



CONCISE ANNUAL REPORT 2006

Let's get connected

BENDIGO
communitytelco®

Chairman and Chief Executive Officers report.



Rob Hunt
Chairman

It is a great pleasure to be able to present our second annual report as a public company. Bendigo Community Telco has enjoyed another year of growth and development of our business. Growth in our customer base and the services we offer is essential, in order to build a sustainable business based on the principles of capturing local telco spending and passing on benefits to our customers, local shareholders and the broader community.

Our success in presenting an irresistible proposition to the community and to national telecommunication suppliers can be clearly seen in our growth in turnover from \$15.372M to \$18.246M (an 18.7% increase). Importantly, this has also been profitable growth and our presence has elevated competition in our local marketplace.

As a result, we were able to distribute fully franked dividends of approximately \$251,325 to shareholders (4.5 cents per share) in April this year and directors have announced a final dividend of 4 cents per share which equates to a further \$223,440 fully franked payment to our shareholders which will be distributed in September. These dividends are 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 on the capital employed.

With our shareholder base now exceeding 376, 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 was the first for a local company in over 50 years – and demonstrates the importance of having a market place for SMEs and community enterprises across Australia.

During the year, we expanded our service offering from our traditional business customers to include all households. The campaign featuring the well know Australian actor, Bud Tingwell, is significant as it completes our promise to the whole community and opens up a new area to further grow our local business.

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 have taken a cautious approach with investing in telecommunications infrastructure and, rather than take on undue risk, we have waited until the regulatory environment is more certain. We remain steadfast in our belief that our customers will be excited by the new services and facilities we will be able to deliver to our marketplace and the unique value proposition they will represent.

Communities of the future are being shaped today. Bendigo Community Telco and our 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 provided by national carriers. We at Bendigo Community Telco are interested in the success of our customers and the local economy, not in just being a provider of telco products and services. We believe this makes us unique in the telco market.



John Warmbrunn
Chief executive officer

Year in Review

Since its inception, Bendigo Community Telco has continued to grow the range of telecommunications products and services it offers. With long distance, local calls, line rental, mobile phones, satellite, optic fibre and a sophisticated data network, our customers can now obtain all their telco services from us with the convenience of receiving one consolidated bill.

Our local staff numbers have grown to thirty-three, and our commitment to providing a genuine personal customer service experience continues to separate us from our competitors. Having won a national ICSP Customer Service Awards (where our customer service was acknowledged as the best in Australia) in 2005, we have continued to refine our customer interactions to ensure we deliver truly unique and local service. Our aim is to provide service such that our customers become advocates for our business. Naturally, staff development has remained 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 3,854 customers in total. Our main focus for the year has been 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 including 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, therefore this capital would be leaving our local economy. Traditionally such services have only been viable on high speed and high cost optic fibre connections. Recognising that few local businesses can afford such a solution, we have developed a unique local ADSL based product that is bringing data back up to SME companies in Bendigo.

We have been delighted with the response to our new residential offer. The campaign has opened the eyes of the residents of Bendigo to the benefits that a local Community Telco can offer and our existing business customers have lead the charge to sign up.

Although the campaign was launched toward the end of the year, it is already accelerating our growth.

The Strathfieldsaye Community Enterprise (SCE) has continued to assist our growth. 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. The success of Strathfieldsaye has been followed by similar initiatives in Eaglehawk (Empowering Eaglehawk) and Mt Alexander (Mt Alexander Community Grants Initiative) creating stronger links between Bendigo Community Telco and the community we aim to serve.

We have also enhanced the resiliency and redundancy of our core networks in 2006 to ensure that Bendigo residences and businesses have competitive links into the global economy. Our commitment to keeping Bendigo at the forefront of telecommunications remains strong and we will continue to invest in this vital area.

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, and as stated we are striving to provide telco products and services.
- 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
Chief executive officer

Financial results.

Bendigo Community Telco Limited recorded a 2005/06 operating profit after tax of \$553,402, a marginal increase on the previous year.

This included an adjustment for prior year tax of \$44,203, resulting in an adjusted or normalised operating profit after tax for 2005/06 of \$597,605, a 8.2 per cent increase on the previous year.

Earnings before tax increased to \$858,935, a 11.9 per cent improvement over the previous year.

