

Concise Annual Report 2009



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



Chairman's report

Bendigo Community Telco has continued to perform well in our ninth year of operation. While the last 12 months have been challenging for the entire business community, Bendigo Community Telco has held its own with changes in line with market trends.

Our focus has been to continue to develop opportunities for our customers while providing an infrastructure to match a market-driven expectation for the provision of leading telecommunication services. We have also continued to engage with our regional community.

The past 12 months have seen an emphasis on retention of existing customers by ensuring our personal service standards are of the highest possible standard. One key measure of success of this strategy has been the high level of customer retention – which exceeds industry standard. This is a key indicator of customer satisfaction. Research with a wide sample of existing customers also confirms that satisfaction levels have risen steadily.

The development we now see in our business model, in our products and services and especially in our team of people, is bearing steady results for our shareholders. The past twelve months has seen the Company maintain its market position in an environment of extreme competition activity and economic uncertainty. We are pleased with the fundamentals of the business which has seen our ability to increase our gross margin to 33%, and improve our EBITDA result by 4%. Although overall revenues and net profit have weakened, a final dividend of 5 cents for the 2008/09 financial year was declared on 25 August and will be distributed to shareholders in September.

Our share price has been maintained at \$1.60, and we are very pleased with this result during these difficult economic times, and it continues to hold BCT as a good investment for shareholders.

These results in a challenging financial environment are confirmation of the success of our strategy and the power of capturing capital flows that only a locally-owned and operated Company can offer.

One very positive development during the year has been the establishment of the Network Operations Centre here in Bendigo. This centre currently handles the Bendigo and Adelaide Bank's national Wide Area Network and has the capacity to service other customers and national networks. The Company's investment in this centre affords it the opportunity of offering a deeper level of value added telecommunications services and solutions into our market.

Bendigo Community Telco means excellent investment value today, and with the momentum built by our team and our dynamic CEO Phil Lazenby, shareholders can expect continued value in the years ahead.

We appreciate the dedication our management team has displayed and the unity of our customers in providing an ongoing commitment for 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 customers who might join with us to enhance this important community-owned enterprise, as well as improve our ability to provide ongoing community support into the future.

I thank my fellow directors for their support over a very busy year and on behalf of the Board, I thank you, our shareholders, for your ongoing support.

The year ahead is an important one for Bendigo Community Telco and we are confident that there will be continued opportunity to deliver significant value to you, our shareholders, and to the wider Bendigo community.



Rob Hunt
Chairman

Chief executive officer's report

The past 12 months have seen the team at Bendigo Community Telco focus more than ever on personal service to ensure that satisfaction levels amongst our existing customers are at all time high levels.

The key to our success is to concentrate on servicing and partnering our existing business customer base rather than acting as a traditional commodity supplier. Following market research into the needs of Small-Medium Enterprises the coming year will see the unveiling of our new marketing message *Where Personal Service Matters*.

Through nurturing our existing customer relationships we will in turn continue to grow our own business. The last year has also seen significant growth in new business. A major achievement was securing the WAN (Wide Area Network) contract to service Bendigo and Adelaide Bank. This contract involved the establishment of our Network Operations Centre here in Bendigo. The Bendigo Community Telco Business Continuity Centre also experienced extensive growth throughout the year.

We have continued to support the Community Enterprises in our region; specifically Strathfieldsaye & District Community Enterprise, Kangaroo Flat Community Enterprise, Northern District Community Enterprise (formerly known as Happening Huntly), Empowering Eaglehawk, Deniliquin Community Group and Echuca Moama Community Enterprise.

We have also supported important community activities. Bendigo Community Telco was the major sponsor of Community Carols, the initiator of 'Give an Hour' bushfire fundraising appeal, a major supporter of Bendigo Says Thanks concert and an ongoing supporter of several educational programs in Central Victoria.

Our people are central to our success and I would like to thank every one of them for their dedication, initiative and hard work throughout the year.

We look forward to the future with a good deal of optimism and genuine enthusiasm.

The year ahead is an important one for Bendigo Community Telco and we are confident that there will be continued opportunity to deliver significant value to our customers, shareholders and to the wider Bendigo community.



