

2005 Annual Report – Supplementary Notice

Following the recent successful listing of Bendigo Community Telco on the Bendigo Stock Exchange the requirements for our Annual Report have changed and additional information is to be provided to our shareholders.

The Chairman and Chief Executive Officers' reports, along with the 2004/05 Financial Statements which have been provided to shareholders contains the majority of this information, however the following is provided to complete the 2005 Annual Report. All three documents are to be read and included as part of the 2005 Annual Report. Copies of these documents can be found on the Bendigo Community Telco website at www.bendigotelco.com.au or the Bendigo Stock Exchange website www.bsx.com.au. The date at which the information in this notice is current is 15 November 2005.

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'. The Board will review its corporate governance practices as it evolves and a further consideration of the application of these principles as appropriate.

Committee Structure

The Company has a Committee Structure consisting of a Strategy & Planning Committee of which all Directors are members, a Remuneration Committee and the Finance, Budget & Risk Committee which includes the function of audit committee of which Mr Erskine and Mr Michell are members.

Composition of the Board

The Constitution provides for a minimum of 3 and maximum of 12 directors. The Board currently consists of 6 non-executive directors (7 during 2004/05). The CEO is not a member of the Board and the roles of Chairman and CEO are separated.

Taking into account the interests of each Director and their 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.

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	No. of Shares	% of Total Shares
Bendigo Bank Ltd	1,100,146	19.7
Erskine Investments P/L	844,000	15.1
Robert George Hunt	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.7

NUMBER OF SHAREHOLDERS

The total number of shares on issue is 5,585,010 with all shares classed as Ordinary Shares. The number of shareholders is 378.

VOTING RIGHTS

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

Attending the Meeting

All shareholders may attend the Annual General Meeting.

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

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

Not attending the Meeting

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

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

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

The proxy's appointment

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

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

1. The company's registered office at Level 2 Fountain Court, Bendigo, Vic, 3550.
2. The fax number (03) 5454 1537

DISTRIBUTION SCHEDULE

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

Category	No. of Holders
1-1,000	88
1,001 – 5,000	184
5,001 – 10,000	60
10,001 – 100,000	41
100,001 and over	5

MARKETABLE PARCEL

All shareholding parcels held at the date of this document are deemed to be marketable.

TOP 10 SHAREHOLDERS

At the date of this document the Top 10 Shareholders are as per the table below:

Shareholder	No. of Shares	% of Total Shares
Bendigo Bank Ltd	1,100,146	19.7
Erskine Investments P/L	844,000	15.1
Robert George Hunt	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.7
Community Telco Syndicate	106,000	1.9
Bendigo Senior Secondary College	100,000	1.8
W J & R Administration Pty Ltd <Rogers & Every Partners Super Fund A/C>	100,000	1.8
MGR Property P/L	90,000	1.6
Bendigo Regional Institute of TAFE	86,000	1.5
LaTrobe University	84,000	1.5
TOTAL	3,303,150	59.1

COMPANY SECRETARY

The Company Secretary is David Oatway B.Bus. ACA.

REGISTERED OFFICE & SECURITIES REGISTER

The Registered Office of the Company is located at Level 2, Fountain Court, Bendigo, Victoria, 3550 and its Principal Administrative Office is located at 5 View Point, Bendigo, Victoria, 3550. Telephone: 03 5454 5000.

The Securities Register for the Company is held at AFS, PO Box 454, Bendigo, Victoria, 3552. Telephone: 03 5443 0344.

Report from the Chairman and Chief Executive Officer

It is a great pleasure to be able to present the first annual report to our new shareholders who participated in the successful capital raising. We welcome them to our community owned business and also to report that the strong performance of Bendigo Community Telco in 2004/05 has assisted us to reach several important milestones during the year. Growth in our customer base and the services we offer is essential, in order to build a sustainable business based on the principles of aggregating local demand and passing on benefits to our customers across the community.

Our success in presenting an irresistible proposition to the community and to national telco suppliers can be clearly seen in our growth in turnover from \$12.14 to \$15.42 million (27%). Importantly, this has also been profitable growth. In fact, by August 2004 we had generated sufficient profit to cover the cost of establishing and running this new company – and, in turn, we were able to distribute dividends of approximately \$413,000 to shareholders (\$0.1056 per share). These dividends were confirmation of the success of our strategy and the power of capturing capital flows that only a locally-owned and operated company can offer. In terms of return on equity, our profit represents a solid return of 28.3% on the capital employed.

