



Concise Annual Report
2007

BENDIGO
communitytelco®

Bendigo Community Telco Limited

ABN 88 089 782 203

Registered Office
23 McLaren Street
Bendigo Victoria 3550

Customer inquiries

Principal places of business

23 McLaren Street
Bendigo Victoria 3550

219 High Street
Kangaroo Flat Victoria 3555

121 Edwards Road
Bendigo Victoria 3550

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

www.bendigotelco.com.au

Shareholder inquiries

Bendigo Community Telco Share Registry
C/- AFS & Associates
PO Box 454
Bendigo Victoria 3552
Telephone (03) 5443 0344

Highlights at a glance

Financial

- Turnover increased by 29% to \$23.5M
- Pre-tax profit increased by 25% to \$1.07M
- After tax profit increased by 25% to \$692,338
- Earnings per share increased by 21% to 12.39 cents
- Interim dividend of 5.0 cents per share
- Final dividend of 6.5 cents per share

Service

- Increased number of customers to 4,386 from 3,854 in 2006
- Increased number of services to 17,034 from 14,561 in 2006

Strategic

- Purchased business assets from Bendigo Communications in October 2006 extending the capabilities of the organisation.



Rob Hunt
Chairman

Chairman and Chief Executive officers report.

Looking Forward, Looking Back

Bendigo Community Telco Limited (BCT) has a lot to celebrate.

As a business and as part of our community, we have worked hard to stay unique with a focus on community sustainability, telecommunications services and infrastructure.

We are unique because we source the right technology for our customers; contribute financial benefits to our region's economy; secure access to effective and cost efficient infrastructure and technology; build local capacity through customer and community partnerships; and set our own local priorities while retaining local capital.

Our people are our strength and their work is bearing results.

Building on past successes and our recent acquisition of Bendigo Communications, performance highlights for the 2006-07 financial year are:

Measure	2007	2006	Change
Sales Revenue	\$23.534M	\$18.246M	29%
Earnings per share	12.39 cents	10.25 cents	21%
Final Dividend	6.5 cents/share	4.0 cents/share	63%
Interim Dividend	5.0 cents/share	4.5 cents/share	11%
Total Dividend	11.5 cents/share	8.5 cents/share	35%
Profit Before Tax	\$1.07M	\$858.9K	25%
Profit After Tax	\$692.3K	\$553.4K	25%

Sales revenue increased 29% and expenses also increased in line with revenue at 29%, maintaining margin from the previous year.

Earnings per share equalled 12.39 cents compared to 10.25 cents in the previous year.

Profit before tax increased by 25% to \$1.07M and our after tax profit increased by 25% to \$692.3K.

We have 370 shareholders and at June 30 our Share Price on the BSX has grown to \$1.20 following listing at \$1.00 in September 2005 – and we would always welcome more local shareholders participating in this exciting local enterprise.

The Board declared a fully franked final dividend of 6.5 cents per share. This is in addition to the fully franked interim dividend of 5.0 cents per share paid to shareholders in April 2007. These dividends provide shareholders with a total fully franked dividend of 11.5 cents per share over the last year.



Andrew Cairns
Acting chief executive officer

The acquisition of Bendigo Communications means BCT has new assets and staff delivering new capabilities – including installation, servicing and sale of telephone systems, UHF radios and accessories – and has seen a considerable expansion of our retail operations through our site at Kangaroo Flat. This clearly enables us to better service and support our customer base.

Now in our seventh year of operation, BCT's full range of products and services includes telephony, broadband and dial-up internet access, mobiles, data services and business continuity infrastructure.

Business customers continue to make good use of our Business Continuity Centre (BCC) in Flora Hill, a unique world class community asset for a regional city. The company recently decided to expand the BCC service offerings into the Melbourne market.

BCT's success extends beyond the bottom line, with our involvement in Community Enterprise™ projects contributing significant growth to stakeholders in terms of access to facilities and amenities and overall community sustainability.

Such projects include Strathfieldsaye Community Enterprise™, which comprises over 300 businesses and individuals and is responsible for the development of new sporting fields in the township.

Other community partnership examples are Empowering Eaglehawk, Happening Huntly, Mount Alexander Community Grants, Lead On and Netschool – all of which capitalise upon the aggregate services and skills of businesses like BCT to return real benefits to local communities.

BCT takes seriously its advocacy role in our business and employment communities and has begun consultation with La Trobe University Bendigo to address the issues around Bendigo's looming lack of trained and local IT professionals in future years – at a time when their skill and expertise will be increasingly in demand.

