



BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2014 FINANCIAL REPORT

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were telecommunications services.

OPERATING RESULTS AND REVIEW OF OPERATIONS

Bendigo Community Telco delivered a profit result of \$1,592,130 after income tax representing an increase of 40% compared to the previous year. This significant improvement was largely influenced by a reduction in operating expenses which were 5% lower than in the prior year. This resulted from increased efficiencies achieved from a review of operations in the first half of the financial year.

The company has experienced a decline in fixed voice revenues which fell by 19%. This caused a fall in total company revenue which was down 2.5% to \$22,031,440. Excluding the decline in fixed voice, other product revenue was up 5%. This growth was achieved predominantly through attracting new customers for virtual private network and cloud data products.

The company continued to make investments into the key growth product areas of virtual private networks, cloud services and the National Broadband Network (NBN). BCT commenced offering NBN products during the financial year and this is expected to provide significant growth for BCT in the future.

Other major revenues for Bendigo Community Telco continued to come from products such as data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

Bendigo Community Telco has maintained a number of wholesale agreements with suppliers including AAPT, Optus, Telstra and NextGen. These agreements are held directly with the supplier or via our franchise agreement with Community Telco Australia.

The net assets of Bendigo Community Telco increased by \$648,974 to \$5,826,071 in 2014. This increase was due to the improved operating performance of the company which resulted in an increase in retained profits.

Cash flows remained strong in 2014 with cash and cash equivalents increasing to \$3,157,294. This was primarily a result of the increased profitability of the company and improved collection of receivables.

Bendigo Community Telco maintains a strong working capital, with current assets exceeding current liabilities by \$2,262,491. The company has no borrowings.

The management team under the guidance of Mr Erskine as acting CEO, reviewed the company's operations during the year. The company has been set up for substantial growth with the implementation of new accounting and billing systems and a reorganised structure.

A rolling national sales and marketing campaign started during the year which has generated a substantial increase in the sales pipeline going into the new financial year.

Adam Lacey was appointed as the new CEO on 14 August 2014. Mr Lacey comes with a wealth of experience having worked with major telco providers throughout Australia and overseas.

The directors believe the company is in a strong and stable financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Since the end of the financial year a fully franked final dividend in the amount of 13.0 cents per share was declared by the Board of Directors on 20 August 2014 which will be distributed to shareholders on 26 September 2014.

EVENTS AFTER THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Disclosure of information relating to major development in the operations of the Company and the expected results of those operations in future financial years, which, in the opinion of the directors, will not unreasonably prejudice the interests of the Company, is contained in the Report by the Chairman and Chief Executive Officer in the Concise Annual Report.

ENVIRONMENTAL ISSUES

The company is not subject to any significant environmental regulation.

CORPORATE GOVERNANCE STATEMENT

Bendigo Community Telco Limited is committed to high standards of Corporate Governance. This commitment applies to the conduct of its business dealings with its customers and its dealings with its shareholders, employees, suppliers and the Community.

The Board of Bendigo Community Telco Limited have adopted the following principles of Corporate Governance. The policies may be viewed on the company website www.bendigotelco.com.au.

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit Committee Charter and the appointment of the Audit Committee as a sub-committee of the Board. The members of the Audit Committee are Directors Geoff Michell, Graham Bastian, Andrew Watts and Don Erskine.
3. A Share Trading policy which outlines directors and employees obligations in trading in its securities. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Company's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. Directors Don Erskine and Geoff Michell are members of the Remuneration Committee.
5. A Continuous Disclosure policy which complies with the obligations imposed by National Stock Exchange (NSX) Listing Rules and the *Corporations Act 2001*. This policy requires immediate notification to the NSX of any information concerning the company, of which it is aware or becomes aware, which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the company shares.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of the directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

DIRECTORS

The following persons were directors of Bendigo Community Telco during or since the end of the financial year up to the date of this report:

Mr D Erskine (Chairman)	Mr R Hunt
Mr A Cairns (retired 16/01/14)	Mr G Michell
Mr G Bastian	Ms M O'Sullivan
Mr A Watts (appointed 17/02/14)	

Particulars of each director's experience and qualifications are set out later in this report.

DIVIDENDS PAID OR RECOMMENDED

Ordinary Dividends Paid:

	Cents	\$
Final – September 2013	9.5	543,029
Interim – March 2014	7.0	400,127
	16.5	943,156

Ordinary Dividends Declared:

Final - September 2014	13.0	749,332
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INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified all directors, officers and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors, officers or managers of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

PROCEEDINGS ON BEHALF OF BENDIGO COMMUNITY TELCO

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors, in accordance with advice from the audit and risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the following services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit and risk committee prior to the commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Fees of \$8,273 were paid or payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2014.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 13 of the financial report.

OPTIONS

The Company has not issued any share options.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed below.

Mr Donald James Erskine - Chairman

Occupation Managing Director – Industrial Conveying (Aust.) Pty Ltd

Experience Don is trained as a mechanical engineer. He is Managing Director of Industrial Conveying (Aust.) Pty Limited which was formed by Don in 1979 and DJE Investments Pty Ltd (Yourland Developments). His previous appointments include non-executive Director of Bendigo Bank and a member of the Bank’s Credit, IT Strategy and Property Committees, Director of North West Country Credit Union Co-op Ltd, Director of Coliban Water, Director of Community Telco Australia and Director of Bendigo Economic Development Committee, Chairman of Australian Technical College and Director of Bendigo Regional Institute of TAFE. Don is actively involved in the Bendigo Community.

Interest in Shares Direct - 0 Shares
 Indirect – Erskine Investments Pty Ltd 939,326 Shares

Special Responsibilities Don Erskine is a Member of the Remuneration Committee and Audit and Risk Committee.

Other Directorships Nil

Mr Robert George Hunt – AM, FAICD – Director

Occupation Bendigo and Adelaide Bank Limited – Consultant
 Treasury Corporation of Victoria – Chairman

Qualifications Fellow of the Australian Institute of Company Directors, 2003
 Doctor of the University (honoris causa), LaTrobe University, 1999

Experience Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief Executive Officer. During his 36 years with the organisation, Mr Hunt guided Bendigo Bank through many challenges, but also through opportunities in the development and implementation of strategies as a regional and community banking organisation.