The demonstrated commitment shown by initial shareholders who funded the business through its formation stage – together with the customer support forthcoming from the Bendigo community and our resulting performance – has recently underpinned a successful capital raising via prospectus. Now having more than 380 local shareholders, our aim is to continue to generate strong shareholder and community returns (to benefit our local economy). Indeed our listing on the Bendigo Stock Exchange has been the first for a local company in 50+ years – and demonstrates the importance of having a market place for SMEs and Community Enterprises across Australia.

During the year, we further consolidated our position by migrating to the in-built support systems of the Community Enterprise™ franchise structure. This move allows Bendigo Community Telco to focus on its primary goal of delivering competitive, relevant, and nationally-negotiated telecommunications to Bendigo businesses and residents.

Communities of the future are being shaped today. Bendigo Community Telco and our new Business Continuity Centre are examples of what can be achieved in Bendigo – if we turn our minds to improving our own prospects by working together as a community. Local ownership effectively gives Bendigo people a chance to set the priorities for the provision of telecommunications services in our district – rather than waiting for such services to be supplied by recognised market leaders.

Year in Review

Since its inception, Bendigo Community Telco has continued to grow the range of telecommunications products and services it offers. Over the past 12 months two significant services were introduced – GSM mobile phone services and Full Service (ie – local calls and line rentals). The addition of these services means our customers can now obtain all their telco services from us with the convenience of receiving one consolidated bill.

Our staff numbers have grown to 27, and our commitment to providing a genuine personal customer service experience (rather than the traditional call centre support) continues to separate us from our competitors. Indeed at the national ICSP Customer Service Awards our customer service was acknowledged as the best in Australia (*all industries / 15–100 staff*) – and we were again acknowledged by our peer telco companies by receiving the Best Regional Telco Award for the second year running. We have also continued to place staff development at the top of our list of priorities, in order to ensure that our customer and community focus model remains sustainable.

The customer base of BCT has grown to over 5000 customers in total. Our focus has remained on the business sector (with more than 1 in 3 Bendigo businesses now using Bendigo Community Telco) and we are striving to provide solutions for local needs, rather than just providing a standard commodity telco offering. A fine demonstration of this approach has been the ongoing development of our Business Continuity Centre in Flora Hill. Today the centre is already generating a profit and customers are using the Centre for a multitude of services (eg – data back-up and recovery, business continuity and secure hosting). Without the Centre, most of these services simply would have to be sourced outside Bendigo – and therefore this capital would be leaving our local economy.

As detailed in our prospectus, we are looking forward to further enhancing our competitive advantage through the development and implementation of a number of strategic initiatives. We believe our customers will be excited by the new services and facilities we will be able to deliver and the unique value proposition they will represent.

Our residential customer base continues to be based around our Internet Service Provider business (Impulse). However with the introduction of more residentially-based services, we have begun to see growth in this sector. In particular we have been excited by the launch of the Strathfieldsaye Community Enterprise (SCE).

In conjunction with Bendigo Bank, we have entered into a referral agreement with SCE – and the funds generated through this program will be used to support vital local community initiatives in Strathfieldsaye (such as the construction of new sporting grounds). This initiative is a great example of the potential for local communities to realise direct benefits by committing their telecommunications services to Bendigo Community Telco. We are already finding that other local groups are interested in working with us, and we anticipate this side of our business will continue to build as we become closer and closer to the community we serve.

In summary, our strategy of Community Engagement (combined with demand aggregation) is clearly working and helping us to build a viable and sustainable local business. The elements key to our future are consistent with this strategy –

- We will be highly competitive in the telecommunications marketplace through the provision of exceptional service, support and solutions that only a local telecommunications company can offer.
- We will ensure the savings achieved through our Community Telco model will benefit all customers in our district.
- We will become even more relevant to our customer base by realising tangible benefits for the community we serve (eg – assisting local projects to become viable), and by increasing our significant positive impact on the local economy.



Rob Hunt
Chairman



John Warmbrunn
CEO

BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2004/05 FINANCIAL STATEMENTS

Your directors present their report on the company for the financial year ended 30 June 2005.

