

Concise Annual Report
2008

Bendigo
Community
Telco 

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 13% to \$26.6M
- After tax profit increased by 37% to \$950,240
- Earnings per share increased by 37% to 16.96 cents
- Interim dividend of 6.0 cents per share
- Final dividend of 7.0 cents per share
- Net Assets increased to \$4.144M

Service

- Increased number of customers to 4,720 from 4,386 in 2007
- Increased number of services to 17,142 from 17,034 in 2007

Strategic

- Completed internal and external reviews of network and infrastructure and as a result have expended and committed further funds to the grow this area.

Chairman and chief executive officers report

This year has been another active and successful year for our local telco solutions business – Bendigo Community Telco Limited (BCT). We have again produced solid growth in revenues and have improved our net profit result through a commitment to both quality customer service and improving the prosperity of our local community.

In our eighth year of operation we have maintained our focus on strengthening the connection with our customers. We have also continued our investment program –

- investing in new infrastructure to enhance our range of services
- further developing the skill base in our organisation, and
- reaffirming our commitment to focus on providing technology and telco solutions to enhance our customers' activities – rather than focusing on a sales and volume based approach.

When we set out to build our local telco, it was with a view to retain a healthy proportion of the capital people spend in our local market on telecommunications services – as well as to build new competencies, to create innovative solutions, to improve collaboration and community commitment, to make a solid contribution in the community, and to secure the certainty that we would retain active competition in our local market. We also formed BCT to ensure we gained access to the essential infrastructure to enable our businesses to operate as efficiently as if they were located in a major capital city – where the larger telco players tend to concentrate most of their efforts and investments.

We believe in Bendigo Community Telco

We have achieved many of our original objectives and we remain committed to build our local employment base, to improve our ability to add value for our customers, and to ensure that as we achieve success we do so after having made a meaningful contribution in the communities in which we operate. We see this as a key difference in our business – a difference which will not only enable us to build a strong, viable alternative telco provider, but will help garner the necessary support and leverage to ensure we can provide up-to-date, accessible and competitive telecommunications services in our district for many years to come.

We believe your local telco is meeting customer needs by offering a full range of products and services – including telephony, broadband and dial-up internet services, UHF radios, cabling, installation and phone systems, mobiles, data services and business continuity data storage and recovery facilities. BCT is also developing and introducing new products and services, such as our innovative Private Internet Protocol Network and other high performance networks which will enhance our range of solutions for customers.

BCT has also introduced a local customer care plan – the '8 Star Service Charter' – to further strengthen and foster our customer commitment to provide unbiased advice and deliver effective solutions. We welcome customer feedback as a way of focusing our organisation on our customers' goals, and we achieve the delivery of effective solutions by utilising our strong wholesale buying partnership with Community Telco Australia. This approach enables us to deliver positive outcomes for all our stakeholders.

Certainly we wish to be viewed by all of our local customers as their telco 'partner of choice', and not simply a 'supplier' of telco products.

This year BCT further enhanced its governance structure and operational framework to prepare us for further growth in the future. BCT also welcomed a new Chief Executive Officer, and made a number of management changes to position the business for growth. We understand that, for BCT to continue to be successful, we need to be relevant and connected to our customers if we expect to be valued by them. We are confident our strategy and focus, coupled with the commitment of our staff, will enable us to achieve this outcome.

Community

We continue to demonstrate our commitment to community engagement and contribution.

This year BCT facilitated the '2008 IT Careers Awareness Week', with the objective of boosting student career interest in IT and communication technologies. This successful six-day educational event culminated in a popular 'Mindshop Excellence Program', where local young people learned how to set goals around their lives, dreams and aspirations.

We also undertook a new advertising campaign 'We Believe in Bendigo'. This was a locally produced television campaign, featuring local icons, including the Bendigo Youth Choir.

As well, we continued our community enterprise partnerships – whereby we contribute money to five community partnerships which, in turn, undertake major activities to benefit their local area. This is achieved by BCT allocating a contribution to these local community projects based on the amount of business directed to our telco from these local communities.

Our staff are also actively involved in a range of community activities which are helping to build a more sustainable future for us all.

Company performance & our result

We are pleased with the improvement in profitability over the year, with 13% improvement in sales revenue and a strong improvement in earnings per share. The final dividend increased by 8% over the previous year's final dividend, and the total dividend paid and declared for financial year 2008 improved to 13 cents per share – 13% improvement over 2007.