Mr Hunt is the architect of the **Community Bank®** model, and has been instrumental in the development of a range of Community Enterprise and Engagement models, now utilised by communities across Australia to provide key infrastructure and essential services through local commercial structures. These Enterprises provide communities with a framework, the cashflow, capacity and flexibility to address new economic opportunities.

Mr Hunt continues his involvement in a number of community organisations and enterprises on behalf of Bendigo and Adelaide Bank Limited – including Bendigo Community Telco and Community Sector Banking – and he is passionate about the capacity of local Australian communities to contribute to improved national, state and local economic outcomes. Mr Hunt is also the current Chairman of Treasury Corporation of Victoria.

Interest in shares Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 421,004 Shares
 Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 30,044 Shares

Special Responsibilities Nil

Other Directorships & Appointments Chairman, Treasury Corporation of Victoria since 2010;
 Consultant (Community Engagement Programs & Strategic Enterprises) for Bendigo and Adelaide Bank Limited since 2009;
 Director, Community Sector Banking Pty Ltd since 2003;
 Director, Apollo Bay Central District Community Bank since 2011;

Patron-in-Chief, Community Enterprise Foundation since 2005;
Patron, St Luke's Anglicare since 2002.

Honours and Awards Order of Australia Award /Member (AM) General Division, 2002;
Paul Harris Fellowship Award, Rotary Club of Bendigo Sandhurst, 2000;
Citizen of the Year Award, City of Greater Bendigo 1999;
Key to the City Award, City of Greater Bendigo 2009.

Mr Graham William Bastian – Director

Occupation Consultant

Qualifications Dip Engineering - Civil (Swinburne), Dip Ed (Hawthorn State College)

Experience Graham worked as a civil engineer with a private firm of surveyors and engineers until entering teaching. Following a period as an educational consultant focused on assisting schools in the effective use of computers, Graham became the Principal of Charlton College.

He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and recently retired as Principal of Bendigo Senior Secondary College. Since this career change, Graham has been providing consultancy services to the Department of Education Central Office as well as many schools across the state. In addition he is the independent chair of the Bendigo Regional TAFE Audit and Risk Committee until 1 July 2014 and serves as an independent member of the Audit Committee of the City of Greater Bendigo.

Interest in shares Direct – 0 Shares
Indirect – Jeanette Bastian 2,000 Shares

Special Responsibilities Member of Audit and Risk Committee

Other Directorships Nil

Mr Geoffrey Ralph Michell - Director

Occupation Director

Qualifications Diploma of Civil Engineering, Masters of Business Administration (Deakin)

Experience Geoff is a Director on a number of Boards. He previously spent some 35 years in senior management and engineering roles, including 10 years as Managing Director of Coliban Water.

Interest in Shares Direct – 20,002 Shares

Special Responsibilities Chairman of the Audit and Risk Committee and the Remuneration Committee

Other Directorships Bendigo Health
Aspire Charitable and Cultural Foundation

Ms Michelle Kaye O’Sullivan – Director

Occupation Lawyer – O’Sullivan Johanson Lawyers
Qualifications Bachelor of Laws (Hons)
 Bachelor of Commerce
 Certificate III in Fitness
Experience Michelle O’Sullivan has had experience on various boards including, Loddon Mallee Women’s Health and the Bendigo Street Surfer Board. Michelle was a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc.
Interest in Shares Nil
Special Responsibilities Nil
Other Directorships Rochester and Elmore District Health Service

Mr Andrew Watts – Director

Occupation Executive, Customer Service Improvement, Bendigo and Adelaide Bank
Qualifications Bach. Engineering (Civil), Grad Dip, Business Administration
Experience Andrew joined Bendigo and Adelaide Bank in 1994 and has held various senior positions including strategic planning, marketing, retail, electronic banking / payments, technology and change. Andrew has led a number of strategic programs including the technology integration of Bendigo and Adelaide Bank as Chief Information Officer. He has been a member of Bendigo and Adelaide Bank’s Executive Committee for 7 years.
 Andrew is a director of Strategic Payment Services, a national payments company.
Interest in shares Direct – Nil
Special Responsibilities Member of Audit and Risk Committee
Other Directorships Strategic Payment Services Pty. Ltd.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Ken Belfrage FCA, GAICD, Dip. Bus.

Mr Belfrage is an experienced Company Director and Company Secretary who has extensive business, finance and general management skills including 34 years as a practicing public accountant.

MEETINGS OF DIRECTORS

During the financial year, sixteen meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors’ Meetings		Audit & Risk Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	11	10	-	-	-	-
Graham Bastian	11	11	4	4	-	-
Andrew Cairns	5	5	2	2	-	-
Don Erskine	11	11	4	4	1	1
Geoff Michell	11	10	4	3	1	1
Michelle O’Sullivan	11	11	-	-	-	-
Andrew Watts	5	4	1	1	-	-

DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the company with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the company, controlled entity or related body corporate other than interests and benefits disclosed at Note 23 to the Financial Statements.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by Section 308 (3c) of the *Corporations Act 2001*.

This report details the nature and amount of remuneration for each key management person of Bendigo Community Telco Limited, and for the executives receiving the highest remuneration.

Principles used to determine the nature and amount of remuneration

The remuneration policy of Bendigo Community Telco Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and incentives based on key performance areas affecting the company's financial results. The Board of Bendigo Community Telco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.
- The Remuneration Committee reviews key management personnel packages annually. This review is subject to the remuneration policy set by the Board.
- The remuneration committee, at their discretion, can refer their business to the full Board for consideration.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share plan.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.25% (9.50% in the 2015 financial year) of the individuals average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are expensed at the market price as listed on the National Stock Exchange at the date of granting of any shares under the employee share plan.

Performance-based remuneration

As part of each of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

Directors

From the inception of Bendigo Community Telco Limited, all Directors who have served have done so free of charge. It was put to the Annual General Meeting in October 2007, and approved, that a payment of \$15,000 per director be made for each full year of service from 1 July 2007 onwards.

Key Management Personnel

(i) Directors

Donald Erskine	Chairman
Robert Hunt	Director
Graham Bastian	Director
Andrew Cairns	Director (01/07/2013 to 16/01/2014)
Geoffrey Michell	Director
Michelle O'Sullivan	Director
Andrew Watts	Director (17/02/14 to 30/06/14)

(ii) Executives

Peter Bowman	General Manager Finance
Bryan Pedersen	General Manager Technology
Jim Nielsen	General Manager Operations
Adam Murdoch	General Manager Sales (30/08/13 to 30/06/14)

Adam Lacey joined the company as CEO on 14 August 2014. There were no other changes in respect to the Company's directors and executives between the reporting date and the date the financial report was authorised for issue.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue, profits and dividends for the last five years for Bendigo Community Telco Limited, as well as the share price at the end of the respective financial years.