DIRECTORS

The Directors of the Company at the date of this report are:

Chairman	Mr R Hunt
Directors	Mr D Erskine
	Ms K Byrne
	Mr L Kilmartin
	Mr G Michell
	Mr G Bastian
	Mr A Cairns

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

INFORMATION ON DIRECTORS

Mr Robert George Hunt – Chairman

Age	54
Occupation	Managing Director, Bendigo Bank Group
Qualifications	Fellow of Australian Institute of Company Directors (FAICD) Doctor of LaTrobe University (honoris causa)
Experience	<p>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 group managed assets of \$15.6 billion (over 309 branches and approximately 2,500 staff).</p> <p>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, Lead On youth program and many other community development programs. Rob holds many directorships and committee positions.</p> <p>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.</p>
Interest in Shares	Direct – 421,004 Shares Indirect – Bendigo Bank Group 1,083,004 Shares
Special Responsibilities	Robert Hunt is a Member of the Planning & Strategy Committee

Other Current Directorships	<p>Elders Rural Bank Limited Tasmanian Banking Services Ltd Lead On Australia Ltd St Luke's Anglicare (Patron / ex Director) Councillor of Australian Bankers Association Business Council of Australia (Member) LaTrobe University's Bendigo Regional Advisory Board (Member) Prime Minister's Community Business Partnership (Member) Community Telco Australia Pty Ltd Community Sector Enterprises Pty Ltd and subsidiary Community Sector Banking Pty Ltd Community Enterprise Foundation (Patron-in-Chief) Victorian Government's Innovation Economy Advisory Board (Member)</p> <p>Mr Hunt is also a director of a number of Bendigo Bank subsidiary companies including:</p> <ul style="list-style-type: none"> - Sandhurst Trustees Limited - Sunstate Lenders Mortgage Insurance Pty Ltd
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Mr Donald James Erskine - Director

Age	59
Occupation	<p>Managing Director – Industrial Conveying (Aust.) Pty Ltd Managing Director – Bendigo Brick Pty Ltd</p>
Experience	<p>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.</p> <p>Don is a non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT Strategy 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.</p>
Interest in Shares	<p>Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 844,000 Shares Indirect – Bendigo Bank Groups 1,083,004 Shares</p>
Special Responsibilities	Don Erskine is a Member of the Planning & Strategy Committee and the Finance, Budget & Risk Committee
Other Current Directorships	<p>Bendigo Bank Limited Chairman – Bendigo Plus Community Telco Australia Pty Ltd</p>

Ms Kathleen Ellen Byrne - Director

Age	50
Occupation	Chief Executive, Bendigo Health Care Group
Qualifications	MBA (Melbourne) BHA (NSW) Assoc. Dip. MRA (Cumberland)
Experience	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.
Interest in Shares	Direct – 0 Shares Indirect – Bendigo Health Care Group 60,000 Shares
Special Responsibilities	Kathleen Byrne is a Member of the Planning & Strategy Committee
Other Current Directorships	Girton Grammar School Limited Loddon Mallee Health Alliance Network Ltd Board of Health Information Systems LaTrobe Univesity Bendigo, Regional Advisory Board Victorian Quality Council

Mr Graham William Bastian - Director

Age	53
Occupation	Principal – Bendigo Senior Secondary College
Qualifications	Dip Engineering - Civil (Swinburne) Dip Ed (Hawthorn State College)
Experience	Graham worked as a civil engineer with a private firm of surveyors and engineers until entering teaching. Following a period as an educational consultant focused on assisting schools in the effective use of computers, Graham became the Principal of Charlton College. He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and now Principal of Bendigo Senior Secondary College.
Interest in Shares	Direct – 0 Shares Indirect – Bendigo Senior Secondary College 100,000 Shares
Special Responsibilities	Graham Bastian is a Member of the Planning & Strategy Committee
Other Current Directorships	LaTrobe Univesity Bendigo, Regional Advisory Board Discovery Science & Technology Centre

Mr Leslie Alan Kilmartin - Director

Age	61
Occupation	Principal of The Insight Group and Academic Head, Higher Education, NMIT
Qualifications	B.A. Queensland M.A. Aust. National University PhD La Trobe University
Experience	<p>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.</p> <p>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.</p>
Interest in Shares	Direct – 0 Shares Indirect - 0 Shares
Special Responsibilities	Les Kilmartin is a Member of the Planning & Strategy Committee
Other Current Directorships	Australian Ballet School Council

Mr Geoffrey Ralph Michell - Director

Age	54
Occupation	Chief Executive – Coliban Water
Qualifications	Diploma of Civil Engineering Masters of Business Administration (Deakin)
Experience	<p>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.</p> <p>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.</p>

Mr Geoffrey Ralph Michell – Director (Cont'd)

Interest in Shares	Direct – 20,002 Shares Indirect – Coliban Region Water Authority 40,000 Shares
Special Responsibilities	Geoff Michell is a Member of the Planning & Strategy Committee and the Finance, Budgeting & Risk Committee
Other Current Directorships	Discovery Science & Technology Centre (Chairman)