Measure	2008	2007	Change
Sales revenue	\$26.478M	\$23.534M	13%
Earnings per share	16.96 cents	12.39 cents	37%
Final dividend	7.0 cents/share	6.5 cents/share	8%
Total full year dividend	13.0 cents/share	11.5 cents/share	13%
Profit before tax	\$1.09M	\$1.07M	2%
Profit after tax	\$950.2K	\$692.3K	37%

We now have 413 shareholders, predominantly local, who will receive a final dividend of 7 cents per share, to be paid in October. Over the year we have also seen an improvement in our share price, largely reflecting the improved performance of the company and, perhaps appropriately, acknowledging the improvement in shareholder returns over the past few years.

During the year we undertook a number of major investments to help improve our infrastructure and therefore our ability to serve the future needs of our customers. We will continue our approach of applying investment in areas where we can improve the company's facilities and its return on capital – but only after exploring other collaborative or partner options to minimise the capital outlay while still achieving the desired customer outcomes.

Environment going forward

While we expect the environment moving forward to remain extremely competitive for telco services, we are comfortable BCT can provide a level of service and focus on customer goals that will enable us to win our share of business. We are therefore confident your local telco company can continue to produce improved shareholder value by the effective application of our chosen strategy. We also trust many locals will see the benefits of having a local telco and that we will progressively win their support to help continue our contribution at a community level, as well as further improving our financial performance. BCT is certainly retaining capital in our local community, and this capital will help improve the performance of our local economy and help improve our future prospects.

For the first time Bendigo Community Telco has rewarded its eligible staff with an allocation of shares. An Employee Share Plan is considered by the Board as a way of empowering our staff who then have the opportunity to share in the success of the company.

We would like to thank our management team and our customers for their ongoing commitment and support of this important local business. We look forward to the future with a good deal of optimism and genuine enthusiasm. Certainly over the coming year we would welcome new local shareholders and customers who might join and therefore help us to enhance this important community-owned enterprise, as well as improve our ability to provide ongoing community support into the future.

A stylized, handwritten signature in black ink, appearing to read 'Rob Hunt'.

Rob Hunt
Chairman

A stylized, handwritten signature in black ink, appearing to read 'Phil Lazenby'.

Phil Lazenby
Chief Executive Officer

A note from the Chairman

During the year, BCT welcomed new Chief Executive Officer Philip Lazenby to the company. A fourth generation Bendigo resident, with experience spanning 16 years in the banking and finance sector, Philip is already demonstrating strong leadership qualities and is clearly proud to be part of the BCT team. The board is confident Philip's strong sense of community and clear customer focus will complement BCT's high regard for customer service and commitment to our local community. The board looks forward to Philip's strong leadership of the company over the coming year during its next stage of development under this unique community enterprise model.

Financial results

Bendigo Community Telco Limited continued to grow in 2007/08 with an increase of 13% in revenue to \$26.6M up from \$23.7M in 2007.

This growth was achieved through all revenue streams within the business, and particularly in fixed telephone services (6%), data network services (16%), mobile telephone services (4%) and broadband services (17%).

These results have been driven in part by the increase in the number of customers and services. The total number of customers increased by 8% to 4,720, with the total number of services increasing to 17,142.

This was an encouraging result, particularly with the additional competitive activity in our markets throughout the year, and also some changes in technology. We also completed our first full financial year after the acquisition of Bendigo Communications which provided additional revenue streams.

During the second half of the financial year we received the benefit of newly negotiated pricing from some of our suppliers, one of the benefits of the demand aggregation model under which we operate. This price break saw our gross margin increase from 29.5% last year to 30.3% in this financial year.

In addition to revenue resulting from the Bendigo Communications acquisition, we have also incurred our first full year of cost. The costs, along with increases in some other operational costs such as wages, utilities and premises, fuel and cost of operating our network and infrastructure increased the total cost of operating the business.

Although there has been an increase in this year, this is within expectation and is providing the company with a platform from which we can continue to grow our revenues in future years. The changes in revenue and costs resulted in the EBITDA increasing by 8% to \$1.34M, compared to \$1.24M the previous year.

During the year the company completed both an internal and external review of our network and infrastructure, and as a result invested further in that area, both in equipment and also at the Continuity Centre. This contributed to an increase in net assets of the business from \$3.876M in 2007 to \$4.144M in 2008. This investment also resulted in an increase in depreciation expense of 43%. This combined to provide an earnings before tax result of \$1.088M.