Phil Lazenby

Chief Executive Officer

Financial results

The 2008/09 financial year has been a year of consolidation for Bendigo Community Telco with changes in internal and external business influences reflecting in our trading results. There have also been many positives throughout the year, with new product areas being developed and further investment in our core infrastructure, network and facilities, which will aid in our future development and growth.

During the first half of the financial year a number of prior year errors were found. Although not material to any one period financial result, consistent with the Company's policy and ethos for open and transparent disclosure and reporting, the Board has decided to restate prior financial period accounts. Full details of the correction of prior year errors can be found in note 8 to this report.

The revenue result of \$25.7M was a reduction of 3% over the previous year (\$26.6M restated). This was driven in part by the repricing of some major contracts. With the finalisation of the renegotiation and change in cost structure of one prominent contract and additional opportunities and a change in the delivery method of the other in the future, it should see this impact limited to the current reporting period.

Revenue derived from our data network grew by 2%, in broadband revenues by 25% and 3% in web hosting. There was also a reduction of 2% in fixed telephone services (which is in line with current industry trends) and 6% in mobile services (which was influenced by the impact of the CDMA network closure). The number of active customers was similar to the previous year and the number of active services grew by 2.4%.

The past twelve months has seen the implementation of strategies to consolidate the Company's position within the local telco market, whilst investing in infrastructure that will drive immediate and long term revenue streams. The Company has been able to leverage its own infrastructure (as well as leveraging the national supplier negotiation capability of its franchisor) to improve its gross margin throughout the year and to deliver a year on year EBITDA improvement.

With the gross margin increasing to 33%, an increase of 3.2% on the 2008 result, this was an encouraging result, particularly considering the competitive activity in our industry, the changes in technology, and the economic changes experienced during the year. These changes have also resulted in an EBITDA of \$1.43M, an increase of 4% when compared to the 2008 year (\$1.38M).

As our business continues to evolve and change to keep pace with our ever changing industry we have seen some cost areas increase and conversely decrease in others. The total number of employees increased only slightly this year, and there was a slight increase in employment costs as a result. There was also additional bad debt and costs association with collections incurred, however we have applied additional and focussed resource into this area which is also reaping returns, and these are reflected in the reduction in our trade and other receivables balance.

With an increase in support from our franchisor we have seen an increase in our franchise fee, which commenced in April 2008, with our results reflecting a full year of this increase. As our data network business continues to grow, so do the costs associated with this revenue, and there was a slight increase in this area. We have, however been able to better utilise our staff's expertise and reallocate some of their time to this department from other areas, which has seen the costs for our outdoor technicians decrease.

The economic changes and the subsequent reduction in interest rates, along with the utilisation of some of our cash reserves for further investment into the business has contributed to a reduction by half of our interest income. Whilst the impact is being experienced in the short term, the investment strategy of the Company will provide it with the ability to leverage an asset that will drive revenue and return benefits for the Company in the mid to long term.

Additionally, this investment follows on from the previous year during which both an internal and external review of our network and infrastructure was completed, and subsequently we have made a further investment of approximately \$1.2M in the Business Continuity Centre and our own network and infrastructure, funded in part by our cash reserves and also by lease. This ongoing investment, and particularly that of last and this year, has seen the depreciation and amortisation expense continue to increase, with a total of \$660K incurred this year, an increase of \$273K from 2008 (\$387K). This, along with the reduction in interest income, impacted the earnings before tax result which decreased to \$772K, from \$992K in 2008.

The 2008 net profit result of \$883K (restated) was influenced by changes in the balance sheet during that year which resulted in a reduction in taxation expense and the recording of a deferred tax asset on the balance sheet. This resulted in an increase in the profit for that period, and this effect, as a once-off reconciliation, is not reflected in the current year result. The net profit for 2009 of \$545K is a reduction of \$338K when compared to 2008, however without the reduction in tax last year, the reduction would be \$156K.

