

2005 Community Prospectus

Bendigo Community Telco Limited
ACN 089 782 203

Prospectus for the Offer of 1,126,000 Shares at \$1.00 per Share to raise \$1,126,000, with the ability to accept over subscriptions of up to 563,000 Shares

The Offer is not underwritten and there is no minimum subscription.



CORPORATE DIRECTORY

DIRECTORS

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INDICATIVE TIMETABLE

Offer Opens	17 June 2005
Closing Date	8 August 2005
Trading of Shares expected to commence on BSX	30 September 2005

The above dates are indicative only. The Company may vary these dates without notice.

IMPORTANT NOTICES

This second replacement Prospectus is dated 23 August 2005 and was lodged with the Australian Securities and Investments Commission ("ASIC") on 23 August 2005. It replaces the prospectus dated 1 June 2005 which was lodged with ASIC on 1 June 2005 and the replacement prospectus dated 17 June 2005 which was lodged with ASIC on 17 June 2005. ASIC and BSX take no responsibility for the contents of this Prospectus.

The Company will apply for shares offered by this Prospectus to be listed for quotation by BSX within 7 days following the date of this Prospectus.

No Applications for Shares will be accepted nor will Shares be issued on the basis of this Prospectus:

- earlier than seven days after lodgement of this Prospectus with ASIC and any further period required by ASIC under section 727(3) of the Act; or
- later than the expiry date of this Prospectus, which is 13 months after the date of this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus or taken to be included in this Prospectus. Information provided or representations made which are not contained in this Prospectus cannot be relied upon as having been authorised by Bendigo Community Telco in connection with the Offer.

Bendigo Community Telco reserves the right to withdraw the Offer at any time and refund Application Money to Applicants without interest. This Prospectus does not constitute an offer in any place in which, or through any person to whom, it would not be lawful to make such an offer.

Prospectus Availability

This Prospectus is available in electronic form on Bendigo Community Telco's web site at www.bendigotelco.com.au. Any Australian resident who receives this Prospectus electronically will be sent a paper copy of the Prospectus (and attached Application Form) free of charge on request during the Offer Period.

Applications

The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of the Prospectus. The Application Form contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form. Applications under the Offer must be made by completing a paper copy of the Application Form included in the paper copy of this Prospectus, or an Application Form included in this Prospectus downloaded and printed in its entirety from the Company's website. The Company will not accept a completed Application Form if it has reason to believe that the Applicant

has not received an Application Form together with a full copy of the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Investors should seek professional investment advice as to the risks and suitability of the investment offered in this Prospectus in light of those risks and any other considerations having bearing upon their personal circumstances.

This Prospectus, including each of the documents attached to it and which form part of this Prospectus, is important and should be read in its entirety prior to making an investment decision. If you are in any doubt as to its contents, or the course you should adopt, you should consult your stockbroker, accountant, solicitor or other professional advisor.

Capitalised terms and abbreviations used in this Prospectus have the meanings set out in the Glossary at the end of this Prospectus.

This document is important and should be read in its entirety.

Applicants May Withdraw and Receive a Refund

Any Applicant who has accepted the Offer and been issued Shares (**Shareholder**) but would like to withdraw their application may, at any time, on or before 26 September 2005 (**Withdrawal Date**), withdraw their application and receive a refund of the issue price of the Shares issued to them (**Refund**).

A Shareholder who has accepted the Offer can withdraw by completing the notice which accompanies this replacement prospectus (**Withdrawal Notice**) and returning it to the Company by mail to Bendigo Community Telco Limited, Share Offer, PO BOX 1062, Bendigo, Victoria, 3552 OR by delivery to 5 View Point, Bendigo, Victoria, 3550 no later than 5.00 pm on the Withdrawal Date.

The effect of the Corporations Act (as modified in relation to the Offer) is that the time by which the Shares must be admitted to quotation on the BSX has been extended from 3 months after the date of the original prospectus (1 September 2005) to 3 months after the date of this replacement prospectus (23 November 2005). If the Shares are not admitted to quotation on the BSX by that later date the company will be obliged to refund all application money.

If you do not wish to withdraw your application, please do **NOT** complete and return the Withdrawal Notice. If you do not wish to withdraw your application, you need not take any action.

The Company may offer additional Shares to replace applications withdrawn under a Withdrawal Notice.

CHAIRMAN'S LETTER

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Bendigo Community Telco. The information contained in this Prospectus has been prepared to help you make an informed investment decision.

The Offer and the proposed listing of Shares for quotation on the Bendigo Stock Exchange support Bendigo Community Telco's long-term goals of broad-based community ownership and community identity with the Bendigo Community Telco brand as well as raising capital to meet short and medium term needs. Our operation is based on the successful community business model developed by our foundation shareholder, Bendigo Bank. Bendigo Community Telco intends to engage community support for its activities as a viable and cost-effective alternative to other telecommunication providers:

- By promoting community ownership to achieve stakeholder support; and
- By aggregating the community's spend to increase its bargaining power, thereby securing competitively priced and comprehensive telecommunications services that might not otherwise be achieved by individual customers.

These strategies are designed to retain in our community money spent on telecommunications services that currently flows to external suppliers. This enables us to employ local people and deliver important social and economic benefits to our community.

Since opening for business in late 2000, Bendigo Community Telco has steadily built its support within the Bendigo community. We have attracted 4,786 customers and we currently employ 24 staff. In January 2005 we paid the first dividend to our current shareholders and a further dividend was declared on 30 May 2005 and paid on 27 June 2005. Having established ourselves under the current shareholder structure, we are now pleased to provide Customers with the opportunity to invest in their own community telecommunications company.

The Board is of the view that Bendigo Community Telco's franchising arrangements with Community Developments Australia have promising potential returns for the Company and its shareholders by delivering expansion of its customer and revenue base.

There are, however, risks involved in any investment. The Board encourages potential investors to seek professional advice as to those risks and the suitability of any investment in Bendigo Community Telco having regard to all the information in this Prospectus.

I look forward to welcoming you as a shareholder of Bendigo Community Telco.

Yours sincerely,

Robert George Hunt

1. OFFER SUMMARY

This section is a summary only. Prospective Applicants should read this Prospectus in its entirety before making any decision to apply for Shares.

Bendigo Community Telco is seeking to raise \$1,126,000 less expenses through the offer of 1,126,000 New Shares at an issue price of \$1.00 per Share. There is no minimum subscription and the Offer is not underwritten. The Company will consider accepting over subscriptions of up to 563,000 Shares.

In determining allocations, preference will be given to Applicants who are Customers.

1.1 The Offer

Amount to be raised	\$1,126,000
Offer price per share	\$1.00
Number of New Shares offered	1,126,000
Over-subscriptions that may be accepted	563,000
Maximum number of New Shares offered under this Prospectus	1,689,000

1.2 Investment summary

This Prospectus offers prospective investors the opportunity to invest in ordinary shares in Bendigo Community Telco. The Company offers its customers a range of telecommunications services tailored specifically to meet the needs of the Bendigo regional market.

The Directors of Bendigo Community Telco believe that the Company offers its customers a viable alternative to mainstream telecommunications providers. This is because the aggregation of community bargaining power offered by the Community Enterprise™ Model and the franchise arrangements with Community Developments Australia provide Bendigo Community Telco with the ability to aggregate demand with other communities and achieve enhanced cost structures within the telecommunications market.

In addition, the Directors believe that community ownership through local customer investment provides the optimal environment for customer retention by virtue of vested community interests in shaping the future of the community's telecommunications provider, the range of services it offers and its overall competitive edge.

1.3 Key investment statistics

	Audited Year Ended June 2002 ('000's)	Audited Year Ended June 2003 ('000's)	Audited Year Ended June 2004 ('000's)	Audited 6 months Ending 31 Dec. 2004 ('000's)	Un-audited 10 months Ending 30 April 2005 ('000's)
Gross Revenue	6,814	9,524	12,141	7,081	12,492
Profit After Tax	(506)	287	771	226	462
Earnings Per Share (i)	-	0.057	0.153	0.045	0.092
Price Earnings Ratio at Offer Price (ii)	-	17.5	6.5	22.2	10.87

- (i) Earnings Per Share = Profit After Tax/No. of Shares on issue after offer (5,036,010). This assumes the Offer is fully subscribed and that there are no over subscriptions.
- (ii) Price Earnings Ratio = Market Price per Share (\$1.00)/Earnings Per Share (i).

	2001	2002	2003	2004
Number of Customers	2,665	4,036	4,390	4,786
Number of services	3,496	9,431	14,549	18,732

Top Five Customers: Bendigo Bank, Bendigo Health Care Group, City of Greater Bendigo, Fernwood Women's Health Club Pty Ltd and RegionalOne Credit Union.

1.4 Purpose of the offer

The Offer provides Customers and other investors with an opportunity to acquire Shares. The funds raised will be used to acquire telecommunications infrastructure, develop applications and meet the expenses of the Offer.

2. DETAILS OF THE OFFER

2.1 The Offer

Bendigo Community Telco invites Applications for 1,126,000 New Shares at an issue price of \$1.00 per Share to raise \$1,126,000. There is no minimum subscription and the Offer is not underwritten. The Company will consider accepting over subscriptions of up to 563,000 Shares.

Upon allotment, the New Shares will rank equally in all respects with existing fully paid ordinary shares on issue. Rights attaching to Shares are set out in section 8.1. Conditions governing Applications for Shares are set out in section 2.6.

2.2 Purpose of the Offer

The Offer provides Customers and other investors with an opportunity to acquire Shares. The funds raised in the Offer will be used to acquire telecommunications infrastructure, develop applications and meet the expenses of the Offer.

Section 3 of this Prospectus describes the business strategies of the Company, including the reasons for investing in telecommunications infrastructure and applications at this point in Bendigo Community Telco's development. Further details on the application of funds are set out in section 2.3.

2.3 Application of funds

The Company currently has earmarked approximately \$325,000 out of its current cash reserves for infrastructure development. The Company also has an additional \$250,000 cash available as a result of the share sale transaction referred to in section 5.5. These funds will be used, together with funds raised in the Offer, to acquire telecommunications infrastructure and develop applications.

The most significant expenditure will be for the acquisition of Voice Switching and Customer Access Network technologies, which are expected to cost in the region of \$1,000,000. Other technology that will be acquired and applications that will be developed include an expansion of the company's data recovery infrastructure which enables customers to back up and retrieve data rapidly, introducing data archiving systems, and introducing high speed data CAN and applications hosting, particularly at the Business Continuity Centre. The total cost of these additional items of technology and application developments is likely to be in the region of \$380,000.

A summary of the expected use of the proceeds of the Offer is set out in the table below.

Item	
Acquisition of Voice Switching and Customer Access Network technologies	\$1,000,000
Acquisition of other technology and development of business applications	\$380,000
Expenses of the Offer	\$200,000

Should the offer be undersubscribed the Company will scale back these initiatives, giving priority to the development of business applications before acquiring Voice Switching and Customer Access Network technologies.

Bendigo Community Telco may accept over subscriptions of up to 563,000 Shares to raise up to \$563,000. If the Company accepts over subscriptions, the additional funds will be used as indicated above, and for further investments and to provide working capital.

Unless the Offer is over subscribed, the Company will use some of the funds of approximately \$325,000, referred to above, to acquire the telecommunications infrastructure and develop the applications indicated above.

2.4 Capital structure on completion of the Offer

Amount to be raised	\$1,126,000
Offer price per share	\$1.00
Maximum number of new Shares being offered under this Prospectus	1,689,000
Total number of Shares on issue at the date of this Prospectus	3,910,010
Total Number of Shares on issue if Offer fully subscribed	5,036,010
Total Number of Shares on issue if Offer over-subscribed by 563,000 Shares	5,599,010

2.5 Amounts payable by Applicants wishing to subscribe for Shares

Applicants are required to pay \$1.00 per Share subscribed for. Applications must be for a minimum of 1,000 Shares at \$1.00 each (i.e. \$1,000). Additional Shares can be applied for in multiples of 1,000 Shares.

No brokerage or stamp duty will be payable by Applicants subscribing for Shares.

The Company will pay commission on Applications received from Licensed Dealers at the rate of 2% of the Application Money. Application Forms must be stamped by the Licensed Dealers to be eligible for commission.