Further, BCT reaffirms its commitment to our customers and the community through the following activities which are integral to our model of community sustainability and telecommunications services and infrastructure:

Consortium Partnerships BCT values quality relationships with founding partners in IT and strategic directions, proving our commitment to getting it right from cable to satellite;

New Partners BCT finds the right partners to secure access to services and infrastructure on our shared terms;

Business Tools BCT offers business tools like the Business Continuity Centre that mean local small to medium enterprises have access to, and retain their spend with, local ITC entities and opportunities;

Building Business BCT promotes and builds its business using its existing and tested community sustainability model;

Developing Infrastructure BCT develops and acquires infrastructure that benefits all its customers and users and will develop a Bendigo Wide Area Network to enable interconnection capability for on net traffic;

Customer Collaboration BCT discusses with our customers and partners what they want; we then work as a team to secure a strong wholesale buying partnership;

Creating Cohesion BCT celebrates success and continues to learn through building a cohesive and focused business culture;

Financial Management BCT gets the most out of our acquisitions to deliver excellent return on investment in financial, customer and community terms to support and contribute to community sustainability;

Corporate Review At board and management levels, BCT continuously monitors our governance and operational models to ensure future growth and enable model replication.

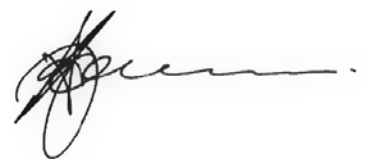
Together, BCT, its partners and our communities will build our future by supporting effective communications and technology through our highly competent local team.

In conclusion, the Board and Management of Bendigo Community Telco recognise and thank outgoing CEO John Warmbrunn for his dedicated service to BCT, and for his contribution to our business and the various community forums that form part of our ongoing commitment.

Thank you, too, for your support of our continued local success.



Rob Hunt
Chairman



Andrew Cairns
Acting chief executive officer

Financial results

Bendigo Community Telco Limited recorded another successful year of operations with a 2006/07 operating profit after tax of \$692.3K, a significant increase of 25% on the previous year.

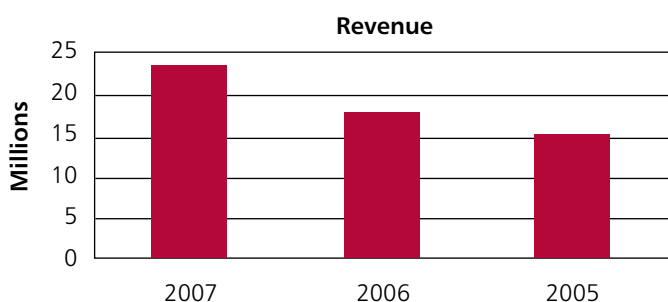


Earnings before tax increased to just over \$1M for the first time at \$1.07M, a 25% improvement over the previous year.

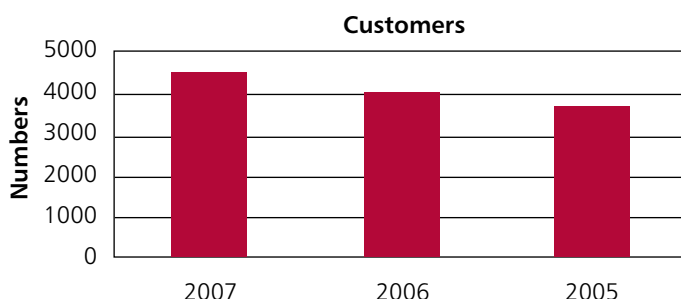


Following the acquisition of Bendigo Communications completed in October 2006 a number of additional capabilities and associated revenue streams were added to BCT's services, which included Technical Servicing and Installation (\$332.3K), and contributed to growth in inventory revenue which increased by over 205% on the previous year to \$838.7K.

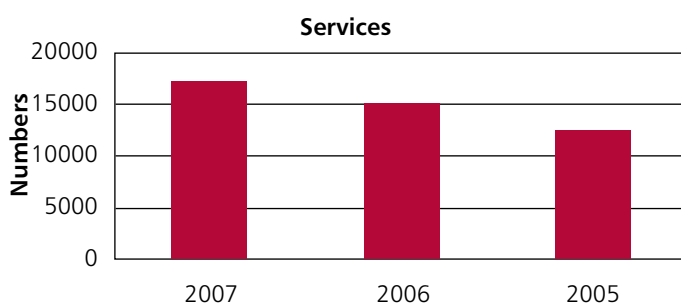
Further growth was experienced again this year in fixed telephone services (20%), data network services (45%), mobile telephone services (11%), broadband services (41%) and business continuity services (13%). This growth contributed to the 29% increase in total turnover to \$23.5M compared to the previous year to \$18.2M



As expected, traditional internet revenue reduced by a further 16% this year compared with the previous year, continuing the trend of services transferring to broadband, and again these numbers contributed to the considerable growth in broadband services.