Mr Andrew Cairns - Director

Age	43
Occupation	Chief Executive Officer of Community Telco Australia Pty Ltd
Qualifications	Bachelor of Engineering – Electrical (Footscray Institute of Technology) Associate Fellow of the Australian Institute of Management Member of Australian Institute of Company Directors
Experience	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.
Interest in Shares	Direct – 0 Shares Indirect – 0 Shares
Special Responsibilities	Andrew Cairns is a Member of the Planning & Strategy Committee
Other Current Directorships	Bendigo Regional Institute of Tafe (BRIT)

COMPANY SECRETARY

The Company Secretary is David A. Oataway B.Bus, ACA. Mr Oataway has been company secretary of the company since its establishment in 1999. Mr Oataway is the company secretary of Bendigo Bank Ltd and its subsidiary companies. Prior to his appointment as company secretary of the Bank, he held roles with the Bank's internal audit and secretariat departments. Prior to joining the Bank he was employed by Melbourne and Bendigo based chartered accounting firms.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were telecommunications services. There were no significant changes in the principal activities of the Company in the course of the year.

There has been no significant changes in the nature of these activities during the year.

OPERATING RESULTS

Operations have continued to perform in line with expectations. The operating profit of the company for the financial year after providing for income tax was \$548,871 (before tax profit \$762,893). The 2004 operating profit was \$771,426 and income tax was not payable in that year.

DIVIDENDS PAID OR RECOMMENDED

	Year Ended 30 June 2005	
	Cents (approximate)	\$
Dividends paid in the year:		
- first dividend	2.885	112,817
- second dividend	7.673	300,000
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Total	10.558	412,817

REVIEW OF OPERATIONS

Bendigo Community Telco Limited is now in its fifth year of operations, and has again expanded its product range to include 'single bill' services, providing full service including line rental and locals calls. Existing services and market share has also been maintained or expanded during the financial year.

Bendigo Community Telco has entered into a Franchise agreement with Community Developments Australia. Bendigo Community Telco Limited has also maintained wholesale agreements with Camtech, Optus Networks, Request Broadband, Intercall Australia, Info-In.com, Comindico Australia and Connect Internet Solutions and has also negotiated contracts with Newsnet.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND MATTERS SUBSEQUENT TO BALANCE DATE

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

There has not been any significant changes in the state of affairs of the Company during the financial year. Since the end of the financial year the capital raising opened on June 17 and closed on August 8. Following a request from ASIC a withdrawal period was opened on 23 August and will close on 26 September with listing on the BSX scheduled on or around September 30 2005.

The Company's investment in its shareholding of Community Telco Australia was sold on 23 August 2005 to a third party for the value as listed in the company's Statement of Financial Position.

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

LIKELY DEVELOPMENTS IN OPERATIONS

Bendigo Community Telco anticipates raising between \$1,126,000 and \$1,689,000 through its capital raising via prospectus. The company intends 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.

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.

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the company with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the company, controlled entity or related body corporate other than interests and benefits disclosed at Note 18, 20 and 21 to the Financial Report.

SHARE OPTIONS

The Company has not issued any share options.

PROCEEDINGS

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

DIRECTORS MEETINGS

During the financial year 2004/05 meetings of directors were held. Attendances were:-

Directors' Meetings		
Directors	No. eligible to attend	No. attended
Rob Hunt	12	12
Don Erskine	12	11
Kathy Byrne	12	6
Les Kilmartin	12	9
Graham Bastian	12	9
Geoff Michell	12	11
Andrew Cairns	12	12

NON AUDIT SERVICES

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

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

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


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

None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Bendigo on 29 September 2005


.....
Director


.....
Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Bendigo Community Telco Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b. no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bendigo Community Telco Limited.



David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo
VIC 3550

29 September 2005

DIRECTORS' DECLARATION

In the Directors opinion:

1. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - a) comply with Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirements; and
 - b) give a true and fair view of the company's financial position as at 30 June 2005 and of its performance as presented by the results of its operations and its cash flows for the financial year ended on that date; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the directors



Chairman



Director

Signed on 29 of September 2005



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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
BENDIGO COMMUNITY TELCO LIMITED

Scope

We have audited the financial report of Bendigo Community Telco Limited for the financial year ended 30 June 2005 including the directors' declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Bendigo Community Telco Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b. other mandatory professional reporting requirements.