2.6 How to apply for shares

An Application for Shares can only be made by completing and lodging the Application Form attached to this Prospectus. Detailed instructions on completing the Application Form are at the back of the Application Form and Applicants are reminded that Applications must be for a minimum of 1,000 Shares.

The Application Form must be accompanied by a cheque drawn on an Australian Bank and in Australian dollars made payable to “Bendigo Community Telco Subscription Account” and crossed “Not Negotiable”. Completed Application Forms and your cheque should be mailed or delivered to Bendigo Community Telco at either:

P.O. Box 1062
BENDIGO VICTORIA 3552

OR

5 View Point
BENDIGO VICTORIA 3550

The Directors reserve the right to accept or reject any Application for Shares. If an Application Form is not completed properly, or if the accompanying payment is for the wrong amount, it may nevertheless be treated as valid. The decision of Bendigo Community Telco as to whether to treat an Application Form as valid or how to construe it will be final.

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue or sell Shares will only be formed when the Application is accepted by Bendigo Community Telco. Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Moneys will be returned to Applicants by cheque within seven days of the Closing Date. Interest will not be paid on the refunded Subscription Funds.

Completed Application Forms must be received by the Share Registry prior to 5.00 p.m. Australian Eastern Standard Time on the Closing Date, expected to be 8 August 2005, unless the Offer is closed early. The Directors reserve the right to close the Offer at any time without prior notice. The Directors also reserve the right to extend the Offer period in accordance with the Act. Applications for Shares will not be accepted after the Closing Date.

2.7 When to apply

The Offer will open on 17 June 2005 or such later date as may be prescribed by ASIC or determined by the Company, and will remain open until 5.00 p.m. AEST on 8 August 2005 subject to the right of Bendigo Community Telco to either close the Offer at an earlier time and date or to extend the Closing Date without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

2.8 Allotment and Customer priority

The allotment of Shares to Applicants will occur as soon as practicable after the Offer is closed, following which Holding Statements will be dispatched to Applicants.

The Directors have a discretion in relation to the acceptance of Applications and preference will be given to Applications made by Applicants who are Customers. When exercising this discretion, the Directors will have regard to the length of time the Applicant has been a Customer and the Applicant's volume of purchases.

Applicants who are eligible for Customer priority should indicate that they are a Customer in the space provided for in the Application Form.

Bendigo Community Telco will retain Application Money in a trust account until Shares are issued.

2.9 Stock exchange listing

Application has been made to Bendigo Stock Exchange Limited for Bendigo Community Telco to be admitted to the Official List of Bendigo Stock Exchange and for quotation of Shares (including the New Shares) on the Bendigo Stock Exchange. The BSX Listing Rules require 50 shareholders each holding shares having a value of at least \$2,000 as a condition of listing.

The Company will allot Shares to Applicants as soon as practicable after the Closing Date. It is the responsibility of Applicants to determine their allocation of Shares prior to trading in those Shares. Any Applicants who sell Shares before they receive their transaction confirmation statements will do so at their own risk.

It is expected that trading on Bendigo Stock Exchange will commence on or about 30 September 2005. If Bendigo Community Telco has not been admitted to the Official List of Bendigo Stock Exchange within three months of the date of the issue of this Prospectus then all Application Moneys will be refunded in full. Interest will not be paid on Application Money refunded.

2.10 Non resident investors

This Prospectus does not constitute an offer in any jurisdiction outside Australia or to any person to whom it would not be lawful to issue this Prospectus.

Persons applying for Shares on behalf of overseas residents are responsible for ensuring that an Application for Shares does not breach any regulation applicable to any such overseas resident.

Lodgement of Application Forms accompanied by the relevant application moneys will be taken by Bendigo Community Telco to constitute a representation from the Applicant that no breaches of any such regulations have occurred. Applicants who are nominees or persons proposing to act as nominees should seek independent advice as to how they should proceed.

2.11 Board and management

The Board of Bendigo Community Telco is comprised of highly qualified individuals having a range of academic, commercial and professional experience and who have a strong profile in the Bendigo business community. A strength of the Board is that its members are representative of the original consortium of key stakeholders and customers within the Bendigo Community. Details of the Board and management are set out in section 4 of this Prospectus.

2.12 Financial prospects and dividend policy

Bendigo Community Telco has enjoyed steady growth since it commenced operations in 2000, returning a net profit after tax of \$771,426 in the last financial year (to 30 June 2004) and \$287,686 in the 2003 financial year (See section 5.3).

Continued revenue profits and cash flows are dependent on a number of factors including the outcome of Bendigo Community Telco's development activities, its capacity to deliver state of the art telecommunications services at competitive rates, its ability to maintain existing profit margins and to retain and expand its customer base. Risk Factors detailed in section 7 of this Prospectus draw attention to matters which might have an adverse impact on growth or delivery of telecommunications services at competitive rates. By way of example, changes in Government policy and greater concentration of market power of incumbent market leaders such as Telstra and Optus may affect the range of services available at competitive prices. Bendigo Community Telco's dependence upon Community Developments Australia's continuing capacity to provide telecommunications services at favourable wholesale rates is a further factor which bears upon Bendigo Community Telco's potential revenue base. There is no guarantee that the prevailing cost structures will be sustained having regard to continued downward pressure on pricing of telecommunications carriage service providers from whom Community Developments Australia (and Bendigo Community Telco) source product. These Risk Factors should be considered carefully by an intending investor.

As at the date of this Prospectus, the Directors do not foresee any material adverse change to Bendigo Community Telco's financial prospects.

Bendigo Community Telco aims to maintain strong growth within the market segment in which it operates, maximising its market share on the Community EnterpriseTM Model. Bendigo Community Telco will review its dividend strategy in light of future earnings growth as commercial opportunities emerge and in light of the terms of the Franchise Agreement. Under the Franchise Agreement the Board must give due consideration to not exceeding a distribution limit specified in the Franchise Agreement but it is not bound to do so. This is explained further in section 8.6.

In the case of the 2005 dividends, the Directors determined that it would be appropriate to pay dividends in excess of this limit to reward foundation investors in BCT for their support in the early stages of the Company's development.

Following the taking up of retained losses an initial dividend of \$112,817 (2.9c per share) was paid on 11 March 2005. A further dividend payment of \$300,000 (7.7c per share) was declared on 30 May 2005 and was paid on 27 June 2005. These dividends were declared having regard to the current financial position of the company at the relevant time, and should not be relied upon as a basis for calculation of likely future dividend yields.

In the interim, the Directors consider that at this stage of the company's development, they are unable to provide potential investors with reliable revenue or cash flow projections, forecasts or dividend policy.

2.13 Risk factors

The investment opportunity offered in this Prospectus should be regarded as subject to a number of risks. Potential Applicants are referred to section 7 for details of Risk Factors and to section 3.9 for information on the operational environment which Bendigo Community Telco has identified as its target market.

3. THE BUSINESS

3.1 General Business Activities

The predominant business activity of Bendigo Community Telco is the supply of telecommunications services as a re-seller of wholesale services supplied by larger telecommunications carriers. The Company purchases the majority of these services through its franchise arrangements with Community Developments Australia. The Company also supplies some related applications to its customers.

Whilst the Company does compete directly with the leading telecommunications carriers, it does not intend to own or supply access to substantial telecommunications infrastructure. Rather, it relies on the resupply of services and its role as a community enterprise to maintain its market positioning. This is discussed further below.

3.2 Background

Bendigo Community Telco was incorporated as a public company on 23 November 1999. The Company was formed with a view to delivering comprehensive, competitively priced telecommunications products through the aggregated buying power of its foundation members. Bendigo Community Telco presently has 37 shareholders, the top ten of whom are listed in section 8.7 of this Prospectus.

On 14 August 2000 Bendigo Community Telco commenced operations as a retailer of telecommunications services to consortium customers which then consisted of a number of small to medium enterprises, local government and educational organisations in the Bendigo region and key local institutions such as the Bendigo Health Care Group and Bendigo Bank.

Bendigo Community Telco now supplies services to its foundation members and a broader range of other customers, including retail customers. Its retail outlet is located at 5 View Point, Bendigo and its Business Continuity Centre is situated at the Central Victoria Innovation Park at 121 Edwards Road, Flora Hill, Bendigo. The Company employs 24 staff involved in management, administration, sales and marketing, technical support and customer service.

3.3 Key milestones

In the initial stages of its development, Bendigo Community Telco has achieved delivery of a range of telecommunications services at competitive rates by:

- building direct strategic wholesale alliances with first and second tier telecommunications providers, such as AAPT, Primus, Optus and Comindico Australia Pty Ltd, Request Broadband Pty Ltd, Intercall Australia Pty Ltd, Info-In.com Pty Ltd, Connect Internet Solutions Pty Ltd and Camtech (a division of Keycorp Ltd);
- its acquisition, in 2001, of Impulse.net;
- its purchase, in 2002, of telecommunications infrastructure from Austar Entertainment Pty Ltd;
- the commissioning of a disaster recovery, data protection and back up facility in conjunction with Central Victorian Innovation Park (CVIP), Bendigo Bank, City of Greater Bendigo, La Trobe University, and the State Government at the Bendigo campus of La Trobe University in September 2003;
- entering into a Customer Access Network funding agreement with Multimedia Victoria, Victorian State Government. The service was commissioned in December 2003; and

- sale of Bendigo Community Telco's 5.6% stake in CTA for a cash price of \$250,000 (this was the carrying value of the shares in Bendigo Community Telco's accounts).

On 6 December 2004, Bendigo Community Telco entered into the Franchise Agreement with Community Developments Australia which commenced on 1 December 2004. Under the Franchise Agreement, most of the Company's supply agreements with telecommunication carriers have been replaced with a single supply agreement with Community Developments Australia. The history and background of the Community Enterprise™ Model and Bendigo Community Telco's role in its development is set out in section 3.4.

3.4 The Community Enterprise™ Model

Bendigo Community Telco operates under the Community Enterprise™ Model developed by its major shareholder, Bendigo Bank.

The success of community co-operation, community ownership and the combined community buying power of regional franchises has seen the Community Enterprise™ model grow and allow many communities to secure not just banking services, but other services such as telecommunications.

For communities across metropolitan and regional Australia, Community Enterprise™ is delivering competitive pricing and service standards that were not previously possible. Community Enterprise™ provides Bendigo Community Telco and the local community with the necessary support, knowledge and know-how to meet the region's telecommunications needs and contribute directly to a sustainable future.

Local ownership effectively gives Bendigo people a say in the telecommunications services they receive – rather than waiting for these services to be supplied by the recognised market leaders. The in-built support systems of the Community Enterprise™ franchise structure allows Bendigo Community Telco to focus on its primary goal of delivering competitive, relevant and nationally negotiated telecommunications to Bendigo businesses and residents.

Sponsored by Bendigo Bank, and partly funded from its own resources, a pilot programme was initiated to carry out an audit of the Bendigo region's telecommunications market to gauge its capacity to accommodate a telecommunications service provider as an alternative to the market leaders based on the Community Enterprise™ Model. This market is described in section 3.9.

The pilot programme demonstrated the viability for a regionally based telecommunications company. From the time of the pilot program Bendigo Community Telco continued to grow its business and has ultimately entered a Franchise Agreement with Community Developments Australia.

The benefits of the Community Enterprise™ Model include:

- Relationships with telecommunications carriers through Community Developments Australia provide Bendigo Community Telco with a nationally negotiated pricing structure that allows pricing to be relatively competitive.
- The Community Enterprise™ Model provides a platform to favourably influence the manner in which major telecommunications carriers respond to regional requirements through improved access to a greater range of telecommunications technology. Such access provides an opportunity to enhance return-on-investment through leveraging the balance sheet of the carriers rather than scarce local capital.

The support systems offered under the franchise structure permit Bendigo Community Telco to continue to focus on aiming to secure the most modern and cost efficient telecommunications services for the Bendigo community. This may involve securing services for the Bendigo community that presently are not available. Such activities may require significant capital outlays by Bendigo

Community Telco. In this event, Bendigo Community Telco may seek further capital from the public (including shareholders). However, it is too early to determine if and when this will be needed.

3.5 Franchise arrangements with CDA

Background

On 6 December 2004 Bendigo Community Telco entered into the Franchise Agreement with CDA. Pursuant to the Franchise Agreement, Bendigo Community Telco is granted the right to utilise marketing techniques and systems developed by CDA, as well as software, IT materials, trademarks and other intellectual property rights which belong to CDA. It is through this grant of rights that Bendigo Community Telco has been able to obtain the benefits of the Community Enterprise™ Model (described above) in the context of providing telecommunications products and services.