Analysis of the actual figures shows an increase in profits each year as well as an increase in dividends paid to shareholders. The improvement in the company's profit performance has been reflected in an increase in the company share price in the last two years. The Board is satisfied with the company's progress which can be attributed in part to the previously described remuneration policy.

	2010	2011	2012	2013	2014
Revenue	\$27.0M	\$26.3M	\$23.9M	\$22.6M	\$22.0M
EBITDA	\$1.90M	\$1.97M	\$2.12M	\$2.48M	\$2.96M
Net profit	\$737K	\$787K	\$870K	\$1.13M	\$1.59M
Share price at year end	\$1.40	\$1.00	\$1.00	\$1.50	\$1.65
Dividends paid	8.0 cents	11.0 cents	10.0 cents	12.5 cents	16.5 cents

Details of remuneration for year ended 30 June 2014

(i) **Directors** – the remuneration for each of the directors of the entity during the year was as follows:

		Short-term benefits		Post-employment benefits	TOTAL	Proportion of remuneration that is performance based %
		Cash Salary and Fees		Superannuation		
Robert Hunt	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Graham Bastian	2014	15,000		-	15,000	-
	2013	15,000		-	15,000	-
Andrew Cairns	2014	7,345		679	8,024	-
	2013	13,761		1,239	15,000	-
Donald Erskine	2014	-		15,000	15,000	-
	2013	-		15,000	15,000	-
Geoffrey Michell	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Michelle O'Sullivan	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Andrew Watts	2014	5,067		469	5,536	-
	2013	-		-	-	-
Total	2014	68,602		19,958	88,560	-
	2013	70,044		19,956	90,000	-

(ii) **Executives** - The remuneration for each of the four executive officers of the entity during the year was as follows:

		Short-term benefits		Post employment benefits	Share-based payments	Termination Benefits	Total	Proportion of remuneration that is performance based %
		Salaries	Non-Cash Benefits	Super-annuation	Shares			
		\$	\$	\$	\$	\$	\$	
Philip Lazenby	2014	-	-	-	-	-	-	-
	2013	135,397	11,548	21,492	-	11,580	180,017	14
Bryan Pedersen	2014	142,339	15,000	23,898	-	-	181,237	6
	2013	132,923	15,000	22,548	1,000	-	171,471	6
Wayne Williams	2014	-	-	-	-	-	-	-
	2013	26,818	3,822	3,361	-	68,056	102,057	10
Peter Bowman	2014	148,047	-	12,187	-	-	160,234	6
	2013	144,143	-	11,462	1,000	-	156,605	6
Jim Nielsen	2014	87,221	15,000	26,053	-	-	128,274	8
	2013	86,272	15,000	7,570	1,000	-	109,842	-
Adam Murdoch	2014	108,491	15,000	9,913	-	-	133,404	-
	2013	-	-	-	-	-	-	-
Total	2014	486,098	45,000	72,051	-	-	603,149	
	2013	525,553	45,370	66,433	3,000	79,636	719,992	

This marks the end of the audited remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors on 20 August 2014.



Graham Bastian

Director



Andrew Watts

Director



Auditor's Independence Declaration under S 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 year ended 30 June 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', written over a light blue horizontal line.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Victoria
Dated this 20th day of August 2014

A handwritten signature in black ink, appearing to read 'Adrian Downing', written over a light blue horizontal line.

Adrian Downing
Lead Auditor

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Revenue	2	22,031,440	22,601,411
Cost of products sold		(11,240,569)	(11,807,514)
Other income	2	59,078	102,782
Salaries and employee benefit costs		(4,595,270)	(4,711,838)
Occupancy and associated costs		(618,938)	(604,067)
General administration costs		(816,484)	(967,625)
Depreciation and amortisation costs	3	(880,366)	(946,891)
Advertising and promotion costs		(161,726)	(280,504)
Systems costs		(1,313,471)	(1,468,753)
Borrowing costs		<u>(328,256)</u>	<u>(277,245)</u>
Profit before income tax		2,135,438	1,639,756
Income tax expense	4	<u>(543,308)</u>	<u>(505,129)</u>
Net profit for the year		1,592,130	1,134,627
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>1,592,130</u></u>	<u><u>1,134,627</u></u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited		<u><u>1,592,130</u></u>	<u><u>1,134,627</u></u>
 Earnings per share			
Basic earnings per share (cents)	8	27.85	19.99
Diluted earnings per share (cents)	8	27.85	19.99

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	9	3,157,294	2,371,730
Trade and other receivables	10	1,010,188	1,568,401
Prepayments		681,057	765,208
Inventories	11	108,736	130,147
Total Current Assets		<u>4,957,275</u>	<u>4,835,486</u>
Non Current Assets			
Property, plant and equipment	12	1,997,665	1,835,748
Intangible assets	13	1,525,508	1,535,509
Deferred tax asset	17(b)	186,881	160,319
Total Non Current Assets		<u>3,710,054</u>	<u>3,531,576</u>
TOTAL ASSETS		<u>8,667,329</u>	<u>8,367,062</u>
Current Liabilities			
Trade and other payables	14	1,959,481	2,489,802
Borrowings	15	-	87,679
Provisions	16	512,096	452,441
Taxation	17(a)	223,207	59,387
Total Current Liabilities		<u>2,694,784</u>	<u>3,089,309</u>
Non Current Liabilities			
Provisions	16	146,474	100,656
Total Non Current Liabilities		<u>146,474</u>	<u>100,656</u>
TOTAL LIABILITIES		<u>2,841,258</u>	<u>3,189,965</u>
NET ASSETS		<u>5,826,071</u>	<u>5,177,097</u>
EQUITY			
Issued capital	18	3,484,505	3,484,505
Retained earnings		2,341,566	1,692,592
TOTAL EQUITY		<u>5,826,071</u>	<u>5,177,097</u>

