

Concise Financial Report
2011

Looking to the cloud



Bendigo Community Telco Limited

ABN 88 089 782 203

Registered Office
23 McLaren Street
Bendigo Victoria 3550

Customer inquiries

Principal places of business

23 McLaren Street
Bendigo Victoria 3550

113 Williamson Street
Bendigo Victoria 3550

121 Edwards Road
Bendigo Victoria 3550

Telephone (03) 5454 5000
Fax (03) 5454 5001

www.bendigotelco.com.au

Shareholder inquiries

Bendigo Community Telco Share Registry
C/- AFS & Associates
PO Box 454
Bendigo Victoria 3552

Telephone (03) 5443 0344



Contents Page

Chairman and Chief Executive Officer's report	4
New capabilities, initiatives & investment	6
Financial results	7
Shareholder information	9
Corporate governance statement	10
Directors report	11
Auditor's independence declaration	23
Statement of comprehensive income	24
Statement of financial position	25
Statement of changes in equity	26
Statement of cash flows	27
Notes to concise financial report	28
Directors declaration	30
Independent auditor's report	31

Chairman and Chief Executive Officer's report

We are pleased to report the completion of another successful trading year for Bendigo Community Telco Limited (Bendigo Community Telco).

Our locally-owned Telco initiative has again produced a credible profit result, and has continued to make considerable progress in reshaping and refining the company's service offerings to take full advantage of the changes in technology, our access to new infrastructure and capability (created over the past few years), and our access to new services available within the telco industry which are being enthusiastically embraced by customers right across Australia.

Your local Telco produced an after tax profit of \$787,131 and this enabled directors to declare a fully franked final dividend of 5 cents. This takes our dividends paid in the financial year ended 30 June 2011 to 10 cents which continues the trend of a healthy yield on shareholder funds.

Progress and success through the year is best summarised through the following points:

- Growth in revenues from our relatively new wholesale operation (which enables us to provide services that were purpose-built for customers in this district to other Community Telco franchises across Australia, and thus generate new revenues for Bendigo Community Telco).
- Our other investments in infrastructure and service expansion over the past couple of years are also now beginning to generate strong revenues (for example – establishment of the National Operations Centre and the Data Centre facilities for some of our larger clients can now be utilised to the benefit of our broader customer base).
- Successfully proposing a new "National" Managed Network Data Service and securing a new 5-year contract with our largest customer, Bendigo and Adelaide Bank Limited, for the provision of high quality data services.
- Continued development of our local skill base into what is acknowledged as a highly effective, capable, competent and professional team within the telco industry.
- Ongoing enhancement of our customer service commitment and offerings.

Our motto is, "Where Personal Service Matters", and while it's common for businesses to talk about service, it's rare for any to publicly commit to a promise. We have developed an 8 Star Customer Service Promise, which everybody at Bendigo Community Telco lives and breathes. We are 100% committed to ensuring that our customers experience the best service in the Telco industry.

The launch of the Bendigo Community Telco initiative ensured that businesses operating in our region would not be disadvantaged and would have access to services in telecommunications similar to those offered in Australia's major capital cities. Over the years we have achieved significant leverage from the combined buying power of our local customers and our franchisor, Community Telco Australia (which is assisting other communities across Australia).

In effect, Bendigo Community Telco has presented our industry partners with an opportunity to help us address our priorities and serve our local community – thus fulfilling our original strategic objective. By retaining local capital, building local competencies, building confidence and being willing to challenge the priorities set by other market participants, we are helping improve outcomes across our economy.

While demonstrating clarity and commitment from the local level, we are also creating opportunities for our partners – so that they will continue their investments and maintain their commitment to our local market. All participants are therefore appropriately applying capital, and benefiting from doing so. Most importantly we have ensured the telco industry continues to apply the appropriate priority to our market and our economy and, as a result of our local initiative. We have an active competitive landscape for all businesses (whether or not they are Bendigo Community Telco customers). This will greatly benefit our local economy and aligns with our stated commitment to community contribution through our broader support to community activities.

Throughout this year Bendigo Community Telco has supported many community projects in Central Victoria, with sponsorships such as the Rotary Club of Bendigo, Community Carols, and large contributions to the various Community Enterprises operating in localised parts of our city. Late in the financial year we launched the "Turn a Life Around" campaign, to assist children with Autism Spectrum Disorder to gain access to the technology they need to participate fully in day-to-day life.

Our local customers must have access to the latest services and, we expect, will be able to gain advantage from our buying power and from the many major investments undertaken by Bendigo Community Telco over the past few years.

Our focus and commitment to our customers, to our community, and to the delivery of quality products and services, is aligned with our genuine desire to ensure our local customers are given access to the latest technologies and the best customer service ethic in the telco industry.

Bendigo Community Telco understands that its success is inextricably linked with the success of its customers and the broader community, and we want to ensure that we not only produce a competitive locally-owned alternative but are able to demonstrate the real strategic advantage that the formation of this business has produced in our local marketplace.

Now on a specific shareholder issue – your Board of Directors feel that over the course of the financial year our shares have traded (at times) below their true value, when considering the company and dividend performance. Although we acknowledge that all shares have traded at diminished values (due to the global financial crisis), we feel that the relatively thin trading and limited local knowledge (beyond our existing shareholder base) have impacted the efficiency of our local share market value.

Over the coming year we intend to apply greater emphasis on better informing the local market and investors of the positive attributes and performance of our shares. We would like to see local shareholder interest maintained and enhanced, as directors see this as one of our key strengths. As the company has (for a number of years now) produced excellent fully franked returns, as well as the other benefits generated through local ownership, Bendigo Community Telco is a most worthwhile investment for local investors.

We are extremely pleased with the contribution made by all Bendigo Community Telco staff and our management team over the year, and we greatly value the contribution made by our Board of Directors. By ensuring the business remains relevant, connected and valued by the broader community, and by each and every one of its customers throughout our district, we are well placed to achieve more resilient revenues and therefore more reliable returns for our shareholders. We greatly value all of our stakeholders' contributions.