Under the Franchise Agreement, BCT substitutes CDA as its supplier of telecommunications services for the multiple telecommunications carriers with whom it previously had supply arrangements. CDA in turn sources its telecommunications services from suppliers which have wholesale supply agreements with one or more telecommunications carriers. CDA's current supplier is Community Telco Australia (CTA). CTA was established by Bendigo Bank, concurrently with Bendigo Community Telco, to provide telecommunication services to CDA and is owned 50% by Bendigo Bank and 50% by AAPT.

Entry into the Franchise Agreement represents an important milestone in consolidating Bendigo Community Telco's future as a sustainable telecommunications re-supplier in the Bendigo and neighbouring regions. Further details of the Franchise Agreement are set out in section 8.2.

Bendigo Community Telco uses CDA's business support system and operating support system including the billing, finance, human resources, customer relationship management, data interchange and provisioning systems. With effect from 1 December 2003 Bendigo Community Telco was able to access newly negotiated national aggregated buying rates for telecommunications services. This immediate reduction in Bendigo Community Telco's cost of services could not have been achieved by Bendigo Community Telco alone due to insufficient volumes of potential stand alone businesses. In March 2004, CDA deployed GSM Digital Mobile telephone capability for Bendigo Community Telco enabling Bendigo Community Telco to enter a new market estimated to have an annual return of approximately \$35-\$40 million. In April 2004 CDA commenced user acceptance testing as the first Bendigo Community Telco customers were offered complete "single bill" rebill services for line rentals and local calls.

Over the last twelve months Bendigo Community Telco's cost of delivery of telecommunications services has reduced by 12% as a direct result of its relationship with Community Developments Australia.

3.6 Evolution of the business strategy

The Franchise Agreement has enabled Bendigo Community Telco to minimise risk and maximise opportunities for business development through a 3 phase strategy as follows.

Phase I - Reseller

BCT was established as a reseller of telecommunication services. The initial product range was limited and supportable with basic business and operating systems. The strategy of reselling reduced BCT's need for capital and its business risk whilst leveraging BCT's core capacity of demand aggregation provided through the initial pledges of the consortium customers.

Once the business model was proven, BCT continued to build its aggregated demand through expanding beyond the Consortium customer base to the broader Bendigo business sector. The

creation of national demand aggregation capacity through CTA also added strength to the reseller business model. BCT also built aggregated demand through expanding the range of products and services it offered. Ultimately it aimed to be able to provide total solutions to customers' Telco needs through reselling. The next logical phase of the reseller model is to expand into the residential market.

However, there are limitations on the reseller model. In a largely commoditised industry with negative trends for unit prices to end users and intense competition, the reseller model is vulnerable to margin squeeze.

When BCT was established there was a low level of competition within the Bendigo market and BCT was able to offer significant savings for business customers. The market has responded and BCT now offers competitive terms to other players. To date, BCT has largely avoided margin squeeze through achieving equal or greater reductions in wholesale costs than its reductions to end-users. Although there are still gains to be made through further national aggregation of demand, the benefits are likely to be less significant over time as CTA reaches the bottom of the aggregation curve (i.e. there are no further benefits to be obtained by additional aggregation).

Phase II - Selective infrastructure

In order to avoid margin squeeze as a pure reseller and also enhance its growth potential, BCT has the option of investing in telecommunications infrastructure selectively. This would be intended to allow the company to capture and control a greater share of the total margin whilst leveraging an improved product offering to achieve greater market penetration. The capacity to build infrastructure relies on balance sheet strength to both fund the build itself and the time to achieve a return on investment. The cost of building completely alternative infrastructure for a company the size of BCT is prohibitive. Nevertheless, there are opportunities to invest in strategic components of infrastructure that enable BCT to either share a greater proportion of the margin, develop a closer relationship with the end user or provide a superior service.

The emergence of IP telephony is a good example where an opportunity to break the established bond between voice services and the traditional POTS (plain old telephone system) infrastructure is being created. Because it involves both network and hardware elements, it is yet to be dominated by one set of providers and, therefore, there are opportunities for BCT to participate in partnerships where BCT can strategically own or control an element of the services and thereby regain margin. Additionally, the fact that BCT has a strong and well defined geographic customer base enhances the potential for a partnership to (1) lower implementation risk, (2) build a viable business case and (3) offer improved products and services over BCT's network to make a more attractive offering to customers.

Phase III - Application development

Beyond core telecommunications services, there is a range of business applications that provide a natural fit with a telecommunications service provider where the services are delivered over its own infrastructure. The business application market is far more specialised and less commoditised than the telecommunications market. Solutions are generally tailored to end users and more of the value of the service lies in intellectual property than in leveraging infrastructure assets. The result of the nature of the business application market is higher margins.

BCT has an opportunity to participate in this market if it is able to change from a pure reseller to having some strategic control over the network infrastructure over which it delivers its services. Once again, BCT's breadth of local relationships with customers means it has a good opportunity to develop applications that have real relevance and also offer synergies between different customers. The development of additional applications will assist BCT in lowering its business risk by diversifying into areas complimentary to its core reseller market. For example, the existing development of business continuity services has created \$76,000 per month of revenue for services and an additional \$67,000 per month of resold data connectivity. The creation of new applications will further cement the value and attractiveness for customers to justify and utilise BCT's data network.

3.7 Services currently provided by Bendigo Community Telco

Telephony (Voice)

Bendigo Community Telco provides telephony services (the delivery of telephone connections) utilizing network infrastructure comprising transmission link, telephone exchanges utilising reselling services provided by CDA.

Local, national, international and fixed to mobile outbound calls are provided to all customers and businesses in the targeted regional markets together with inbound 13/1300/1800/0198 numbers.

Bendigo Community Telco's strategy for its telephony services is to deliver a competitively priced product supported by individual customer service and dedicated account management to its business customers. Solutions are tailored to customers needs through consultation with local representatives.

Data Services

Bendigo Community Telco provides a variety of forms of data services to enable businesses to access multiple locations including the internet by low speed modem equipment through to sophisticated high-speed access such as ADSL and LMDS technologies.

Bendigo Community Telco provides four main forms of data services:

- Point to point dedicated transmission links;
- Wide Area Networks (WAN);
- IP Virtual Private Network (VPN); and
- Internet connectivity.

Bendigo Community Telco is a reseller of transmission capacity to allow point-to-point connection to occur for multiple business sites and for distant networks to be connected to local networks. Bendigo Community Telco also provides dial up modem internet connections.

Bendigo Community Telco also offers broadband services using DSL, satellite links and optical fibre networks in each case through its Franchise Agreement with CDA and its wholesale arrangements with other suppliers.

Bendigo Community Telco leverages deployed technology of other carriers such as ADSL, SHDSL, LMDS and Optic Fibre local loops to provide customers with greater data access and better pricing. As data solutions can require significant capital investment for both the customer and the carrier, Bendigo Community Telco intends to implement a strategy to capture high value customers using existing or new carrier networks and to subsequently build a business case for further investment by Bendigo Community Telco in infrastructure.

Mobile Services

Bendigo Community Telco is currently reselling mobile services utilizing CDMA and GSM mobile telephone services. Bendigo Community Telco's future strategy is to act as a reseller of other carriers' mobile networks.

Internet Services

The acquisition of Impulse.net enables Bendigo Community Telco to offer a range of business and residential internet services tailored to customer needs in Bendigo. The Internet services are provided

through infrastructure acquired by Bendigo Community Telco as part of the acquisition of the business of Impulse.net. Customers use a modem at their premises to dial up for connection.

Products currently on offer by Impulse.net include:

- Dial up modem and high speed Internet access;
- Web page development;
- Web site hosting;
- E-mail;
- Electronic business solutions to enable customers to conduct commerce and work practices electronically, which include on-line Internet electronic brochure creation, on-line product ordering, on-line product payment and on-line customer service.

In addition, through its management and operation of the business of Impulse.net, Bendigo Community Telco has developed Payment Gateway Facilities to allow business transactions of a financial nature in a secure electronic environment.

Business Continuity Centre (BCC)

In 2003 Bendigo Community Telco commissioned the BCC which is situated at the Central Victorian Innovation Park at the Bendigo Campus of La Trobe University. The BCC is an IBM accredited data recovery and back up business continuity facility established by Bendigo Community Telco in conjunction with CVIP, Bendigo Bank, Bendigo Health Care Group, City of Greater Bendigo, La Trobe University and the State Government. Bendigo Community Telco is a certified Business Partner of IBM.

The BCC has the following existing facilities:

- Tivoli Storage Manager (TSM) system providing online data back up and restore services. This currently services several local organisations, but has significant spare capacity;
- Customer Access Network – a fibre optic network around the Bendigo region and connecting the region to national capitals;
- Disaster Recovery and Business Continuity services including emergency workspace;
- Long-term data archival, protection, and retention;
- Co-location and telehousing;
- SAN & NAS facilities; and
- Email management and archival.

3.8 Board proposals to enhance existing facilities

Bendigo Community Telco's Board is considering a range of proposals to enhance the range of services offered by the BCC with a view to establishing BCC as the hub of Bendigo's e-business activity to provide:

- Services such as Expanded Feature-set Voice, email, high quality internet access;

- With the introduction of high speed connectivity, communication for and between customers at a reduced rate;
- Expansion of TSM to provide enhanced data recovery;
- Data Archiving;
- Voice Switching;
- To allow communication for and between customers (“on net” traffic) over a network that offers Bendigo Community Telco greater control over call pricing and margin; and
- Back up services.

3.9 Business environment

Bendigo Community Telco’s target market

Bendigo Community Telco has identified as its target market those areas where smaller telecommunications companies are able to improve upon market leaders’ cost of supply by reason of lower overheads, cost efficiency of operations, greater retention of customers through enhanced loyalty and where demand aggregation of services provides an opportunity to compete. To date, Bendigo Community Telco’s target market has been local government and community services, the education sector and commercial enterprises.

Bendigo Community Telco has further defined its market as being composed of any organisation or individual where the Company is able to deliver relevant benefits to the organisation or individual’s community. Bendigo Community Telco also aims to engage with smaller local Communities within the greater Bendigo market. A good example is a referral agreement that the company entered into with the Strathfieldsaye Community Enterprise in January 2005.

National Telecommunications Market

Based on Australian Bureau of Statistics data, the national telecommunications market was worth \$32.5b in 2004. The growth of the major segments is represented below:

2004	Fixed Voice	Mobile	Data	Other
Revenue	\$12.1b	\$9b	\$8.1b	\$3.3b
Revenue Growth	2.4%	4.7%	15.5%	

Regional Market Analysis

The Company has utilised the Australian Bureau of Statistics data for the 0354 Telstra call zone for telecommunications services as the basis for an approximate estimation of the population within the region. The population figures have then been combined with typical spending patterns in regional areas and call data from the Company’s existing customer base to develop an estimate of the potential market for the Company’s products and services.

The Company has estimated the call zone to have had an annual turnover of \$165 million in 2000. Telstra had the single largest share of this market. The balance of the market for telecommunications services was shared between a number of carriers including AAPT, Optus, Vodafone, Primus and a number of small carriers and telecommunications resellers.

The Bendigo regional market can be divided into the following segments:

Small to Medium Enterprises	\$72m
Government	\$6m
Residential	\$87m

The following is a breakdown of annual spend on telecommunications services in the Bendigo regional market:

Internet, email

ADSL	\$3m
Dial-up	\$13m

Voice telephony

Mobiles	\$41m
Long distance	\$25m
Fixed to mobile	\$17m
International	\$3m
Line rental	\$58m

3.10 Regulatory issues

As part of the Australian telecommunications industry BCT operates in a highly regulated environment. BCT is a Carriage Service Provider and as such must comply with a range of obligations under the Telecommunications Act 1997 and the Telecommunications (Consumer Protection and Service Standards) Act 1999 including:

- supplying the standard telephone service, or public mobile telecommunications services or Internet access service, joining the Telecommunications Industry Ombudsman scheme;
- for standard telephone services, obligations to provide directory assistance, operator services and itemised billing to customers; and
- complying with access obligations imposed by the telecommunications access regime.