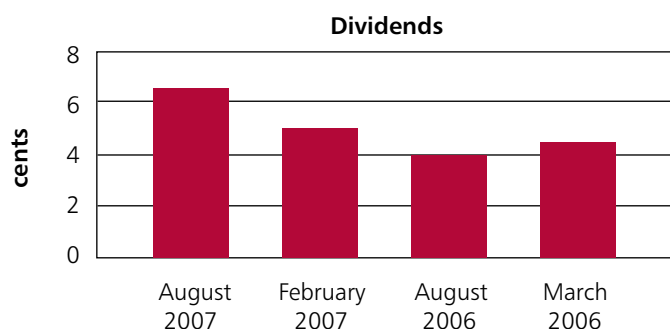


The increase in revenue has been driven by the growth in both numbers of customers and services. Customer numbers at 30 June 2007 increased by 13.8% compared to the previous year to 4,386, with the number of services at the same date increasing by 17.0% compared to the previous year to 17,034.

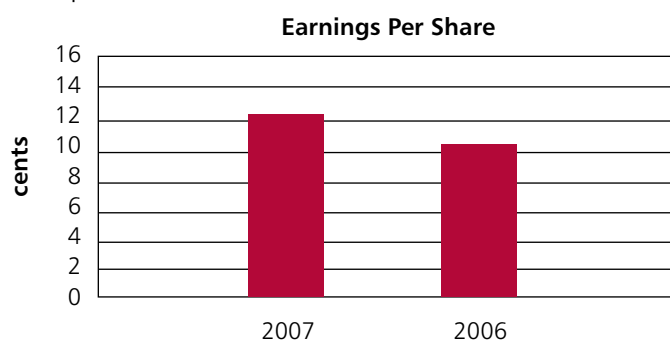


With the addition of new revenue streams which provide a higher gross margin, and the maintenance or improvement of existing service offerings the gross margin from sales increased to 29.4% compared to 25.3% in 2006. Other costs of operation as a percentage of revenue were also maintained at a similar level to last year, resulting in the net profit of 3% of revenue.

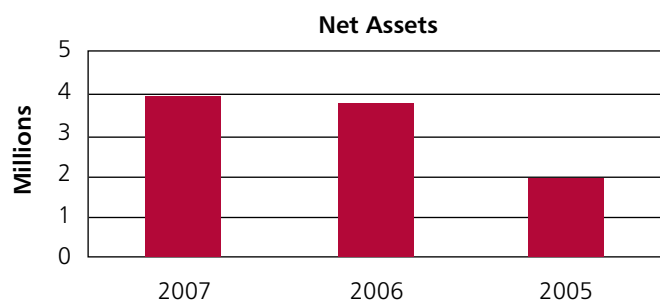
A fully franked 5.0 cents/share dividend was declared and paid during the financial year, the fifth dividend declared by the Company, bringing the total dividends paid to our shareholders post our listing on the Bendigo Stock Exchange in September 2005 to 13.5 cents fully franked. When adding the fully franked 6.5 cents/share final dividend for the 2006/07 financial year, shareholders who invested at the listing date will have received 20 cents for their \$1.00 investment.



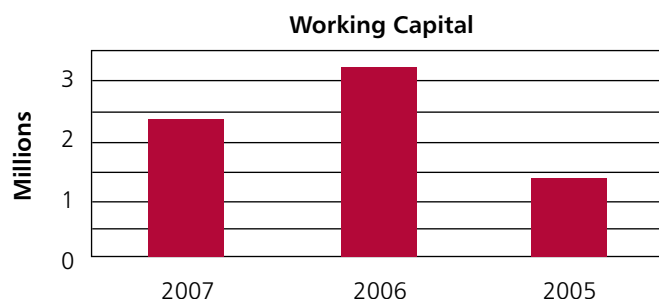
Earnings per share increased from 10.25 cents in 2006 to 12.39 cents in 2007. With the number of shares on offer being maintained at 5,586,010, this improvement resulted from the growth in revenue and profits.



Net Assets increased from \$3.687M in 2006 to \$3.876M in 2007. The improvement was the result of the acquisition of property plant and equipment, including the fit out of the new Bendigo office at McLaren Street, the acquisition of the assets and staff from Bendigo Communications (including goodwill), and particularly computer equipment and infrastructure for customer solutions and networks. Provisions also increased, particularly for employee benefits due to the transmission of many long serving staff from Bendigo Communications.