We remain committed to continue to build and/or attract infrastructure and facilities that will greatly enhance our capability to service our customers' current and future needs. As technologies and the telco industry continue to change at a very rapid pace, we believe we are in an excellent position to achieve our customer objectives and fulfil both our community commitment and our objectives to generate sustainable value for our shareholders. Our local shareholders have been so critical in providing the capital for the formation of this important strategic business – a business which in our view has become a real asset for our local marketplace.

We look forward to the next year with real enthusiasm and optimism. While the board acknowledges the enormous workload in front of Bendigo Community Telco to implement the new National Managed Network Data Service for the Bendigo and Adelaide Bank, and understands this will temporarily impact our monthly performance, this project will significantly improve the company's revenue lines once implemented and in subsequent years of the contract. In addition it will greatly enhance our ability to expand our offerings to our broader customer base. We also expect many of the other major investments we have undertaken to increase contribution, as each of these initiatives mature.

We remain committed to all our customers and very much see ourselves as their "partner in technology and telecommunications", rather than simply "just another supplier" of those services. We believe we have recorded another successful year, and we intend to continue our pursuit of innovation, customer service enhancements, community contribution and the ongoing success of our local economy and this locally-owned telco business.



Rob Hunt
Chairman



Phil Lazenby
Chief Executive

31st August 2011

New capabilities, initiatives & investments

Wholesale capability

The continued development of the wholesale business has seen encouraging growth in revenues over the year. The development of new products has seen the ability to take on more complex customer solutions.

The wholesale business will continue to grow and be a significant arm of the Bendigo Community Telco business.

Network Operations Centre

Our Network Operations Centre (NOC) has continued to grow, thanks to the world class services the NOC enables us to provide.

Bendigo Business Continuity Centre

The Bendigo Business Continuity Centre continues to enable the development of cloud based products for both our retail and wholesale customers.

Virtual Private Networks and Virtual Servers are the first products released and continue to provide the business with opportunities to grow revenue and expertise while allowing our customers to realise the business efficiencies that come with this technology.

Community involvement

We have continued to support the various Community Enterprises in our region and take pride in knowing that the income we provide these groups supports the development of many important local initiatives across several communities.

We are also proud to announce our continuing support of Bendigo's Community Carols as one of the event's major sponsor's for a fourth consecutive year. Following last year's event being cancelled due to the weather, further steps have been taken this year to ensure there is a backup venue available to ensure the 2011 event goes ahead. We believe this partnership with the Rotary Club of Bendigo and the City of Greater Bendigo helps sustain an enriching event that is important to thousands of Central Victorian families.

A campaign to collect "pre-loved" mobile devices (iPhones, iPod Touch's, iPad's, Android & Smart phones) to assist children with Autism Spectrum Disorder (ASD) was launched at Bendigo Community Telco's McLaren Street offices on the 24th June. Program Co-ordinator, Jacqui Righetti, along with the Bendigo Autism Asperger Group partnered with Bendigo Community Telco to create the 'Turn a Life Around' program, and we helped kick off the campaign with the donation of two devices to local families.

We were pleased to assist La Trobe University with a review of its successful Industry Based Learning (IBL) program. This review aims to maintain a steady flow of well-qualified IT students into Bendigo's business community.

Personal service

Since the incorporation of the 8 Star Service Charter into our staff's personal development review, it was decided that this internal customer service charter be introduced to the public in the way of a Promise. The 8 Star Customer Service Promise allows Bendigo Community Telco to stand out from the pack. As telecommunications technology becomes more and more advanced, the level of trust between a data and communications provider and its customer becomes a dominant factor.



Financial results

Profit after income tax for the year increased by 7% from the previous year to \$787,131.

Operating activities provided net cash inflows of \$2.09 million.

The gross margin increased by 3% due to the growth in sales of higher margin products and greater use of the company's own infrastructure. This also contributed to an increase in EBITDA which increased 4% to \$1.97 million.

Revenue decreased to \$26.3 million from \$27 million the previous year. The primary cause was a reduction in fixed line telephone revenues, in line with an industry-wide trend. However, the company did experience some revenue growth which came from the provision of managed data network services (up 7%) and data centre services (up 6%). Growth in wholesale products also contributed an additional \$575,000 in revenue for the year.