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
 FOR YEAR ENDED 30 JUNE 2014**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2012		3,437,522	1,267,138	4,704,660
Comprehensive Income				
Profit for the year		-	1,134,627	1,134,627
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,134,627	1,134,627
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	7	-	(709,173)	(709,173)
Shares issued during the year		46,983	-	46,983
Total transactions with owners and other transfers		46,983	(709,173)	(662,190)
Balance at 30 June 2013		3,484,505	1,692,592	5,177,097
Balance at 1 July 2013		3,484,505	1,692,592	5,177,097
Comprehensive Income				
Profit for the year		-	1,592,130	1,592,130
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,592,130	1,592,130
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	7	-	(943,156)	(943,156)
Shares issued during the year		-	-	-
Total transactions with owners and other transfers		-	(943,156)	(943,156)
Balance at 30 June 2014		3,484,505	2,341,566	5,826,071

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
 FOR YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,065,149	26,108,737
Interest paid		(1,565)	(9,726)
Payments to suppliers and employees		(21,867,732)	(22,871,811)
Income tax paid		(406,050)	(455,451)
Interest received		59,078	32,360
Net cash provided by operating activities	19	<u>2,848,880</u>	<u>2,804,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(320,181)	(175,761)
Purchase of property, plant and equipment		(731,391)	(364,645)
Proceeds from sale of property, plant and equipment		19,091	100,455
Net cash used in investing activities		<u>(1,032,481)</u>	<u>(439,951)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease		(87,679)	(51,256)
Dividends paid		(943,156)	(709,173)
Net cash used in financing activities		<u>(1,030,835)</u>	<u>(760,429)</u>
Net increase in cash held		785,564	1,603,729
Cash and cash equivalents at beginning of financial year		2,371,730	768,001
Cash and cash equivalents at end of the financial year	9	<u><u>3,157,294</u></u>	<u><u>2,371,730</u></u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of a business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no affect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term financial liabilities in current liabilities on the statement of financial position.

(d) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debt, probability that the debt will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the assets carrying amount, and the present value of the estimated future cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of the cost at time of purchase.

(f) 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 (%)	
	2014	2013
Office Furniture & Equipment		
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 Computer Equipment	20 – 66.67	20 – 66.67

Satellite Equipment	50	50
Software	33 - 80	33 - 80
Retail/Display Equipment	11.25	11.25
Installation/Servicing Equipment	11.25 - 30	11.25 - 30
Data Centre	2.5 - 50	2.5 - 50
<hr/>		
Motor Vehicles	18.75 - 25	18.75 - 25
<hr/>		
Leasehold	2.5 - 40	2.5 - 40
<hr/>		
Telecommunications & Infrastructure		
Infrastructure	7.59	7.59
Network Computer & Infrastructure	8 - 50	8 - 50
Connectivity Links	7.5 - 50	7.5 - 50
Customer Premise Equipment	40	40
<hr/>		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 statement of profit or loss and comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and comprehensive income.

Impairment testing is also performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee Benefits

Short-term employee benefits

Provision is made for the Companies obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Companies obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Companies obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Companies obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Company receive defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (currently 9.25% of the employees' average ordinary salary and will rise to 9.5% for the 2015 financial year) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Companies obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Companies statement of financial position.

Termination benefits

When applicable, the Company recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Company can no longer withdraw the offer for termination benefits; and (b) when the Company recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as the other long-term employee benefits.

Equity-settled compensation

The Company has operated an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense in the period of the grant date, with the corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

(i) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers. Service revenue is recognised on a stage of completion basis. Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset. All revenue is stated net of the amount of Goods and Services Tax (GST).

(j) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amount equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provision of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value in accordance with the documented risk management or investment strategy. Realised and unrealised gains and losses arising from a change in fair value are included in profit and loss in the period in which they arise.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at the principal amount. Interest is recognised as an expense as it accrues.

(iii) *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(l) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Computer software development costs have been assessed as having a useful life of four years and will be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

Projects that have not been completed by the end of the financial year have not yet been assessed for a useful life, this will be completed at the end of the project, therefore costs for these projects are recorded in the Balance Sheet without any amortisation. Once a useful life is established, amortisation will commence, and the projects will also be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO which are disclosed as operating cash flows.

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past transactions or other past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Comparative Information

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates – Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2014. Should the projected turnover figures be less than 90% of budgeted figures incorporated into value in use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2014 amounting to \$916,491.

Key Judgments – Provision for impairment of receivables

Included in the accounts receivable at 30 June 2014 are amounts that equate to approximately \$20,947 which are currently progressing through our debt collection process and are therefore classified as impaired. A provision has been made in the balance sheet at 30 June 2014.

(r) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different for those segments operating in other economic environments. Refer to Note 25.

(s) Share Based Payments

The Company measures the goods and services received by equity-settled share based payment transactions as an increase in equity, directly, at the fair value of the goods or services rendered, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services rendered, the Company shall measure their value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, are unconditional and are not required to complete a specified period of service, the Company shall presume that the services rendered by the counterparty as consideration for the equity instruments have been received. On grant date, the Company recognises the services rendered in full, with a corresponding increase in equity.

If the equity instruments do not vest until the counterparty completes a specified period of service, the Company shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Company accounts for these services as they are rendered by the counterparty during the vesting period, with a corresponding increase to equity.

Share-based payment arrangements in which the company received goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Company.

(t) Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments.

This Standard is not expected to significantly impact the Companies financial statements.

AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Companies financial statements.

AASB 2012-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Companies financial statements.

2. REVENUE AND OTHER INCOME

	2014	2013
	\$	\$
Revenue:		
Sales revenue	22,030,776	22,570,085
Other revenue	664	31,326
Total revenue	<u>22,031,440</u>	<u>22,601,411</u>
Other income:		
Interest received	59,078	32,360
Profit on sale of assets	-	70,422
Total other income	<u>59,078</u>	<u>102,782</u>
Total revenue and other income	<u><u>22,090,518</u></u>	<u><u>22,704,193</u></u>

3. EXPENSES

	2014	2013
	\$	\$
Depreciation and amortisation costs:		
Office furniture & equipment	75,931	145,508
Motor vehicles	113,616	142,755
Leasehold	54,332	52,027
Telecommunications & infrastructure	306,305	293,393
Amortisation of intangibles	<u>330,182</u>	<u>313,208</u>
	<u>880,366</u>	<u>946,891</u>
Borrowing expenses:		
Interest paid	1,565	9,726
Other	<u>16,329</u>	<u>11,732</u>
	<u>17,894</u>	<u>21,458</u>
Bad debts	22,906	9,305
Impaired debts	<u>(952)</u>	<u>(24,760)</u>
	<u>21,954</u>	<u>(15,455)</u>
Rental expense on operating leases:		
Buildings	333,297	327,887
Equipment	310,362	255,787
Loss on sale of assets	199	-