Bendigo Community Telco Limited completed the transition to A-IFRS. Further details are provided in the financial statements included with this report, however the adjustments to be highlighted include a one-off impairment adjustment for the Specimen Hill Tower of \$55,957, along with asset write offs due to obsolescence.

Growth in revenue streams was achieved in many areas with full service revenue, particularly service & equipment charges and local call revenue increasing by 177 and 60 per cent respectively. Growth was also achieved in products including broadcasting, both GSM and CDMA mobile services, and through our Business Continuity Centre with disaster recovery and continuity services.

Traditional internet revenue reduced by 17 per cent compared with the previous year, however a number of services transferred to our broadband offering which contributed to an increase of 50 per cent compared with the previous year.

Contributing to our growth in revenue, customer numbers increased by 8.5 per cent to 3,854 and the number of services increased by 19.1 per cent to 14,561.

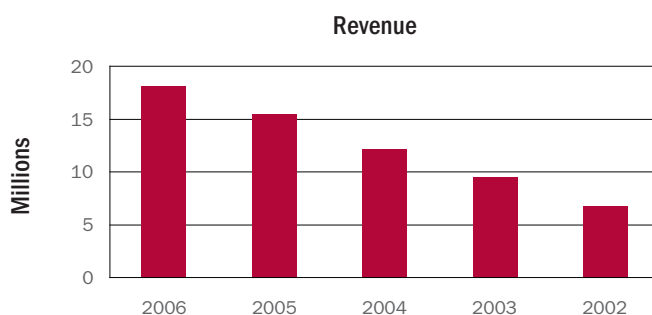
With the increase in revenue from some full service products, which have a slightly reduced margin, the gross margin reduced from 27.5 per cent in 2005 to 25.3 per cent in 2006. The impact of this reduction does affect the net profit result, however the impact was not significant due to the increase in total revenues achieved in the year. Earnings before tax increased by \$91,108 unadjusted, compared to the previous year.

A 4.5 cent dividend was declared and paid during the financial year, the third dividend declared by the Company, and the first dividend payment to many of our new shareholders who participated in the capital raising which was completed in September 2005 as part of our listing on the Bendigo Stock Exchange.

Earnings per share reduced from 13.37 cents in 2005 to 10.25 cents in 2006. This reduction was due mainly to the addition of 1,676,000 shares issued in 2006.

Net Assets increased to \$3,686,820 with increases in cash and cash equivalents, and receivables, along with the sale of our investment in Community Telco Australia to Bendigo Bank Limited at the amount previously recorded in the Balance Sheet. There were also reductions in other financial assets with the transfer of equity raising costs capitalised to equity, and repayment of borrowings with the pay out of our bank loan and reduction in other borrowings.

These adjustments also contributed to a considerable improvement in our working capital, being current assets less current liabilities, to \$3,116,628 in 2006 compared with \$1,222,259 in 2005.



What comes around goes around.

Communities who are committed, are communities who get things done.

Bendigo Community Telco knows this and are actively involved in helping them make a difference.

Many around Central Victoria have identified their needs and have partnered with Bendigo Community Telco to ensure that community projects that may otherwise not proceed, are undertaken when the community decides.

Using the same community power as people like Bendigo's forefathers, or those who created Bendigo Community Telco, these communities are coming together and building infrastructure and completing community projects, projects that the community want and decide are important, when they want.

Strathfieldsaye, Echuca, Eaglehawk and the Mt Alexander region are all taking control. They have partnered with Bendigo Community Telco to ensure a regular income stream that provides the necessary funding for their community projects.

Projects such as new sporting facilities in Strathfieldsaye which can be utilised by the entire community and people of all ages, youth driver education and refurbishment of the Wesley Hill sporting complex in the Mount Alexander region, and other community projects that provide benefits for all community members.

Bendigo Community Telco is Bendigo's own Telco and is committed to making a difference for all communities who are willing to work at making their communities more prosperous.



▲ A Wesley Hill junior football team. One of many who will benefit from the Mount Alexander Community Grants Project.



▲ The Strathfieldsaye Recreation Reserve is being developed with assistance from an ongoing revenue stream to the Strathfieldsaye Community Enterprise from the spend of local residents whose telecommunications services are provided by Bendigo Community Telco.



▲ One of the new ovals at the Recreation Reserve.

Community Enterprise, supporting their communities.