Other changes in our balance sheet contributed to the reduction in taxation expense compared to the previous year, with the liability consisting of a smaller component for this year, and the recording of a deferred tax asset on the balance sheet which will affect taxation in future years. This contributed to the 37% increase in net profit of \$950,240, up from \$692,338 in 2007.

A final dividend for 2007/08 of 7.0 cents/share, fully franked, was declared on 23 September 2008, and

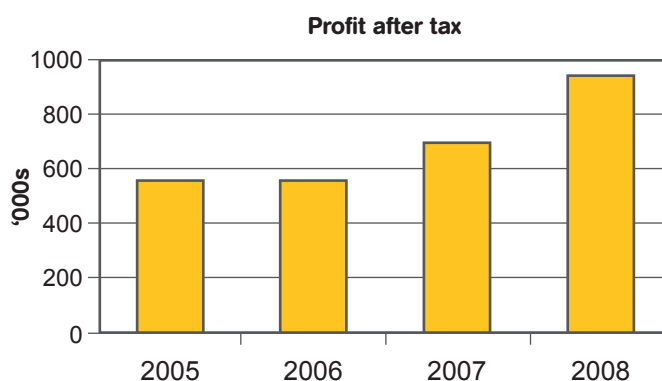
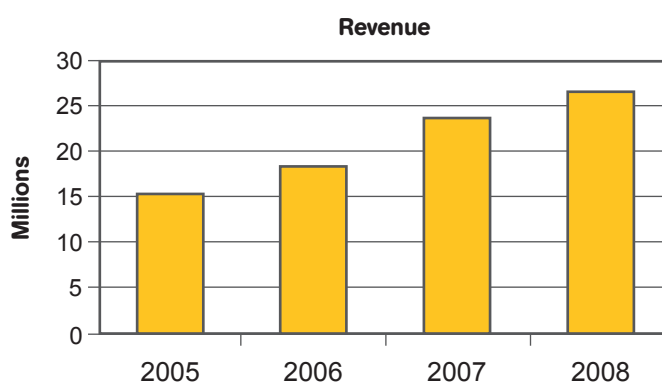
when added to the two dividends paid during the financial year of 6.5 cents in August 2007 and 6.0 cents in March 2008 brings the total payment to shareholders post listing on the Bendigo Stock Exchange in September 2005 to 33.0 cents/share. The share price also increased from \$1.00 at listing, \$1.20 at 30 June last year to \$1.60 at 30 June 2008.