4. INCOME TAX EXPENSE

	2014	2013
	\$	\$
a. The components of tax expense comprise:		
Current tax	674,665	461,408
Deferred tax	(26,562)	43,721
Under / (over) provision	<u>(104,795)</u>	<u>-</u>
	<u><u>543,308</u></u>	<u><u>505,129</u></u>

b. The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)

	640,631	491,927
Add:		
Tax effect of:		
- Movement in provision for impairment	(286)	(7,428)
- Movement in provision for employee benefits	31,643	(12,645)
- Movement in deferred tax	(26,562)	43,721
- Capital allowances	(3,726)	(23,648)
- Non-deductible expenses	6,403	13,202
	7,472	13,202
Less:		
Tax effect of:		
- Over provision in respect of prior years	104,795	-
	104,795	-
Income tax attributable to entity	543,308	505,129

5. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Companies key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2014	2013
	\$	\$
Short-term employee benefits	599,700	640,967
Post-employment benefits	92,009	86,389
Other long-term benefits	-	-
Termination benefits	-	79,636
Share-based payments	-	3,000
Total KMP compensation	691,709	809,992

KMP Shareholdings

The number of ordinary shares in Bendigo Community Telco Limited held by each KMP of the Company during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
30 June 2014				
Robert Hunt	451,048	-	-	451,048
Graham Bastian	2,000	-	-	2,000
Andrew Cairns	-	-	-	-
Don Erskine	840,000	-	99,326	939,326
Geoffrey Michell	20,002	-	-	20,002
Michelle O'Sullivan	-	-	-	-
Andrew Watts	-	-	-	-
Bryan Pedersen	3,742	-	-	3,742
Peter Bowman	2,909	-	-	2,909
Jim Nielsen	1,909	-	-	1,909
Adam Murdoch	2,809	-	-	2,809
	1,324,419	-	99,326	1,423,745

30 June 2013	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	451,048	-	-	451,048
Graham Bastian	2,000	-	-	2,000
Andrew Cairns	-	-	-	-
Don Erskine	840,000	-	-	840,000
Geoffrey Michell	20,002	-	-	20,002
Michelle O'Sullivan	-	-	-	-
Philip Lazenby	9,455	-	-	9,455
Bryan Pedersen	2,833	909	-	3,742
Wayne Williams	2,833	-	-	2,833
Peter Bowman	2,000	909	-	2,909
Jim Nielsen	1,000	909	-	1,909
	<u>1,331,171</u>	<u>2,727</u>	<u>-</u>	<u>1,333,898</u>

6. AUDITORS' REMUNERATION

	2014 \$	2013 \$
Remuneration of the auditor for:		
Auditing the financial report	54,357	51,769
Other services	8,273	8,403
	<u>62,630</u>	<u>60,172</u>

7. DIVIDENDS PAID AND PROPOSED

	2014 \$	2013 \$
Distributions paid:		
2013 Final fully franked ordinary dividend of 9.5 (2012: 7.0) cents per share franked at the rate of 30% (2012: 30%)	543,029	397,137
2014 Interim fully franked ordinary dividend of 7.0 (2013: 5.5) cents per share franked at the rate of 30% (2013: 30%)	<u>400,127</u>	<u>312,036</u>
	<u>943,156</u>	<u>709,173</u>

Distributions proposed:

2014 Proposed Final fully franked ordinary dividend of x.x (2013: 9.5) cents per share franked at the rate of 30% (2013: 30%)	-	543,029
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After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2014 but will be brought to account in the 2015 financial year.

8. EARNINGS PER SHARE

	2014 \$	2013 \$
a. Reconciliation of earnings to profit or loss		
Profit for the year	<u>1,592,130</u>	<u>1,134,627</u>
Earnings used in calculation of basic and diluted EPS	<u>1,592,130</u>	<u>1,134,627</u>

b. Weighted average number of ordinary shares

Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	5,716,096	5,674,557
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9. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank	1,153,036	2,020,230
Cash on hand	1,500	1,500
Short term bank deposits	2,002,758	350,000
	3,157,294	2,371,730

Cash on hand is non interest bearing.

Cash at bank earned interest rates between 0% and 2.00% (2013: 0% and 3.00%) depending on the level of funds from time to time. Cash at bank is subject to interest rate risk, as it earns interest at floating rates. In 2014 the average floating interest rates for the Company were 2.01% (2013: 2.46%).

The effective interest rate on short term bank deposits was 3.54% (2013: 3.85); these deposits had an average maturity of 60 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2014	2013
	\$	\$
Cash and cash equivalents	3,157,294	2,371,730

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Trade debtors	1,031,135	1,590,300
Provision for impairment	(20,947)	(21,899)
	1,010,188	1,568,401

Impairment of receivables

The average credit period on sale of goods and rendering of services is 14 days. No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Before accepting any new customers, the Company internally reviews the potential customer's credit quality. Included in the Company's trade receivable balances are debtors with a carrying amount of \$82,110 (2013: \$556,159) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of these receivables is 17 days (2013: 19 days).

Ageing of trade receivables is as follows:

a. Ageing of past due but not impaired

	2014	2013
	\$	\$
0 – 30 days	51,677	503,375
30 – 60 days	18,178	29,226
60 – 90 days	12,255	23,558
Over 91 days	-	-
	82,110	556,159

b. Movement in the provision for impairment

	2014	2013
	\$	\$
Balance at beginning of the year	21,944	46,659
Impairment recognised during the year	21,909	(15,455)
Amounts written off as uncollectable	(22,906)	(9,305)
Amounts recovered during the year	-	-
Balance at the end of the year	20,947	21,899

In determining the recoverability of a trade receivable, the Company considers any recent history of payments and the status of the projects to which the debt relates to. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Fair value of receivables: Fair value of receivables at year end is measured to be the same as receivables net of provision for impairment.