Strathfieldsaye Community Enterprise

Peter Campbell
President
Ph: 03 5443 0733

Empowering Eaglehawk

Peter Cox
President
12 Hall Street, Eaglehawk
Ph: 03 5446 3477

Mt Alexander Community Grants Project

Robyn Lewis
Committee Chair
Ph: 03 5472 4024

Echuca Moama Community Enterprise

Cathy Halliday
Secretary
Ph: 03 5482 5603

Advertorial



Our partnership with Bendigo Community Telco means we're doing something positive.

Peter Campbell, Deputy Chairman, Strathfieldsaye Community Enterprise Committee.

Strathfieldsaye's new sporting complex at the intersection of Tannery Lane and Eppalock Road is getting closer to fruition due to a unique partnership between the community and Bendigo Community Telco.

Peter Campbell has been involved right from the start when big attendances at two public meetings encouraged BCT and Bendigo Bank to push ahead with the concept.

"What we're doing is using the aggregate demand of the community to retain the money spent on telecommunications.

"The sports master plan has now been adopted by council, and the next step is funding the development. This unique partnership with Bendigo Community Telco is a real self-help scheme.

"The more people we can encourage to join our community Telco, the more money we have to develop the complex."

Bendigo Community Telco and Bendigo Bank hope the partnership will provide support for many other future initiatives.

As Peter says, "The rapid growth within Strathfieldsaye township has exposed the urgent need for facilities. The council needs to be congratulated for acknowledging that and pushing on with such a positive outlook.

"We hope to have kids playing on the new oval within two years. It's good to see how demand aggregation as practised by Bendigo Community Telco can provide real benefits to the whole local community, not just customers.

"We're doing something positive instead of asking for handouts all the time."

Like minds.

Poyser Motors recognised that successful communities make for successful business and so joined Bendigo Community Telco from the beginning.

Other Bendigo community champions were:

- Bendigo Bank Limited
- Rob Hunt
- Hume and Iser Pty Ltd
- Bendigo Senior Secondary College
- Erskine Investments Pty Ltd
- BRIT
- Coliban Region Water Authority
- RegionalOne Credit Union
- Bendigo Health Care Group
- La Trobe University

Thousands of business and residential customers have also joined with these champions to experience exceptional service and an extensive product range, the profits from which assist the prosperity of our local community.

Advertorial



Our aim is to always go that extra step for customers.

Bendigo Community Telco has the same philosophy.

Ron Poyser, Owner Poyser Motors.

Franchisee for Holden, Mercedes Benz, Isuzu and Freightliner Trucks.

"I started Poyser Motors in 1979 with the aim of giving provincial area clients the very best of facilities and satisfaction in every aspect of dealing with the company.

"This goal has been largely achieved and we will continue to work hard in all levels of professionalism and service excellence.

"We proudly joined Bendigo Community Telco from the beginning as we believed that Bendigo had the opportunity to instigate a concept to benefit not only our area, but also any major community in Australia. This, of course, has already begun with other communities now benefiting from this great Bendigo initiative.

"The best news for our company, though, was the immediate savings in the first year, amounting to about 25% below dealing with a national carrier.

"But the real benefits of dealing with community telco are greater than just the price; it's dealing with people who really care and will listen when you need help.

"The reasons we made the change have paid off handsomely and I encourage all Bendigonians to consider supporting this great local company for all our benefit."

Bendigo Community Telco, your Telco!

In 2000, Bendigo Community Telco made a promise, that all communities in the Bendigo region could participate in making a difference.

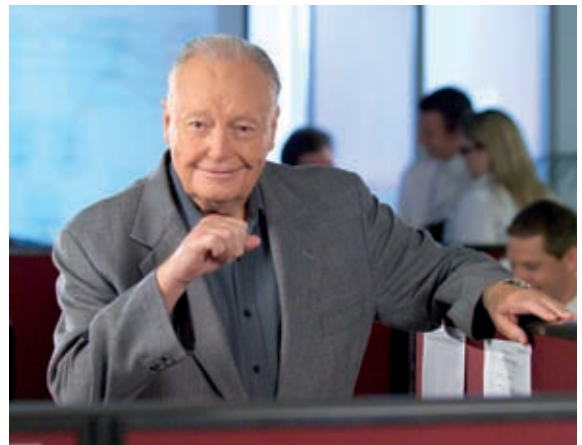
Businesses in and around Central Victoria have been able to ensure that their community benefit from their own Telco and have seen the rewards of having Bendigo Community Telco, their own Telco.