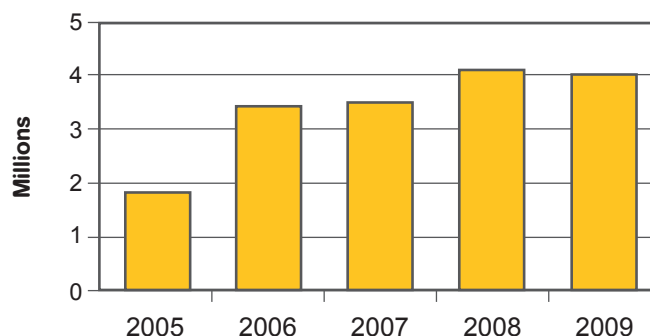


The ongoing investment also contributed to the decrease in total cash held this year by approximately \$590K, however the net cash provided by operating activities was \$1.28M. An increase in property, plant and equipment and intangibles has resulted from this investment, thereby reducing cash and increasing financial liabilities. These changes have contributed to the working capital reducing from \$1.568M (restated) to \$787K in 2009.

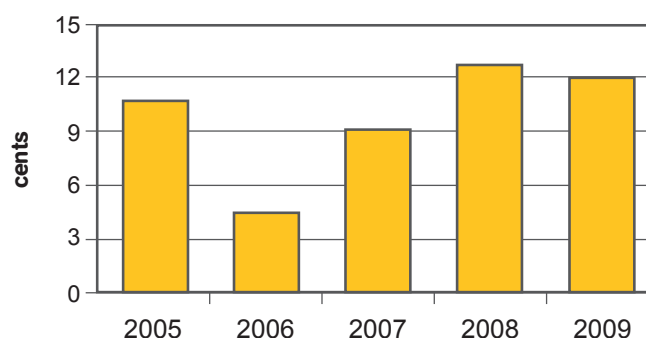
The BCT share price remained consistent this year, at \$1.60 as listed on the Bendigo Stock Exchange. Dividend payments of 7 cents in October 2008 and 5 cents in April 2009 increased the total dividends paid to shareholders since listing in September 2005 to 38 cents/share. A final dividend for the 2008/09 year of 5 cents/share was also declared by the Board at their meeting on 25 August 2009.

There were no further shares issued in the Company during this year, therefore the number of shares on issue remains at 5,602,722. The earnings per share result of 9.73 cents when compared to the 2008 result of 15.79 cents reflects the reduction in net profit this year.

