



Financial Report

for the half year ended

31 December 2008

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 2008.

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)	58	Managing Director – Bendigo Bank Group
Graham William Bastian	57	Consultant
Andrew Cairns	47	Chief Executive Officer – Community Telco Australia P/L
Donald James Erskine	63	Managing Director – Industrial Conveying (Aust.) P/L
Leslie Alan Kilmartin	65	Higher Education Consultant
Geoffrey Ralph Michell	58	Consultant
Margot Spalding	55	Owner & Director – Jimmy Possum Furniture
Malcolm B. Campbell (Company Secretary)	67	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 \$268,959 (31 December 2007 \$417,789 restated).

Adjustments were required to correct prior years errors. The impact resulted in a reduction in retained earnings of \$11,568 and an increase in net profit of \$260 in the comparative period of 31 December 2007. The following factors influenced the adjustments:

- Recognition of costs associated with provision of broadband products
- Restatement of Trade and Other Receivables due to system and reconciliation changes
- Reduction in revenue and cost associated with delivery of some data services

Although not material to any one period's financial results, consistent with the Company's policy and ethos for open and transparent disclosure and reporting, the Board has decided to restate prior financial period accounts.

Full details of the correction of prior year errors are disclosed at note 5.

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 16 March 2009.



Robert Hunt, Chairman



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 2008 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 March 2009

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Income Statement
for the half year ended 31 December 2008

	2008	2007
	\$	\$
		Restated
Revenue from ordinary activities	12,402,226	13,417,521
Cost of products sold	(8,293,682)	(9,575,958)
Other revenue	55,960	81,752
Salaries and employee benefit costs	(1,667,708)	(1,551,813)
Occupancy and associated costs	(245,049)	(228,515)
General administration costs	(699,518)	(674,401)
Depreciation and amortisation costs	(271,177)	(155,434)
Advertising and promotion costs	(150,110)	(149,619)
Systems costs	(709,067)	(597,652)
Borrowing costs	(37,645)	(40)
Profit before income tax expense	<u>384,230</u>	<u>565,841</u>
Income tax expense	(115,271)	(148,052)
Profit for the period	<u>268,959</u>	<u>417,789</u>
Profit attributable to members of Bendigo Community Telco Limited	<u><u>268,959</u></u>	<u><u>417,789</u></u>
Overall Operations	cents	cents
Basic earnings per share	4.80	7.48
Diluted earnings per share	4.80	7.48

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Balance Sheet
as at 31 December 2008

Current Assets	31-Dec-08 \$	30-Jun-08 \$ Restated	31-Dec-07 \$ Restated
Cash and cash equivalents	1,392,071	2,342,413	3,424,391
Trade and other receivables	2,077,562	2,683,109	2,861,355
Prepayments	731,368	644,047	612,914
Other financial assets	150,156	241,381	241,661
Total Current Assets	4,351,157	5,910,950	7,140,321
Non Current Assets			
Property, plant and equipment	2,405,414	1,677,114	1,356,645
Deferred Tax Asset	136,707	164,858	-
Intangibles	1,057,341	1,005,560	530,933
Total Non Current Assets	3,599,462	2,847,532	1,887,578
TOTAL ASSETS	7,950,619	8,758,482	9,027,899
Current Liabilities			
Trade and other payables	2,869,906	3,612,130	3,930,249
Borrowings	270,519	148,703	130,829
Provisions	241,829	312,184	254,625
Taxation	48,145	269,496	517,424
Total Current Liabilities	3,430,399	4,342,513	4,833,127
Non Current Liabilities			
Borrowings	544,074	314,179	215,290
Provisions	34,700	37,112	44,013
Total Non Current Liabilities	578,774	351,291	259,303
TOTAL LIABILITIES	4,009,173	4,693,804	5,092,430
NET ASSETS	3,941,446	4,064,678	3,935,469
EQUITY			
Issued capital	3,366,860	3,366,860	3,366,860
Retained earnings	574,586	697,818	568,609
TOTAL EQUITY	3,941,446	4,064,678	3,935,469

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed Statement of Changes in Equity
for the half year ended 31 December 2008

	2008	2007
	\$	\$
		Restated
<u>Equity</u>		
Total equity at the beginning of the financial year	4,064,678	3,864,589
Net profit/(loss) for the year	268,959	417,789
Net income/expense recognised directly in equity	-	(3,872)
Dividends provided for or paid	(392,191)	(363,091)
Shares issued during period	-	20,054
Total equity at the end of the financial year	<u>3,941,446</u>	<u>3,935,469</u>
<u>Retained earnings</u>		
Retained earnings at the beginning of the period	697,818	513,911
Net profit attributable to members	268,959	417,789
Dividends paid to members	(392,191)	(363,091)
Retained earnings at the end of the period	<u>574,586</u>	<u>568,609</u>

Bendigo Community Telco Limited
ABN 88 089 782 203
Cash Flow Statement
for the half year ended 31 December 2008