David Hutchings
ANDREW FREWIN & STEWART

Bendigo
29 September 2005

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Total Revenue	1(g), 2, 22	15,424,413	12,141,693
Cost of Products sold		<u>(11,152,011)</u>	<u>(8,509,280)</u>
Gross Margin		4,272,402	3,632,413
Expenditure			
General Administration Expenses	3, 4	(591,618)	(609,487)
Salaries & Associated Expenses		(1,544,934)	(1,302,514)
Advertising & Promotion Expenses		(314,013)	(191,373)
Occupancy & Associated Expenses		(139,828)	(141,450)
Systems Expenses		(673,558)	(376,940)
Depreciation & Amortisation	3	(209,254)	(208,127)
Borrowing Cost Expenses	3	<u>(36,304)</u>	<u>(31,096)</u>
Total Expenditure		<u>(3,509,509)</u>	<u>(2,806,987)</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		<u>762,893</u>	<u>771,426</u>
Income Tax (expense)/credit relating to ordinary activities	5	<u>(214,022)</u>	<u>0</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE/CREDIT		<u>548,871</u>	<u>771,426</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE FROM TRANSACTIONS WITH OWNERS AS OWNERS	13	<u>548,871</u>	<u>771,426</u>

The accompanying notes form an integral part of this
Statement of Financial Performance

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	2005 \$	2004 \$
Current Assets			
Cash Assets	1(c), 14	925,770	1,273,378
Receivables	1(g), (h), (i), (n), 6	2,527,790	1,647,473
Prepayments	1(i)	326,709	113,954
Inventories	1(j)	89,701	71,505
Intangibles	7	173,344	20,520
Total Current Assets		4,043,314	3,126,830
Non Current Assets			
Property Plant & Equipment	1(d), 8	735,431	759,171
Investments	1(m), 9	250,000	250,000
Total Non-Current Assets		985,431	1,009,171
TOTAL ASSETS		5,028,745	4,136,001
Current Liabilities			
Payables	1(n)	2,540,522	1,754,405
Interest Bearing Liabilities	1(k), (l), 10, 15, 16	161,788	178,661
Provisions	1(e), (o), 11	80,164	62,323
Taxation	1(b), 5	37,101	-
Total Current Liabilities		2,819,575	1,995,389
Non-Current Liabilities			
Interest Bearing Liabilities	1(k), (l), 10, 15, 16	184,297	251,793
Total Non-Current Liabilities		184,297	251,793
TOTAL LIABILITIES		3,003,872	2,247,182
NET ASSETS		2,024,873	1,888,819
EQUITY			
Contributed Capital	1(p), 12	1,938,305	1,938,305
Accumulated Profit/(Losses)	13	86,568	(49,486)
TOTAL EQUITY		2,024,873	1,888,819

The accompanying notes form an integral part of this
Statement of Financial Position

STATEMENT OF CASH FLOWS

	Notes	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received in course of operations		14,440,246	13,272,065
Interest paid		(36,304)	(31,096)
Cash paid in course of operations		(14,118,884)	(12,410,090)
Interest Received		51,925	17,358
Net cash used in operating activities	14(b)	336,983	848,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(243,560)	(465,969)
Proceeds from sale of property plant and equipment		56,155	51,868
Net Cash used in investing activities		(187,405)	(414,101)
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds of borrowings		(84,369)	(77,575)
Dividends Paid		(412,817)	-
Net cash provided by financing activities		(497,186)	77,575
Net increase in cash held during the financial year		(347,608)	511,711
Cash at the beginning of the financial year		1,273,378	761,667
Cash at the end of the financial year	14(a)	925,770	1,273,378

The accompanying notes form an integral part of this
Statement of Cash Flows

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. Statement of Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies are consistent with the previous year.

(b) Income Tax

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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

(c) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) Property, Plant and Equipment

Property, plant and equipment are carried at cost or at independent or directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:-

Asset Class	Depreciation Rate (%)
Office Furniture & Equipment	
Advertising Collateral	7.5
Furniture & Fittings	4.5 - 37.5
Office Equipment	7.5 - 40
Computer Equipment	37.5 - 40
Satellite Equipment	50
Software	33 - 40
Business Continuity Centre	2.5 - 33
Motor Vehicles	18.75 - 22.5
Leasehold	4.5 - 11.25
Telecommunications & Infrastructure	
Infrastructure	7.59
Connectivity Links	20 - 50

(e) Employee Benefits

The provision for employee benefits for wages, salaries, annual leave and sick leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

Contributions are made to employee Superannuation Funds and are charged as expenses when incurred. The company has no legal obligations to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

Long service leave is accrued in respect of all employees with more than five years service with the company. No employees fall into this category.

(f) Comparative Information

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

(g) Revenue

Revenue from the sale of services is recognised upon delivery of service to customers. Interest revenue is recognised as it accrues. All revenue is stated net of the amount of Goods and Services Tax (GST).

(h) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 14 and 30 days.