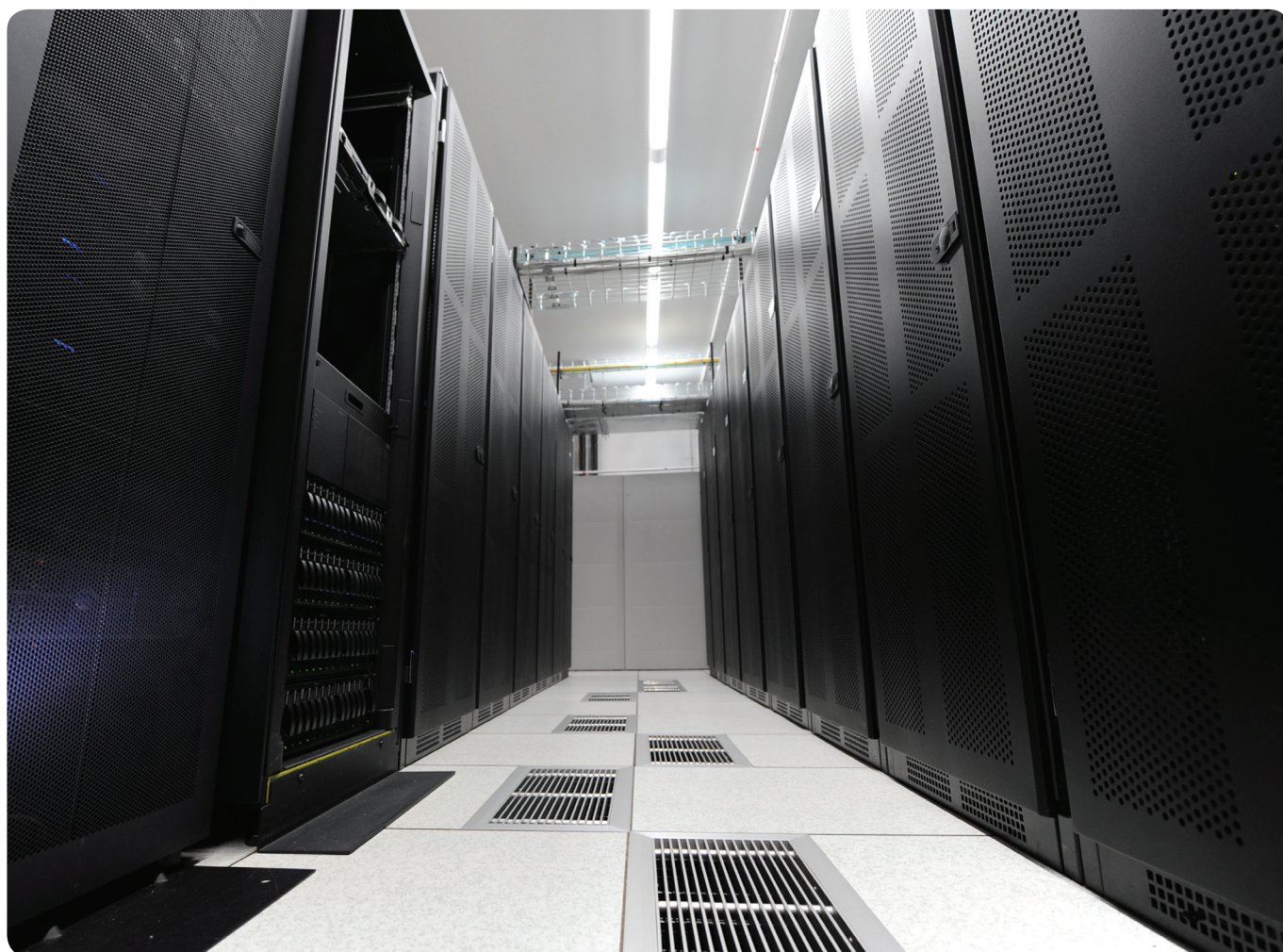
The company has continued to make investment in infrastructure that will provide for ongoing and future revenue streams. This has enabled the company to leverage its own infrastructure (as well as leveraging the national supplier negotiation capability of its franchisor) to improve its gross margin throughout the year and to deliver continuing EBITDA improvement.

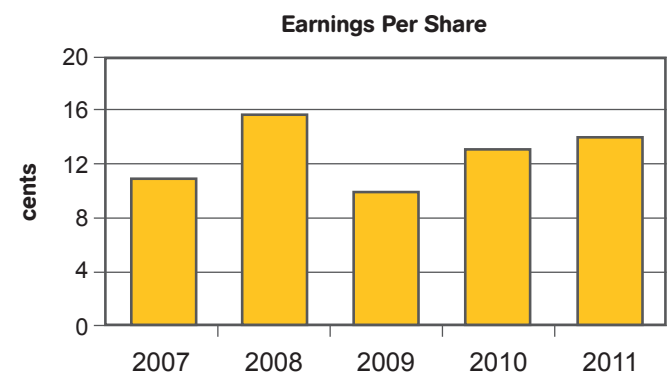
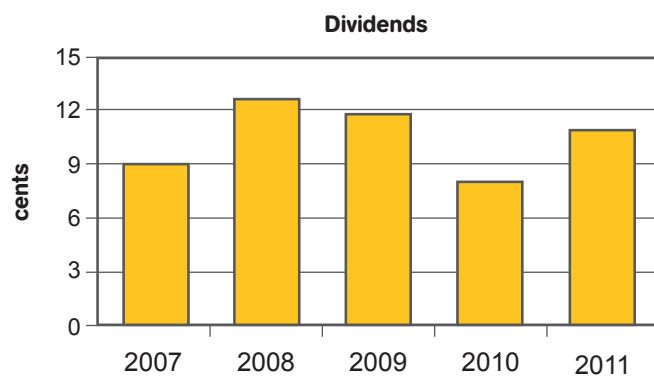
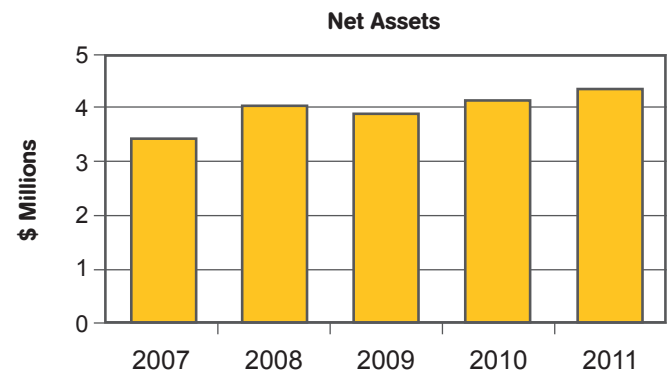
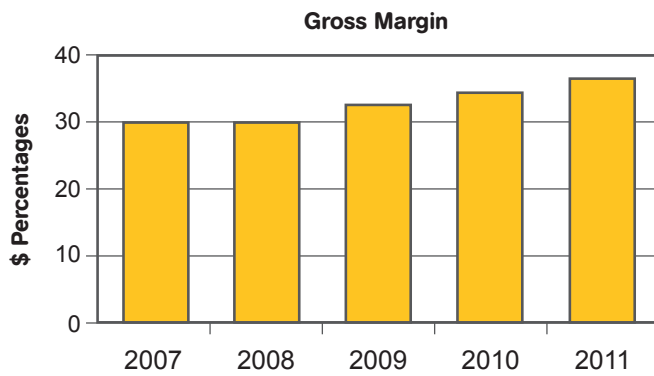
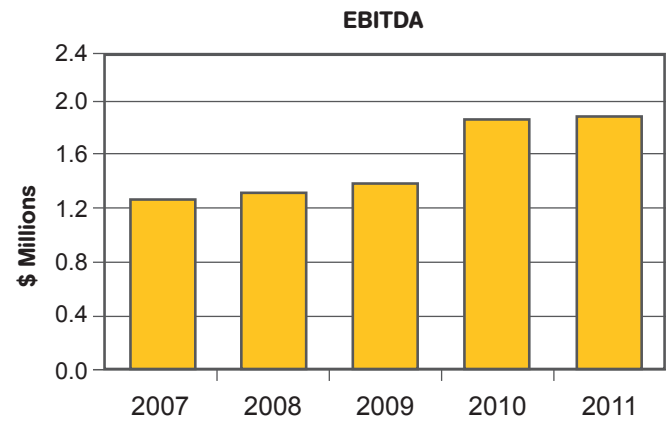
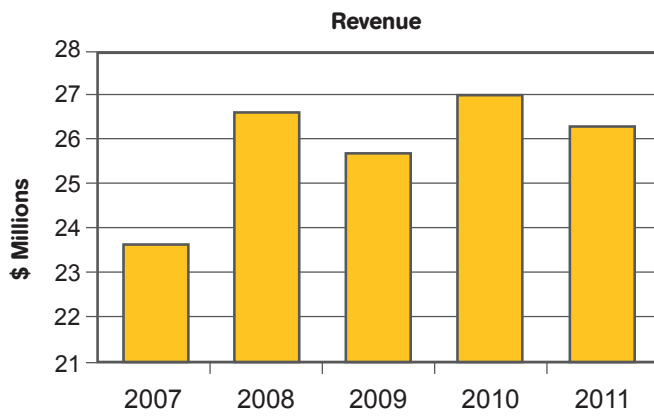
Total assets increased by 8% to \$8,892,136 primarily due to an increase in cash holdings and prepayments. Net assets increased by \$196,636 due to an increase in retained earnings.