The purchase of Bendigo Communications and other asset purchases were funded from our cash reserves, which contributed to the reduction in our working capital, being current assets less current liabilities, from \$3.116M in 2006 to \$2.225M. Although a reduction, this position is within expectations and an improvement on the year prior of \$1.222M (2005).



We reap what we sow...

Your Bendigo Community Telco is unique in its field.

Why?

Well, we:

- source the right technology for our customers;
- secure access to effective and cost efficient infrastructure;
- build local capacity through customer and community partnerships; and
- set our own local priorities, retaining local capital.

At BCT we are building a business that lasts by gaining the respect of our local customers, and rewarding them by sharing benefits with local groups and enterprises, shareholders and the wider community.

Locally owned, BCT gives Bendigo people a chance to shape the telecommunications services available in our region and the support of BCT's shareholders means this will stay our focus.

The BCT philosophy is to grow our community by offering up to date communication technology to everyday people, by working together with other local businesses and by partnering community enterprise.

And we know our model works because we are interested in the success of our customers and the local economy, not just in being a provider of telecommunications products and services.

Your BCT is so much more than a local call.



Members of the Strathfieldsaye community joined with Bendigo Community Telco and Bendigo Bank staff to play the first game of footy on the recently completed Strathfieldsaye Sporting complex.

We reap what we sow...

Where can you see this interest bearing results for your community?

Right here:

Strathfieldsaye Community Enterprise™ is going strong with the group receiving monthly funds from BCT to support its projects. About 300 businesses and families participated in the development of sporting fields in the local township and the group is now looking at new opportunities to enhance quality of life in the local area.

Empowering Eaglehawk has provided local schools with scholarships and other funding, also undertaking community improvement projects.

Mount Alexander Community Grants continues to fund youth driver training and is progressing towards the redevelopment of the Wesley Hill sports complex.

Deniliquin Community Group is up and running and is planning the relocation of the Hill Plain CFA operation. BCT supplied Fortuna CFA with internet and mobile phones during last summer's bush fires.

On a smaller scale, Big Hill Primary School is using BCT funds to support school environment projects and Happening Huntly and Echuca / Moama have each secured over 300 pledges of support.

Over 500 customers now proudly participate in their Community Enterprise™ through BCT, and the company returned over \$25,000 to our communities during the year.

Your BCT is so much more than a telephone shop.



Bendigo Community Telco is a major partner in the Empowering Eaglehawk project which is bringing new facilities for the youth of the area.

We reap what we sow...

BCT proves our commitment to getting it right – from cable to satellite – through quality relationships with our founding partners in IT and strategic directions.

With new partners and customer collaboration, BCT's communities of the future are being shaped today. We work hard to find the right partners to secure access for our customers and community to services and infrastructure on our shared terms.

BCT asks our customers and partners what they want and we work together to secure a strong wholesale buying partnership. And we work with other local businesses to develop tools like the Business Continuity Centre that mean small to medium regional enterprises have access to, and retain their spend with, local people and companies.

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 the prospects of everyday people by working together as a community.

We take our leadership role seriously and have already begun consultation with La Trobe University and Bendigo businesses to address the issues around Bendigo's looming lack of trained and local IT professionals in future years – at a time when their skill and expertise will be in increasing demand.

Your BCT is so much more than a telecommunications provider.

Developing Infrastructure

BCT builds and buys infrastructure that benefits all its customers and users and will develop a Bendigo Wide Area Network to enable interconnection for internet-based traffic.

Our acquisition of Bendigo Communications in October 2006 brought together two highly complimentary businesses so we now provide a brilliant platform from which our customers can grow.

Our new assets and staff provide us with flexibility and opportunity to increase our share of the service and infrastructure market in Bendigo.

Your BCT is so much more than the sum of its parts.



The Business Continuity Centre is a state-of-the-art facility that allows businesses to back up their critical data in case of emergencies at their main office. This is a vital facility for the growth and efficiency of central Victoria.

Your BCT is so much more...

Did you know that your Bendigo Community Telco does this...

- Home and Business Telephone Services;
- Mobile Telephone Services;
- Internet including Broadband and Dial Up;
- PABX Telephone Systems installation and maintenance;
- Private Business Networks;
- Computer, Telephone and Data Cabling Design and Construction;
- E-Business Applications;
- Business Grade Internet and Wide Area Connectivity;
- Data Centre Services including Hosting and Business Applications;
- Network Data Storage;
- Two-Way Radio Sales Installation and Service;
- UHF CB & 27 MHz Sales Installation and Service;
- Wide Area Trunked Two-Way Radio Sales Installation and Service;
- Telephone Handsets including Repairs;
- Mobile Telephone Handsets & Accessories including Repairs;
- Mobile Telephone Car Kits Sales Installation and Service;
- Additional Telephone Points in home and business;
- GPS Devices;

Yes, we do ... and so much more.