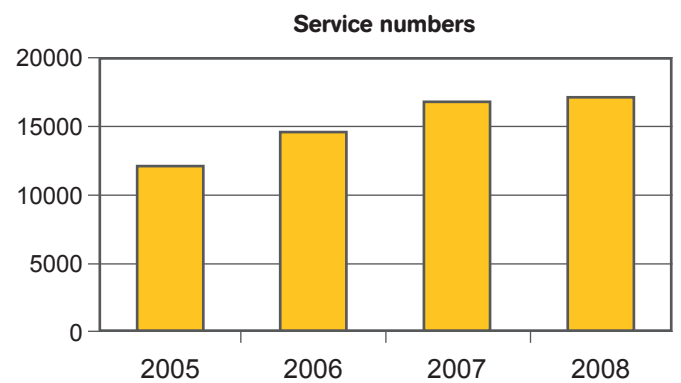
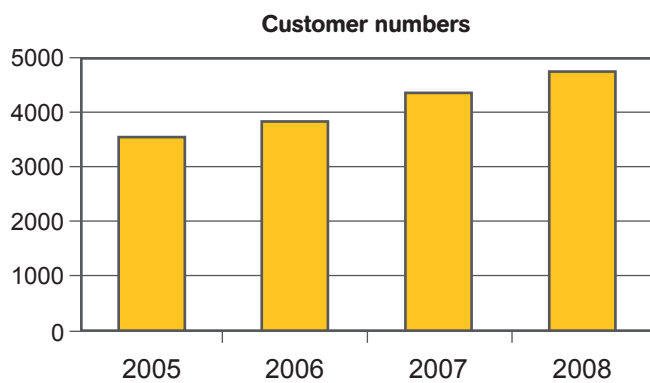
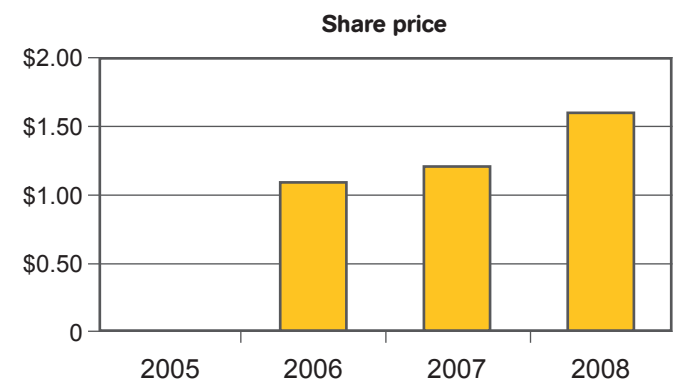
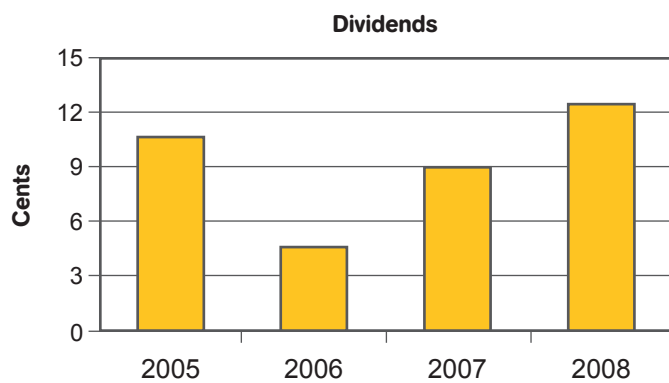
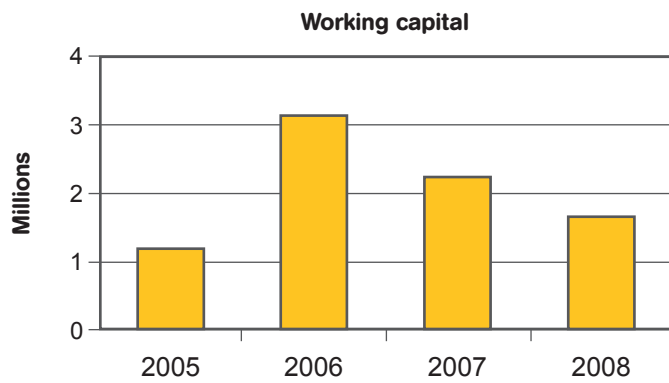
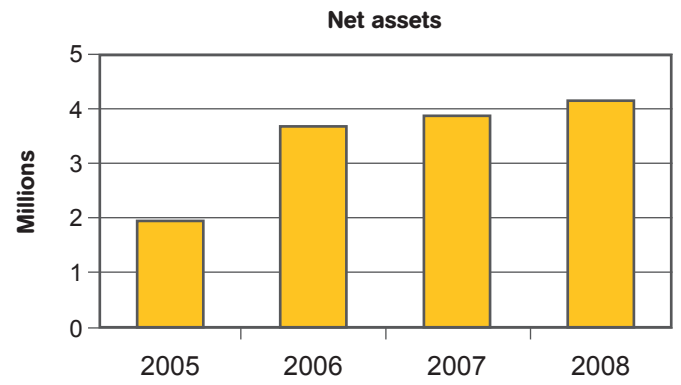
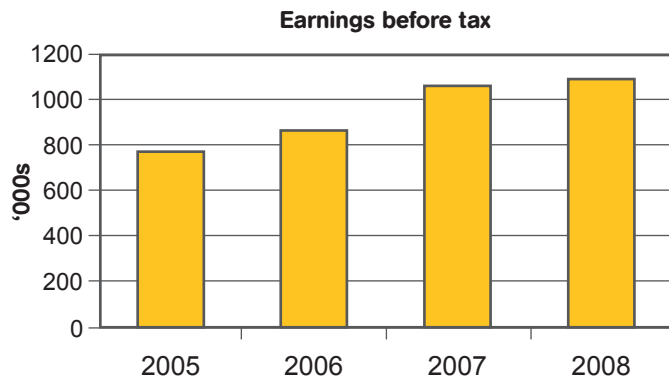
During the financial year, shares were allocated to eligible staff under the Bendigo Community Telco Employee Share Plan. An additional 16,712 shares were issued, bringing the total shares on issue to 5,602,722.

The improved net profit outcome resulted in an increase in the earnings per share from 12.39 cents in 2007 to 16.96 cents in 2008.