Overall cash held increased by \$298,440 to \$1.58 million. Investment in assets of \$924,038 was made during the year as the company continued its strategy of investing in core infrastructure to derive increases in revenues and gross margin. Repayments of leases and payment of dividends contributed a cash outflow in financing activities of \$864,943.

Dividend payments of 6 cents per share in September 2010 and 5 cents in March 2011 increased the total dividends paid to shareholders since listing in September 2005 to 57 cents per share. A final dividend for the 2010/11 year of 5 cents per share was also declared by the Board at their meeting on 31 August 2011.

There were 27,162 shares issued in the company under the staff share scheme during the year, increasing the number of shares on issue to 5,629,884. The earnings per share result of 14.00 cents when compared to the 2010 result of 13.15 cents reflects an increase due to the higher profit this year.





Shareholder information

At 1 July 2010 Bendigo Community Telco Limited had on issue 5,602,722 shares. There were 27,162 shares issued under the Staff Share Plan during the 2010/11 financial year. All shares on issue are ordinary shares.

Substantial shareholders

The following shareholdings in excess of 5% are deemed to be substantial..

Shareholder	No. of Shares	% of Total shares
Bendigo and Adelaide Bank Ltd	1,112,146	19.8
Erskine Investments P/L	840,000	14.9
Hunters Ridge P/L (Hunt Family Trust)	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.6

Voting rights

Voting rights apply to Ordinary Shares being the only form of shares on issue.

Attending the Meeting

All shareholders may attend the Annual General Meeting.

In the case of joint shareholders, all holders may attend the meeting. If only one holder attends the meeting, that shareholder may vote at the meeting in respect of the relevant shares (including by proxy) as if that holder were solely entitled to them. If more than one joint holder is present (including by proxy), the joint holder whose name appears first in the register in respect of the relevant shares is entitled to vote in respect of them.

A corporate shareholder may appoint one or more persons to act as its representative under section 250D of the Corporations Act 2001 (Cth) (the Corporations Act), but only one representative may exercise the corporate shareholder's powers at any one time. The company requires written evidence of a representative's appointment to be lodged with or presented to the Company before the meeting.

Not attending the Meeting

Shareholders entitled to vote at the meeting, but not attending are encouraged to appoint a proxy to vote on their behalf, using the enclosed Proxy Form. The person appointed as the member's proxy may be an individual or a body corporate. A proxy need not be a member of the Company.

A shareholder who is entitled to cast two or more votes at the meeting may appoint two proxies and specify on the Proxy Form the proportion or number of votes each proxy is appointed to exercise.

For an appointment of a proxy for the meeting of the company's members to be effective, the following documents must be received by the company at least 48 hours before the meeting.

The proxy's appointment

If the appointment is signed by the appointer's attorney the authority under which the appointment was signed or a certified copy of the authority.

The company receives the proxy documents when they are received at any of the following:

1. The company's registered office at 23 McLaren Street, Bendigo, Vic, 3550.
2. The fax number (03) 5454 1537.

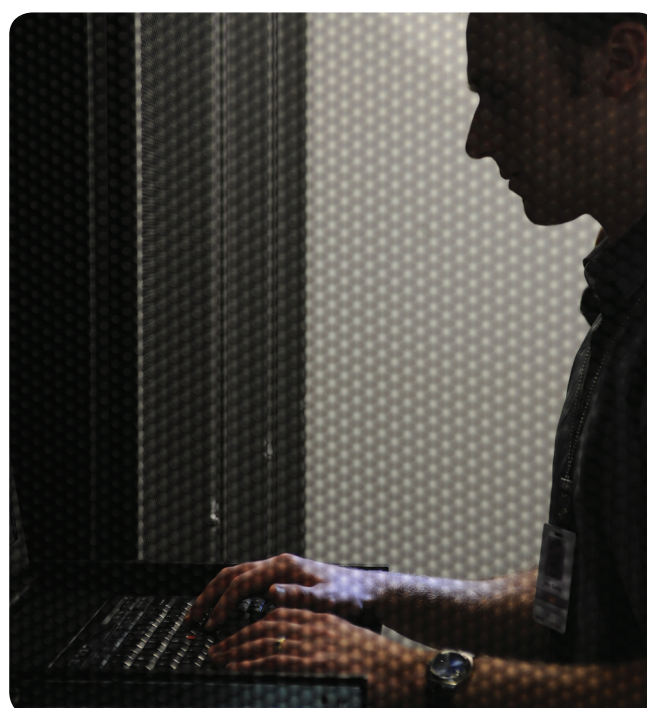
Distribution schedule

At the date of this document the distribution schedule is as per the table below:

