



Interim Financial Report

for the Half-year ended

31 December 2011

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2011.

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
Margot Elizabeth Spalding (retired 01.09.2011)
Michelle Kaye O'Sullivan

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 the provision and management of data networks, data centre services, fixed and mobile phone products and services and broadband internet. Bendigo Community Telco also provides network monitoring services via its network operations centre as well as wholesale products consisting of internet and data services.

The company net profit after tax for the period was \$318,389 (31.12.2011: \$432,308).

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 2011.

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



Robert Hunt, Chairman



Don Erskine, Director

Dated this 15th day of February 2012.



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 2011 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.

A handwritten signature in black ink, appearing to read 'Graeme Stewart', is written over a horizontal line.

Graeme Stewart
Auditor

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

Dated this 15th day of February 2012

Bendigo Community Telco Limited
ABN 88 089 782 203

Statement of Comprehensive Income
for the half-year ended 31 December 2011

	31.12.2011	31.12.2010
	\$	\$
Revenue from ordinary activities	12,379,010	13,424,305
Cost of products sold	(7,745,228)	(8,586,057)
Other revenue	23,322	21,642
Salaries and employee benefit costs	(1,965,129)	(1,901,602)
Occupancy and associated costs	(235,987)	(285,316)
General administration costs	(511,405)	(655,748)
Depreciation and amortisation costs	(455,202)	(387,130)
Advertising and promotion costs	(94,686)	(121,374)
Systems costs	(804,995)	(828,650)
Borrowing costs	(120,782)	(61,329)
Profit before income tax	468,918	618,741
Income tax expense	(150,529)	(186,433)
Profit for the period	318,389	432,308
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u>318,389</u>	<u>432,308</u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited	<u>318,389</u>	<u>432,308</u>
 Earnings per share		
Basic earnings per share (cents)	5.66	7.70
Diluted earnings per share (cents)	5.66	7.70

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 2011

	31.12.2011	30.06.2011
	\$	\$
Current Assets		
Cash and cash equivalents	1,684,872	1,576,393
Trade and other receivables	1,763,056	2,183,232
Prepayments	1,241,522	1,333,659
Inventories	116,590	110,886
Total Current Assets	4,806,040	5,204,170
Non Current Assets		
Property, plant and equipment	2,043,600	2,170,383
Deferred tax assets	197,657	177,299
Intangible assets	1,655,874	1,340,284
Total Non Current Assets	3,897,131	3,687,966
TOTAL ASSETS	8,703,171	8,892,136
Current Liabilities		
Trade and other payables	3,593,220	3,551,076
Financial liabilities	76,359	103,683
Provisions	438,882	427,970
Taxation	31,342	272,248
Total Current Liabilities	4,139,803	4,354,977
Non Current Liabilities		
Financial liabilities	92,495	123,059
Provisions	79,825	59,981
Total Non Current Liabilities	172,320	183,040
TOTAL LIABILITIES	4,312,123	4,538,017
NET ASSETS	4,391,048	4,354,119
EQUITY		
Issued capital	3,394,022	3,394,022
Retained earnings	997,026	960,097
TOTAL EQUITY	4,391,048	4,354,119

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 2011

	Note	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2010		3,366,860	790,623	4,157,483
Comprehensive income				
Profit for the period		-	432,308	432,308
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		3,366,860	1,222,931	4,589,791
Transactions with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	(336,163)	(336,163)
Shares issued during the period		27,162	-	27,162
Total transactions with owners and other transfers		27,162	(336,163)	(309,001)
Balance at 31 December 2010		3,394,022	886,768	4,280,790
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
Transactions with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	(281,460)	(281,460)
Total transactions with owners and other transfers		-	(281,460)	(281,460)
Balance at 31 December 2011		3,394,022	997,026	4,391,048

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 2011

	31.12.2011	31.12.2010
	\$	\$
Cash flows from operating activities		
Cash received in course of operations	14,301,790	14,858,324
Interest paid	(120,782)	(61,329)
Cash paid in course of operations	(12,700,702)	(13,576,547)
Income tax paid	(411,793)	(118,913)
Interest received	23,322	21,642
Net cash provided by operating activities	1,091,835	1,123,177
Cash flows from investing activities		
Purchase of property, plant and equipment	(234,975)	(694,778)
Proceeds from sale of assets	-	20,909
Payment for intangible assets	(409,033)	(93,662)
Net cash used in investing activities	(644,008)	(767,531)
Cash flows from financing activities		
Proceeds of borrowings	-	230,991
Repayment of finance lease	(57,888)	(246,608)
Dividends paid	(281,460)	(336,163)
Net cash used in financing activities	(339,348)	(351,780)
Net increase (decrease) in cash held	108,479	3,866
Cash and cash equivalents at beginning of period	1,576,393	1,277,953
Cash and cash equivalents at end of period	1,684,872	1,281,819

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 2011

Note 1: Summary of significant accounting policies

Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2011 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. 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 2011, 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 2011 annual report.

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

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Company. A discussion of these new and revised requirements that are relevant to the Company is provided below:

– AASB 124: Related Party Disclosures (December 2009)

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
 - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Company.

Bendigo Community Telco Limited
ABN 88 089 782 203

Notes to the financial statements
for the half-year ended 31 December 2011

Note 1: Summary of significant accounting policies (cont.)

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010–4 did not have a significant impact on the financial statements of the Company.

- AASB 1054: Australian Additional Disclosures and AASB 2011–1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements.

The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards

Application of AASB 1054 did not have a significant impact on the financial statements of the Company.

Bendigo Community Telco Limited
ABN 88 089 782 203

Notes to the financial statements
For the half-year ended 31 December 2011

2. Dividends

Distributions paid / provided for:

Final fully franked dividend declared and paid on 30 September 2011 (post year-end) of 5.0 (2010: 5.0) cents per share franked at the tax rate of 30% (2010: 30%).

3. Operating Segments

(a) Information about reportable segments

Aggregated Communications Departments	31.12.2011	31.12.2010
	\$	\$
External segment revenues	12,379,010	13,424,305
Segment expenses	11,447,892	12,582,949
Net segment profit before tax	<u>931,118</u>	<u>841,356</u>

(b) Reconciliation of Reportable Segment Revenue

Total profit for reportable segments (aggregated)	931,118	841,356
Other revenue	23,322	21,642
Unallocated amounts:		
Finance expense	(120,782)	(61,329)
Depreciation & amortisation	(455,202)	(387,130)
Impairment	(60,067)	17,769
Consolidated profit before income tax	<u>318,389</u>	<u>432,308</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.

4. Contingent Liabilities

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

5. Events Subsequent to Reporting Date

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 4.5 cents per share (2011: 5.0 cents per share) payable on 30 March 2012 to shareholders on the share register at 15 March 2012. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Bendigo Community Telco Limited
ABN 88 089 782 203

Directors' Declaration

In accordance with 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 2011 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 15th day of February 2012



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 2011, 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 2011 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 2011 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.

A handwritten signature in black ink, appearing to read 'Graeme Stewart', is written over a horizontal line.

Graeme Stewart
Auditor

ANDREW FREWIN & STEWART
61-65 Bull Street
Bendigo, Victoria
Dated this 15th day of February 2012

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