(i) Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, if billed to the company.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(k) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(l) Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(m) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(n) Goods and Services Tax (GST)

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of the receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Provisions

Provision are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

(p) Contributed Capital

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

2. REVENUE FROM ORDINARY ACTIVITIES

	2005 \$	2004 \$
Operating activities:		
- sales revenue	15,353,309	11,998,337
- other revenue	19,179	125,998
Total revenue from operating activities	<u>15,372,488</u>	<u>12,124,335</u>
Non-operating activities:		
- interest received	51,925	17,358
Total revenue from non-operating activities	<u>51,925</u>	<u>17,358</u>
Total revenue from ordinary activities	<u>15,424,413</u>	<u>12,141,693</u>

3. EXPENSES

	2005 \$	2004 \$
Depreciation of non-current assets:		
- office furniture & equipment	134,468	147,840
- motor vehicles	53,808	(18,734)
- leasehold	1,257	319
- telecommunications & infrastructure	19,721	18,241
	<u>209,254</u>	<u>147,666</u>
Borrowing expenses:		
- interest paid	<u>7,208</u>	<u>10,433</u>
Bad Debts	10,143	24,715
Doubtful Debts	<u>13,872</u>	<u>19,464</u>
	<u>24,015</u>	<u>44,179</u>
Loss on sale of assets	<u>1,891</u>	<u>3,594</u>

4. AUDITORS' REMUNERATION

Amounts received, or due and receivable by the auditors for	2005 \$	2004 \$
Auditing the financial statements	14,961	7,735
Other Services	23,817	12,818

5. INCOME TAX EXPENSE

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:	2005 \$	2004 \$
Operating Profit/(Loss)	762,893	771,426
Prima facie tax on profit/(loss) from ordinary activities @ 30%	228,868	231,428
Income tax attributable to operating Profit/(Loss)		
Tax effect of permanent and other differences:		
Benefit of tax losses not recognised	<u>(14,846)</u>	<u>(231,428)</u>
Income tax on operating profit/(loss)	<u>214,022</u>	<u>0</u>

6. RECEIVABLES

	2005 \$	2004 \$
Trade Debtors	2,592,790	1,698,601
Provision for Doubtful Debts	<u>(65,000)</u>	<u>(51,128)</u>
	<u>2,527,790</u>	<u>1,647,473</u>

7. INTANGIBLE ASSETS

	2005 \$	2004 \$
Equity Raising Costs Capitalised	173,344	20,520

The company intends to raise additional shares in the 2005/06 financial year. Costs totalling \$173,344 directly relating to this issue have been incurred as at the balance date. These costs will be recognised directly against the shares issued in accordance with Urgent Issues Group Abstract UIG23.

8. PROPERTY PLANT AND EQUIPMENT

Reconciliation of the carrying amounts of each class of asset at the beginning and end of the current financial year are set out below.

2005	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Carrying amount at the start of the year	364,141	269,131	18,724	107,175	759,171
Additions	137,195	106,365	-	-	243,560
Disposals	-	(58,046)	-	-	(58,046)
Depreciation	(134,468)	(53,808)	(1,257)	(19,721)	(209,254)
Carrying amount at the end of the year	366,868	263,642	17,467	87,454	735,431

9. INVESTMENTS

	2005 \$	2004 \$
Shares in Community Telco Australia Limited	250,000	250,000

10. INTEREST-BEARING LIABILITIES

Current Interest-Bearing Liabilities	2005 \$	2004 \$
Secured by fixed and floating registered mortgage debenture		
Lease Liabilities	108,062	112,205
Bank Loans	53,726	66,456
Total Current Interest-Bearing Liabilities	161,788	178,661
Non-Current Interest-Bearing Liabilities		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	-	47,878
Lease Liabilities	184,297	203,915
Total Non-Current Interest-Bearing Liabilities	184,297	251,793

11. PROVISIONS

	2005 \$	2004 \$
Employee Provisions	80,164	62,323

12. CONTRIBUTED CAPITAL

	No. of Shares	2005 \$	2004 \$
Issued and paid up capital ordinary shares of \$1 each	1,955,005	1,955,005	1,955,005
Bonus ordinary shares	1,955,005	0	0
Less cost of equity raised		(16,700)	(16,700)
TOTAL	3,910,010	1,938,305	1,938,305

A bonus share issue on a 1:1 basis was issued to existing shareholders on 16 November 2004.