Category	No. of holders
1 - 1,000	144
1,001 – 5,000	188
5,001 – 10,000	59
10,001 – 100,000	46
100,001 and over	4

Marketable parcel

At the date of this document 38 shareholding parcels held are deemed to not be marketable. For a shareholding parcel to meet the definition of being marketable the value must exceed \$500, being the number of shares multiplied by the market price at balance date.



Top 10 shareholders

At the date of this document the Top 10 shareholders were as per the table below:

Shareholder	No. of Shares	% of Total shares
Bendigo and Adelaide Bank Ltd	1,112,146	19.8
Erskine Investments P/L	840,000	14.9
Hunters Ridge P/L (Hunt Family Trust)	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.6
Bendigo Senior Secondary College	100,000	1.8
Community Telco Syndicate	98,000	1.7
MGR Property P/L	90,000	1.6
Bendigo Regional Institute of TAFE	86,000	1.5
LaTrobe University	84,000	1.5
Kirkstow Nominees Pty Ltd	64,000	1.1
TOTAL	3,267,150	58.0

Securities register

The securities register is managed by AFS & Associates on behalf of Bendigo Community Telco Limited. You can contact the registry by:

Mail: Bendigo Community Telco
Share Register
C/- AFS & Associates
PO Box 454
Bendigo Victoria 3552

Telephone: (03) 5443 0344

Email: shares@bendigotelco.com.au

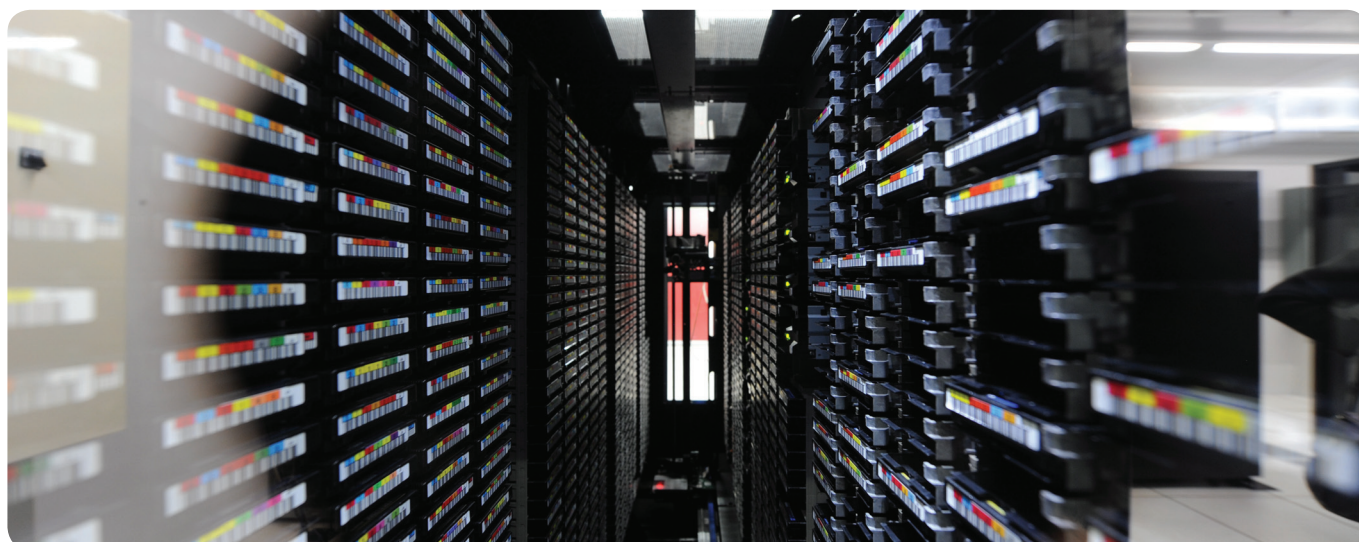
The information contained in this report is correct and current at 31 August 2011.

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 principals 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 and Risk Committee Charter and the appointment of the Audit and Risk Committee as a sub-committee of the Board. The members of the Audit and Risk Committee are Directors Geoff Michell, Andrew Cairns and Graham Bastian.
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 Bendigo Stock Exchange (BSX) Listing Rules and the Corporations Act. This policy requires immediate notification to the BSX 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.



Directors' report

Your directors present their report on the Company for the financial year ended 30 June 2011.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Mr R Hunt (Chairman)	Mr G Bastian
Mr A Cairns	Mr D Erskine
Dr L Kilmartin (retired 16/3/11)	Mr G Michell
Mrs M Spalding	Ms M O'Sullivan (commenced 23/6/11)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. No Directors have material interests in contracts or proposed contracts with the company

Information on Directors

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 Robert George Hunt – AM, FAICD - Chairman

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 through many challenges, but also through opportunities in the development and implementation of strategies as a regional and community banking organisation.

Mr Hunt is 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, Community Telco Australia, the Community Bank® Strategic Advisory Board 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 – Annette Hunt 30,044 Shares

Special responsibilities:

Nil

Other Directorships:

Chairman, Treasury Corporation of Victoria since 2010;
Consultant (Community Engagement Programs & Strategic Enterprises) for Bendigo and Adelaide Bank Limited since 2009;
Chairman, Bendigo Community Telco since 2000;
Chairman, Community Telco Australia since 2001;
Director, Community Bank® Strategic Advisory Board since 2008
Director, Community Sector Banking Pty Ltd since 2003;
Chairman, Lead On Australia Limited since 2001;
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.