In 2005, Bendigo Community Telco asked who wants to own part of their own Telco, offering shares through a capital raising during our extremely successful IPO to launch on the Bendigo Stock Exchange (BSX), with approximately 350 taking up the opportunity.

In 2006, Bendigo Community Telco entered the residential market. Residents of Bendigo are being asked questions like "why do you live in Bendigo", and "how do you want to contribute to the prosperity of your community"?

Bendigo Community Telco is here for all customers, whether business or residential and everyone has the opportunity to contribute to our community. It's easy, because we have a stake in our communities and we want to make our communities better places to live.

Every resident in Bendigo and the surrounding region now has the opportunity to make a difference by working with Bendigo Community Telco to provide great opportunities for all people in our region.



▲ Segments from our recent TV advertisements with children from the Strathfieldsaye Kindergarten and the legendary actor and Australian icon, Bud Tingwell.

Shareholder information.

At 1 July 2005 Bendigo Community Limited had on issue 3,910,010 shares.

In September 2005 following a successful Initial Public Offering and listing on the Bendigo Stock Exchange (BSX code BCT) the number of shares on offer increased to 5,585,010 at an initial listing price of \$1.00.

An additional 1,000 shares were issued in April 2006 bringing the total shares on issue to 5,586,010. The number of shareholders at 30 June 2006 was 376 and the number of shares on issue remained at 5,586,010. All shares on issue are ordinary shares.

Substantial shareholders

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

Shareholder	No. of Shares	% of Total Shares
Bendigo Bank Ltd	1,112,146	19.9
Erskine Investments P/L	844,000	15.1
Robert George Hunt	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.7

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. 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	182
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 were as per the table below:

Shareholder	No. of Shares	% of Total Shares
Bendigo Bank Ltd	1,112,146	19.9
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	3,315,150	59.3

Securities Register

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

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

Telephone: (03) 5443 0344

Email: accounts@bendigotelco.com.au

The information contained in this report is correct and current at 7 September 2006.

Corporate governance statement.

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

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

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

Directors' report.

Your directors present their report on the Company for the financial year ended 30 June 2006.

Board composition

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

Directors

Name, age, occupation and qualifications	Special responsibilities	Interest in shares
Rob Hunt, Chairman (55 years) Managing Director, Bendigo Bank Limited Fellow of Australian Institute of Company Directors (FAICD) Doctor of LaTrobe University (honoris causa)	Nil	Direct – 421,004 Shares Indirect – Bendigo Bank Limited 1,112,146 Shares Indirect – Annette Hunt 10,000 Shares
Graham Bastian (54 years) Principal – Bendigo Senior Secondary College Dip Engineering - Civil (Swinburne) Dip Ed (Hawthorn State College)	Nil	Direct – 0 Shares Indirect – Bendigo Senior Secondary College 100,000 Shares Indirect – Jeanette Bastian 2,000 Shares
Kathy Byrne (51 years) (resigned 25 October 2005) Chief Executive, Bendigo Health Care Group MBA (Melbourne) BHA (NSW) Assoc. Dip. MRA (Cumberland)	Nil	Direct – 0 Shares Indirect – Bendigo Health Care Group 60,000 Shares

Experience and expertise

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.

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.

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 which is in the top 150 companies listed on the Australian Stock Exchange.

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.

Other directorships

Bendigo Bank Limited
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 Developments 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)
Tasmanian Perpetual Trustees Limited (resigned 21 March 2004)
Mr Hunt is also a director of a number of Bendigo Bank subsidiary companies.

