



# Interim Financial Report

for the Half-year ended

31 December 2013

## DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2013.

### 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  
Andrew Cairns (Retired 13 January 2014)  
Geoffrey Ralph Michell  
Michelle Kaye O'Sullivan  
Andrew Craig Watts (Appointed 17 February 2014)

### Review of Operations

The company net profit after tax for the six months to 31 December 2013 was \$721,959. This is a 63% increase on the corresponding period for the prior year.

The improvement in results was largely as a result of increased efficiencies achieved from a review of operations during the period which saw expenses fall by 1.3%. The business has been undertaking a detailed internal review with the outcome that a number of activities have been streamlined and rationalised. This together with enhancement to services provided by the company have allowed for revenues to grow while expenses have been closely managed.

As with many telco providers, top line revenue growth has been low due to industry price deflation in many telecommunication services. Sales revenues for the half year increased by 1% to \$11,377,135 (31.12.2012: \$11,247,920).

Significant investment has been made in BCT's own infrastructure in recent years which has enabled BCT to provide enhanced data services over its own network. With this move to the provision of data management and data storage services, the company has been able to cover the low revenue growth with products that provide a higher contribution to the gross margin.

The Bendigo Data Centre has continued to provide our business customers with cloud hosting services and secure data back-up. With growing demand for hosted services this is expected to provide solid growth for BCT in future years.

The networks operations centre provided network management and monitoring services which is a valuable add on service to customers of our data network products. Other major revenue for Bendigo Community Telco continued to come from services such as broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

The net assets of Bendigo Community Telco have increased by \$178,930 from 30 June 2013 to \$5,356,027 at 31 December 2013.

Cash and cash equivalents increased to \$2,461,883 at 31 December 2013. This is a result of the improved profitability of the company.

Bendigo Community Telco maintains a strong working capital, with current assets exceeding current liabilities by \$2,121,465.

The directors of the company believe BCT 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 2013.

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



Don Erskine, Chairman



Geoff Michell, Director

Dated this 19<sup>th</sup> day of February 2014.

## 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 2013, 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 2013 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*.

### *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:

- a) giving a true and fair view of Bendigo Community Telco Limited's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**ADRIAN DOWNING**

**ANDREW FREWIN STEWART**

61-65 Bull Street Bendigo 3550

Dated this 19<sup>th</sup> day of February 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	<b>31.12.2013</b>	<b>31.12.2012</b>
	\$	\$
Revenue	11,377,135	11,247,920
Cost of products sold	(5,875,348)	(6,073,313)
Other income	27,047	41,879
Salaries and employee benefit costs	(2,424,679)	(2,333,092)
Occupancy and associated costs	(320,365)	(301,428)
General administration costs	(466,067)	(499,394)
Depreciation and amortisation costs	(452,216)	(469,143)
Advertising and promotion costs	(67,904)	(139,715)
Systems costs	(744,634)	(719,447)
Borrowing costs	<u>(165,757)</u>	<u>(115,302)</u>
Profit before income tax	887,212	638,965
Income tax expense	<u>(165,253)</u>	<u>(197,356)</u>
Net profit for the period	721,959	441,609
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u><u>721,959</u></u>	<u><u>441,609</u></u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited	<u><u>721,959</u></u>	<u><u>441,609</u></u>
 <b>Earnings per share</b>		
Basic earnings per share (cents)	12.63	7.78
Diluted earnings per share (cents)	12.63	7.78

***The accompanying notes form part of these financial statements***

**STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2013**

	<b>31.12.2013</b>	<b>30.06.2013</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	2,461,883	2,371,730
Trade and other receivables	1,944,660	1,568,401
Prepayments	925,542	765,208
Inventories	142,506	130,147
<b>Total Current Assets</b>	<b>5,474,591</b>	<b>4,835,486</b>
<b>Non Current Assets</b>		
Property, plant and equipment	1,758,789	1,835,748
Intangible assets	1,433,395	1,535,509
Deferred tax assets	168,611	160,319
<b>Total Non Current Assets</b>	<b>3,360,795</b>	<b>3,531,576</b>
<b>TOTAL ASSETS</b>	<b>8,835,386</b>	<b>8,367,062</b>
<b>Current Liabilities</b>		
Trade and other payables	2,861,278	2,489,802
Borrowings	-	87,679
Provisions	453,808	452,441
Taxation	38,040	59,387
<b>Total Current Liabilities</b>	<b>3,353,126</b>	<b>3,089,309</b>
<b>Non Current Liabilities</b>		
Provisions	126,233	100,656
<b>Total Non Current Liabilities</b>	<b>126,233</b>	<b>100,656</b>
<b>TOTAL LIABILITIES</b>	<b>3,479,359</b>	<b>3,189,965</b>
<b>NET ASSETS</b>	<b>5,356,027</b>	<b>5,177,097</b>
<b>EQUITY</b>		
Issued capital	3,484,505	3,484,505
Retained earnings	1,871,522	1,692,592
<b>TOTAL EQUITY</b>	<b>5,356,027</b>	<b>5,177,097</b>