The cash held in the business decreased this year with investing and financing activities increasing over the previous year. As noted earlier we have invested further in property, plant and equipment, and increased our intangible assets with a final payment for the Bendigo Communication acquisition contract, and also incurred some software development costs. These investments were funded from our cash reserves, which contributed to a reduction in our working capital from \$2.4M in 2007 to \$1.6M in 2008.

The business focussed on our cash management, and particularly our debt management throughout the year, taking a proactive approach as a result of the change in economic conditions, and this resulted in a positive cash flow result from operating activities of \$1.5M. The overall change in cash held was a decrease of \$357K or 13%.





Shareholder information

At 1 July 2007 Bendigo Community Telco Limited had on issue 5,586,010 shares.

In December 2007 Bendigo Community Telco issued a further 16,712 shares as part of the Bendigo Community Telco Employee Share Plan No. 1, bringing the total shares on issue to 5,602,722 shares.

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
Bendigo Bank Ltd	1,112,146	19.9
Erskine Investments P/L	840,000	15.0
Hunters Ridge P/L (Hunt Family Trust)	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.6

Voting rights

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

Attending the meeting

All shareholders may attend the Annual General Meeting.

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

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

Not attending the meeting

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

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

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

The proxy's appointment

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

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

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

Distribution schedule

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

Category	No. of holders
1 - 1,000	127
1,001 - 5,000	180
5,001 - 10,000	55
10,001 - 100,000	47
100,001 and over	4

Marketable parcel

At the date of this document 35 shareholding parcels held are deemed to not be marketable. For a shareholding parcel to meet the definition of being marketable the value must exceed \$500, being the number of shares multiplied by the market price at balance date.

Top 10 shareholders

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

Shareholder	No. of shares	% of Total
Bendigo Bank Ltd	1,112,146	19.9
Erskine Investments P/L	840,000	15.0
Hunters Ridge P/L (Hunt Family Trust)	421,004	7.5
Ron Poyser Administrators P/L	372,000	6.6
Bendigo Senior Secondary College	100,000	1.8
Community Telco Syndicate	98,000	1.7
MGR Property P/L	90,000	1.6
Bendigo Regional Institute of TAFE	86,000	1.5
LaTrobe University	84,000	1.5
RegionalOne Credit Union Ltd	84,000	1.5
TOTAL	3,287,150	58.6

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 23 September 2008.

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 2008.

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

Mr Robert George Hunt – Chairman

Age 57

Occupation

Managing Director, Bendigo and Adelaide 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 and Adelaide Bank Limited 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 100 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 Australian Bankers Association and a member of the Business Council of Australia.

Interest in shares

Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust)
421,004 Shares, Indirect – Bendigo and Adelaide Bank Limited 1,112,146 Shares and Indirect – Annette Hunt 30,044 Shares

Special responsibilities

Nil

Other directorships

Adelaide 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)

Community Telco Australia Pty Ltd

Community Sector Enterprises Pty Ltd and subsidiary

Community Sector Banking Pty Ltd

Community Enterprise Foundation (Patron-in-Chief)

Community Bank Strategic Advisory Board

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

Mr Graham William Bastian – Director

Age 56

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

Mr Geoffrey Ralph Michell - Director

Age 57

Occupation

Retired

Qualifications

Diploma of Civil Engineering, Masters of Business Administration (Deakin).

Experience

After initially working in the construction industry, Geoff has spent the last 35 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 has recently retired as Managing Director of Coliban Water, a position he held for 10 years and worked for the utility since its creation in 1992. Geoff was 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

Special Responsibilities

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

Other Directorships

Nil

Mr Donald James Erskine - Director

Age 62

Occupation

Managing Director – Industrial Conveying (Aust.) Pty Ltd

Experience

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

His previous appointments include non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT Strategy and Property Committees, Director of North West Country Credit Union Co-op Ltd, Director of 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 840,000 Shares.

Special Responsibilities Don Erskine is a Member of the Remuneration Committee

Other Directorships

Chairman – Australian Technical College Pty Ltd

Director – Coliban Region Water Authority

Chairman – Bendigo +25 Community Reference Group

Dr Leslie Alan Kilmartin - Director

Age 64

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

Mr Andrew Cairns - Director

Age 46

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
Coliban Region Water Authority

Mrs Margot Elizabeth Spalding – Director (appointed 28 August 2007)

Age 54

Occupation

Director - Jimmy Possum Furniture Pty Ltd

Qualifications

Diploma Teaching Primary (Ballarat)

Experience

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

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

Interest in Shares

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

Special Responsibilities

Nil

Other Directorships

Nil

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 each key management person of Bendigo Community Telco Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Bendigo Community Telco Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and incentives based on key performance areas affecting the company's financial results. The board of Bendigo Community Telco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.
- The Chief Executive Officer reviews key management personnel packages annually. This review is subject to the remuneration policy set by the Board.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share plan.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are expensed at the market price as listed on the Bendigo Stock Exchange at the date of granting of any shares under the employee share plan.