LaTrobe University Bendigo, Regional Advisory Board
Discovery Science & Technology Centre

Name, age, occupation and qualifications	Special responsibilities	Interest in shares
Andrew Cairns (44 years) Chief Executive Officer of Community Telco Australia Pty Ltd Bachelor of Engineering – Electrical (Footscray Institute of Technology) Associate Fellow of the Australian Institute of Management Member of Australian Institute of Company Directors	Member of the Audit Committee	Direct – 24,600 Shares Indirect – 0 Shares
Donald Erskine (60 years) Managing Director – Industrial Conveying (Aust.) Pty Ltd Managing Director – Bendigo Brick Pty Ltd	Member of the Remuneration Committee	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 844,000 Shares Indirect – Bendigo Bank Limited 1,112,146 Shares
Dr Les Kilmartin (62 years) Principal of The Insight Group B.A. Queensland M.A. Aust. National University PhD La Trobe University	Nil	Direct – 5,000 Shares Indirect - 0 Shares
Geoffrey Michell (55 years) Chief Executive – Coliban Water Diploma of Civil Engineering Masters of Business Administration (Deakin)	Member of the Audit Committee and the Remuneration Committee	Direct – 20,002 Shares Indirect – Coliban Region Water Authority 40,000 Shares

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.

Experience and expertise	Other current directorships
<p>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.</p> <p>The success of the Community Telco model, led by Andrew as Chief Executive Officer of Community Telco Australia has now resulted in the project being rolled out to regional communities across Australia.</p>	<p>iTEL Community Telco (appointed 31 July 2006)</p>
<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. His previous appointments include Director of North West Country Credit Union Co-op Ltd, Director of Community Telco Australia and Director of Bendigo Economic Development Committee. Don is also chairman of the Australian Technical College and is actively involved in the Bendigo Community.</p>	<p>Bendigo Bank Limited</p> <p>Chairman – Australian Technical College Pty Ltd</p> <p>Community Telco Australia Pty Ltd (resigned 18 August 2005)</p>
<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.</p> <p>Dr 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>	<p>Nil</p>
<p>After initially working in the construction industry, Geoff has spent the last 32 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>	<p>Discovery Science & Technology Centre (Chairman)</p>

Company Secretary.

At the end of the financial year, Malcolm B. Campbell (Bachelor of Laws) held by the position of Company Secretary. Mr Campbell is a Barrister and Solicitor of the Supreme Court of Victoria and has worked in government, private practice and in senior legal positions for the Bendigo Bank.

Remuneration Report.

This report details the nature and amount of remuneration for the directors and executives of the Company.

Remuneration Policy

The Remuneration policy of the company is designed to remunerate fairly and responsibly by ensuring that the level and composition of remuneration is efficient and reasonable and that its relationship to corporate and individual performance is defined.

Key Management Personnel

John Warmbrunn	Chief executive officer
Mandy Cooper	Financial controller
Stephen Culpitt	Customer operations manager
Peter Kellett	Business continuity centre manager
Bryan Pedersen	Technical manager
Dean Stewart	Key account and marketing manager (resigned 14 July 2005)
Wayne Williams	Sales and marketing manager

Details of remuneration for year ended 30 June 2006

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

	Salaries \$	Superannuation \$	Non-Cash Benefits \$	TOTAL \$
John Warmbrunn	138,156	13,815	15,000	166,971
Peter Kellett	95,385	8,585	15,000	118,970
Wayne Williams	92,461	8,322	15,000	115,783
Stephen Culpitt	84,642	7,618	15,000	107,260
Mandy Cooper	87,609	9,093		96,702
	498,254	47,433	60,000	605,687

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.

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 \$553,402 (before tax profit \$858,935). The 2005 operating profit was \$552,325 (before tax profit \$767,827).

Dividends paid or recommended

Year Ended 30 June 2006

Dividends paid in the year:	Cents	\$
Interim	4.5	251,325
Total	4.5	251,325

Financial position

The net assets of Bendigo Community Telco Limited have increased to \$3,686,820 at 30 June 2006 (30 June 2005: \$1,972,370). This increase has largely resulted from the following factors:

1. Capital raising via an Initial Public Offering and listing on the Bendigo Stock Exchange that raised \$1.675M which is currently invested whilst plans for its expenditure are finalised;
2. Growth in revenue and cash or cash equivalents; and
3. Reduction in debt levels, particularly the bank loan which was paid out during the financial year.

The Company's strong financial position has enabled the group to reduce its borrowings by \$117,045 while maintaining a healthy working capital ratio. The Company's working capital, being current assets less current liabilities, has improved from \$1,222,259 in 2005 to \$3,116,628 in 2006.

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

Review of operations

Bendigo Community Telco Limited is now in its sixth year of operations and has continued to consolidate its position within the Bendigo and district market, providing a full range of products and services to its customers including full service (line rental, local calls, etc), broadband and dial up internet access, mobiles, data services and business continuity services.