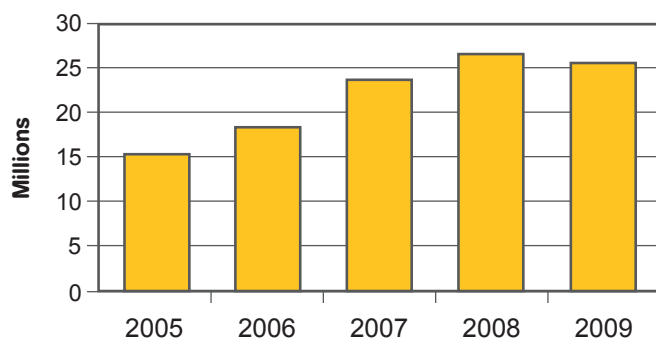
Net Assets



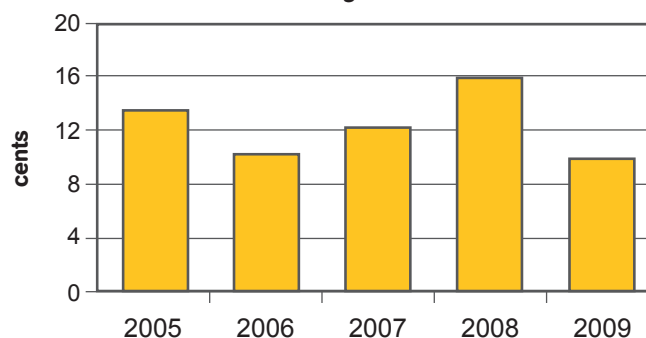
Dividends



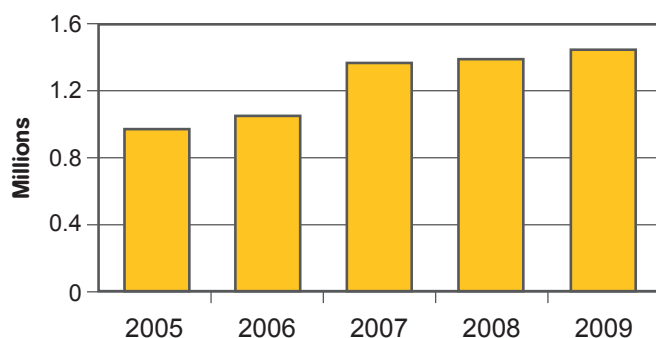
Revenue



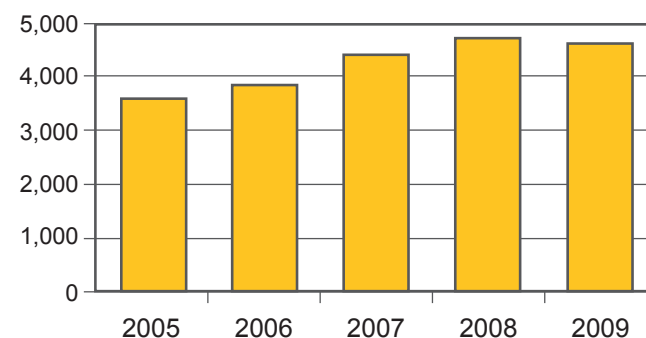
Earnings Per Share



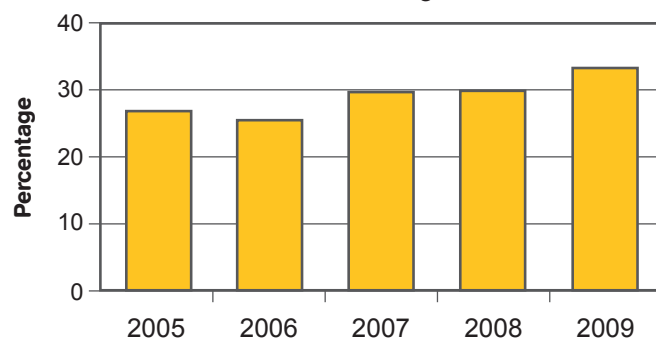
EBITDA



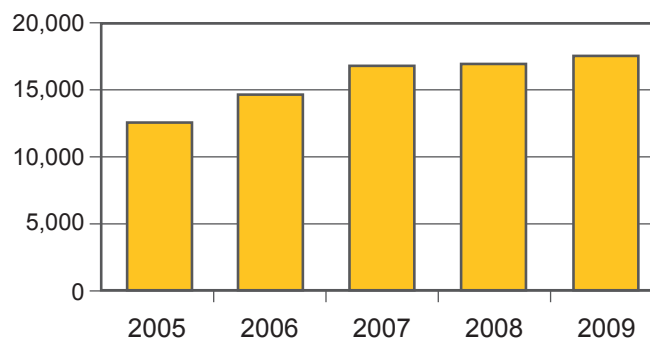
Customer Numbers



Gross Margin



Service Numbers



Shareholder information

At 1 July 2008 Bendigo Community Telco Limited had on issue 5,602,722 shares. There were no further shares issues during the 2008/09 financial year. 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 and Adelaide 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 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 authorisation the distribution schedule is as per the table below:

Category	No. of holders
1 - 1,000	126
1,001 - 5,000	183
5,001 - 10,000	58
10,001 - 100,000	45
100,001 and over	4

Marketable parcel

At the date of authorisation 21 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 authorisation the Top 10 Shareholders were as per the table below:

Shareholder	No. of Shares	% of Total shares
Bendigo and Adelaide 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: shares@bendigotelco.com.au

The information contained in this report is correct and current at 20 August 2009.

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 principles 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 and Risk Committee Charter and the appointment of the Audit and Risk Committee as a sub-committee of the Board. The members of the Audit and Risk Committee are Directors Geoff Michell, Andrew Cairns and Graham Bastian.
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 would expect to have a material effect on the price or value of the Company shares.

“We were back online within half an hour.”