The old Bendigo Communications building at 219 High Street Kangaroo Flat has been refurbished as the latest branch of Bendigo Community Telco.

Shareholder information

During the financial year there has been no movement in the number of shares on issue.

The number of shareholders at 30 June 2007 was 370 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* (Cwlth) (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 Proxy Form. The person appointed as the member's proxy may be an individual or a body corporate. A proxy need not be a member of the Company.

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

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

The proxy's appointment

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

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

1. The company's registered office at 23 McLaren Street, Bendigo, Victoria, 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	181
5,001 – 10,000	55
10,001 – 100,000	43
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

Shareholder	No. of Shares	% of Total
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 28 August 2007.

Corporate governance statement

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

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

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit 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 and Geoff Michell.
3. A Share Trading policy which outlines Directors and employees obligations in trading in its securities. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Company's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. Directors Don Erskine and Geoff Michell are members of the Remuneration Committee.
5. A Continuous Disclosure policy which complies with the obligations imposed by Bendigo Stock Exchange (BSX) Listing Rules and the *Corporations Act*. This policy requires immediate notification to the BSX of any information concerning the company of which it is aware or becomes aware which is not generally available and which a reasonable person 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 2007.

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.

Rob Hunt, Chairman (56 years)

Occupation

Managing Director, Bendigo Bank Limited

Qualifications

Fellow of Australian Institute of Company Directors (FAICD)

Doctor of LaTrobe University (honoris causa)

Experience

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.

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.

Mr Hunt is the architect of the Bank's Community Banking™ model and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd. He is a Councillor of the ABA, member of the BCA, the Prime Minister's Community Business Partnership and the Victorian Government's Innovation Economy Advisory Board.

Interest in Shares

Direct – 421,004 Shares

Indirect – Bendigo Bank Limited 1,112,146 Shares

Indirect – Annette Hunt 10,000 Shares

Special Responsibilities

Nil

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)

Victorian Government's Innovation Economy Advisory Board (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)

Mr Hunt is also a director of a number of Bendigo Bank subsidiary companies.

Graham Bastian (55 years)

Occupation

Consultant

Qualifications

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

Experience

Graham worked as a civil engineer with a private firm of surveyors and engineers until entering teaching. Following a period as an educational consultant focused on assisting schools in the effective use of computers, Graham became the Principal of Charlton College. He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and recently retired as Principal of Bendigo Senior Secondary College. Since this career change, Graham has been providing consultancy services to the Department of Education Central Office as well as many schools across the state.

Interest in Shares

Direct – 0 Shares

Indirect – Jeanette Bastian 2,000 Shares

Special Responsibilities

Nil

Other Directorships

Nil

Andrew Cairns (45 years)

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 project being rolled out to regional communities across Australia.

Interest in Shares

Direct – 24,600 Shares
Indirect – 0 Shares

Special Responsibilities

Andrew Cairns is a Member of the Audit Committee

Other Directorships

iTEL Community Telco (appointed 31 July 2006)

Don Erskine (61 years)

Occupation

Managing Director – Industrial Conveying (Aust.) Pty Ltd
Managing Director – Bendigo Brick Pty Ltd

Experience

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

Don is a non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT 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.

Interest in Shares

Direct - 0 Shares
Indirect – Erskine Investments Pty Ltd 844,000 Shares
Indirect – Bendigo Bank Limited 1,112,146 Shares

Special Responsibilities

Don Erskine is a Member of the Remuneration Committee

Other Directorships

Bendigo Bank Limited
Chairman – Australian Technical College Pty Ltd

Dr Les Kilmartin (63 years)

Occupation

Principal of The Insight Group

Qualifications

B.A. Queensland
M.A. Aust. National University
PhD La Trobe University

Experience

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.

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.

Interest in Shares

Direct – 5,000 Shares
Indirect - 0 Shares

Special Responsibilities

Nil

Other Directorships

Nil

Geoff Michell (56 years)

Occupation

Chief Executive – Coliban Water

Qualifications

Diploma of Civil Engineering
Masters of Business Administration (Deakin)

Experience

After initially working in the construction industry, Geoff has spent the last 33 years in the water industry at various locations throughout Victoria. He has been involved in the construction and operation of water and wastewater infrastructure and management of water services.