Bendigo Community Telco has continued in its Franchise Agreement with Community Developments Australia. Bendigo Community Telco Limited has also maintained wholesale agreements with Camtech, Optus Singtel, Powertel Broadband, Intercall Australia, Info-In.com, Soul, Newsnet and AAPT Limited and has also negotiated contracts with RedCoal.

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 a final dividend in the amount of four cents per share was declared by the Board of Directors on 24 August 2006 which will be distributed to shareholders on 15 September 2006.

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.

Adoption of Australian equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 3 to this report.

Future developments, prospects and business strategies

Disclosure of information relating to major development in the operations of the Company and the expected results of those operations in future financial years, which, in the opinion of the Directors, will not unreasonably prejudice the interests of the Company, is contained in the Report by the Chairman and Chief Executive Officer on pages 1 to 2 of this Concise Annual Report.

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 Notes 20, 22 and 23 to the Full Financial Report available at www.bendigotelco.com.au

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 2005/06 meetings of directors were held. Attendances were:

Directors' Meetings

Directors	No. eligible to attend	No. attended
Rob Hunt	10	10
Graham Bastian	10	9
Kathy Byrne	4	3
Andrew Cairns	10	8
Don Erskine	10	8
Les Kilmartin	10	8
Geoff Michell	10	10

Kathy Byrne was eligible to attend meetings to 25 October 2005.

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 18.

Signed in accordance with a resolution of the Board of Directors at Bendigo on 7 September 2006.



Rob Hunt
Chairman



Andrew Cairns
Director

Auditor's Independence Declaration.

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bendigo Community Telco Limited.

As lead auditor for the review of the financial statements of Bendigo Community Telco Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a. the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b. any applicable code of professional conduct in relation to the review.



David Hutchings

Auditor

Andrew Frewin & Stewart
Bendigo
VIC 3550

7 September 2006

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 2006 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. the Chief Executive Officer and Financial Controller have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Rob Hunt

Chairman



Andrew Cairns

Director

Signed on 7 September 2006

Audit statement.



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BENDIGO COMMUNITY TELCO LIMITED

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ABN 51 061 795 337

Scope

The concise financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, notes to the financial statements and the directors' declaration for Bendigo Community Telco Limited (the company) for the year ended 30th June 2006.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit Approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the company for the financial year ended 30th June 2006. Our audit report of the full financial report was signed on 9th September 2006 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

In conducting an audit we followed applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001

Audit Opinion

In our opinion, the concise financial report of Bendigo Community Telco Limited complies with Accounting Standard AASB 1039: *Concise Financial Reports*.


DAVID HUTCHINGS

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 9th day of September 2006

Concise Income Statement.

For year ended 30 June 2006

	2006 \$	2005 \$
Revenue from ordinary activities	18,246,030	15,372,488
Cost of products sold	(13,632,491)	(11,152,011)
Other revenue	125,403	51,925
Salaries and employee benefit costs	(1,756,770)	(1,544,934)
Occupancy and associated costs	(212,535)	(139,827)
General administration costs	(680,271)	(591,618)
Depreciation and amortisation costs	(191,710)	(204,320)
Advertising and promotion costs	(195,731)	(314,013)
Systems costs	(817,390)	(673,558)
Borrowing costs	(25,601)	(36,304)
Profit before income tax expense	858,935	767,827
Income tax expense	(305,533)	(215,502)
Profit for the period	553,402	552,325
Profit attributable to members of the entity	553,402	552,325
Overall Operations	cents	cents
Basic earnings per share	10.25	13.37
Diluted earnings per share	10.25	13.37

The accompanying notes form an integral part of this Concise Income Statement

Concise Balance Sheet.

As at 30 June 2006

	2006	2005
	\$	\$
Current Assets		
Cash and cash equivalents	2,900,622	925,770
Trade and other receivables	2,795,574	2,527,790
Prepayments	408,555	326,709
Other financial assets	50,402	263,046
Total Current Assets	6,155,153	4,043,315
Non Current Assets		
Property, plant and equipment	670,838	684,408
Investments	–	250,000
Total Non Current Assets	670,838	934,408
TOTAL ASSETS	6,825,992	4,977,723
Current Liabilities		
Trade and other payables	2,673,952	2,540,522
Borrowings	139,222	161,788
Provisions	80,495	80,164
Taxation	144,856	38,581
Total Current Liabilities	3,038,525	2,821,055
Non Current Liabilities		
Borrowings	89,818	184,297
Provisions	10,829	–
Total Non Current Liabilities	100,647	184,297
TOTAL LIABILITIES	3,139,172	3,005,352
NET ASSETS	3,686,820	1,972,370
Equity		
Issued capital	3,350,678	1,938,305
Retained earnings	336,142	34,065
TOTAL EQUITY	3,686,820	1,972,370

The accompanying notes form an integral part of this Concise Balance Sheet

Concise Statement of Changes in Equity.