Greg McClure - McClure Electrical



Directors' report

Your directors present their report on the Company for the financial year ended 30 June 2009.

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: 58

Occupation:

Bendigo and Adelaide Bank Limited

Qualifications:

Fellow of Australian Institute of Company Directors (FAICD)

Doctor of LaTrobe University (honoris causa)

Experience:

Rob was Chief Executive Officer of Bendigo and Adelaide Bank Limited from 1988 to July 2009. 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.

Rob is the architect of the Bank's Community Banking™ model and other alliance arrangements. He is also Chairman of Bendigo Community Telco Ltd.

Interest in shares:

Direct – 0 Shares

Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust)
421,004 Shares

Indirect – Annette Hunt 30,044 Shares

Special responsibilities:

Nil

Other directorships:

Tasmanian Banking Services Ltd

Lead On Australia Ltd

St Luke's Anglicare (Patron /ex Director)

Community Telco Australia Pty Ltd

Community Bank Strategic Advisory Board

Community Sector Enterprises Pty Ltd and subsidiary

Community Sector Banking Pty Ltd

Community Enterprise Foundation (Patron-in-Chief)

Mr Graham William Bastian - Director

Age: 57

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:

Graham Bastian is a Member of the Audit and Risk Committee

Other directorships:

Nil

Mr Andrew Cairns - Director

Age: 47

Occupation:

Chief Executive Officer of Community Telco Australia Pty Ltd

Qualifications:

Bachelor of Engineering – Electrical (Footscray Institute of Technology)

Member of Australian Institute of Company Directors

Experience:

Andrew has extensive experience in a variety of industries including manufacturing, pay television and telecommunications. He has worked both nationally and internationally. In the past few years he has applied that experience to steering start-up organisations to success, including Bendigo Community Telco as its initial Chief Executive.

The success of Bendigo Community Telco has now resulted in the community telco project being rolled out to regional communities across Australia by Community Telco Australia. Andrew is the Chief Executive of Community Telco Australia.

Interest in shares:

Direct – 24,600 Shares

Indirect – 0 Shares

Special responsibilities:

Andrew Cairns is a Member of the Audit and Risk Committee

Other directorships:

South East Queensland Community Telco

Coliban Region Water Authority

Mr Donald James Erskine

Age: 63

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 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:

Director – Coliban Region Water Authority

Bendigo +25 Community Reference Group

Dr Leslie Alan Kilmartin - Director

Age: 65

Occupation:

Principal of The Insight Group

Qualifications:

B.A. Queensland

M.A. Aust. National University

PhD La Trobe University

Experience:

Les 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.

Special responsibilities:

Nil

Interest in shares:

Direct – 5,000 Shares

Indirect - 0 Shares

Other directorships:

Director – Northern Melbourne Institute of Tafe (NMIT)

Mr Geoffrey Ralph Michell - Director**Age:** 58**Occupation:**

Consultant

Qualifications:

Diploma of Civil Engineering

Masters of Business Administration (Deakin)

Experience:

Geoff is a consultant, predominantly in the water industry in which he previously spent some 35 years in senior management and engineering roles, including 10 years as Managing Director of Coliban Water.

Interest in shares:

Direct – 20,002 Shares

Special responsibilities:

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

Other directorships:

Director - Bendigo Health

Board Member - Bendigo Tourism Board

Director – Wimmera Catchment Management Authority

Mrs Margot Elizabeth Spalding – Director**Age:** 55**Occupation:**

Director - Jimmy Possum Furniture Pty Ltd

Retail Leader, Jimmy Possum Retail Group

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.



“Quite regularly a service technician will drop by.”

Paul DeAraugo - Bendigo Toyota



“I just go to one person when I need help.”

Michelle O'Sullivan - Michelle O'Sullivan Lawyer

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 remuneration committee, at their discretion, can refer their business to the full Board for consideration.

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.

Performance-based remuneration

As part of each 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

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 the 2008/09 financial year the Company began the process of offering the Bendigo Community Telco Employee Share Plan No. 2 to eligible employees. Following a government announcement detailing proposed changes to the taxation treatment of shares issued to employees under eligible plans the Company chose to place the allocation of shares on hold, until such time as the final position is established by the Government and put into legislation.