BCT has systems in place to ensure that all its obligations are satisfied. The systems are subject to review to ensure any changes to the regulatory environment are met. Key areas include:

- Churn

When a service churns from Bendigo Community Telco to another carrier the gaining carrier will take the services over regardless of contract terms set out by Bendigo Community Telco. Unused portions of contract terms are billed to the customer after the churn occurs. It is the customer's responsibility to acknowledge the terms of their contract.

- Establishment of new services for customers

Services are provided in alignment to industry guidelines. An example of this in the Mobile Number Portability timeframes as set out by the ACA.

- Support

Professional technical and product support and troubleshooting is available during office hours. Additional ISP support is available up to 8:00pm weekdays and between 10:00am – 4:00pm on weekends. Bendigo Community Telco does not support software or infrastructure at premises enquiries. However, as a provider Bendigo Community Telco does support service connections.

- Telecommunications Industry Ombudsman (TIO)

Bendigo Community Telco's complaint procedure is in line with the TIO guidelines on complaint handling procedures. Complaints are logged and dealt with to ensure that a resolution satisfies the TIO recommendations on customer satisfaction.

- Privacy

Information obtained is used only to enable Bendigo Community Telco to provide services and to invoice our customers. The information is not sold and is securely stored. Our customer relations management system ensures frontline staff verify enquiries against customer details so that only authorised representatives are provided with the requested information.

- Faults

Fixed Line faults are supported 24/7, which is in line with ACA and ACIF codes of practice. If a mobile phone is lost this can also be reported on the same 24/7 line. Internet and mobile support is available during business hours whilst additional internet support is available up to 8:00pm weekdays and from 10:00am – 4:00pm on weekends.

4. BOARD AND KEY PERSONNEL

4.1 Board of directors

The Board of Directors of Bendigo Community Telco is constituted by a number of highly qualified individuals drawn from the Bendigo Banking, Educational, Government and commercial sectors. The Board undertakes an active role in steering the future direction of Bendigo Community Telco and in its management. Management employed by Bendigo Community Telco is highly qualified with experience specific to Bendigo Community Telco's operations. The Board is supported by a Finance, Budgeting and Risk Committee and a Remuneration Committee.

The Board comprises:

**Robert George
HUNT (Chairman)**

Age: 54
Occupation: Managing Director, Bendigo Bank Group
Resides: Bendigo

Background Information

In 1990 Rob Hunt was appointed Managing Director of Bendigo Building Society (which converted to bank status in July 1995). Rob has guided Bendigo Bank through many innovations to become a unique regional and community banking organisation which today has assets nearing \$14 billion (over 285 branches and 1,600 staff).

Architect of Bendigo Bank's community banking program, Rob is actively involved in many regional development strategies including Bendigo Stock Exchange, the recently launched Community Enterprise Foundation, Bendigo Community Telco, CDA, Lead On youth program and many other community development programs. Rob holds many directorships and committee positions.

Based in Bendigo, Rob has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diversified banking and financial services group.

**Leslie Alan
KILMARTIN**

Age: 61
Occupation: Principal of The Insight Group and Academic Head, Higher Education, NMIT
Resides: Melbourne

Background Information

Les Kilmartin is the former head of the Bendigo campus of La Trobe University and he held the position of Professor of Regional and Urban Studies. He is now the Principal of The Insight Group and Academic Head, Higher Education for NMIT.

Professor Kilmartin's academic interests include a long-standing involvement in regional development, and he served on the Premier's Northern Region Forum and prepared a regional strategy plan for La Trobe University. In addition he also established and was Founding Director of the University's Centre for Sustainable Regional Communities, which conducts applied regional research and community service programs through central and northern Victoria.

**Geoffrey Ralph
MICHELL**

Age: 54
Occupation: Chief Executive, Coliban Water
Resides: Bendigo

Background Information

After initially working in the construction industry, Geoff has spent the last 30 years in the water industry at various locations throughout Victoria. He has been involved in the construction and operation of water and wastewater infrastructure and management of water services.

Geoff was appointed Chief Executive of Coliban Water in August 1998, after working with the utility since its creation in 1992. Geoff has been extensively involved in all aspects of Coliban Water's strategic use of the private sector to achieve its business objectives.

**Donald James
ERSKINE**

Age: 59
Occupation: Managing Director, Industrial Conveying (Aust.) Pty Limited & Bendigo Brick Pty Limited
Resides: Bendigo

Background Information

Don is trained as a mechanical engineer. He is Managing Director of both Industrial Conveying (Aust.) Pty Limited and Bendigo Brick Pty Limited. Industrial Conveying (Aust.) Pty Ltd was formed by Don in 1979.

Don is a non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT and Property Committees. Don is also a Director of Community Telco Australia. His previous appointments include Director of North West Country Credit Union Co-op Ltd and Director of Bendigo Economic Development Committee. Don is also chairman of Bendigo Plus and is actively involved in the Bendigo Community.

**Graham William
BASTIAN**

Age: 53
Occupation: Principal, Bendigo Senior Secondary College
Resides: Bendigo

Background Information

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 now Principal of Bendigo Senior Secondary College.

**Kathleen Ellen
BYRNE**

Age: 49
Occupation: Chief Executive, Bendigo Health Care Group (BHCG)
Resides: Bendigo

Background Information

Kathy moved to Victoria in April 1998 when she joined the BHCG as Chief Executive. Having held senior management positions in the private, public and not-for-profit sectors all around Australia, Kathy has over 20 years experience in diverse organisations and environments.

Kathy's experience is in leading and managing change through responsible and accountable management..

**Andrew James
CAIRNS**

Age: 43
Occupation: Chief Executive Officer, Community Telco Australia Pty Ltd
Resides: Bendigo

Background Information

Andrew Cairns has extensive experience in a variety of industries from manufacturing to television and telecommunications, both in Australia and internationally. In the past few years he has applied that experience to steering start-up organisations to success, including initially Bendigo Community Telco as Chief Executive Officer.

The success of the Community Telco model, led by Andrew as Chief Executive Officer of Community Telco Australia has now resulted in the successful project being rolled out to regional communities across Australia.

4.2 Key personnel

**John Clifford
WARMBRUNN**

Age: 40
Occupation: Chief Executive Officer, Bendigo Community Telco
Resides: Bendigo

Background Information

In 2003 John moved from Melbourne to take on the newly created role of Chief Operating Officer at Bendigo Community Telco. In this role John guided the organisation from the early start-up phase of its lifecycle into a sustainable and growing business. John has been responsible for the broadening of Bendigo Community Telco's product portfolio and customer base over this period. In October 2004, John was appointed as Chief Executive Officer of Bendigo Community Telco and has continued to drive the company's engagement with the Bendigo community in order to provide a firm foundation for its long-term strategic vision.

In his roles at Bendigo Community Telco, John has called on his extensive experience in general management, marketing and sales gained in roles within the pharmaceutical, advertising and banking industries.

4.3 Corporate governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members. The Company is cognisant of the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'. After listing, the Board will be initiating a review of its corporate governance practices, including a further consideration of the application of these principles.

Composition of the Board

The Constitution provides for a minimum of 3 and maximum of 12 directors. The Board currently consists of 7 non-executive directors. The CEO is not a member of the Board and the roles of Chairman and CEO are separated. Information on each of the directors and their interests is set out in sections 4.1, 8.4 and 8.7. In addition, information on the relationships between the Company and companies with which Directors are associated are disclosed in this Prospectus.

Taking into account the interests of each Director and the above relationships, and having regard to the guidance on independence in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, together with materiality thresholds set by the Board, the Board has assessed the independence of each Director.

The Board has assessed each of Professor Kilmartin, Mr Michell, Mr Bastian and Ms Byrne as independent. On this basis, the Board is composed of a majority of independent directors.

Having regard to the personal substantial shareholdings of each of Mr Hunt and Mr Erskine in the Company, their roles with Bendigo Bank (and its related bodies corporate) and the relationship between Bendigo Bank (and its related bodies corporate) and the Company, the Board has assessed each of Mr Hunt and Mr Erskine as not independent. Having regard to the previous executive role of Mr Cairns with the Company, his role with Bendigo Bank (and its related bodies corporate) and the relationship between Bendigo Bank (and its related bodies corporate) and the Company, the Board has assessed Mr Cairns as not independent.

In relation to the Directors assessed as not independent, each of those Directors is of the view that in the capacity as a Director of the Company, he is able to act in the best interests of the Company.

In addition, the Constitution contains provisions which reinforce the duty of each Director to act in the interests of the Company. For example, a Director with a conflict of interest in relation to a particular item of business must not vote on the matter or be present while the matter is being considered at any Directors' meeting. Further, a Director who has a material personal interest in a matter that relates to the affairs of the Company must give the other Directors notice of the interest in accordance with the Act.

The Board is of the view that the composition of the Board, including the Chairman being a non-executive director, but not independent, is appropriate for the Company at this stage of its development. Bendigo Community Telco is a uniquely positioned company that operates within a small regional community and relies on the support of the community for its continued viability and development. The composition of the Board reflects this position and a strength of the Board is that its members are representative of the original consortium of key stakeholder and customers within the Bendigo community. It includes Directors who work for or own significant local institutions or companies that are also key customers of the Company. This composition has been strategically constructed to provide the Company with:

- (i) a good understanding of the issues and needs within the community in which it operates;
- (ii) a firm connection and understanding of the Company's major customer base; and
- (iii) a network to assist the Company in building its local customer base.

5. FINANCIAL INFORMATION

INTRODUCTION

This section provides an outline of the Company's fund raising history and historical financial information up to 30 April 2005.

5.1 Fund raising history

Since incorporation, Bendigo Community Telco has raised \$1,955,005 by way of private funding which has been applied as working capital to develop its business and technology and for the purposes of strategic acquisitions.

In January 2000, Bendigo Community Telco raised approximately \$405,000 to fund the initial development of its telecommunications business in Bendigo. Initial investors representing a broad range of community interests (including organisations in health, education and public utility sections and private business) subscribed for Shares.

The funds raised were applied to form a single buying group with the collective aim of delivering improved telecommunications products and services to the members of the group. The single buying group consisted of 14 members, 10 of whom made capital contributions to the Company.

The initial funds were also used to build a foundation for future development, including an audit of existing telecommunications services, private communication networks and facilities in and around Bendigo, development of a business plan and negotiation with major carriers on behalf of the buying group.

In the second half of 2001, Bendigo Community Telco raised further funds totalling \$733,000 to provide working capital for the development and expansion of its business.

In May 2003, Bendigo Community Telco raised a further \$817,000 of funds to provide working capital for the development and expansion of its business, the purchase of a Communication tower at Specimen Hill, Bendigo, and the purchase of Customer Premises Equipment. The installation of an optical fibre link to the Communication tower at Specimen Hill did not proceed because the business plan did not support further investment at that time. Cost factors have since reduced and this project will be revisited. This capital raising funded the purchase of additional shares in Community Telco Australia to, at the time, maintain a 10% shareholding.

5.2 Historical and pro forma statement of financial position

Set out below is a statement of financial position of the Company showing the actual position as at 30 June 2004 (audited result), 31 December 2004 (audited result), 30 April 2005 (unaudited result) and alternative unaudited pro forma statement showing the effect of the Issue.