13. RETAINED PROFIT/ACCUMULATED (LOSSES)

	2005 \$	2004 \$
Balance at the beginning of the financial year	(49,486)	(820,912)
Net profit/(loss) from ordinary activities after income tax	548,871	771,426
Dividends Paid	(412,817)	-
Balance at the end of the financial year	86,568	(49,486)

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

	2005 \$	2004 \$
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the profit and loss accounts as follows:		
Cash	925,770	1,273,378
	925,770	1,273,378

(b) Reconciliation of operating profit to net cashflows from operation activities

Profit from ordinary activities	548,871	771,426
Depreciation and amortisation of non current assets	209,254	208,127

Change in Assets and Liabilities	2005	2004
	\$	\$
(Increase) / decrease in assets		
Receivables & prepayments	(1,093,072)	15,618
Stock	(18,196)	(20,868)
Increase in intangible assets	(152,824)	(20,520)
Loss on sale of plant property and equipment	1,891	0
 Increase / (decrease) in Liabilities		
Accounts payable & provisions	841,059	(105,546)
 Net cash flow from operating activities	<u>336,983</u>	<u>848,237</u>

15. LEASES

(a) Finance Leases

Leasing arrangements

Finance leases relate to Computer Equipment and Motor Vehicles, all with lease terms of three years. The economic entity has options to purchase the equipment for a nominal amount at the conclusion of the lease arrangements.

	2005	2004
	\$	\$
Finance Lease Liabilities		
No later than 1 year	108,062	84,122
Later than 1 year and not later than 5 years	210,057	231,998
Minimum finance lease payments	<u>318,119</u>	<u>316,120</u>
Less future finance charges	<u>(25,760)</u>	<u>(32,401)</u>
 Finance Lease Liabilities	<u>292,359</u>	<u>283,719</u>

(b) Operating Leases

Leasing arrangements

The operating leases relate to the rental of the business premises at 5 View Point, Bendigo, with a lease term of three years, beginning 1 February 2004 and Business Continuity Centre, Edwards Road, Flora Hill with a lease term of five years, beginning 1 September 2003. The company does not have an option to purchase the leased asset at the expiry of either lease period.

	2005	2004
	\$	\$
Non-cancellable operating leases		
No later than 1 year	116,846	115,445
Later than 1 year and not later than 5 years	<u>154,523</u>	<u>160,061</u>
	<u>271,369</u>	<u>275,506</u>

16. FINANCIAL INSTRUMENTS

16 (a) Terms, conditions and accounting policies

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

Recognised	Accounting Policies	Terms and Conditions
Financial assets		
Notes, coin and cash at bank	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis	These items are cash or are readily convertible to cash.
Accounts Receivable – Debtors	Debtors are carried at the nominal amounts due less any provision for doubtful debts. A doubtful debts provision is made for any amounts which are considered unlikely to be collected.	Credit is allowed for a 30 day term.
Financial liabilities		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods and services.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.

16 (b)(i) Interest Rate Risk

Financial Instrument	Floating Interest Rate \$	Fixed Interest maturing in:				Total Carrying Amount per Statement of Financial Position		Weighted Average Effective Interest Rate	
		1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Non Interest Bearing \$	2005 \$	2004 \$	2005 %	2004 %
<i>Financial Assets</i>									
Cash Assets	925,770					925,770	1,273,378	N/A	N/A
Accounts Receivable – Debtors					2,527,790	2,527,790	1,647,473	N/A	N/A
<i>Financial Liabilities</i>									
Creditors & Accruals					2,540,522	2,540,522	1,754,405	N/A	N/A
Loans		53,726				53,726	114,334	6.75	6.75
Finance Leases		77,612	214,747			292,359	283,719	7.8	9.42

16 (b)(ii) Credit Risk

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

The credit risk on financial assets of Bendigo Community Telco which have been recognised on the Statement of Financial Position is the carrying amount net of any provisions for doubtful debts.

Bendigo Community Telco minimises concentrations of credit risk by undertaking transactions with a large number of customers. Bendigo Community Telco is therefore not materially exposed to any individual customer.

16 (c) Fair Values

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

	Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
	2005	2004	2005	2004
Financial Instruments	\$	\$	\$	\$
<i>Financial Assets</i>				
Cash Assets	925,770	1,273,378	925,770	1,273,378
Accounts Receivable – Debtors	2,527,790	1,647,473	2,527,790	1,647,473
<i>Total Financial Assets</i>	3,453,560	2,920,851	3,453,560	2,920,851
<i>Financial Liabilities</i>				
Creditors and Accruals	2,540,522	1,754,405	2,540,522	1,754,405
Loans	53,726	114,334	53,726	114,334
Finance Leases	292,359	283,719	292,359	283,719
<i>Total Financial Liabilities</i>	2,886,607	2,152,458	2,886,607	2,152,458

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

Recognised Financial Instruments

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

17. EARNINGS PER SHARE

	2005 c	2004 c
Earnings/(Losses) per share for the financial year were:	14.04	39.46