Interest in shares:

Indirect – Jeanette Bastian 2,000 Shares

Special responsibilities:

Member of Audit and Risk Committee

Other directorships:

Nil.

Mr Andrew Cairns - Director**Occupation:**

Head of Community Solutions & Partnering Bendigo & Adelaide Bank

Qualifications:

Bachelor of Engineering – Electrical (Footscray Institute of Technology)
Member of Australian Institute of Company Directors

Experience:

Andrew Cairns has extensive experience in a variety of industries including manufacturing, pay television and telecommunications. He has worked both nationally and internationally. In the past few years he has applied that experience to steering start-up organisations to success, including Bendigo Community Telco as its initial Chief Executive. The success of Bendigo Community Telco has now resulted in the community telco project being rolled out to regional communities across Australia by Community Telco Australia. Andrew is now the Head of Community Solutions & Partnering at the Bendigo & Adelaide Bank. He remains a director of Bendigo Community Telco.

Interest in shares:

Indirect – Bendigo & Adelaide Bank Limited 1,112,146

Special responsibilities:

Member of the Audit and Risk Committee

Other directorships:

Coliban Region Water Authority
Bendigo Asset Management Limited
Community Developments Australia Pty Limited
Community Energy Australia Pty Limited
Community Exchanges Australia Pty Limited
Community Solutions Australia Pty Limited

Community Telco Australia Pty Ltd
Lead On Australia Limited
Loddon Mallee Housing Services Limited
The Bendigo Affordable Housing Company Ltd

Mr Donald James Erskine - Director

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. 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:

Indirect – Erskine Investments Pty Ltd 840,000 Shares

Special responsibilities:

Member of the Remuneration 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:

Member of the Audit and Risk Committee and the Remuneration Committee

Other directorships:

Bendigo Health
Bendigo Tourism Board
Lower Murray Water
Wimmera Catchment Management Authority

Mrs Margot Elizabeth Spalding – Director

Occupation:

Director - Jimmy Possum Furniture Pty Ltd
Retail Leader, Jimmy Possum Retail Group

Qualifications:

Diploma Teaching Primary (Ballarat)

Experience:

After a varied career in teaching, children's clothing manufacture and furniture manufacture Margot founded Jimmy Possum Furniture P/L with her husband Alan in 1995.

Margot is a Director of Jimmy Possum Melbourne Pty Ltd, Jimmy Possum Sydney Pty Ltd, Neron Pty Ltd and Jimmy Possum Adelaide Pty Ltd.

Interest in shares:

Indirect – Alan Francis Spalding & Margot Elizabeth Spalding <A & M Spalding Superannuation Fund> 10,000 Shares

Special responsibilities:

Nil

Other directorships:

Nil

Ms Michelle Kaye O'Sullivan – Director

Occupation:

Lawyer – Michelle O'Sullivan Lawyer

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 recently a committee member of the Bendigo Law Association Inc. and is currently the President of Bendigo Law Association Inc. Michelle is the newest Director and Board member of Bendigo Community Telco.

Interest in Shares:

Nil

Special Responsibilities:

Nil

Other Directorships:

Nil

Company secretary

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

Mr Ken Belfrage FCA, MAICD, 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.

Principal activities

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

Operating results

The operating profit of the company for the financial year after providing for income tax was \$787,131 (30 June 2010: \$736,744).

Review of operations

As Bendigo Community Telco Limited enters its second decade of operations the business continues to consolidate its position within the Bendigo and Central Victorian market, as well as now providing high quality data and network services Australia wide. The business continues to provide a full range of products and services to its customers including traditional telco services, full service (line rental, local calls, etc), broadband and dial up internet access, mobiles, data services and business continuity services. We also supply and install PABX and phone systems, UHF Radios, technical installation and servicing including cabling. Bendigo Community Telco also provides network management and monitoring services via its network operations centre and combined with the wholesale business we are able to offer these professional services on a national scale.

Bendigo Community Telco has continued in its Franchise Agreement with Community Telco Australia. Bendigo Community Telco Limited has also maintained wholesale agreements with AAPT, Optus Singtel, Newsnet, and NextGen Pure Data.

Financial position

The net assets of Bendigo Community Telco Limited have increased to \$4,354,119 at 30 June 2011 (30 June 2010: \$4,157,483). The change has resulted from an increase in retained earnings.

The Company's working capital, being current assets less current liabilities, has increased from \$813,482 in 2010 to \$849,193 in 2011.

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.

There have not been any significant changes in the state of affairs of the Company during the financial year. Since the end of the financial year a final dividend in the amount of 5 cents per share was declared by the Board of Directors on 31 August 2011 which will be distributed to shareholders on 30 September 2011.

Dividends paid

Dividends paid in the year:	Year Ended 30 June 2011	
	Cents	\$
Final – September 2010	6.0	336,163
Interim – March 2011	5.0	281,494
Total	11.0	617,657

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 on page 4 of the Concise Financial Report.

Environmental regulation

The company is not subject to any significant environmental regulation.

Meetings of Directors

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

Committee Meetings						
Directors	Directors' Meetings		Audit Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	10	9	-	-	-	-
Graham Bastian	10	10	3	3	-	-
Andrew Cairns	10	9	3	2	-	-
Don Erskine	10	8	-	-	2	1
Les Kilmartin	10	9	-	-	-	-
Geoff Michell	10	7	3	3	2	2
Margot Spalding	10	7	-	-	-	-

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.

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 22 to the Financial Statements.

Share options

The Company has not issued any share options.

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 full financial report.

The Board of Directors has considered the position, and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non audit services by the auditor, as set out in the notes, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non audit services have been reviewed to ensure they do not impact on the integrity and objectivity of the auditor.