	Audited Actual as at 30 June 2004 \$ ('000's)	Audited Actual as at 31 Dec. 2004 \$ ('000's)	Unaudited Actual as at 30 April 2005 \$ ('000's)	Unaudited Pro Forma 30 April 2005 ¹ \$ ('000's)	Unaudited Pro Forma 30 April 2005 ² \$ ('000's)
<i>Current Assets</i>					
Cash Assets	1,273	943	836	1,912	2,475
Receivables	1,647	2,427	2,711	2,711	2,711
Prepayments	114	266	362	362	362
Inventories	72	68	77	77	77
Intangibles	21	36	61	0	0
Total Current Assets	3,127	3,740	4,047	5,062	5,625
<i>Non Current Assets</i>					
Property Plant & Equipment	759	717	763	763	763
Investments	250	250	250	0	0
Total Non Current Assets	1,009	967	1,013	763	763
TOTAL ASSETS	4,136	4,707	5,060	5,825	6,388
<i>Current Liabilities</i>					
Payables	1,754	2,071	2,261	2,400	2,400
Interest Bearing Liabilities	179	157	143	143	143
Provisions	62	59	62	62	62
Taxation	-	75	129	129	129
Total Current Liabilities	1,995	2,362	2,595	2,734	2,734
<i>Non Current Liabilities</i>					
Interest Bearing Liabilities	252	231	228	228	228
Total Non Current Liabilities	252	231	228	228	228
Total Liabilities	2,247	2,593	2,823	2,962	2,962
<i>Net Assets</i>	<i>1,889</i>	<i>2,114</i>	<i>2,237</i>	<i>2,863</i>	<i>3,426</i>

Equity					
Contributed Capital	1,955	1,955	1,955	3,081	3,644
Less Equity Raising costs	(17)	(17)	(17)	(217)	(217)
Accumulated Profit/(Loss)	(49)	176	412	412	412
Less Dividends Paid	-	-	(113)	(413)	(413)
Total Equity	1,889	2,114	2,237	2,863	3,426

1. Assumes the Offer is fully subscribed and no oversubscriptions are accepted. Figures are also adjusted to take into account the \$300,000 dividend declared on 30 May 2005, payment of \$250,000 received from the sale of the CTA investment and offer expenses.

2. Assumes the Offer is fully subscribed and the maximum amount of subscriptions is accepted. Figures are also adjusted to take into account the \$300,000 dividend declared on 30 May 2005, payment of \$250,000 received from the sale of the CTA investment and offer expenses.

5.3 Historical statement of financial performance

Set out below is a statement of financial performance of the Company showing the actual results for the year ended 30 June 2003 (audited result), year ended 30 June 2004 (audited result), six months ended 31 December 2004 (audited result) and ten months ended 30 April 2005 (unaudited result).

	Audited 12 months to 30 June 2003 \$ ('000's)	Audited 12 months to 30 June 2004 \$ ('000's)	Audited 6 months to 31 Dec 2004 \$ ('000's)	Unaudited 10 months to 30 April 2005 \$ ('000's)
Sales Revenue	9,524	12,141	7,081	12,492
Costs of Products Sold	(6,899)	(8,509)	(5,097)	(9,057)
Gross Profit	2,625	3,632	1,984	3,435
Expenditure				
General Administration	(636)	(610)	(267)	(448)
Salaries & Associated Costs	(1,272)	(1,303)	(721)	(1,220)
Advertising & Promotion Costs	(89)	(191)	(198)	(265)
Occupancy & Associated Costs	(72)	(141)	(56)	(116)
System Costs	(78)	(377)	(324)	(548)
Depreciation & Amortisation	(132)	(208)	(98)	(170)
Borrowing Costs	(59)	(31)	(19)	(29)
Total Expenditure	(2,338)	(2,861)	(1,683)	(2,796)
Profit/(Loss) from Operating Activities before Income Tax Expense	287	771	301	639

Income Tax Charge relating to ordinary activities	0	0	(75)	(177)
Profit/(Loss) from operating activities after related income tax credit	287	771	226	462
Total Changes in Equity other than those from transaction with owners as owners	287	771	226	462

5.4 Discussion of financial information

All financial reports published by Bendigo Community Telco are prepared in accordance with applicable Accounting Standards, the Act and other professional reporting requirements in Australia. They have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuations of non-current assets.

Bendigo Community Telco Limited has commenced transition to accounting policies and financial reporting from current Australia standards to Australian equivalents of International Financial Reporting Standards (IFRS).

Based on current requirements, the financial statements of the Company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS are continuing to be assessed. The currently identified key potential implications for Bendigo Community Telco Limited of the conversion to IFRS are:

- (a) income tax will be calculated based on the 'balance sheet liability method', replacing the 'tax effect income statement' method currently used by Australian companies. This method may result in more deferred tax assets and liabilities; and
- (b) changes in accounting policies will be recognised by restating prior year balances (30 June 2005), rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements. These changes will be reflected in the opening retained earnings at the beginning of the first comparative period at 1 July 2005.


5.5 Changes subsequent to balance date

There have not been any significant changes in the state of affairs of the Company since the end of the period to 30 April 2005, except that on 30 May 2005 the Directors declared a dividend of \$300,000. The dividend was paid on 27 June 2005 to existing shareholders as at the declaration date.

In addition, on 18 August 2005 the Company sold its 5.6% interest in CTA for \$250,000. The only impact on the financial statements is to increase current assets (cash) by \$250,000 and reduce non-current assets (shares) by the same amount.

The dividend and sale of the CTA investment and the consequent cash adjustments have been reflected in the pro forma statements of financial position in section 5.2.

6. INVESTIGATING ACCOUNTANT'S REPORT



23 August 2005

The Directors
Bendigo Community Telco Ltd
View Point
BENDIGO VIC 3550

Dear Sirs

RE: INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This report has been prepared at the request of the Directors for inclusion in a prospectus to be dated on or about 23 August 2005 for an offer to raise \$1,126,000 by the issue of 1,126,000 shares at \$1 each in Bendigo Community Telco Ltd. The proceeds of this offer will be applied to various activities of the company.

Expressions defined in the prospectus have the same meaning in this report.

Andrew Frewin & Stewart has been requested to prepare an Investigating Accountant's Report examining the following financial information:

- the actual financial performance, comprising statement of financial performance for the periods:
 - 1 July 2002 to 30 June 2003;
 - 1 July 2003 to 30 June 2004;
 - 1 July 2004 to 30 April 2005, as set out in the prospectus; and
- the actual statement of financial position as at:
 - 30 April 2005; and
 - the pro-forma statements of financial position as at 30 April 2005, as set out in the prospectus.

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In accordance with our terms of reference this report does not include any comment, analysis or opinion on the merits or risks associated with an investment made pursuant to this prospectus. Investors and their professional advisers should make their own enquiries and assessment in respect of the future prospects of the proposed transaction. We disclaim any assumption of responsibility for any reliance on this report or other information to which it relates for any purpose other than that for which it was prepared.

Scope of Review

Historical Results

The historical results have been extracted from the audited accounts for the periods

- ✓ 1 July 2002 to 30 June 2003,
- ✓ 1 July 2003 to 30 June 2004 and
- ✓ 1 July 2004 to 31 December 2004 and
- ✓ the unaudited financial records of Bendigo Community Telco Ltd for the period 1 January 2005 to 30 April 2005.

We have reviewed the unaudited historical results in accordance with Australian Auditing Standards applicable to review engagements to report whether, on the basis of the procedures described, anything has come to our attention which would cause us to believe that the financial information disclosed in the prospectus is not properly drawn up in accordance with the basis of preparation set out therein.

The review procedures were substantially less in scope than an audit examination conducted in accordance with generally accepted auditing standards. The review was limited primarily to:

- enquiries of senior management of Bendigo Community Telco Ltd,
- review of relevant working papers, accounting records and other documentation supporting the adjustments and the assumptions on which they are based; and
- review of the statement of financial position and financial performance to determine that it is in accordance with current accounting policies underlying their preparation.

Having regard to the nature of the review, which provides less assurance than an audit, this report does not express an audit opinion on the financial information included in the prospectus.

Pro forma financial information

We have reviewed the pro forma financial information in accordance with Australian Auditing Standards applicable to review engagements to report whether, on the basis of the procedures described, anything has come to our attention which would cause us to believe that the financial information disclosed in the prospectus is not properly drawn up in accordance with the basis of preparation set out therein.

The review procedures were substantially less in scope than an audit examination conducted in accordance with generally accepted auditing standards. The review was limited primarily to:

- enquiries of senior management of Bendigo Community Telco Ltd,
- review of relevant working papers, accounting records and other documentation supporting the adjustments and the assumptions on which they are based; and
- review of the pro forma balance sheet to determine that it is in accordance with current accounting policies underlying its preparation.

Having regard to the nature of the review, which provides less assurance than an audit, and to the nature of the pro forma financial information, this report does not express an audit opinion on the pro forma financial information included in the prospectus.

Pro forma Statement of Financial Position

The pro forma statement of financial position of Bendigo Community Telco Ltd as at 30 April 2005 reflects the effects of proposed transactions detailed in the prospectus that would occur after that date and would have a significant effect on the capital and cash position of Bendigo Community Telco Ltd.

For the purposes of the pro forma statement of financial position, the necessary adjustments to the actual balance sheet have been made as if the respective transactions occurred 30 April 2005

Opinions

Historical Results

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the financial information comprising:

- the statement of financial performance for the periods:
 - 1 July 2002 to 30 June 2003;
 - 1 July 2003 to 30 June 2004;
 - 1 July 2004 to 30 April 2005, as set out in the prospectus; and
- the statement of financial position as at:
 - 30 April 2005; and

is not fairly stated in accordance with the basis of the preparation as set out in Note 1 to the audited financial statements.

Pro forma financial information

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the information comprising:

the pro-forma statement of financial position as at 30 April 2005, as set out in the prospectus .

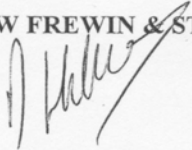
is not fairly stated in accordance with the basis of the preparation as set out in Note 1 to the financial statements, and on the assumption that all the transactions contemplated in the prospectus as summarised the prospectus are undertaken.

Independence

Andrew Frewin & Stewart does not have any interest in the outcome of this capital raising other than in connection with the preparation of this report, and participation in the due diligence process for which normal professional fees will be received. Further, Andrew Frewin & Stewart, of which David Hutchings is a partner, is the auditor of the Company.

Yours faithfully

ANDREW FREWIN & STEWART



DAVID HUTCHINGS

7. RISK FACTORS

7.1 Introduction

An investment in Bendigo Community Telco entails a degree of risk. The business operations of Bendigo Community Telco are subject to risks which may impact adversely on its performance and the value of Shares. There are also general risks associated with any investment in shares. Investors should carefully consider all associated risks before deciding to invest in Bendigo Community Telco. Investors should also consider their personal circumstances (including financial and taxation issues) and seek appropriate professional advice before making their own assessment as to whether to invest in Bendigo Community Telco.

The primary risk for Applicants for Shares in Bendigo Community Telco is that Bendigo Community Telco's ability to achieve profitability is dependent upon a number of factors, including its continuing ability to deliver telecommunications services to its customers at competitive rates. Particular investment risks arise due to its commitment to acquire most of its telecommunications services from CDA. CDA sources telecommunications services from its suppliers through its wholesale arrangements with first and second tier telecommunications service providers owning the relevant telecommunications infrastructure. There is no guarantee that CDA can continue to deliver cost effective solutions to Bendigo Community Telco.

The Shares issued under this Prospectus carry no guarantee with respect to Bendigo Community Telco's profitability, the payment of dividends, or return of capital.

7.2 General risk factors

Potential investors should recognize that the prices of Shares are not only subject to fluctuations in the fortunes of the company concerned. Many other factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment.

Investment risks generally

There are attendant risks of a general nature involved in investments in shares and securities especially where the company in which the investment is made has a small market capitalisation and which may affect the sale value of shares. Bendigo Community Telco has been established to provide the opportunity to contribute to establishing a locally based and owned company. This aim is reflected in the provisions of its Constitution relating to limits on shareholding interests (see section 8.1 below).

Liquidity

Because of the locally-based nature of the Company, it is not envisaged that there will be significant trading in shares in the Company. Accordingly, there may be limited opportunities for members to recoup their investment in the Company by disposing of their Shares.

Dividends

The timing and payment of dividends are dependent on many factors which affect future profits and the financial position of Bendigo Community Telco. The history of dividend payments made by Bendigo Community Telco, to the date of this Prospectus, can be found in section 2.12.

Fiscal risks

The Company may be affected by the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.

7.3 Specific risk factors

Technological developments, technological lifecycle and competition

The telecommunications industry is characterised by change, evolving industry standards, frequent introduction of new products and services, continuing advances in technology and changes in customer requirements and preferences. The Company conducts business in a highly competitive industry in which there are a number of well established competitors that have substantially greater financial resources, sales and marketing organisations, market penetration and research and development capabilities, as well as broader product offerings and greater market presence and name recognition.

The availability of bundled product incorporating telecommunications, voice telephony, internet (ADSL, Broadband and dial up) and mobile services at highly competitive rates and on single billing systems has the potential to affect customer sentiment and undermine Bendigo Community Telco's market share where market sentiment favours market leaders.

The lead times involved in the pilot testing of new technology and its introduction in regional areas can be of significant duration and, in the interim, exposure to risk of competing product is high.