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

Interest in Shares

Direct – 20,002 Shares
Indirect – Coliban Region Water Authority 40,000 Shares

Special Responsibilities

Geoff Michell is a Member of the Audit Committee and the Remuneration Committee

Other Directorships

Nil

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.

Company Secretary.

At the end of the financial year, Malcolm B. Campbell (Bachelor of Laws) held 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 (resigned 2 July 2007)
Adrian Basile	Business unit manager (resigned 30 March 2007)
Neville Boyle	Technical services manager
Mandy Cooper	Financial controller
Stephen Culpitt	Customer operations manager
Peter Kellett	Business continuity centre manager (resigned 30 April 2007)
Bryan Pedersen	Technical manager
Wayne Williams	Sales and marketing manager

Details of remuneration for year ended 30 June 2007

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

	Salaries	Super	Non-Cash Benefits	TOTAL
John Warmbrunn	140,960	15,147	15,000	171,107
Wayne Williams	107,143	9,643	15,000	131,786
Adrian Basile	116,432	9,865	-	126,297
Mandy Cooper	97,348	8,766	15,000	121,114
Bryan Pedersen	101,413	8,272	-	109,685
	563,296	51,693	45,000	659,989

Principal activities.

The principal activities of the Company during the course of the financial year were telecommunications services. Subsequent to the acquisition of assets and staff from Bendigo Communications in October 2006 additional activities and capabilities were added to the business including installation and servicing, sale and installation of telephone systems, UHF radios and accessories and a considerable expansion of our retail operations with the addition of another site at 219 High Street, Kangaroo Flat.

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 \$692,338 (before tax profit \$1,070,095). The 2006 operating profit was \$553,402 (before tax profit \$858,935).

Dividends paid or recommended

Year Ended 30 June 2007

Dividends paid in the year:	Cents	\$
Final – September 2006	4.0	223,440
Interim – April 2007	5.0	279,301
Total	9.0	502,741

Financial position

The net assets of Bendigo Community Telco Limited have increased to \$3,876,417 at 30 June 2007 (30 June 2006: \$3,686,820). The change has largely resulted from the following factors:

1. Acquisition of assets and staff from Bendigo Communications in October 2006;
2. Growth in revenue and trade and other receivables following acquisition;
3. Purchase of assets including computer equipment;
4. Growth in expenses and trade and other payments following acquisition;
5. Growth in employee provisions due to increased staff numbers; and
6. Growth in taxation provision due to additional profit and movement in provisions.

The Company's strong financial position has enabled it to undertake the acquisition of the assets and staff from Bendigo Communication from trading and cash reserves and maintain its borrowing at a similar level to the previous year. The Company's working capital, being current assets less current liabilities, has reduced from \$3,116,628 in 2006 to \$2,382,676, which still maintains a healthy position.

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 seventh 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. This year we have delivered additional services and products through our Kangaroo Flat office including; PABX and phone system sales and installation, UHF Radios, Technical installation and servicing including cabling. We have further expanded our retail sales such as mobile phones and other devices at both the Kangaroo Flat and McLaren Street (Bendigo) outlets.

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

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 have not been any significant changes in the state of affairs of the Company during the financial year. Since the end of the financial year a final dividend in the amount of 6.5 cents per share was declared by the Board of Directors on 28 August 2007 which will be distributed to shareholders on 24 September 2007. In addition the Board received the resignation from the Chief Executive Officer (CEO), John Warmbrunn effective from 2 July 2007. As provided in the Company's succession planning,

Andrew Cairns (Executive Director) is now operating in the role of Acting Chief Executive Officer until a new CEO is appointed.

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.

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 the 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 21, 23 and 24 to the Financial Report.

Share options

The Company has not issued any share options.

Directors' meetings

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

Directors	Directors' Meetings		Audit Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	12	12	-	-	-	-
Graham Bastian	12	10	-	-	-	-
Andrew Cairns	12	12	2	2	-	-
Don Erskine	12	10	-	-	1	1
Les Kilmartin	12	11	-	-	-	-
Geoff Michell	12	9	2	2	1	1

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.

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.

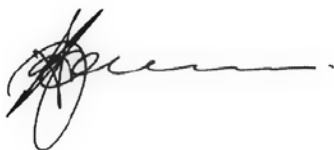
None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing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

Signed in accordance with a resolution of the Board of Directors at Bendigo on 28 August 2007.



Rob Hunt
Chairman



Andrew Cairns
Acting chief executive officer

Auditor's independence declaration.

As lead auditor for the review of the financial statements of Bendigo Community Telco Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bendigo Community Telco Limited.