Performance-based remuneration

As part of each number of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

Directors

From the inception of Bendigo Community Telco Limited, all Directors have served, and have provided that service free of charge. It was put to the Annual General Meeting in October 2007, and approved, that a payment of \$15,000 per director be made for each full year of service from 1 July 2007 onwards.

Employee share plan

In December 2007 an allocation of shares was made to all eligible staff under the Bendigo Community Telco Employee Share Plan No. 1. The share issue was valued and expensed in accordance with applicable accounting requirements, and further details can be found at Note 15 to the Financial Reports.

Key management personnel

Directors

Robert Hunt	Chairman
Graham Bastian	Director
Andrew Cairns	Director
Donald Erskine	Director
Leslie Kilmartin	Director
Geoffrey Michell	Director
Margot Spalding	Director – appointed 28 August 2007

Executives

Philip Lazenby	Chief executive officer - appointed 8 October 2007
Andrew Cairns	Acting chief executive officer – between 2 July and 8 October 2007
Mandy Cooper	General manager - finance & operations
Stephen Culpitt	General manager - customer service
Bryan Pedersen	General manager - technology
Wayne Williams	General manager - business development

There were no change in respect to the Company's directors and executives between the reporting date and the date the financial report was authorised for issue.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue, profits and dividends for the last five years for Bendigo Community Telco Limited, as well as the share price at the end of the respective financial years (post listing on the Bendigo Stock Exchange which occurred in September 2005).

Analysis of the actual figures shows an increase in profits each year, with the exception of the period between 2004 and 2005. The company did not have a tax liability in 2004 which resulted in a higher net profit, however all tax losses were taken up in that year. The reduction in net profit in 2005 was the direct result of incurring a tax liability and this has been applicable for each year since that time.

There has also been an increase or maintenance of dividends paid to shareholders. The improvement in the company's performance over the past five years has been reflected in the company's share price post listing on the Bendigo Stock Exchange, with an increase each year. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the past four years.

	2004	2005	2007	2006	2008
Revenue	\$12.1M	\$15.4M	\$18.4M	\$23.7M	\$26.8M
Net profit	\$771K	\$552K	\$553K	\$692K	\$950K
Share price at year end	n/a	n/a	\$1.10	\$1.20	\$1.60
Dividends paid	-	10.6 cents	4.5 cents	9.0 cents	12.5 cents

Details of remuneration for year ended 30 June 2008

Directors

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

	Short-term benefits		Post-employment benefits	TOTAL
	Fees	Salary	Superannuation	
Robert Hunt		13,761	1,239	15,000
Graham Bastian	15,000			15,000
Andrew Cairns		13,761	1,239	15,000
Donald Erskine			15,000	15,000
Leslie Kilmartin			15,000	15,000
Geoffrey Michell			15,000	15,000
Margot Spalding	12,661			12,661
	27,661	27,522	47,478	102,661

Executives

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

	Short-term benefits		Post-employment benefits		TOTAL
	Salaries	Non-cash benefits	Superannuation	Equity	
Mandy Cooper	111,427	15,000	10,028	1,000	137,455
Wayne Williams	105,550	15,000	9,500	1,000	131,050
Neville Boyle	105,519	13,562	8,417	1,000	128,498
Bryan Pedersen	101,413	15,000	8,272	1,000	125,685
Stephen Culpitt	90,440	15,000	8,140	1,000	114,580
	514,349	73,562	44,357	5,000	637,268

It should be noted that Philip Lazenby, the chief executive officer has been excluded from the list of highest remunerated executives as he did not commence with the Company until 8 October 2007 and therefore a full year of payments were not made.

Principal activities

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

Operating results

The operating profit of the company for the financial year after providing for income tax was \$950,240 (before tax profit \$1,088,324). The 2007 operating profit was \$692,338 (before tax profit \$1,070,095).