There can be no assurance given in respect of the Company's ability to compete in the competitive markets in which it operates. Amongst other things, competition will affect the Company's ability to obtain access to technology, marketing sales and distribution of products and developing products for existing and new markets. No assurances can be given that the actions of existing and future competitors will not have material adverse effects on the Company's ability to implement its business plan and on the Company's operating and financial performance. Competition and new technologies can reduce product prices and profit margins and decrease the financial value of products. Achieving a commercial outcome for any given telecommunications project through the negotiation of appropriate wholesale rates is crucial to achieving adequate investment returns. There is no guarantee that market acceptance of any given technology will occur.

Regulatory controls and government policy relating to competitive pricing of telecommunications services, for example the access levy payable to Telstra, which directly bear upon the cost of delivery of telecommunications product and profit margins can affect the capacity of Bendigo Community Telco to continue to deliver cost effective alternatives to dominant telecommunications providers in the operating environment in which it operates. This is particularly relevant to Bendigo Community Telco which is dependent upon its relationships with first and second tier telecommunications providers for services through CDA.

Dependence upon suppliers, relationship with CDA

The Franchise Agreement establishes the relationship between Bendigo Community Telco and CDA, and sets out the parameters within which Bendigo Community Telco must operate. The Franchise Agreement defines the business that will be conducted by Bendigo Community Telco and, accordingly, is critical to an assessment of Bendigo Community Telco.

Under the Franchise Agreement, Bendigo Community Telco must only offer the products and services approved by CDA (unless CDA consents otherwise), it (and its staff) must comply with the operating manuals supplied by CDA (and in particular it must ensure that its promotional activities and material and public communications comply with CDA's directions and that its signs and stationery comply with the manuals), and there are tight controls over the use of CDA's intellectual property.

Bendigo Community Telco will operate under the CDA branding and (subject to other services that may be approved by CDA) will only provide CDA products and services where CDA is able to deliver the relevant products.

Accordingly, the success of Bendigo Community Telco will, to a significant degree, depend on the standing and success of CDA and the ability of CDA to continue to obtain and provide competitive products and services to Bendigo Community Telco. If these arrangements are not competitive, or are not attractive to customers and potential customers, Bendigo Community Telco will not be able to successfully offer products and services competitively. For example, in on selling products and services, Bendigo Community Telco will need to comply with certain requirements imposed by CDA and/or third party suppliers. This may hamper Bendigo Community Telco's ability to successfully on sell its products and services.

Bendigo Community Telco relies upon CTA's continued wholesale arrangements with a number of telecommunications carriage service providers for the delivery of telecommunications services through CDA. The capacity of suppliers to Bendigo Community Telco to continue to provide cost effective alternatives to dominant market leaders is affected by a number of factors. These include industry standards and regulatory controls imposed by a statutory regime including the Telecommunications Act, 1997, Trade Practices Amendment (Telecommunications) Act 1997; Australian Communications Authority Act; Telecommunications (Universal Service Levy) Act 1997; Telecommunications (Carrier Licence Charges) Act 1997; Telecommunications (Numbering Charges) Act 1997; Telecommunications (Transitional Provisions and Consequential Amendments) Act 1997; Telecommunications (Carrier Licence Fees) Termination Act 1997; Radiocommunications (Transmitter Licence Tax) Amendment Act 1997; and Radiocommunications (Receiver Licence Tax) Amendment Act 1997.

The Franchise Agreement does provide for Bendigo Community Telco to make alternative arrangements for supply upon expiration of the term which could be up to 15 years. There is no guarantee that Bendigo Community Telco can continue to provide lower costs through arrangements with telecommunications carriage service providers outside the Franchise Agreement if this occurs.

An investment in Bendigo Community Telco is also affected by the business risks to which Bendigo Community Telco will be subject, which may affect the success of Bendigo Community Telco and, accordingly, its ability to pay dividends and its ongoing operation.

The following sections highlight some of the key risks associated with an investment in Bendigo Community Telco. There may also be other risks.

Termination of the CDA Agreement

The Franchise Agreement provides for a maximum possible term of 15 years (see section 8.2 below), after which the continued involvement of CDA will be subject to further negotiations with CDA. CDA also has broad rights to terminate the Franchise Agreement (see section 8.2 below).

Bendigo Community Telco has rights to terminate the agreement and to continue to access CDA systems for 180 days after termination.

If Bendigo Community Telco wishes to sell or transfer any part of the franchise business during the term of the Franchise Agreement, it would have to first offer to sell it to CDA on the same terms and conditions as it proposes to sell or transfer it to a third party.

Limited History

The Community Enterprise™ Model is a new concept and has only a limited history. Accordingly, an investment in Bendigo Community Telco should be considered in light of the risks, costs and uncertainties associated with companies in the early stages of growth, particularly, in new and rapidly changing industries.

7.4 Business risks

Company with limited purposes

Under the Franchise Agreement Bendigo Community Telco will have a limited purpose. Bendigo Community Telco's main businesses will be providing CDA approved products and services (unless CDA consents to other businesses or activities). The initial CDA approved products and services are telecommunications services. There is no guarantee that other products or services will be approved by CDA. As described in section 3.7 above, many of Bendigo Community Telco's business decisions (including the products and services to be offered) are subject to the approval of CDA.

Level of Business

Bendigo Community Telco bears the risk of generating sufficient income from the on sale of telecommunications services.

There is no guarantee that the expected results will be achieved. In addition, there is no guarantee that Bendigo Community Telco will be able to secure services at a sufficiently competitive rate in order for Bendigo Community Telco to be able to be a competitive provider of services to its customers.

In addition, the ability of Bendigo Community Telco to generate new business is subject to factors beyond the control of Bendigo Community Telco. For example, the level of business will be affected by general economic conditions.

Bendigo Community Telco will still face competition from existing and new service providers. For example, the presence of Bendigo Community Telco offering telecommunications services may result in existing (or new) service providers offering more extensive services, or services on more competitive terms, than Bendigo Community Telco is able to provide.

Dependence on Bendigo Bank

Bendigo Bank is the Company's largest customer, currently contributing approximately 56% of turnover (based on the results of the 10 months to 30 April 2005). This has reduced from 60% in 2003. While there is no current indication that it will do so, if Bendigo Bank were to withdraw or reduce the level of its custom with Bendigo Community Telco the business would be adversely affected.

Operations

Like any small business, the employees of Bendigo Community Telco will have a key role in the success of Bendigo Community Telco. Its employees will be responsible for promoting the Community Enterprise™ products and services in Bendigo and providing a level of service and support that will engender ongoing relationships with customers. There is a risk that Bendigo Community Telco and its employees will not have or develop sufficient expertise to effectively market the range of CDA approved products and services. The ability of the employees to communicate effectively with representatives of the third party services provider and represent the interests of the Bendigo Community will also be critical to its smooth operation.

Credit Risk

Where Bendigo Community Telco is on-selling products and services Bendigo Community Telco bears significant credit risk, in that it is responsible for payment to its supplier (i.e. expected to usually be CDA), and it is responsible for collecting revenue from customers. A delay, or a failure, by customers to pay Bendigo Community Telco may significantly impact on Bendigo Community Telco's ability to pay its suppliers.

Payments/Receipts

Bendigo Community Telco is required to pay CDA the CDA Community Enterprise™ Franchise Fee. For each additional five-year period, Bendigo Community Telco must pay a Renewal Fee of \$50,000, subject to adjustment for CPI, and the costs of CDA of renewing the Community Enterprise™ Franchise Agreement (including legal fees). For each business carried on by Bendigo Community Telco, there will be additional fees payable to CDA. For the initial businesses, these are described below in the summary for each Enterprise Annexure.

In addition, Bendigo Community Telco is responsible for all ongoing costs in relation to the franchise and the franchise location (including, for example, all staff costs, rent, outgoings and insurance).

Indemnity

Bendigo Community Telco indemnifies CDA and the CDA Group against all third party claims that may be brought against CDA or a member of the CDA Group in connection with the franchise operation or the conduct of the franchise, the performance or non-performance by Bendigo Community Telco, a director or member of staff of any of its obligations or duties, the providing of any products and services (including any reasonable costs and expenses incurred by CDA as a result of any material customer complaints), the activities of Bendigo Community Telco or its employees at or near the Community Enterprise™ premises, any unauthorised act, default, dishonesty, negligent act or omission or fraudulent conduct of Bendigo Community Telco or any of its officers, employees or agents, or any breach of a representation or warranty given by Bendigo Community Telco under the Franchise Agreement.

CDA indemnifies Bendigo Community Telco against all third party claims that may be brought against Bendigo Community Telco to the extent that such claims result from a misleading or deceptive statement in, or a misleading or deceptive omission from any promotional materials or manuals supplied to Bendigo Community Telco by CDA, or any promotional material circulated generally by CDA, or any breach of a representation or warranty given by CDA under the Community Enterprise™ Franchise Agreement. Other potential liability on CDA is, to the extent permitted, excluded.

Market Acceptance

As foreshadowed above, the highly competitive nature of the telecommunications market poses a threat to Bendigo Community Telco's capacity to branch into the retail market of domestic consumers. To address this issue Bendigo Community Telco must formulate products which offer consumers viable alternatives which are cost effective. Even then, consumer sentiment may affect acceptance of Bendigo Community Telco as an alternative to dominant market leaders.

Maintaining Access to Key Personnel

Bendigo Community Telco relies upon its Board and its executive management team to maintain strategic direction and operational expertise. Each person on the executive management team plays an important role in the day-to-day operation of the Company and has entered into an Employment Agreement with the Company setting out the terms and conditions of their employment. Key personnel within the team include John Warmbrunn, the CEO of the Company, and Bryan Pedersen, the Company's Technical Manager. The CEO and Technical Manager are regarded as particularly important personnel on account of their knowledge of Bendigo Community Telco's operating environment and contribution to the ongoing development of the Company's infrastructure. Another key person is Andrew Cairns, who possesses a deep knowledge of the history and operations of the Company and who is an important contributor to its direction and success in the telecommunications industry.

Product liability or other claims

Bendigo Community Telco's business activities could result in claims against Bendigo Community Telco for failure to deliver telecommunications services or failure of disaster recovery systems. Bendigo Community Telco can attempt to reduce the risk of some of these losses through disclaimers and liability limitation clauses. However, it is not possible to obtain adequate legal protection in all instances. Whilst Bendigo Community Telco sources services through its wholesale arrangements with telecommunications enterprises which own the infrastructure delivering the services, the exposure to risk of liability cannot be ruled out. Bendigo Community Telco will also seek to maintain adequate product liability insurance. However, adequate insurance coverage may not be forthcoming and any product liability claim for damages could be substantial. There can be no assurance that adequate or necessary coverage will be available at an acceptable cost or in sufficient amounts. In the event of product liability claims, insufficient insurance coverage could have a material adverse effect on Bendigo Community Telco's results of operations and financial condition.

If there is a problem that is attributable to Bendigo Community Telco's products or services, the market perception of the effectiveness of Bendigo Community Telco's services could also be harmed.

8. ADDITIONAL INFORMATION

8.1 Rights attaching to shares

Summarised below are rights attaching to shares in Bendigo Community Telco which are conferred upon its members by Bendigo Community Telco's Constitution. Additional statutory rights conferred by the Act upon members of public companies are not detailed in this section. This summary is not exhaustive nor does it constitute a definitive statement of the rights and obligations of the Company's members. To obtain such a statement, Applicants should seek independent legal advice.

Ranking

The Shares offered for subscription will be fully paid ordinary shares and will rank equally in all respects with the existing ordinary shares on issue in the Company.

General Meetings

Members are entitled to be present in person, or by proxy, attorney or representative and to speak and to vote at general meetings of the Company. Members holding a minimum voting qualification of 5% of the issued shares in the Company may requisition general meetings in accordance with the Act and the Constitution.

Voting

At a general meeting of the Company every member present in person, or by proxy, attorney or representative may vote on proposed resolutions and the outcome will be determined on a show of hands unless a poll is demanded. If a poll is demanded, every member present in person or by proxy, attorney or representative has one vote for every share held.

A member who holds a share that is not fully paid is entitled to a fraction of a vote equivalent to the proportion that the amount paid-up bears to the total issue price of the Share.