*The accompanying notes form part of these financial statements*

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2012</b>	3,437,522	1,267,138	4,704,660
<b>Comprehensive Income</b>			
Profit for the period	-	441,609	441,609
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,437,522</b>	<b>1,708,747</b>	<b>5,146,269</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>			
Dividends recognised for the period	-	(397,137)	(397,137)
Shares issued during the period	-	-	-
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>(397,137)</b>	<b>(397,137)</b>
<b>Balance at 31 December 2012</b>	<b>3,437,522</b>	<b>1,311,610</b>	<b>4,749,132</b>
<b>Balance at 1 July 2013</b>	<b>3,484,505</b>	<b>1,692,592</b>	<b>5,177,097</b>
<b>Comprehensive Income</b>			
Profit for the period	-	721,959	721,959
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,484,505</b>	<b>2,414,551</b>	<b>5,899,056</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>			
Dividends recognised for the period	-	(543,029)	(543,029)
Shares issued during the period	-	-	-
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>(543,029)</b>	<b>(543,029)</b>
<b>Balance at 31 December 2013</b>	<b>3,484,505</b>	<b>1,871,522</b>	<b>5,356,027</b>

*The accompanying notes form part of these financial statements*

**STATEMENT OF CASH FLOWS  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	<b>31.12.2013</b>	<b>31.12.2012</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	12,142,221	13,055,047
Interest paid	(1,300)	(5,305)
Payments to suppliers and employees	(10,979,071)	(10,947,802)
Income tax paid	(194,892)	(243,522)
Interest received	26,679	16,670
<b>Net cash provided by operating activities</b>	<b>993,637</b>	<b>1,875,088</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(77,012)	(94,450)
Purchase of property, plant and equipment	(205,309)	(141,598)
Proceeds from sale of property, plant and equipment	9,545	38,864
<b>Net cash used in investing activities</b>	<b>(272,776)</b>	<b>(197,184)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease	(87,679)	(34,225)
Dividends paid	(543,029)	(397,137)
<b>Net cash used in financing activities</b>	<b>(630,708)</b>	<b>(431,362)</b>
<b>Net increase in cash held</b>	<b>90,153</b>	<b>1,246,542</b>
Cash and cash equivalents at beginning of period	2,371,730	768,001
<b>Cash and cash equivalents at end of the period</b>	<b>2,461,883</b>	<b>2,014,543</b>

*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 2013 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company 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 Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2013, 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 2013 annual report.

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

##### *Fair value measurements and disclosures*

The Company has adopted AASB: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Company for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. These changes do not significantly impact the fair value reported in the Companies financial statements.

##### *Other*

Other new and amending Standards that became applicable to the Company for the first time during this half-year reporting period are as follows:

AASB 2012-2: Amendments to Australian Accounting Standards Disclosures Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Companies accounting policies or the amounts reported in the financial statements.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

These Standards did not affect the Companies accounting policies or the amounts reported in the financial statements, mainly because the Company does not have defined benefit plan assets or obligations.

**Note 2: Dividends Paid and Proposed**

	<b>31.12.2013</b>	<b>31.12.2012</b>
Distributions paid:	<b>\$</b>	<b>\$</b>
2013 Final fully franked ordinary dividend of 9.5 (2012: 7.0) cents per share franked at the tax rate of 30% (2012: 30%).	543,029	397,137
Distributions proposed:		
2014 Interim fully franked ordinary dividend of 7.0 (2013: 5.5) cents per share franked at the tax rate of 30% (2013: 30%).	400,127	312,036

After the reporting date the above dividend was declared. The amount has not been recognised as a liability as at 31 December 2013 but will be brought into account in the 2014 financial year.

**Note 3: Operating Segments**

**(a) Information about reportable segments**

<b>Aggregated Communications Departments</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>\$</b>	<b>\$</b>
External segment revenues	11,377,135	11,247,920
Segment expenses	(9,876,571)	(10,089,610)
Net segment profit	1,500,564	1,158,310

**(b) Reconciliation of Reportable Segment Revenue**

Total profit for reportable segments (aggregated)	1,500,564	1,158,310
Other revenue	27,047	41,879
Unallocated amounts:		
Finance expense	(165,757)	(115,302)
Depreciation and amortisation	(452,216)	(469,143)
Debtor impairment	(22,426)	23,221
Consolidated profit before income tax	887,212	638,965

**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 4: Contingent Liabilities**

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

**Note 5: 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 (2013: 5.5 cents per share) payable on 28 March 2014 to shareholders on the share register at 14 March 2014. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Subsequent to the end of the interim period, Bendigo and Adelaide Bank Pty Ltd has moved their voice services to the Franchisor CTA. The directors of BCT are currently negotiating with CTA to offset this contract loss. At this time the Company cannot reliably estimate the resultant impact on the 30 June 2014 profit as a result of this ongoing negotiation.

## DIRECTORS' DECLARATION

In accordance with a resolution of 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 10 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 2013 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



Don Erskine, Chairman




Geoff Michell, Director

Dated this 19<sup>th</sup> day of February 2014

**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 year ended 31 December 2013 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.



**Adrian Downing**  
**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550

Dated this 19<sup>th</sup> day of February 2014