11. INVENTORIES

	2014	2013
	\$	\$
Inventory	108,736	130,147
	108,736	130,147

12. PROPERTY PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Office, Furniture & Equipment		
At Cost	1,036,062	630,176
Accumulated depreciation	(540,552)	(481,390)
Total Office, Furniture & Equipment	495,510	148,786
Motor Vehicles		
At Cost	621,351	641,191
Accumulated depreciation	(342,423)	(258,894)
Total Motor Vehicles	278,928	382,297
Leasehold		
At Cost	553,517	525,421
Accumulated depreciation	(230,013)	(175,681)
Total Leasehold	323,504	349,740

Telecommunications & Infrastructure

At Cost	2,804,191	2,553,088
Accumulated depreciation	(1,848,511)	(1,542,206)
Accumulated impairment losses	(55,957)	(55,957)
Total Telecommunications & Infrastructure	899,723	954,925

Total Property, Plant & Equipment

	1,997,665	1,835,748
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a. Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunica tions & Infrastructure	TOTAL
Balance at 1 July 2012	240,139	435,933	376,587	1,082,160	2,134,819
Additions	54,898	118,409	25,180	166,158	364,645
Disposals	(743)	(29,290)	-	-	(30,033)
Depreciation	(145,508)	(142,755)	(52,027)	(293,393)	(633,683)
Impairment	-	-	-	-	-
Balance at 30 June 2013	148,786	382,297	349,740	954,925	1,835,748
Additions	425,914	26,278	28,096	251,103	731,391
Disposals	(3,260)	(16,030)	-	-	(19,290)
Depreciation	(75,931)	(113,616)	(54,332)	(306,305)	(550,184)
Impairment	-	-	-	-	-
Balance at 30 June 2014	495,509	278,929	323,504	899,723	1,997,665

13. INTANGIBLES

	2014 \$	2013 \$
Internally Generated Software		
Cost	980,307	838,237
Accumulated Amortisation	(748,731)	(532,305)
Net Carrying Value	231,576	305,932
Goodwill		
Cost	916,491	916,491
Accumulated Impairment Losses	-	-
Net Carrying Value	916,491	916,491
Project Development		
Cost	603,385	425,274
Accumulated Amortisation	(230,944)	(127,188)
Net Carrying Value	372,441	298,086
Franchise Fee		
Cost	50,000	50,000
Accumulated Amortisation	(45,000)	(35,000)
Net Carrying Value	5,000	15,000
Total Intangibles	1,525,508	1,535,509

	Goodwill	Internally Generated Software	Project Development	Franchise Fee	TOTAL
Year ended 30 June 2013					
Balance at 1 July 2012	916,491	356,395	375,070	25,000	1,672,956
Additions	-	157,591	18,170	-	175,761
Amortisation	-	(208,054)	(95,154)	(10,000)	(313,208)
Balance at 30 June 2013	<u>916,491</u>	<u>305,932</u>	<u>298,086</u>	<u>15,000</u>	<u>1,535,509</u>
Year ended 30 June 2014					
Balance at 1 July 2013	916,491	305,932	298,086	15,000	1,535,509
Additions	-	142,070	178,111	-	320,181
Amortisation	-	(216,426)	(103,756)	(10,000)	(330,182)
Balance at 30 June 2014	<u>916,491</u>	<u>231,576</u>	<u>372,441</u>	<u>5,000</u>	<u>1,525,508</u>

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss and other comprehensive income.

Goodwill has an infinite life.

Impairment Disclosures

Goodwill is allocated to a cash-generating unit which was acquired through a business combination in 2006.

	2014 \$	2013 \$
Acquired segment	<u>916,491</u>	<u>916,491</u>
Total Goodwill	<u>916,491</u>	<u>916,491</u>

The recoverable amount of the cash generating unit above is determined based on value in use calculations. The value in use is calculated based on the present value of cash flow projections over a 10 year period with the period extending beyond 5 years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10 year government bonds at the beginning of the budget period which was 3%.

Management has based the value in use calculations on budgets for the reporting segment. These budgets use historical weighted average growth rates to project revenue across all aspects of the operational segment. Costs are calculated taking into account historical gross margins as well as estimating weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

14. TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Unsecured liabilities:		
Trade payables	516,838	1,446,250
Sundry payables and accrued expenses	<u>1,442,643</u>	<u>1,043,552</u>
	<u>1,959,481</u>	<u>2,489,802</u>

15. BORROWINGS

	2014	2013
	\$	\$
Current		
Secured by fixed and floating registered mortgage debenture		
Lease Liabilities	-	87,679
Total current	-	87,679

The company has two facilities provided by the Bendigo and Adelaide Bank Limited.

1. Commercial Business (Overdraft) Facility to a maximum value of \$500,000.
2. Standard Lease Facility to a maximum value of \$1,000,000.

Both facilities are secured by a Registered First Company Debenture charge from Bendigo Community Telco Limited in its own right.

16. PROVISIONS

	2014	2013
	\$	\$
Current		
Employee Benefits		
Annual Leave	261,624	245,920
Long Service Leave	189,389	160,500
Sick Leave	61,083	46,021
Total Current	512,096	452,441
Non Current		
Employee Benefits		
Long Service Leave	146,474	100,656
Total Non Current	146,474	100,656

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1.

17. TAX

	2014	2013
	\$	\$
a. Liabilities		
Current		
Provision for income tax	<u>223,207</u>	<u>59,387</u>
Non Current		
Deferred Tax Liability	<u>-</u>	<u>-</u>
b. Deferred Tax Assets		
Balance as at 30 June	<u>186,881</u>	<u>160,319</u>
Represented by tax effect of:		
- Provision for impaired debts	6,284	6,570
- Provision for annual leave	78,487	73,776
- Provision for long service leave	100,759	78,347
- Provision for sick leave	18,325	13,806
- Capital allowances	(16,974)	(12,180)
- Capital raising costs deductible	-	-
	<u>186,881</u>	<u>160,319</u>

18. ISSUED CAPITAL

	No. of Shares	2014	2013
		\$	\$
Fully paid ordinary shares at beginning of period	5,673,385	3,768,704	3,721,721
Shares issued on 20 June 2013	42,712	-	46,983
Less cost of equity raised	-	(284,199)	(284,199)
	<u>5,716,097</u>	<u>3,484,505</u>	<u>3,484,505</u>

19. CASH FLOW INFORMATION

	2014	2013
	\$	\$
Reconciliation of net cash provided by operating activities with profit after income tax		
Profit after income tax	1,592,130	1,134,627
Non-cash flows in profit:		
Depreciation and amortisation of non current assets	880,366	946,891
Loss on sale of assets	199	(70,422)
Staff share issue	-	46,983
Change in assets and liabilities		
(Increase)/decrease in assets		
Receivables	558,213	648,295
Prepayments	84,151	325,094
Inventories	21,411	5,599
Deferred tax asset	(26,562)	43,721