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

Executives

Philip Lazenby	Chief executive officer
Mandy Cooper	General manager finance
Stephen Culpitt	Network operations centre manager
Bryan Pedersen	General manager technology
Wayne Williams	General manager business development

There was 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 latest period. The result reflects the impact of the repricing of a significant contract which has impacted on both the revenue and net profit result for this year. Additional opportunities and a change in the delivery method of this contract in the future should see this impact limited to the current reporting period. It should also be noted that the 2008 result included a once-off deduction for taxation with the establishment of a deferred tax asset (the 2008 result without this adjustment would have been \$701K restated). A number of prior years have also been restated and further information can be found at Note 8 to the concise financial statements.

Dividend payments have generally changed in line with the change in annual results. With the reduction in the 2009 result the dividend has been reduced to reflect this outcome, however as a percentage of profit the dividend payment is higher than previous periods. 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 or stability 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 outcome is reasonable, particularly in light of external economic conditions, and that the result also contributed to shareholder wealth being maintained or growing over the past five years.

	2005 Restated	2006 Restated	2007 Restated	2008 Restated	2009
Revenue	\$15.4M	\$18.3M	\$23.6M	\$26.6M	\$25.7M
EBITDA	\$0.97M	\$1.05M	\$1.36M	\$1.38M	\$1.43M
Net profit	\$551K	\$552K	\$674K	\$883K	\$545K
Share price at year end	n/a	\$1.10	\$1.20	\$1.60	\$1.60
Dividends paid	10.6 cents	4.5 cents	9.0 cents	12.5 cents	12.0 cents

Details of remuneration for year ended 30 June 2009

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	-	5,736	9,264	15,000
Geoffrey Michell	-	-	15,000	15,000
Margot Spalding	15,000	-	-	15,000
	30,000	33,258	41,742	105,000

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	Share-based Payment	TOTAL
	Salaries	Non-Cash Benefits	Superannuation	Equity	
Philip Lazenby	150,500	25,000	15,050	-	190,550
Mandy Cooper	114,903	15,000	10,341	-	140,244
Bryan Pedersen	112,717	15,000	10,145	-	137,862
Wayne Williams	104,290	15,000	9,386	-	128,676
Stephen Culpitt	103,194	15,000	9,288	-	127,482
	585,604	85,000	54,210	-	724,814

“The level of service is outstanding.”

Greg Perry - Muso's Stuff



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 \$545,023 (before tax profit \$771,797).

Prior year's financial statements reports profit of \$950,240 and retained earnings of \$776,726 which required adjustment downwards by \$67,079 and \$78,909 respectively, resulting in restated profit of \$883,161 and retained earnings of \$697,818. The following factors influenced the adjustment:

- Recognition of costs associated with provision of broadband products
- Restatement of trade and other receivables due to system and reconciliation changes
- Reduction in revenue and cost associated with delivery of some data services

Although not material to any one period financial results, consistent with the Company's policy and ethos for open and transparent disclosure and reporting, the Board has decided to restate prior financial period accounts. Full details of the correction of prior year errors are disclosed at note 8.

Dividends paid or recommended

Dividends paid in the year	Year Ended 30 June 2009	
	cents	\$
Final - October 2008	7.0	392,191
Interim - April 2009	5.0	280,136
Total	12.0	672,327

Financial position

The net assets of Bendigo Community Telco Limited have decreased to \$3,937,374 at 30 June 2009 (30 June 2008: \$4,064,678 restated). The change has largely resulted from the following factors:

- Decrease in revenue and trade and other receivables;
- Decrease in cash or cash equivalents mainly due to the purchase of assets;
- Growth in prepayments;
- Growth in intangibles with additional development costs;
- Purchase of assets including network computers and infrastructure and upgrading of the Business Continuity Centre;
- Decrease in expenses and trade and other payments;
- Growth in borrowings with the leasing of additional assets;
- Decrease in taxation liability; and
- Decrease in retained earnings.

The Company's working capital, being current assets less current liabilities, has reduced from \$1,568,437 restated in 2008 to \$823,617.