The nature of the services provided do 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 \$4,974 were paid or payable to Andrew Frewin & Stewart for non-audit services provided during the year ended 30 June 2011.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

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 Chief Executive Officer 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%, 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 Bendigo 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

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

Directors

Robert Hunt	Chairman
Graham Bastian	Director
Andrew Cairns	Director
Donald Erskine	Director
Leslie Kilmartin	Director – retired 16 March 2011
Geoffrey Michell	Director
Margot Spalding	Director
Michelle O’Sullivan	Director – commenced 23 June 2011

Executives

Philip Lazenby	Chief executive officer
Peter Bowman	General manager finance
Bryan Pedersen	General manager technology
Wayne Williams	General manager operations

There were no 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, with the exception of the 2009 year. Dividends paid have been maintained at consistent levels apart from the 2010 year which followed the lower profit result in 2009. The board is satisfied with the company’s progress which can be attributed in part to the previously described remuneration policy.

	2007	2008	2009	2010	2011
Revenue	\$23.6M	\$26.6M	\$25.7M	\$27.0M	\$26.3M
EBITDA	\$1.27M	\$1.38M	\$1.43M	\$1.90M	\$1.97M
Net profit	\$606K	\$883K	\$545K	\$737K	\$787K
Share price at year end	\$1.20	\$1.60	\$1.60	\$1.40	\$1.00
Dividends paid	9.0 cents	12.5 cents	12.0 cents	8.0 cents	11.0 cents

Details of remuneration for year ended 30 June 2011

(i) Directors

The remuneration for each of the Directors of the entity during the year was as follows:

		Short-term benefits	Post-employment benefits		Proportion of remuneration that is performance based %	
		Cash Salary and Fees	Superannuation	TOTAL		
Robert Hunt	2011	13,761	1,239	15,000	-	
	2010	13,761	1,239	15,000	-	
Graham Bastian	2011	15,000	-	15,000	-	
	2010	15,000	-	15,000	-	
Andrew Cairns	2011	13,761	1,239	15,000	-	
	2010	13,761	1,239	15,000	-	
Donald Erskine	2011	-	15,000	15,000	-	
	2010	-	15,000	15,000	-	
Leslie Kilmartin	2011	10,321	929	11,250	-	
	2010	546	14,454	15,000	-	
Geoffrey Michell	2011	3,440	11,560	15,000	-	
	2010	-	15,000	15,000	-	
Margot Spalding	2011	15,000	-	15,000	-	
	2010	15,000	-	15,000	-	
		2011	71,283	29,967	101,250	-
		2010	58,068	46,932	105,000	-

(ii) Executives

The remuneration for each of the five executive officers of the entity during the year was as follows:

		Short-term benefits		Post-employment benefits		TOTAL	Proportion of remuneration that is performance based %
		Salaries	Non-Cash Benefits	Superannuation	Shares		
Philip Lazenby	2011	142,523	15,000	60,069	1,000	218,592	11
	2010	131,837	25,000	35,140	-	191,977	11
Bryan Pedersen	2011	117,007	15,000	21,170	1,000	154,177	6
	2010	113,400	15,000	18,430	-	146,830	6
Wayne Williams	2011	117,189	15,000	10,454	1,000	143,643	7
	2010	109,933	15,000	9,626	-	134,559	6
Peter Bowman	2011	141,464	-	11,214	1,000	153,678	7
	2010	64,293	-	5,026	-	69,319	-
Mandy Cooper	2011	-	-	-	-	-	-
	2010	73,360	5,301	3,947	-	82,608	6
Total	2011	518,183	45,000	102,907	4,000	670,090	-
	2010	492,823	60,301	72,169	-	625,293	-

Note: Philip Lazenby's remuneration includes an amount of \$20,000 in backpay for an adjustment to non-cash benefits entitled to but not used under his contract package.

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 31 August 2011.



Rob Hunt
Chairman



Don Erskine
Director





PO Box 454
Bendigo VIC 3552

61-65 Bull Street
Bendigo VIC 3550

Phone (03) 5443 0344
Fax (03) 5443 5304

afs@afsbendigo.com.au
www.afsbendigo.com.au

ABN 51 061 795 337

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Bendigo Community Telco Limited

- I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:
- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit



GRAEME STEWART

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 31st day of August 2011

Statement of comprehensive income

For year ended 30 June 2011

	Notes	2011 \$	2010 \$
Revenue	2	26,328,180	26,985,107
Cost of products sold		(16,534,282)	(17,792,243)
Other revenue	2	46,474	78,515
Salaries and employee benefit costs		(4,074,704)	(3,689,547)
Occupancy and associated costs		(538,135)	(535,996)
General administration costs		(1,216,957)	(1,180,994)
Depreciation and amortisation costs		(823,620)	(787,880)
Advertising and promotion costs		(246,138)	(312,765)
Systems costs		(1,641,172)	(1,603,293)
Borrowing costs		(170,778)	(117,233)
Profit before income tax expense		1,128,870	1,043,671
Income tax expense		(341, 739)	(306,927)
Profit for the period		787,131	736,744
Other comprehensive income for the period, net of tax		-	-
Profit attributable to members of the entity		787,131	736,744
Total comprehensive income attributable to members of Bendigo Community Telco Limited		787,131	736,744

Earnings per share

Basic earnings per share (cents)	14.00	13.15
Diluted earnings per share (cents)	14.00	13.15

The accompanying notes form part of this concise financial report

Statement of financial position

As at 30 June 2011

	2011 \$	2010 \$
Current Assets		
Cash and cash equivalents	1,576,393	1,277,953
Trade and other receivables	2,183,232	2,240,892
Prepayments	1,333,659	965,651
Inventories	110,886	130,669
Total Current Assets	5,204,170	4,615,165
Non Current Assets		
Property, plant and equipment	2,170,383	2,139,792
Intangibles	1,340,284	1,322,112
Deferred Tax Asset	177,299	152,443
Total Non Current Assets	3,687,966	3,614,347
TOTAL ASSETS	8,892,136	8,229,512
Current Liabilities		
Trade and other payables	3,551,076	3,112,879
Financial Liabilities	103,683	273,477
Provisions	427,970	344,006
Taxation	272,248	71,321
Total Current Liabilities	4,354,977	3,801,683
Non Current Liabilities		
Financial Liabilities	123,059	200,550
Provisions	59,981	69,796
Total Non Current Liabilities	183,040	270,346
TOTAL LIABILITIES	4,538,017	4,072,029
NET ASSETS	4,354,119	4,157,483
Equity		
Issued capital	3,394,022	3,366,860
Retained earnings	960,097	790,623
TOTAL EQUITY	4,354,119	4,157,483