	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	14,274,778	14,700,236
Interest paid	(37,645)	(9,088)
Cash paid in course of operations	(13,804,226)	(13,432,465)
Income tax paid	(308,601)	(7,339)
Interest received	55,960	81,752
Net cash used in operating activities	180,266	1,333,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangible assets	(64,165)	-
Purchase of property, plant and equipment	(697,648)	(231,879)
Proceeds from sale of assets	41,818	20,000
Net cash used in investing activities	(719,995)	(211,879)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	20,054
Proceeds of borrowings	116,776	55,605
Repayment of finance lease	(135,198)	(105,111)
Dividends paid	(392,191)	(363,091)
Cost of Shares Issued	-	(3,872)
Net cash provided by financing activities	(410,613)	(396,415)
Net increase in cash held during the half year	(950,342)	724,802
Cash at beginning of the half year	2,342,413	2,699,589
Cash at the end of the half year	1,392,071	3,424,391

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed notes to the interim financial report
for the half year ended 31 December 2008

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 2008 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.

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 2008 and with any public announcements made during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2009.

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 2008.

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.

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 (%)	
	31 December 2008	30 June 2008 Annual Report
<i>Office Furniture & Equipment</i>		
Advertising Collateral	7.5	7.5
Furniture & Fittings	7.5 – 37.5	7.5 – 37.5
Office Equipment	7.5 - 40	7.5 - 40
Office Computers	37.5 – 66.67	37.5 – 66.67
Satellite Equipment	50	50
Software	33 – 80	33 – 80
Business Continuity Centre	2.5 – 50	2.5 – 50
Servicing Equipment	11.25 - 30	11.25 - 30
Retail/Display Equipment	11.25	11.25
<i>Motor Vehicles</i>	18.75 - 25	18.75 - 25
<i>Leasehold</i>	2.5 – 25	2.5 – 25
<i>Telecommunications & Infrastructure</i>		
Computer Networks & Infrastructure	8 - 50	37.5 - 50
Infrastructure	7.59	7.59
Connectivity Links	7.5 - 50	7.5 - 50

Bendigo Community Telco Limited
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Condensed notes to the interim financial report
for the half year ended 31 December 2008

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

A final fully franked dividend of 7.0 cents per share franked at the tax rate of 30% equating to \$392,191 was paid during the half year period (2007 – \$363,091).

4. Related Parties

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2008 annual financial report.

5. Correction of Errors

Correction of accounting errors in previous financial years

Accounting errors were made in prior years in relation to:

- Recognition of costs associated with provision of broadband products
- Restatement of Trade and Other Receivables due to system and reconciliation changes
- Reduction in revenue and cost associated with delivery of some data services

The impacts of these errors in the year ended 30 June 2008 and half year ended 31 December 2007 are set out below.

Balance Sheet (Extract)	30 June 2008	Increase/ (decrease)	30 June 2008 (Restated)	31 December 2007	Increase/ (decrease)	31 December 2007 (restated)
Trade and Other Receivables	3,169,758	(486,648)	2,683,109	3,253,859	(392,504)	2,861,355
Prepayments	744,196	(100,149)	644,047	637,616	(24,702)	612,914
Trade and Other Payables	4,086,205	(474,075)	3,612,130	4,330,930	(400,681)	3,930,249
Taxation	303,312	(33,816)	269,496	522,382	(4,958)	517,424
Net Assets	4,143,587	(78,908)	4,064,678	3,947,037	(11,568)	3,935,469
Retained Earnings	776,726	(78,908)	697,818	580,177	(11,568)	568,609
Total Equity	4,143,587	(78,908)	4,064,678	3,947,037	(11,568)	3,935,469

Bendigo Community Telco Limited
ABN 88 089 782 203
Condensed notes to the interim financial report
for the half year ended 31 December 2008

Income Statement (Extract)	31 December 2007	Increase/ (decrease)	31 December 2007 (restated)
Revenue from ordinary activities	13,441,202	(23,681)	13,417,521
Cost of products sold	(9,598,944)	22,986	(9,575,958)
Systems costs	(598,718)	1,066	(597,652)
Profit before income tax expense	565,470	371	565,841
Income Tax Expense	(147,941)	(111)	(148,052)
Profit attributable to members	417,529	260	417,789

Basic and diluted earnings per share for the prior period comparative have been restated. The amount of the correction for both basic and diluted earnings per share was an increase of \$0.01 cents per share for the six months ended 31 December 2007.

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 2008 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



Andrew Cairns, Director

Dated this 16th day of March 2009.

Independent Review Report to the Members of Bendigo Community Telco Limited

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the financial report of Bendigo Community Telco Limited for the half-year ended 31 December 2008 included on Bendigo Community Telco Limited's web site. The company's directors are responsible for the integrity of the Bendigo Community Telco Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Scope

We have reviewed the accompanying financial report of Bendigo Community Telco Limited which comprises the balance sheet as at 31 December 2008, and the income statement and statement of changes in equity, cash flow statement for the half-year ended on that date, a statement of accounting policies, 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 interim 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 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

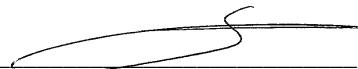
Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 2008 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 2008 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 March 2009