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 ninth 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 Development Australia. Bendigo Community Telco Limited has also maintained wholesale agreements with AAPT, 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 5 cents per share was declared by the Board of Directors on 25 August 2009 which will be distributed to shareholders on 23 September 2009.

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, 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, sixteen 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. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	10	10	-	-	-	-
Graham Bastian	10	10	4	4	-	-
Andrew Cairns	10	10	5	5	-	-
Don Erskine	10	7	-	-	1	1
Les Kilmartin	10	9	-	-	-	-
Geoff Michell	10	7	5	4	1	1
Margot Spalding	10	10	-	-	-	-

“The difference is you have a relationship.”

Margot Spalding - Jimmy Possum



“Their service cannot be matched by any other communication organisation.”

Brendon Goddard - Champions IGA



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 note 5 to the full financial report.

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 25 August 2009.



Don Erskine
Director



Graham Bastian
Director

Auditor's independence declaration

Under Section 307C of the *Corporations Act 2001* to the directors of Bendigo Community Telco Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there has 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.



Graeme Stewart

Andrew Frewin & Stewart
61-65 Bull Street, Bendigo, VIC 3550
Dated this 26th day of August 2009

Directors' declaration

The directors of Bendigo Community Telco Limited declare that the concise financial report for the financial year ended 30 June 2009 as set out on pages 1 to 24:

- a. Complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b. Is an extract from the full financial report for the year ended 30 June 2009 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



Don Erskine
Director



Graham Bastian
Director

Dated this 25th day of August 2009





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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 2009 included on Bendigo Community Telco Limited's 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 2009, 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 2009, 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 2009. Our audit report on the full financial report for the year was signed on 26 August 2009 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 1039: *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 2009 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.


GRAEME STEWART

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 26th day of August 2009

Concise income statement

For year ended 30 June 2009

	Notes	2009 \$	2008 \$ Restated
Revenue	3	25,600,634	26,431,078
Cost of products sold		(17,115,209)	(18,517,994)
Other revenue	3	84,817	168,924
Salaries and employee benefit costs		(3,362,424)	(3,236,111)
Occupancy and associated costs		(498,864)	(457,757)
General administration costs		(1,369,489)	(1,356,844)
Depreciation and amortisation costs		(659,427)	(387,216)
Advertising and promotion costs		(345,943)	(373,889)
Systems costs		(1,490,406)	(1,244,894)
Borrowing costs		(71,892)	(32,798)
Profit before income tax expense		771,797	992,499
Income tax expense		(226,774)	(109,338)
Profit attributable to members of the entity		545,023	883,161
Overall operations		cents	cents Restated
Basic earnings per share		9.73	15.79
Diluted earnings per share		9.73	15.79

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

Concise balance sheet

As at 30 June 2009

	2009 \$	2008 \$ Restated
Current assets		
Cash and cash equivalents	1,751,910	2,342,413
Trade and other receivables	1,790,330	2,683,109
Prepayments	701,480	644,047
Inventories	200,185	241,381
Total current assets	4,443,905	5,910,950
Non current assets		
Property, plant and equipment	2,236,746	1,677,114
Intangibles	1,129,863	1,005,560
Deferred tax asset	166,995	164,858
Total non current assets	3,533,604	2,847,532
TOTAL ASSETS	7,977,509	8,758,482
Current liabilities		
Trade and other payables	2,896,490	3,612,130
Financial liabilities	328,561	148,703
Provisions	286,697	312,184
Taxation	145,463	269,496
Total current liabilities	3,657,211	4,342,513
Non current liabilities		
Financial liabilities	324,593	314,179
Provisions	58,331	37,112
Total non current liabilities	382,924	351,291
TOTAL LIABILITIES	4,040,135	4,693,804
NET ASSETS	3,937,374	4,064,678
Equity		
Issued capital	3,366,860	3,366,860
Retained earnings	570,514	697,818
TOTAL EQUITY	3,937,374	4,064,678