Increase/(decrease) in liabilities

Accounts payable	(530,321)	(240,485)
Provisions	105,473	(42,151)
Taxation	163,820	5,957
Net cash flow from operating activities	2,848,880	2,804,109

20. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	2014	2013
	\$	\$
Payable minimum lease payments:		
No later than 12 months	-	88,979
Between 12 months and 5 years	-	-
Minimum lease payments	-	88,979
Less future finance charges	-	(1,300)
Present value of minimum lease payments	-	87,679

Leasing arrangements

Finance leases relate to Property Plant & Equipment, with lease terms of either two or three years. The economic entity has options to purchase the equipment for a nominal amount at the conclusion of the lease arrangements.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2014	2013
	\$	\$
Payable minimum lease payments:		
No later than 12 months	971,604	837,803
Between 12 months and 5 years	2,433,784	2,148,059
	3,405,388	2,985,862

Leasing arrangements

The operating leases relate to the rental of the business premises including:

1. 23 McLaren Street, Bendigo - Lease term renegotiated to commencing 1 May 2012 and ending on 30 June 2017, with rent payable monthly in advance. There is also an option for 3 further terms of five years each, and each of those options must be exercised at least 3 months in advance. Fixed reviews of 2.5% increases will take place on 1 July 2015 and 1 July 2016.

2. Business Continuity Centre, 121 Edwards Road, Flora Hill - the lease has been renewed for a further five years, lease term beginning 1 September 2013 and ending 31 August 2018. Rent is payable monthly in advance and an annual CPI review during the term on 1 September each year. There is an option for a further five year term by giving notice at least 3 months in advance.

3. 113 Williamson Street, Bendigo – Lease term renegotiated to commencing 1 May 2012 and ending 30 June 2017, with rent payable monthly in advance. There is an option for 3 further terms of five years each by giving notice at least 3 months in advance. Fixed reviews of 2.5% increases will take place on 1 July 2015 and 1 July 2016.

Operating leases for computer network/infrastructure equipment for customer use continued in this financial period with terms of either three or five years. Approximately 67% of the overall liability relates to these leases which will generate revenues in excess of the expenses noted below.

The company does not have an option to purchase the leased asset at the expiry of any lease period.

(c) Capital Expenditure Commitments

	2014	2013
	\$	\$
Capital expenditure commitments contracted for:		
Plant and Equipment	78,000	-
Computer Network & Infrastructure	260,696	-
	338,696	-
Payable:		
No later than 12 months	338,696	-
Between 12 months and 5 years	-	-
	338,696	-

21. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The company's financial instruments consist mainly of deposits with bank, short-term investments, accounts receivable and payable and leases. The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of the telecommunications market and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out by the Board of Directors and senior management.

- (i) Market Risk – the company has no exposure to any transactions denominated in a currency other than Australian dollars.
- (ii) Price Risk – the company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.
- (iii) Credit Risk – the company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.
- (iv) Liquidity Risk – the company maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.
- (v) Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. The company has mitigated risk on long-term interest-bearing liabilities by negotiating fixed rate contracts.

The accounting policies including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised	Accounting Policies	Terms and Conditions
<i>Financial assets</i>		
Notes, coin and cash at bank	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis.	These items are cash or are readily convertible to cash.
Accounts Receivable – Debtors	Debtors are carried at the nominal amounts due less any provision for impairment. An impairment provision is made for any amounts which are considered unlikely to be collected.	Trade receivables are generally due for settlement within 14 days.
<i>Financial liabilities</i>		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods and services.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.

(b) Financial Instruments

Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management’s expectations of the settlement period for all other financial instruments.

	Fixed Interest Rate Maturing			
	Weighted Average Effective		Floating Interest Rate	
	2014	2013	2014	2013
	%	%	\$	\$
Financial Assets				
Cash or Cash Equivalents	-	-	1,154,536	2,021,730
Short-term Deposits	1.77	1.93	2,002,758	350,000
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	1.77	1.93	3,157,294	2,371,730

Financial Liabilities				
Creditors & Accruals	-	-	-	-
Finance Leases	9.05	9.05	-	-
Total Financial Liabilities	9.05	9.05	-	-

	Within 1 Year		1 to 5 years	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	-	-	-	-

Financial Liabilities				
Creditors & Accruals	-	-	-	-
Finance Leases	-	88,979	-	-
Total Financial Liabilities	-	88,979	-	-

	Over 5 years		Non Interest Bearing	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	1,010,188	1,568,401
Total Financial Assets	-	-	<u>1,010,188</u>	<u>1,568,401</u>
Financial Liabilities				
Creditors & Accruals	-	-	1,959,481	2,489,802
Finance Leases	-	-	-	-
Total Financial Liabilities	-	-	<u>1,959,481</u>	<u>2,489,802</u>

	Total	
	2014	2013
	\$	\$
Financial Assets		
Cash or Cash Equivalents	1,154,536	2,021,730
Short-term Deposits	2,002,758	350,000
Accounts Receivable - Debtors	1,010,188	1,568,401
Total Financial Assets	<u>4,167,482</u>	<u>3,940,131</u>

Financial Liabilities		
Creditors & Accruals	1,959,481	2,489,802
Finance Leases	-	87,679
Total Financial Liabilities	<u>1,959,481</u>	<u>2,577,481</u>

Creditors and accruals are expected to be paid as follows:	2014	2013
	\$	\$
Less than 6 months	1,959,481	2,489,802
6 months to 1 year	-	-
1 – 5 years	-	-
Over 5 years	-	-
	<u>1,959,481</u>	<u>2,489,802</u>

(c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of Bendigo Community Telco which have been recognised on the balance sheet is the carrying amount net of any provisions for impairment.

Bendigo Community Telco has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.

Exposure to Credit Risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2014	2013
	\$	\$
Cash or Cash Equivalents	3,157,294	2,371,730
Trade & Other Receivables	1,010,188	1,568,401
	<u>4,167,482</u>	<u>3,940,131</u>

The Company's entire exposure to credit risk for Trade Receivables was attributable to customers located in Australia.