Graeme Stewart
Auditor

Andrew Frewin & Stewart
Bendigo Victoria 3550

29 August 2007

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 2007 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
Acting chief executive officer

Signed on 28 August 2007



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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BENDIGO COMMUNITY TELCO LIMITED

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the concise financial report of Bendigo Community Telco Limited for the financial year ended 30 June 2007 included on Bendigo Community Telco Limited's web site. The company's directors are responsible for the integrity of the Bendigo Community Telco Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Report on the Concise Financial Report

The accompanying concise financial report of Bendigo Community Telco Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited full financial report of Bendigo Community Telco Limited for the year ended 30 June 2007, and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bendigo Community Telco Limited for the year ended 30 June 2007. Our audit report on the full financial report for the year was signed on [date] and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Audit statement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and consistent with, the full financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039: *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1038: *Concise Financial Reports*.

Our audit did not involve an analysis of the prudence of business decisions made by directors of management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion, the concise financial report including discussion and analysis of Bendigo Community Telco Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.



GRAEME STEWART

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550

Dated this 29th day of August 2007

Concise Income Statement.

For year ended 30 June 2007

	Notes	2007 \$	2006 \$
Revenue from ordinary activities	4	23,534,654	18,246,030
Cost of products sold		(16,604,351)	(13,632,491)
Other revenue	4	121,817	125,403
Salaries and employee benefit costs		(2,851,667)	(1,756,770)
Occupancy and associated costs		(287,216)	(212,535)
General administration costs		(1,108,374)	(680,271)
Depreciation and amortisation costs		(270,617)	(191,710)
Advertising and promotion costs		(341,755)	(195,731)
Systems costs		(1,101,672)	(817,390)
Borrowing costs		(20,724)	(25,601)
Profit before income tax expense		1,070,095	858,935
Income tax expense		(377,757)	(305,533)
Profit for the period		692,338	553,402
Profit attributable to members of the entity		692,338	553,402

Overall Operations	cents	cents
Basic earnings per share	12.39	10.25
Diluted earnings per share	12.39	10.25

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

Concise Balance Sheet.

As at 30 June 2007

	2007 \$	2006 \$
Current Assets		
Cash and cash equivalents	2,699,589	2,900,622
Trade and other receivables	3,172,186	2,795,574
Prepayments	568,842	408,555
Other financial assets	215,418	50,402
Total Current Assets	6,656,034	6,155,153
Non Current Assets		
Property, plant and equipment	1,120,695	670,838
Intangibles	530,933	-
Total Non Current Assets	1,651,628	670,838
TOTAL ASSETS	8,307,663	6,825,992
Current Liabilities		
Trade and other payables	3,521,683	2,673,952
Borrowings	105,763	139,222
Provisions	263,951	80,495
Taxation	381,962	144,856
Total Current Liabilities	4,273,359	3,038,525
Non Current Liabilities		
Borrowings	106,932	89,818
Provisions	50,955	10,829
Total Non Current Liabilities	157,887	100,647
TOTAL LIABILITIES	4,431,246	3,139,172
NET ASSETS	3,876,417	3,686,820
EQUITY		
Issued capital	3,350,678	3,350,678
Retained earnings	525,739	336,142
TOTAL EQUITY	3,876,417	3,686,820

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

Concise Statement of Changes in Equity.

For year ended 30 June 2007

	2007 \$	2006 \$
Total equity at the beginning of the financial year	3,686,820	1,972,370
Net profit for the year	692,338	553,402
Total recognised income & expenses for the year	4,379,158	2,535,772
Shares issued during period	-	1,676,000
Costs of issuing shares	-	(263,627)
Dividends provided for or paid	(502,741)	(251,325)
Total equity at the end of the financial year	3,876,417	3,686,820

Share capital

Share capital at the beginning of the period 5,586,010 shares (2006: 3,910,010)	3,631,005	1,955,005
Shares issued during period	-	1,676,000
Less cost of equity raised	(280,327)	(280,327)
Share capital at the end of the period 5,586,010 shares (2006: 5,586,010)	3,350,678	3,350,678

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

Concise Cash Flow Statement.

For year ended 30 June 2007

	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in course of operations	23,158,042	17,978,246
Interest paid	(20,724)	(25,601)
Cash paid in course of operations	(21,689,674)	(17,219,059)
Interest received	121,817	125,403
Net cash used in operating activities	1,569,461	858,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(720,474)	(178,140)
Purchase of intangible assets	(530,933)	-
Proceeds from sale of investment	-	250,000
Net cash used in investing activities	(1,251,407)	71,860
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,676,000
Net proceeds of borrowings	(16,346)	(117,046)
Dividends paid	(502,741)	(251,325)
Cost of Shares Issued	-	(263,627)
Net cash provided by financing activities	(519,087)	1,044,002
Net increase in cash held during the financial year	(201,033)	1,974,852
Cash at beginning of financial year	2,900,622	925,77
Cash at the end of the financial year	2,699,589	2,900,622

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

Notes to and Forming Part of the Financial Report.