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

Concise statement of changes in equity

For year ended 30 June 2009

	2009 \$	2008 \$ Restated
Equity		
Total equity at the beginning of the financial year	4,064,678	3,864,588
Net profit for the year	545,023	883,161
Dividends provided for or paid	(672,327)	(699,253)
Shares issued during period	-	20,055
Cost of issuing shares	-	(3,872)
Total equity at the end of the financial year	3,937,374	4,064,678
Retained earnings		
Retained earnings at the beginning of the period	697,818	513,910
Net profit attributable to members	545,023	883,161
Dividends paid to members	(672,327)	(699,253)
Retained earnings at the end of the period	570,514	697,818

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

Concise cash flow statement

For year ended 30 June 2009

	2009 \$	2008 \$
Cash flows from operating activities		
Cash received in course of operations	29,114,898	29,211,568
Interest paid	(71,892)	(32,798)
Cash paid in course of operations	(27,563,842)	(27,444,933)
Income tax paid	(281,317)	(381,592)
Interest received	84,817	168,924
Net cash provided by operating activities	1,282,664	1,521,169
Cash flows from investing activities		
Purchase of intangible assets	(155,486)	(474,628)
Purchase of property, plant and equipment	(949,493)	(742,760)
Proceeds from sale of assets	42,182	60,000
Net cash used in investing activities	(1,062,797)	(1,157,388)
Cash flow from financing activities		
Proceeds from issue of shares	-	20,054
Cost of Shares Issued	-	(3,872)
Proceeds from borrowings	133,209	82,535
Repayment of finance lease	(271,252)	(120,421)
Dividends paid	(672,327)	(699,253)
Net cash used in financing activities	(810,370)	(720,957)
Net decrease in cash held during the financial year	(590,503)	(357,176)
Cash at beginning of financial year	2,342,413	2,699,589
Cash at the end of the financial year	1,751,910	2,342,413

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 2009. 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 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 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 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.

- 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. Revenue

	2009 \$	2008 \$ Restated
Sales revenue	25,594,309	26,357,221
Other revenue	6,325	73,857
Interest received	84,817	168,924
Total revenue	25,685,451	26,600,002

4. Contingent liabilities and contingent assets

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

5. 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.

6. Events subsequent to balance date

Since the end of the financial year a final dividend in the amount of 5 cents per share was declared by the Board of Directors on 25 August 2009 which will be distributed to shareholders on 23 September 2009.

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 7.0 cents (\$392,191) was paid in October 2008, with an interim dividend of 5.0 cents (\$280,136) paid in April 2009. Both dividends are 100% fully franked.

Both basic and diluted earnings per share decreased from 15.79 cents (restated) in 2008 to 9.73 cents in 2009.

8. Correction of Errors

Correction of accounting errors in previous financial years

Accounting errors were made in prior years in relation to:

- Recognition of costs associated with provision of broadband products
- Restatement of trade and other receivables due to system and reconciliation changes
- Reduction in revenue and cost associated with delivery of some data services

The impacts of these errors in the year ended 30 June 2008 are set out below:

Balance Sheet (Extract)	30 June 2008	Increase/ (decrease)	30 June 2008 Restated
Trade and other receivables	3,169,758	(486,649)	2,683,109
Prepayments	744,196	(100,149)	644,047
Trade and other payables	4,086,205	(474,075)	3,612,130
Taxation	303,312	(33,816)	269,496
Net assets	4,143,587	(78,909)	4,064,678
Retained earnings	776,726	(78,909)	697,818
TOTAL EQUITY	4,143,587	(78,909)	4,064,678

Income Statement (Extract)	30 June 2008	Increase/ (decrease)	30 June 2008 Restated
Revenue from ordinary activities	26,478,440	(47,362)	26,431,078
Cost of products sold	(18,467,400)	50,594	(18,517,994)
System costs	(1,247,025)	(2,131)	(1,244,894)
Profit before income tax expense	1,088,324	(95,825)	992,499
Income tax expense	(138,084)	(28,746)	(109,338)
Profit attributable to members	950,240	(67,079)	883,161
Basic earnings per share (cents)	16.96	(1.17)	15.79
Diluted earnings per share (cents)	16.96	(1.17)	15.79