18. DIRECTORS' REMUNERATION

	2005 \$	2004 \$
Total remuneration received or due and receivable by the Directors of the Company for the year ended 30 June	Nil	Nil

19. EXECUTIVES REMUNERATION

	2005 \$	2004 \$
Amounts received or due and receivable from the Company by executive officers (including executive directors) whose remuneration is \$100,000 per annum or greater	351,544	102,470

Number of executive officers whose remuneration was within the following bands:

Range	2005 No.	2004 No.
\$100,000 to \$109,999	1	1
\$110,000 to \$119,999	1	0
\$120,000 to \$129,999	0	0
\$130,000 to \$139,999	0	0
\$140,000 to \$149,999	1	0

20. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2005 \$	2004 \$
Amounts of a prescribed benefit given during the year by the Company or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office.	Nil	Nil

21. DIRECTORS RELATED PARTY DISCLOSURES

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

Robert Hunt
Don Erskine
Kathleen Byrne
Les Kilmartin
Geoff Michell
Graham Bastian
Andrew Cairns

No director or related entity has entered in to a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

DIRECTORS SHAREHOLDINGS	2005 No.	2004 No.
Robert Hunt	421,004	15,001
Don Erskine	844,000	422,000
Kathleen Byrne	0	0
Les Kilmartin	0	0
Geoff Michell	20,002	10,001
Graham Bastian	0	0
Andrew Cairns	0	0

The directors shareholding movements for the year included a 1:1 bonus share split on 16 November 2004 and purchase of additional shares by Robert Hunt. Each share held is valued at \$1 and is fully paid.

Bendigo Community Telco has entered into an agreement with D.J. Erskine Nominees Pty Ltd to lease the property of 5 View Point for three (3) year period terminating on 31 January 2007. The organisation is majority owned by Director – Mr D.J. Erskine. This contract was approved by the Board with Mr Erskine noting a pecuniary interest and excluding himself from the discussions and approval process undertaken by the Board.

Bendigo Community Telco has been engaged with Community Telco Australia throughout the financial year assisting with the development of the CTA Project. The CTA Project involves granting to entities majority owned or controlled by communities the right to use certain intellectual property and shared services to enable the establishment and operation of a business of providing telecommunications services to customer. CTA is a company established and majority owned by Bendigo Bank Ltd with a 5.6% holding by Bendigo Community Telco. Bendigo Community Telco has entered into a binding licence with CTA in relation to the use of the Community Telco Project.

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

22. FINANCIAL REPORTING BY SEGMENTS

Bendigo Community Telco is a carriage service provider and a retailer of mainstream telecommunications products to businesses and residential customers in the Bendigo and surrounding districts. Bendigo Community Telco delivers a range of telephony, data, mobile, Internet and e-solutions. The revenue received by market segments is shown below:

	2005 \$	2004 \$
Fixed Telephone Services	6,739,359	4,914,785
Data Network Services	4,045,086	3,540,383
Mobile Telephone Services	1,316,455	608,941
Traditional Internet Services	707,424	609,279
Broadband Services	674,086	518,472
e-Solutions and Services	2,884	8,872
Inventory and Equipment	326,858	216,204
Satellite Services	6,493	13,555
Business Continuity Centre Services	1,346,807	1,311,112
Community Resale Services	186,576	274,092
Other Revenue	72,385	125,998
	<hr/>	<hr/>
TOTAL	15,424,413	12,141,693

23. CONTINGENT LIABILITIES

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

24. EVENTS SUBSEQUENT TO BALANCE DATE

It is anticipated that a capital raising will be concluded in the second half of 2005 with the view to broadening ownership of the Company.

The Company's investment in its shareholding of Community Telco Australia was sold on 23 August 2005 to a third party for the value as listed in the company's Statement of Financial Position.

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

25. INTERNATIONAL FINANCIAL REPORTING STANDARDS – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENT TO IFRS

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings at 1 July 2004.

The Company has established a project team to manage the transition to AIFRS, including training of staff and internal control changes necessary to gather all the required financial information. The transition is currently on schedule.

In the Company's opinion, no material impacts are expected in relation to the financial report for the year ended 30 June 2005. There are no impacts to be disclosed.

Impact on the statements of financial performance

Nil

Impact on the statements of financial position

Nil

25(a) Income Tax

Under AASB112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB112 had been applied during the year ended 30 June 2005, there would have been no impact on the value of deferred tax assets or liabilities.

26. REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

The registered office is Level 2, Fountain Court, Bendigo, Victoria and the principal place of business is 5 View Point, Bendigo, Victoria.