Dividends paid or recommended

Year ended 30 June 2008

Dividends paid in the year	cents	\$
Final - September 2007	6.5	363,091
Interim - March 2008	6.0	336,162
Total	12.5	699,253

Financial position

The net assets of Bendigo Community Telco Limited have increased to \$4,143,587 at 30 June 2008 (30 June 2007: \$3,876,417). The change has largely resulted from the following factors:

- Growth in revenue and trade and other receivables;
- A reduction in cash or cash equivalents mainly due to the purchase of assets;
- Growth in prepayments;
- Growth in intangibles with additional goodwill and software development costs;
- Purchase of assets including network computers and infrastructure;
- Growth in expenses and trade and other payments;
- Growth in employee provisions due to increased staff numbers;
- Growth in borrowings with the leasing of additional assets; and
- Growth in retained earnings.

The Company's working capital, being current assets less current liabilities, has reduced from \$2,382,676 in 2007 to \$1,647,344, 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 eighth 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. We also offer services and products through our Kangaroo Flat office including PABX and phone system sales and installation, UHF Radios, technical installation and servicing including cabling, with retail sales of mobile phones, etc 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, Soul, Newsnet, RedCoal, and NextGen Pure Data.

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 7.0 cents per share was declared by the Board of Directors on 23 September 2008 which will be distributed to shareholders on 24 October 2008.

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 3 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, officers and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors, officers or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors benefits and interest in contracts

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the company with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the company, controlled entity or related body corporate other than interests and benefits disclosed at Note 22 to the Financial Report.

Share options

The Company has not issued any share options.

Proceedings

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

Directors' meetings

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

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

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 integrity and objectivity of the auditor.
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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 23 September 2008.

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 2008, 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
VIC 3550

24 September 2008



Rob Hunt
Director



Andrew Cairns
Director

Directors' declaration

The directors of Bendigo Community Telco Limited declare that the concise financial report for the financial year ended 30 June 2008:

- Complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- Is an extract from the full financial report for the year ended 30 June 2008 and has been derived from and is consistent with the full financial report of Bendigo Community Telco Limited.

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

On behalf of the directors



Rob Hunt
Director



Andrew Cairns
Director

Dated this 23 day of September 2008



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INDEPENDENT AUDITOR'S 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 2008, 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 2008, 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 2008. Our audit report on the full financial report for the year was signed on 23 September 2008 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion, the concise financial report including discussion and analysis of Bendigo Community Telco Limited for the year ended 30 June 2008 complies with Accounting Standard AASB 1039: Concise Financial Reports.

A handwritten signature in black ink, appearing to read 'GRAEME STEWART', with a long horizontal stroke extending to the right.

GRAEME STEWART

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550

Dated this 24th day of September 2008

Concise income statement

For year ended 30 June 2008

	Notes	2008 \$	2007 \$
Revenue	4	26,478,440	23,534,654
Cost of products sold		(18,467,400)	(16,604,351)
Other revenue	4	168,924	121,817
Salaries and employee benefit costs		(3,236,111)	(2,851,667)
Occupancy and associated costs		(457,757)	(287,216)
General administration costs		(1,356,844)	(1,108,374)
Depreciation and amortisation costs		(387,216)	(270,617)
Advertising and promotion costs		(373,889)	(341,755)
Systems costs		(1,247,025)	(1,101,672)
Borrowing costs		(32,798)	(20,724)
Profit before income tax expense		1,088,324	1,070,095
Income tax expense		(138,084)	(377,757)
Profit attributable to members of the entity		950,240	692,338

Overall operations	cents	cents
Basic earnings per share	16.96	12.39
Diluted earnings per share	16.96	12.39

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

Concise balance sheet

As at 30 June 2008

	2008 \$	2007 \$
Current assets		
Cash and cash equivalents	2,342,413	2,699,589
Trade and other receivables	3,169,758	3,172,186
Prepayments	744,196	568,842
Inventories	241,381	215,418
Total current assets	6,497,748	6,656,035
Non current assets		
Property, plant and equipment	1,677,115	1,120,695
Intangibles	1,005,561	530,933
Deferred tax asset	164,857	-
Total non current assets	2,847,534	1,651,628
TOTAL ASSETS	9,345,282	8,307,663
Current liabilities		
Trade and other payables	4,086,205	3,521,683
Financial liabilities	148,703	105,763
Provisions	312,184	263,951
Taxation	303,312	381,962
Total current liabilities	4,850,404	4,273,359
Non current liabilities		
Financial liabilities	314,179	106,932
Provisions	37,112	50,955
Total non current liabilities	351,291	157,887
TOTAL LIABILITIES	5,201,696	4,431,246
NET ASSETS	4,143,587	3,876,417
Equity		
Issued capital	3,366,861	3,350,678
Retained earnings	776,726	525,739
TOTAL EQUITY	4,143,587	3,876,417