Dividends

Shareholders have the right to receive dividends, payable in the proportion of their shareholding, declared out of profits by the Directors. Bonus issues of shares may be declared instead of payment of a dividend.

Winding Up

Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

Restrictions on Transfer of Shares

The Constitution confers upon Directors the entitlement to refuse to register any transfer of Shares in their absolute discretion in any circumstances permitted by the Listing Rules. These restrictions relate to Restricted Securities during the escrow period or likelihood of a person holding a Prohibited Shareholding Interest in Bendigo Community Telco. Subject to the Constitution of the Company which provides for a prohibited shareholder interest exceeding 40% of the voting shares, and the Act, the shares will be freely transferable.

Prohibited Shareholding Interest

A member is prohibited from controlling or owning 40% or more of the shares in the Company (a "prohibited shareholding interest").

The purpose of this shareholding limit is to ensure the Company remains locally owned and controlled.

In summary, a person will be deemed to own the shares in the Company in which the person has a relevant interest and the shares in which the person's associates have a relevant interest. (The terms 'relevant interest' and 'associate' have the same meaning as in the Act, subject to some modifications as set out in the Constitution.) Also, a person is deemed to control the votes that the person, and the person's associates, can cast or control the casting of on resolution to elect a director.

The effect of these definitions is that, for example, if the aggregate of the shares owned (legally or beneficially) by a person plus the shares owned (legally or beneficially) by members of the person's immediate family, exceed 40% of the shares in the Company, the person has a prohibited shareholding interest. Similarly, if the votes a person can control the casting of on a resolution to elect a director, plus the votes that members of the person's immediate family can control the casting of on such a resolution, equal or exceed 40% of the votes that could be cast by all shareholders on such a resolution, that person has a prohibited shareholding interest. A person's "immediate family" includes a person's spouse, defacto spouse, parent, son, daughter, brother or sister or a spouse or defacto spouse of any of the preceding persons.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a relevant interest in excess of 40% of the Company, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of Shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified Shares on behalf of that person. The holder will be entitled to the consideration from the sale of the Shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the Constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Partly Paid Shares and Liability for Calls

At present Bendigo Community Telco has no partly paid shares on issue.

Members holding partly paid shares are liable to pay calls made by the Directors for so much of the amounts unpaid on partly paid shares. On a liquidation of a company, shareholders of partly paid shares are liable to make contributions in an amount equivalent to the unpaid value of the partly paid shares held.

Bendigo Community Telco's Constitution provides that it has a lien on partly paid shares for calls and instalments due but unpaid. The partly paid shares are liable to be forfeited to the Company for failure to meet a call made by Directors on amounts unpaid of partly paid shares. Notwithstanding forfeiture, members remain liable for calls unpaid together with interest.

Reports and Notices

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Act.

Future Increases in Capital

The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their associates contained in the Constitution of the Company and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

Variation of Rights

The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

Directors

Bendigo Community Telco's Constitution provides for the appointment of a minimum of 3 and maximum of 12 Directors and hold office subject to a requirement of retirement at each annual general meeting of one third in number, in rotation, of those Directors having held office for the longest period of time since their last election or appointment. Retiring Directors are eligible for re-appointment at each annual general meeting.

Directors' remuneration (other than Executive Director's remuneration) is subject to the Listing Rules and the requirement that they may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum from time to time determined by the Company in General Meeting. Remuneration of Executive Directors is determined by the Board. Bendigo Community Telco's Constitution also provides for an indemnity of officers of the Company to the full extent permitted by law except in circumstances of lack of good faith or contrary to the Company's express instructions. The indemnity extends to the Directors and the Secretary, executive officers as defined by the Act and full time employees as determined by the Directors.

Application of Listing Rules

If Bendigo Community Telco is admitted to the Official List of Bendigo Stock Exchange then, despite anything in the Constitution of the Company, the Listing Rules prevail to the extent of any inconsistency. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). The Constitution imports provisions of the Listing Rules which may require the company to do an act or to refrain from doing an act otherwise permitted by the Constitution. If a provision of the Constitution is or becomes inconsistent with the Listing rules, the Constitution is deemed to contain that provision to the extent of that inconsistency.

8.2 Material contracts

The Directors consider that the material contracts described below and elsewhere in this Prospectus are the contracts which an Applicant investing in Shares would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

The following is a concise summary of the material contracts to which Bendigo Community Telco is a party.

Franchise Agreement with CDA

This information supplements the information contained elsewhere in this Prospectus concerning the Franchise Agreement.

The Franchise Agreement establishes the relationship between the Company and CDA, and commenced on 1 December 2004. The Franchise Agreement (including the Enterprise Annexure attached to and forming part of the Franchise Agreement) defines the business that will be conducted by the Company under the franchise.

The Franchise Agreement is for a term of five years, and contains two options for further terms of five years each. The Company is required to pay a renewal fee of \$50,000 (plus CPI) to CDA on renewal of the Franchise Agreement for a further term. The Company is required to pay to CDA 3.5% of revenue paid to the Company by customers in relation to the supply of telecommunications services made by the Company pursuant to Enterprise Annexure A of the Franchise Agreement (which is described further below).

Pursuant to the Franchise Agreement CDA grants the Company the right to use CDA's system of operations and certain intellectual property rights to manage and operate a Community Enterprise franchise. Within the class of intellectual property rights which may be used by the Company are certain trade marks and other intellectual property including: the operating manuals to be provided by (or at the direction of) CDA, the technology (such as computer programs and amendments thereto) which CDA may provide in connection with the Franchise Agreement, and the materials provided by CDA describing the technology and how it is to be used.

In certain circumstances, where there has been a breach of the Franchise Agreement by the Company, the right to carry on the Community Enterprise franchise may be suspended by CDA until the breach is rectified or the Franchise Agreement is terminated.

Under certain circumstances BCT may terminate the agreement with CDA. If it does so it has the right to continue to access CDA's operating systems for 180 days to ensure continuity of service to customers.

Upon termination of the Franchise Agreement, there is no obligation on CDA to sell or transfer the franchise operation. However, if such a sale or transfer did proceed, the Company would be entitled to the proceeds received (less the costs of the sale or transfer and certain debts owed by the Company, if any).

Enterprise Annexure A – Telecommunications Services

This Enterprise Annexure sets out the terms in relation to the purchase by the Company of telecommunications products and services from CDA, and the resupply of telecommunications products and services to customers.

Exclusive supplier

Under the Telecommunications Enterprise Annexure, the Company agrees that CDA will be the exclusive supplier to the Company of the kinds of telecommunications products and services covered in the Annexure to the extent that those products are available from CDA. The Company also grants CDA a right of 'first option' to provide other telecommunications products or services required by the Company.

Assignability

The provisions of the main body of the Franchise Agreement in relation to assignment apply equally in relation to rights under the Telecommunications Enterprise Annexure. Accordingly, CDA has the ability to assign its rights and obligations under the Telecommunications Enterprise Annexure at any

time. The only proviso is that if the assignee is not a member of the CDA Group, it must be a person who, in the opinion of CDA, it is reasonable to assume will be able to comply with CDA's obligations under the Annexure. Any assignee would have to continue to perform CDA's obligations under the Annexure.

Terms of supply

Under the Telecommunications Enterprise Annexure, the Company purchases telecommunication services from CDA for the purpose of on-sale to customers. The Telecommunications Enterprise Annexure states that this on-sale by CDA to customers must be on terms not inconsistent with the Annexure. These terms are either set out in the Enterprise Annexure (including in the Telecommunications Service Book provided to the Company by CDA), or are in some cases set by the upstream third party supplier of the telecommunications services. The terms set out in the Telecommunications Service Book or set by the third party suppliers can be amended by notice to the Company by CDA from time to time. Upon notice being provided to it, the Company must comply with the revised terms.

The Company must pay CDA the fees for the provision of the telecommunications services as set out in Schedule 2 of the Telecommunications Enterprise Annexure, including fees set out in CDA's price list for services, which can be amended by notice to the Company by CDA from time to time.

As noted above, CDA may terminate the Franchise Agreement (or the Telecommunications Enterprise Annexure) if the Company breaches the Enterprise Annexure (including a requirement set out in the Telecommunications Service Book or imposed by a third party supplier) and the breach is not rectified within the relevant time period.

Intercall Australia Pty Ltd ("Intercall") - Wholesale Distribution Agreement

This agreement was entered into in April 2003 and has a term of three years. Pursuant to the agreement the Company sources conference call and related services directly from Intercall for resale to customers. Although the relationship between the Company and Intercall is independent of the Franchise Agreement, Intercall and CDA are currently engaged in good faith discussions which will likely result in the termination of the agreement between Intercall and the Company. It is envisaged that Intercall and CDA will simultaneously enter into a new agreement such that the supply of conference call services by Intercall to the Company will be via CDA pursuant to the Franchise Agreement.

Powercor Telecom Australia Telecommunications Pty Ltd ("Powercor") – Master Wholesale Agreement

This agreement was made on 11 March 2003. Pursuant to the agreement Powercor supplies the Company with plain old telephone services (POTS), fibre optic and broadband services on one common platform. The relationship between the Company and Powercor is independent of the Franchise Agreement. While the agreement has exceeded its original term of twelve months, the agreement remains on foot and continues month by month until terminated by thirty days written notice.

The Company has entered into Service Level Agreements with various customers pursuant to which it resupplies Light/Wave services provided by Powercor under the above Master Wholesale Agreement. Each Service Level Agreement is a separate contract between the Company and the relevant customer and has a commencement date set out in the application for service made by the customer.

Bendigo Bank Limited ("Bendigo Bank") – Service Agreement

This agreement commenced on 1 September 2003. Pursuant to the agreement, and in particular the various Service Level Agreements which come under the agreement, the Company provides a suite of services to its major customer, Bendigo Bank. These services include DWDM and fibre optic links,

managed floor space and continuity services. The agreement with Bendigo Bank represents approximately \$81,000 per month in revenue to the Company.

Head Office Lease

Bendigo Community Telco leases its premises at 5 View Point, Bendigo from D J Erskine Nominees Pty Ltd, a company majority owned by Mr D J Erskine who is a director of the Company. The lease is for a 3 year period ending 31 January 2007 and is on commercial terms.

Finance Facility

BCT has obtained commercial loans and leasing facilities from Bendigo Bank Limited. These facilities are on normal commercial terms.

8.3 Consents

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in, any omissions from, or any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Auditors Consent

Andrew Frewin & Stewart, Chartered Accountants, has given and not withdrawn its written consent to being named as auditor of the Company in the Prospectus in the form and context in which it is named;

Andrew Frewin & Stewart:

- has only participated in the preparation of the Prospectus to the extent of preparing its Independent Audit Report and the references herein to such report;
- has only authorised or caused the issue of those parts of the Prospectus which contain its independent audit report and such references to that report; and
- was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.
- has consented to the inclusion in this Prospectus of its Independent Audit Report dated 30 May 2005 in the form and in the context of all references and qualifications to that report.

Solicitors' Consents

Beck Legal and Deacons have consented to being named as solicitors to Bendigo Community Telco and have not withdrawn their written consent to be named in this Prospectus as solicitors to the Company in the form and context in which they are so named.

Managing Broker's consent

Strategem has consented to being named as managing brokers to Bendigo Community Telco and has not withdrawn its written consent to be named in this Prospectus as managing broker to the Company in the form and context in which it is so named.

Directors' Consents

Each of the directors of the Company has consented to the lodgement of this Prospectus with Australian Securities and Investments Commission and has consented to its dispatch in accordance with the terms of the Offer.

8.4 Directors' interests

Other than as set out below, no Director (and no proposed Director) has, or has held at any time during the last two years, any interest in the formation or promotion of the Company, in property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer of the Shares, or in the Offer of the Shares.

Shares

The Directors of the Company and their interests in the share capital of the Company as at the date of this Prospectus are set out below.

