.12.2010	31.12.2009
	\$	\$
External segment revenues	13,424,305	13,558,744
Segment expenses	12,582,949	12,944,086
Net segment profit before tax	841,356	614,659

(b) Reconciliation of Reportable Segment Revenue

Total profit for reportable segments (aggregated)	841,356	614,629
Other revenue	21,642	21,447
Unallocated amounts:		
Finance expense	(61,329)	(34,634)
Depreciation & amortisation	(387,130)	(372,715)
Impairment	17,769	(8,286)
Consolidated profit before income tax	432,308	220,471

Assets & Liabilities

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

5. Contingent Liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

6. Events Subsequent to Reporting Date

Since the end of the financial period, the directors have resolved to pay an interim dividend of 5 cents per share (2010: 3 cents per share) payable on 25 March 2011. This dividend will be recognised in shareholders' equity in the next financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203
Notes to the interim financial report
for the half year ended 31 December 2010

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 8 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 2010 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



Robert Hunt, Chairman



Don Erskine, Director

Dated this 16th day of February 2011

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 2010, 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 that gives a true and fair view 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 2010 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 2010 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 16th day of February 2011