For year ended 30 June 2006

	2006	2005
	\$	\$
Total equity at the beginning of the financial year	1,972,370	1,888,819
Adjustment on adoption of A-IFRS	–	(55,957)
Restated total equity at the beginning of the financial year	1,972,370	1,832,862

Equity

Total equity at the beginning of the financial year	1,972,370	1,832,862
Net profit for the year	553,402	552,325
Dividends provided for or paid	(251,325)	(412,817)
Shares issued during period	1,412,373	–
Total equity at the end of the financial year	3,686,820	1,972,370

Retained earnings

Retained earnings at the beginning of the period	34,065	(105,443)
Net profit attributable to members	553,402	552,325
Dividends paid to members	(251,325)	(412,817)
Retained earnings at the end of the period	336,142	34,065

The accompanying notes form an integral part of this Concise Statement of Changes in Equity

Concise Statement of Cash Flows.

For year ended 30 June 2006

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	17,978,246	14,440,246
Interest paid	(25,601)	(36,304)
Cash paid in course of operations	(17,219,059)	(14,118,884)
Interest received	125,403	51,925
Net cash used in operating activities	858,990	336,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(178,140)	(243,560)
Proceeds from sale of property, plant and equipment	250,000	56,155
Net cash used in investing activities	71,860	(187,405)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,676,000	–
Net proceeds of borrowings	(117,046)	(84,369)
Dividends paid	(251,325)	(412,817)
Cost of Shares Issued	(263,627)	–
Net cash provided by financing activities	1,044,002	(497,186)
Net increase in cash held during the financial year	1,974,852	(347,608)
Cash at beginning of financial year	925,770	1,273,378
Cash at the end of the financial year	2,900,622	925,770

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

Notes to and Forming Part of the Financial Report.

1. Statement of Accounting Policies

The concise financial report is an extract from the full financial report for the year ended 30 June 2006. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Bendigo Community Telco Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Bendigo Community Telco Limited as the full financial report.

The financial report of Bendigo Community Telco Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in this financial report is Australian dollars.

A summary of the adjustment made on transition to AIFRS is included in Note 3 to this concise report.

(a) Basis of Preparation

First-time Adoption of Australian Equivalent to International Financial Reporting Standards.

The financial report has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the entity accounts resulting from the introduction of AIFRS have been applied retrospectively to comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Bendigo Community Telco Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 3 to this report.

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.

(b) Income Tax

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

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

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

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

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

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

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

Asset Class	Depreciation Rate (%)
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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement, unless assets are carried at fair value in which case it is treated as a revaluation decrement.

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

(e) Comparative Information

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

2. Financial risk management

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

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

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

3. First time adoption of Australian equivalent to international financial reporting standards

Impairment of assets

The entity has elected to restate the carrying value of an asset due to impairment prior to the date of transition to A-IFRS, and accordingly, the carrying amount of property, plant and equipment at the date of transition has changed. This is shown in the retained earnings, property, plant and equipment and depreciation reconciliations below.

Retained earnings

The effect of the above adjustment on retained earnings is as follows:

	1 July 2004	30 June 2005
	\$	\$
Asset Impairment	55,957	55,957
Total adjustments to retained earnings	55,957	55,957

Income statement

The effect of the above adjustment on the income statement for the financial year ending 30 June 2005 is as follows:

	30 June 2005	Effects of Transition to A-IFRS	A-IFRS 30 June 2005
	\$	\$	\$
Revenue from ordinary activities	15,372,488	–	15,372,488
Cost of products sold	(11,152,011)	–	(11,152,011)
Other revenue	51,925	–	51,925
Salaries and employee benefit costs	(1,544,934)	–	(1,544,934)
Occupancy and associated costs	(139,827)	–	(139,827)
General administration costs	(591,618)	–	(591,618)
Depreciation and amortisation costs	(209,254)	4,934	(204,320)
Advertising and promotion costs	(314,013)	–	(314,013)
Systems costs	(673,558)	–	(673,558)
Borrowing costs	(36,304)	–	(36,304)
Profit before income tax expense	762,893	4,934	767,827
Income tax expense	(214,022)	(1,480)	(215,502)
Profit attributable to members of the entity	548,871	3,454	552,325

Balance sheet

The effect of the above adjustment on the balance sheet for the financial year ending 30 June 2005 is as follows:

	30 June 2005	Effects of Transition to A-IFRS	A-IFRS 30 June 2005
	\$	\$	\$
Current Assets			
Cash and cash equivalents	925,770	–	925,770
Trade and other receivables	2,527,790	–	2,527,790
Prepayments	326,709	–	326,709
Other financial assets	263,045	–	263,045
Total Current Assets	4,043,314	–	4,043,314
Non Current Assets			
Property, plant and equipment	735,431	(51,023)	684,408
Investments	250,000	–	250,000
Total Non Current Assets	985,431	(51,023)	934,408
TOTAL ASSETS	5,028,745	(51,023)	4,977,722
Current Liabilities			
Trade and other payables	2,540,522	–	2,540,522
Interest Bearing Liabilities	161,788	–	161,788
Provisions	80,164	–	80,164
Taxation	37,101	1,480	38,581
Total Current Liabilities	2,819,575	1,480	2,821,055
Non Current Liabilities			
Interest Bearing Liabilities	184,297	–	184,297
Total Non Current Liabilities	184,297	–	184,297
TOTAL LIABILITIES	3,003,872	1,480	3,005,352
NET ASSETS	2,024,873	(52,503)	1,972,370
EQUITY			
Issued capital	1,938,305	–	1,938,305
Retained earnings	86,568	(52,503)	34,065
TOTAL EQUITY	2,024,873	(52,503)	1,972,370

4. Revenue from ordinary activities

	2006	2005
	\$	\$
Operating activities:		
Sales revenue	18,204,179	15,353,309
Other revenue	41,852	19,179
Total revenue from operating activities	18,246,030	15,372,488
Non-operating activities:		
Interest received	125,403	51,925
Total revenue from non-operating activities	125,403	51,925
Total revenue from ordinary activities	18,371,433	15,424,412

5. Contingent Liabilities and Contingent Assets

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

6. Events Subsequent to Balance Date

Since the end of the financial year a final dividend in the amount of four cents per share was declared by the Board of Directors on 24 August 2006 which will be distributed to shareholders on 15 September 2006.

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

Community by name, Community by nature.

Successful communities prosper by supporting activities and members of their community. Throughout 2005/06 Bendigo Community Telco provided sponsorship or in kind support to a number of organisations including:

- Lead On
- Netschool
- Enhance IT
- Lighthouse Foundation
- Bendigo & District Cricket Association
- Colbinabbin Football Club
- Strathfieldsaye CFA
- Rotary Club of Bendigo
- Camp Hill Primary School
- St Francis of the Fields Primary School
- The Bendigo Trust
- Central Victorian Hockey Association
- Community Enterprise Foundation
- St Liborius Primary School
- Bendigo Bank Academy of Sports
- Skate Park Bendigo
- Toxic Aroma
- Lions Club of Bendigo Inc – Special Needs Children
- LaTrobe University Alumni
- Bendigo Health Care Group
- BRIT
- Echuca Heritage Festival
- BRIT – Student CD Project
- Coliban Water (Golf Day) supporting the Bendigo Health Care Group
- Central Victorian Special Children's Christmas Party
- Y Service Club of Bendigo/E-Commerce Association of Central Victoria – website competition
- Rotary Club of Bendigo South Inc – Science Engineering Challenge
- Artisan's of Bendigo
- Rotary Club of Bendigo Inc – Easter Art Show
- Young Entrepreneurs Dinner (BRIT)
- House of Light
- Eaglehawk North Primary School
- Echuca Workers & Services Club
- Bendigo Braves U14 Girls Basketball Team
- Hume & Iser Christmas Appeal
- St Lukes
- Bendigo Radiology (via the Hazeldene Foundation)
- Sedgwick CFA



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