The accompanying notes form part of this concise financial report

Statement of changes in equity

For year ended 30 June 2011

	2011 \$	2010 \$
Equity		
Total equity at the beginning of the financial year	4,157,483	3,868,956
Net profit for the year	787,131	736,744
Shares issued during the year	27,162	-
Dividends provided for or paid	(617,657)	(448,217)
Total equity at the end of the financial year	4,354,119	4,157,483
Retained earnings		
Retained earnings at the beginning of the period	790,623	502,096
Net profit attributable to members	787,131	736,744
Dividends paid to members	(617,657)	(448,217)
Retained earnings at the end of the financial year	960,097	790,623

The accompanying notes form part of this concise financial report

Statement of cash flows

For year ended 30 June 2011

	2011 \$	2010 \$
Cash flows from operating activities		
Cash received in course of operations	28,863,210	29,635,050
Interest paid	(170,778)	(117,233)
Cash paid in course of operations	(26,485,817)	(28,123,414)
Income tax paid	(165,668)	(340,623)
Interest received	46,474	78,515
Net cash provided by operating activities	2,087,421	1,132,295
Cash flows from investing activities		
Purchase of intangible assets	(189,958)	(318,940)
Purchase of property, plant and equipment	(768,216)	(829,323)
Proceeds from sale of assets	34,136	43,951
Net cash used in investing activities	(924,038)	(1,104,312)
Cash flows from financing activities		
Proceeds from borrowings	-	331,845
Repayment of finance lease	(247,286)	(385,568)
Dividends paid	(617,657)	(448,217)
Net cash used in financing activities	(864,943)	(501,940)
Net increase/(decrease) in cash held during the financial year	298,440	(473,957)
Cash at the beginning of the financial year	1,277,953	1,751,910
Cash at the end of the financial year	1,576,393	1,277,953

The accompanying notes form part of this concise financial report

Notes to and forming part of the financial report

1. Basis of preparation of the Concise Financial Report

The concise financial report is an extract for the full financial report for the year ended 30 June 2011. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Bendigo Community Telco Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investment activities of Bendigo Community Telco Limited as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The presentation currency used in this concise financial report is Australian dollars

2. Revenue

	2011 \$	2010 \$
Sales revenue	26,249,936	26,952,770
Other income	78,244	32,337
Total revenue	26,328,180	26,985,107
Interest revenue	46,474	78,515
Total other revenue	46,474	78,515
Total revenue and other income	26,374,654	27,063,622

3. Dividends

During the financial year payment of a final dividend of 6.0 cents (\$336,163) was paid in September 2010, with an interim dividend of 5.0 cents (\$281,494) paid in March 2011. Both dividends are 100% fully franked.

Both basic and diluted earnings per share increased from 13.15 cents in 2010 to 14.00 cents in 2011.

4. Segment Reporting

(a) Information about reportable segments

Aggregated Communications Departments

	2011 \$	2010 \$
External Segment Revenues	26,328,180	26,985,107
Segment Expenses	24,262,883	25,115,952
Net Segment Profit/(Loss)	2,065,297	1,869,155

(b) Reconciliation of Reportable Segment Revenue, Profit/(Loss), Assets & Liabilities and Other Material Items
Aggregated Communications Departments

	2011 \$	2010 \$
Revenues		
Total revenue for reportable segments (aggregated)	26,328,180	26,985,107
Interest revenue	46,474	78,515
Consolidated revenue	26,374,654	27,063,622
Profit or Loss		
Total profit/(loss) for reportable segments (aggregated)	2,065,297	1,869,155
Other profit/(loss)	46,474	78,515
Unallocated amounts:		
Finance expense	(170,778)	(117,233)
Depreciation & Amortisation	(823,620)	(787,880)
Impairment	11,497	1,114
Consolidated profit/(loss) before income tax	1,128,870	1,043,671

Assets & Liabilities

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

5. Events after the Reporting Period

Since the end of the financial year a final dividend in the amount of 5 cents per share was declared by the Board of Directors on 31 August 2011 which will be distributed to shareholders on 30 September 2011.

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.

Directors' declaration

The Directors of Bendigo Community Telco Limited declare that the concise financial report for the financial year ended 30 June 2011 as set out on pages 1 to 29:

- a. Complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b. Is an extract from the full financial report for the year ended 30 June 2011 and has been derived from and is consistent with the full financial report of Bendigo Community Telco Limited.

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

On behalf of the directors



Rob Hunt
Director

Don Erskine
Director

Dated this 31st day of August 2011





PO Box 454
Bendigo VIC 3552

61-65 Bull Street
Bendigo VIC 3550

Phone (03) 5443 0344

Fax (03) 5443 5304

afs@afsbendigo.com.au
www.afsbendigo.com.au

ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Bendigo Community Telco Limited

Report on the Concise Financial Report

The accompanying concise financial report of Bendigo Community Telco Limited comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited full financial report of Bendigo Community Telco Limited for the year ended 30 June 2011, and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: Concise Financial Reports (including the Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bendigo Community Telco Limited for the year ended 30 June 2011. Our audit report on the full financial report for the year was signed on 31 August 2011 and was not subject to any modification. The Australian Auditing 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 for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and consistent with, the full financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039: Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039: Concise Financial Reports.

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, the concise financial report including discussion and analysis of Bendigo Community Telco Limited for the year ended 30 June 2011 complies with Accounting Standard AASB 1039: Concise Financial Reports.


GRAEME STEWART

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 31st day of August 2011