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

Concise statement of changes in equity

For year ended 30 June 2008

	2008 \$	2007 \$
Equity		
Total equity at the beginning of the financial year	3,876,417	3,686,820
Net profit for the year	950,240	692,338
Dividends provided for or paid	(699,253)	(502,741)
Shares issued during period	20,055	-
Cost of issuing shares	(3,872)	-
Total equity at the end of the financial year	4,143,587	3,876,417

Retained earnings		
Retained earnings at the beginning of the period	525,739	336,142
Net profit attributable to members	950,240	692,338
Dividends paid to members	(699,253)	(502,741)
Retained earnings at the end of the period	776,726	525,739

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

Concise cash flow statement

For year ended 30 June 2008

	2008 \$	2007 \$
Cash flows from operating activities		
Cash received in course of operations	29,084,975	25,176,924
Interest paid	(32,798)	(20,724)
Cash paid in course of operations	(27,345,539)	(23,570,293)
Income tax paid	(381,592)	(138,263)
Interest received	168,924	121,817
Net cash provided by operating activities	1,493,970	1,569,461
Cash flows from investing activities		
Purchase of property, plant and equipment	(655,561)	(720,474)
Purchase of intangible assets	(474,628)	(530,933)
Net cash used in investing activities	(1,130,189)	(1,251,407)
Cash flow from financing activities		
Proceeds from issue of shares	20,054	-
Proceeds from borrowings	82,535	33,419
Repayment of finance lease	(120,421)	(49,765)
Dividends paid	(699,253)	(502,741)
Cost of Shares Issued	(3,872)	-
Net cash used in financing activities	(720,957)	(519,087)
Net decrease in cash held during the financial year	(357,176)	(201,033)
Cash at beginning of financial year	2,699,589	2,900,622
Cash at the end of the financial year	2,342,413	2,699,589

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

Basis of preparation

The concise financial report is an extract for the full financial report for the year ended 30 June 2008. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

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

The financial report of Bendigo Community Telco Limited complies with all Australia 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 financial instruments consist mainly of deposits with bank, short-term investments, accounts receivable and payable and leases. The main purpose of non-derivative financial instruments is to raise finance for company operations.

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.

- Market Risk – the company has no exposure to any transactions denominated in a currency other than Australian dollars.
- 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.

- 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.
- Liquidity Risk – the company maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.
- Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo and Adelaide 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.

At the completion of the contract term a further cash consideration of \$325,000 was made for the achievement of targets in the contract. Details of net assets acquired and goodwill for the entire contract are as follows:

Purchase consideration

Cash paid	\$975,000
Direct costs relating to the acquisition	\$141,763
Total purchase consideration	\$1,116,763
Fair value of net identifiable assets acquired (refer below)	\$200,272
Goodwill	\$774,728
Direct costs relating to the acquisition	\$141,763
	\$1,116,763

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 that are currently and are expected to continue 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

Details of the acquired business contributed revenue and net profit is shown below. The 2007 results have been annualised to comply with the requirements of Accounting Standard AASB 3: Business Combinations. It should be noted that the results are attributed to the cash-generating unit that was developed as a result of the acquisition and includes both direct and indirect costs and overheads (which have been apportioned as a percentage of revenue).

	2008 \$	2007 \$
Revenue	3,433,030	2,319,811
Costs	(3,181,565)	(1,953,207)
Profit before tax	251,465	366,604

4. Revenue

	2008 \$	2007 \$
Sales revenue	26,404,583	23,441,570
Other revenue	73,857	93,084
Interest received	168,924	121,817
Total revenue	26,647,364	23,656,471

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. Segment Reporting

The company operates in predominantly one business and geographical segment, being the telecommunications industry providing telecommunications services to customers in the Bendigo region.

7. Events subsequent to balance date

Since the end of the financial year a final dividend in the amount of 7.0 cents per share was declared by the Board of Directors on 23 September 2008 which will be distributed to shareholders on 24 October 2008.

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.

8. Dividends

During the financial year payment of a final dividend of 6.5 cents (\$363,091) was paid in September 2007, with an interim dividend of 6.0 cents (\$336,162) paid in March 2008. Both dividends are 100% fully franked.

Both basic and diluted earnings per share increased from 12.39 in 2007 to 16.96 cents in 2008.