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, for the Company:

	Carrying Amount \$	Contracted Cash Flows \$	1 year or less \$	1-5 years \$	Over 5 years \$
30 June 2014					
Financial Liabilities					
Trade and other payables	516,838	516,838	516,838	-	-
Lease liabilities	-	-	-	-	-
Total financial liabilities	516,838	516,838	516,838	-	-

(e) Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Total Carrying Amount per Balance Sheet		Aggregate Net Fair Values	
	2014 \$	2013 \$	2014 \$	2013 \$
Financial Instruments				
Financial assets				
Cash or cash equivalents	1,154,536	2,021,730	1,154,536	2,021,730
Short-term bank deposits	2,002,758	350,000	2,002,758	350,000
Accounts receivable - debtors	1,010,188	1,568,401	1,010,188	1,568,401
Total financial assets	4,167,482	3,940,131	4,167,482	3,940,131
Financial liabilities				
Creditors and accruals	1,959,481	2,489,802	1,959,481	2,489,802
Finance leases	-	87,679	-	87,679
Total financial liabilities	1,959,481	2,577,481	1,959,481	2,577,481

The following methods and assumptions are used to determine the net fair values of Financial Assets and Financial Liabilities:

Recognised Financial Instruments

Cash and Short Term Investments	These financial instruments have a short term to maturity. Accordingly it is considered that carrying amounts reflect fair values.
Receivable and Creditors and Accruals	Carrying amounts reflect fair values.
Long Term Investments	Carrying amounts reflect fair values.

(f) Sensitivity Analysis

Interest Rate Risk

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Change in profit		
Increase in interest rate by 2%	55,290	31,397
Decrease in interest rate by 2%	(55,290)	(31,397)
 Change in equity		
Increase in interest rate by 2%	55,290	31,397
Decrease in interest rate by 2%	(55,290)	(31,397)

22. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2014	2013
	\$	\$
Amounts of a prescribed benefit given during the year by the Company or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office.	Nil	Nil

23. DIRECTORS RELATED PARTY DISCLOSURES

The names of directors who have held office during the financial year are:

Robert Hunt	Graham Bastian	Andrew Cairns
Don Erskine	Michelle O'Sullivan	Geoff Michell
Andrew Watts		

No director or related entity has entered in to a material contract with the company.

	2014	2013
Directors Shareholdings	No.	No.
Robert Hunt	451,048	451,048
Graham Bastian	2,000	2,000
Andrew Cairns	-	-
Don Erskine	939,326	840,000
Geoff Michell	20,002	20,002
Michelle O'Sullivan	-	-
Andrew Watts	-	-

Bendigo Community Telco is provided banking overdraft and lending facilities by Bendigo and Adelaide Bank Ltd. The banking services are provided in accordance with Bendigo and Adelaide Bank's prevailing product terms and conditions.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

25. SEGMENT REPORTING

The company has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the board that makes strategic decisions).

This has resulted in the departments of Fixed Telephone, Data Network, Mobile Telephone, Traditional Internet and Broadband services being aggregated into one reportable segment. Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 Operating Segments. On reallocation, no additional goodwill impairment was required.

(a) Description of Segments

Management has determined the operating segments based on reports reviewed by the board for making strategic decisions. The board monitors the business based on product factors and have identified four business segments: Fixed Telephone, Data Network, Mobile Telephone, and Broadband services. Each of these segments involves the delivery of communication services to customers.

(b) Information about reportable segments

Aggregated Communications Departments

	2014	2013
	\$	\$
External segment revenues	22,031,440	22,601,411
Segment expenses	<u>(18,724,504)</u>	<u>(19,855,756)</u>
Net segment profit	<u>3,306,936</u>	<u>2,745,655</u>

(c) Reconciliation of Reportable Segment Revenue, Profit/(Loss), Assets & Liabilities and Other Material Items

Aggregated Communications Departments

	2014	2013
	\$	\$
Revenues		
Total revenue for reportable segments (aggregated)	22,031,440	22,601,411
Other revenue	59,078	102,782
Consolidated revenue	<u>22,090,518</u>	<u>22,704,193</u>
Profit or Loss		
Total profit for reportable segments (aggregated)	3,306,936	2,745,655
Other profit	59,078	102,782
Unallocated amounts:		
Finance expense	(328,256)	(277,245)
Depreciation & amortisation	(880,366)	(946,891)
Debtor Impairment	(21,954)	15,455
Consolidated profit before income tax	<u>2,135,438</u>	<u>1,639,756</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.

26. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 13.0 cents per share was declared by the Board of Directors on 20 August 2014 which will be distributed to shareholders on 26 September 2014.

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

27. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office

23 McLaren Street, Bendigo, Victoria.

Principal Places of Business

Bendigo Office – 23 McLaren Street, Bendigo, Victoria.

Business Advisory Centre – 113 Williamson Street, Bendigo, Victoria.

Data Centre - 121 Edwards Road, Bendigo, Victoria.

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 of the company are in accordance with the *Corporations Act 2001*, and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company;
2. in the director's 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;
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Acting Chief Executive Officer and General Manager Finance; and
4. the audited remuneration report set out in the Directors Report (as part of the remuneration report), for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001* and the Corporations Regulation 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors



Graham Bastian
Director



Andrew Watts
Director

Signed on 20 August 2014



Independent Auditor's Report to the Members of Bendigo Community Telco Limited

Report on the Financial Report

We have audited the accompanying financial report of Bendigo Community Telco Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101: Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of Bendigo Community Telco Limited is in accordance with the *Corporations Act 2001* including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10-12 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Bendigo Community Telco Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Victoria
Dated this 20th day of August 2014

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

Adrian Downing
Lead Auditor

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P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 30 June 2014.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	135
1,001 - 5,000	210
5,001 - 10,000	56
10,001 - 100,000	43
100,001 and over	5
	<u>449</u>

The number of shareholdings held in less than marketable parcels is 11.

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,112,146	19.5
Erskine Investments Pty Ltd	939,326	16.4
Ron Poyser Administrators Pty Ltd	438,400	7.7
Hunters Ridge Pty Ltd	421,004	7.4
EGP Fund No 1 Pty Ltd	127,000	2.2
Community Telco Syndicate	98,000	1.7
MGR Property Pty Ltd	90,000	1.6
Latrobe University	84,000	1.5
Kirkstow Nominees Pty Ltd	64,000	1.1
Bendigo Health Care Group	60,000	1.0
Crockford Superannuation Fund	60,000	1.0
Total shares held by top 10 holders	<u>3,493,876</u>	<u>61.1</u>