1. Basis of preparation of the concise financial report

The concise financial report is an extract for the full financial report for the year ended 30 June 2007. 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 concise financial report is Australian dollars.

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 the telecommunications market and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

- 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 by 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. Business combinations

On 19 October 2006 Bendigo Community Telco Limited acquired all the assets of Bendigo Communications Pty Ltd, a telecommunications and ancillary services business, for the cash consideration of \$650,000.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	
Cash Paid	\$650,000
Direct costs relating to the acquisition	\$81,205
Total Purchase consideration	\$731,205
Fair value of net identifiable assets acquired (refer below)	\$200,272
Goodwill	\$449,728
Direct costs relating to the acquisition	\$81,205
	\$731,205

The goodwill is attributable to the strong position and profitability in trading in the telecommunications and ancillary services market of Bendigo Communications Pty Ltd and the benefits expected to flow to Bendigo Community Telco Limited from the acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount \$	Fair Value \$
Computers	25,000	25,000
Furniture	21,884	21,884
Office Equipment	20,358	20,358
Retail/Display Equipment	3,480	3,480
Servicing Equipment	39,050	39,050
Vehicles	90,500	90,500
Total net identifiable assets acquired	200,272	200,272

4. Revenue from ordinary activities

	2007 \$	2006 \$
Operating activities:		
Sales revenue	23,441,570	18,204,178
Other revenue	93,084	41,852
Total revenue from operating activities	23,534,654	18,246,030
Non-operating activities:		
Interest received	121,817	125,403
Total revenue from non-operating activities	121,817	125,403
Total revenue from ordinary activities	23,656,471	18,371,433

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 6.5 cents per share was declared by the Board of Directors on 28 August 2007 which will be distributed to shareholders on 24 September 2007.

In addition the Board received the resignation from the Chief Executive Officer (CEO), John Warmbrunn effective from 2 July 2007. As provided in our succession planning, Andrew Cairns (Executive Director) is now operating in the role of Acting Chief Executive Officer until a new CEO is appointed.

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.

7. Dividends

During the financial year payment of a final dividend of 4.0 cents (\$223,440) was paid in September 2006, with an interim dividend of 5.0 cents (\$279,301) paid in April 2007.

Both basic and diluted earnings per share increased from 10.25 in 2006 to 12.39 cents in 2007.

Community by name, Community by nature.

Successful communities prosper by supporting activities and members of their community. Throughout 2006/07 Bendigo Community Telco provided sponsorship or in kind support to a number of organisations including:

- Lead On
- Netschool
- Enhance IT
- Strathfieldsaye Community Enterprise™
- Empowering Eaglehawk
- Mount Alexander Community Grants
- Happening Huntly
- Deniliquin Community Group
- Echuca/Moama Community Group
- Bendigo & District Cricket Association
- Colbinabbinn Football Club
- Strathfieldsaye Country Fire Authority
- Camp Hill Primary School
- The Bendigo Trust
- St Francis of the Fields Primary School
- Community Enterprise Foundation
- Skate Park Bendigo
- Bendigo Health Care Group
- Bendigo Regional Institute of TAFE
- Y Service Club of Bendigo
(Website Competition Sponsor)
- St Luke's Anglicare
- Bendigo Easter Rotary Art Show
- Bendigo Youth Choir
- Fortuna Fire Brigades Group
- Linda Beilharz (Ice Cap Journeys)
- Geoff Morris (Bluegrass radio presenter)
- E-Commerce Association
- BCT 530 Film Festival
- Kiwanis Club of Bendigo
- Star Community Cinema
- Rotary Club of Bendigo South Inc
- Best Jackel Golf Day
- Relay For Life
- Kurzke Family Appeal
- Echuca Steam Horse & Vintage Rally
- The Great Stupa of Universal Compassion Ltd
- Rotary Club of Bendigo Inc
- Central Victorian Special Children's Christmas Party
- Science & Technology Challenge
- Strathfieldsaye Primary School
- Sandhurst Marist Football Club
- Castlemaine Fringe Festival
- Big Hill Primary School
- St Liborius Primary School
- Bendigo Bank IT Golf Day
- Central Victorian Hockey Association

Notes.

Notes.

Bendigo Community Telco Limited

ABN 88 089 782 203

Registered Office

23 McLaren Street

Bendigo Victoria 3550