Name of Director	Number of Shares	Nature of Interest
Rob Hunt	421,004	Direct Ownership
	1,083,004	Bendigo Bank Group (Director)
	20,000	Indirect Ownership
Don Erskine	844,000	Erskine Investments Pty Ltd (Owner)
	1,083,004	Bendigo Bank Group (Director)
Kathy Byrne	60,000	Bendigo Health Care Group (Employer)
Graham Bastian	100,000	Bendigo Senior Secondary College (Employer)
	5,000	Indirect Ownership
Les Kilmartin	5,000	Direct Ownership
Geoff Michell	20,002	Direct Ownership
	40,000	Coliban Region Water Authority (Employer)
Andrew Cairns	24,600	Direct Ownership

On a technical reading of clause 9 of the Constitution, Bendigo Bank may have a prohibited shareholding interest as described in section 8.1 (i.e. in excess of 40%). This arises because clause 9 of the Constitution arguably includes in the voting power of Bendigo Bank (approximately 28%) the voting power of two of its directors Rob Hunt (approximately 11%) and Don Erskine (approximately 22%). The Company intends to seek a shareholder resolution to alter the Constitution to remove the possibility that this unintended reading may apply.

No Director holds shares in any related body corporate of the Company.

Indemnity

The Company's Constitution permits the Company to:

- indemnify its current and former officers against liability to third parties incurred arising out of the conduct of the business of the Company or in the discharge of their duties as officers; and
- pay premiums for insurance policies insuring its Directors and officers against liability to third parties incurred arising out of the conduct of the business of the Company or in the discharge of their duties as officers.

Other benefits

No amounts have been paid or agreed to be paid (and no benefits have been given or agreed to be given) to a Director (or a proposed Director) to induce them to become, or to qualify as, a director of the Company.

8.5 Interests of advisors

Other than as set out below, no person (referred to as an Expert) named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, no promoter of the Company and no stockbroker or underwriter to the Issue of Shares has, or has held at any time during the last two years, any interest in the formation or promotion of the Company, in property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer of the Shares, or in the Offer of the Shares.

The amounts paid, or agreed to be paid, and the nature and value of any benefits given or agreed to be given, to an Expert or such a promoter, stockbroker or underwriter, for services provided in connection with the formation or promotion of the Company or in connection with the Offer of the Shares are as follows:

Deacons and Beck Legal have acted as Australian legal advisers to Bendigo Community Telco in connection with the Offer and are collectively entitled to receive approximately \$100,000 (exclusive of GST) for these services.

Strategem Investment Services Pty Ltd is the managing broker of the Offer. Strategem is entitled to approximately \$18,000 for its role in managing and marketing the Offer. A number of directors of Strategem have shares in the Company. Strategem will also receive a fee of 2% for applications received bearing its broker stamp.

Andrew Frewin & Stewart has acted as the investigating accountant, has prepared the Investigating Accountant's Report, and has also performed work in relation to due diligence enquiries. Andrew Frewin & Stewart is entitled to receive approximately \$8,000 for these services. A number of partners of Andrew Frewin & Stewart who have no role in the audit engagement have minor indirect interests in the Company through their participation in the Bendigo Community Telco Syndicate.

8.6 Dividend policy

Dividends will be determined by the Directors according to actual results, financial position, capital requirements, operating costs and economic conditions at the time. In particular, in recognition of Bendigo Community Telco's aims to deliver social and economic benefits to the Bendigo Community (in addition to, if possible, a return to shareholders), under the Community Enterprise™ Franchise Agreement with CDA, the directors have agreed to give consideration that in any 12 month period, the aggregate of the profits or funds of the Company distributed to shareholders (whether by way of

dividends, bonus shares or otherwise) must not, except in the case of a winding up, exceed the Distribution Limit. The Distribution Limit is the greater of:

40% of the profit or funds of the Company otherwise available for distribution to shareholders in that 12 month period; and

subject to the availability of distributable profits, an amount which equates to a reasonable rate of return on the capital invested in the Company over that 12 month period. This “reasonable rate of return” is calculated as follows:

Rate of Return multiplied by Share Capital

where:

Rate of Return is the weighted average interest rate on 90 day bank bills over that 12 month period (as calculated by CDA) plus 5%; and

Share Capital is the average level of share capital over that 12 month period (as determined by CDA in consultation with the Company).

Of course, the actual amounts distributed to shareholders may be less or more depending on the assessment of directors. Following the taking up of retained losses an initial dividend of \$112,817 (2.9c per share) was paid on 11 March 2005. A further dividend payment of \$300,000 (7.7c per share) was declared on 30 May 2005 and was paid on 27 June 2005. These dividends were declared having regard to the current financial position of the company at the relevant time, and to reward foundation investors in BCT for their support in the early stages of the Company’s development, and should not be relied upon as a basis for calculation of likely future dividend yields.

8.7 Major Shareholders

The following are the top 10 shareholders in the Company.

Name	No. of Shares	% of total Shares
Bendigo Bank Limited	1,083,004	28%
Erskine Investments Pty Ltd	844,000	22%
Robert Hunt	421,004	11%
Ron Poyser Administrators Pty Ltd	372,000	10%
Bendigo Community Telco Syndicate	106,000	3%
Bendigo Senior Secondary College	100,000	3%
MGR Property Pty Ltd	90,000	2%
Bendigo Regional Institute of TAFE	86,000	2%
La Trobe University	84,000	2%
RegionalOne Credit Union	84,000	2%
	3,270,008	58%
TOTAL SHARES	5,599,010	

8.8 Tax Considerations

Bendigo Community Telco believes it is not appropriate to set out tax implications in this Prospectus for Australian resident individual investors based on the current law. Investors including non-Australia residents should seek their own advice in relation to their particular taxation situation regarding share ownership in Bendigo Community Telco.

The Directors expect Bendigo Community Telco to be taxed in Australia as a public company. The financial year of the company ends on 30 June annually.

8.9 Litigation

To the knowledge of the Directors there is no litigation threatened against Bendigo Community Telco, and no litigation threatened by Bendigo Community Telco. The Directors are not aware of any circumstances likely to give rise to the above.

8.10 Expenses of the Offer

The total expenses of the Offer payable by Bendigo Community Telco are estimated at approximately \$200,000. These expenses include commission, legal fees, independent experts' fees, printing, post and other miscellaneous expenses.

The table below provides details of these estimates of the expenses of the offer.

Expense Items	
Legal Expenses	\$132,000
Prospectus Printing and Layout	\$24,000
Other Expenses	\$30,000
Commission (at 2%)	\$14,000
Total	\$200,000

8.11 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of Bendigo Community Telco at Level 2, Fountain Court, Bendigo, 3550 for a period of not less than 12 months from the date of this Prospectus:

- the Constitution of Bendigo Community Telco; and
- the Consents referred to in section 8.3 of this Prospectus.

8.12 Electronic prospectus

This Prospectus is available in electronic form at www.bendigotelco.com.au. Any person receiving this Prospectus electronically will on request be sent a paper copy of the Prospectus (and attached Application Form) by Bendigo Community Telco free of charge during the Offer.

Applications must be made by completing a paper copy of the Application Form. Bendigo Community Telco will not accept Application Forms electronically.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the

investor had personally received the complete and unaltered Prospectus prior to completing the Application Form.

8.13 Privacy

When you apply to invest in Bendigo Community Telco, you acknowledge and agree that:

- (a) you are required to provide Bendigo Community Telco with certain personal information to:
 - (i) facilitate the assessment of your Application;
 - (ii) enable Bendigo Community Telco to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration;
- (b) Bendigo Community Telco may be required to disclose this information to:
 - (i) third parties who carry out functions on behalf of Bendigo Community Telco, including but not limited to, marketing and administration functions, on a confidential basis; and
 - (ii) third parties if that disclosure is required by law; and
- (c) related bodies corporate (as that term is defined in the Act) which carry out functions on behalf of Bendigo Community Telco

Under the Privacy Act 1988 (as amended) Applicants may request access to their personal information held by (or on behalf of) Bendigo Community Telco. Applicants may request access to personal information by writing to Bendigo Community Telco's Company Secretary.

8.14 ASIC Modifications

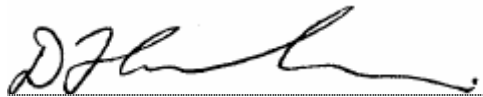
On 23 August 2005 ASIC exercised its power under section 741 of the Corporations Act to modify section 723(3) of the Act. The effect of the modification is that the time by which the Shares must be admitted to quotation on the BSX has been extended from 3 months after the date of the original prospectus (1 September 2005) to 3 months after the date of this replacement prospectus (23 November 2005). If the Shares are not admitted to quotation on the BSX by that later date the company will be obliged to refund all application money.

8.15 Directors' statement

The Directors' report that, in their opinion, after having made the inquiry:

- except as disclosed in this Prospectus, they are not aware of any circumstances that have materially affected or will materially affect the assets and liabilities, the financial position, the profits and losses, or prospects of Bendigo Community Telco or any of the businesses to be acquired by the Company on completion of the Offer; and
- have reasonable grounds to and do believe that this Prospectus contains no statements that are false or misleading and that there are no material omissions from the Prospectus;

This Prospectus was signed on behalf of the Directors by Donald James Erskine.

A handwritten signature in black ink, appearing to read 'D J Erskine', written over a horizontal dotted line.

Donald James Erskine
Bendigo Community Telco Limited

GLOSSARY

AAPT	AAPT Limited (ACN 052 082 416)
ACA	Australian Communications Authority
ACIF	Australian Communications Industry Forum
Act	the Corporations Act 2001
Applicant	a person who submits an Application
Application	an application to subscribe for Shares offered under this Prospectus
Application Form	an application form in the form for Shares attached to this Prospectus
Application Money	money received from an Applicant with an Application
ASIC	the Australian Securities and Investment Commission
AEST	Australian Eastern Standard Time or applicable Eastern Summer Time
Bendigo Bank	Bendigo Bank Limited (ACN 068 049 178)
BSX and Bendigo Stock Exchange	Bendigo Stock Exchange Limited (ABN 57 084 885 683)
Bendigo Community Telco Board	Bendigo Community Telco Limited (ACN 089 782 203) the board of directors of Bendigo Community Telco as constituted from time to time
Business Continuity Centre	the Company's business continuity centre at Flora Hill, Bendigo. See section 3.7
Business Day	a day on which trading banks in Melbourne are open for business during normal hours
CAN	customer access network
Carriage Service Provider	a Carriage Service Provider within the meaning in section 87 of the Telecommunication Act 1997
CDA and Community Developments Australia	Community Developments Australia Pty Ltd (ABN 61 102 411 914), a wholly owned subsidiary of Bendigo Bank
CDA Group	means CDA and all related bodies corporate (with the meaning of the Act) of CDA
Churn	A telecommunications industry term that refers to the transfer of a customer's business from one carrier to another carrier
Closing Date	the closing date for receipt of Application Forms under this Prospectus as set out in the Indicative Timetable appearing on page 2 of this Prospectus, as varied by the Company in its discretion
Community Enterprise™ Model	the business model developed by Bendigo Bank in conjunction with Bendigo Community Telco and Community Developments Australia. See section 3.4.
Customer Premises	Equipment owned by BCT and located at customers

Equipment	premises
Constitution	the Constitution of Bendigo Community Telco
Company, Bendigo Community Telco and BCT	Bendigo Community Telco Limited
CTA	Community Telco Australia Pty Limited (ABN 93 094 908 326)
Customer	a person who acquires telecommunications services from the Company
Director	a director of Bendigo Community Telco
Exposure Period	a minimum of 7 days, being the time prescribed by s727 of the Act, within which time no securities may be issued which period may be extended by the Australian Securities Investment Commission to 14 days from the date of the Offer
Franchise Agreement	the franchise agreement between the Company and Community Developments Australia
IP	Internet protocol
Issue	the issue of Shares pursuant to this Prospectus
Holding Statement	a holding statement for Shares
Licensed Dealer	a licensed stockbroker or other person licensed to deal in securities
Member	a Shareholder of Bendigo Community Telco and the terms “Member” and “Shareholder” are used interchangeably in this Prospectus
New Share	A Share offered under this Prospectus
Offer	the invitation to apply for the Shares contained in this Prospectus made by Bendigo Community Telco pursuant to the Act for the subscription of 1,126,000 ordinary shares in the capital of the company at an issue price of \$1.00 per share
Offer Period	the period during which the Offer is open
Opening Date	the opening date for receipt of Application Forms under this Prospectus as set out in the Indicative Timetable appearing on page 2 of this Prospectus
POTS	plain old telephone service (standard fixed line telephone service)
Prospectus	this “Prospectus”
Share	a fully paid ordinary share in the Company
Tivoli	IBM branded software used to enable customers to back up and retrieve data rapidly.
VoIP	Voice over IP