

BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2006/07 FINANCIAL STATEMENTS

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 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.

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 in the director's report.

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2007.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Chairman	Mr R Hunt		
Directors	Mr G Bastian	Mr A Cairns	Mr D Erskine
	Dr L Kilmartin	Mr G Michell	

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, except as disclosed in Note 24 on page 33-4

INFORMATION ON DIRECTORS

Mr Robert George Hunt – Chairman

Age 56

Occupation Managing Director, Bendigo Bank Limited

Qualifications Fellow of Australian Institute of Company Directors (FAICD)
 Doctor of LaTrobe University (honoris causa)

Experience In 1990 Rob Hunt was appointed Managing Director of Bendigo Building Society (which converted to bank status in July 1995). Rob has guided Bendigo Bank through many innovations to become a unique regional and community banking organisation.

Based in Bendigo, Rob has led the Bank's development from a provincial building society to a nationally represented, uniquely positioned and diversified banking and financial services group which is in the top 150 companies listed on the Australian Stock Exchange.

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

Interest in Shares Direct – 421,004 Shares
 Indirect – Bendigo Bank Limited 1,112,146 Shares
 Indirect – Annette Hunt 10,000 Shares

Special Responsibilities Nil

Other Directorships Bendigo Bank Limited
 Elders Rural Bank Limited
 Tasmanian Banking Services Ltd
 Lead On Australia Ltd
 St Luke's Anglicare (Patron / ex Director)
 Councillor of Australian Bankers Association
 Business Council of Australia (Member)
 LaTrobe University's Bendigo Regional Advisory Board (Member)
 Prime Minister's Community Business Partnership (Member)
 Victorian Government's Innovation Economy Advisory Board (Member)
 Community Telco Australia Pty Ltd
 Community Developments Australia Pty Ltd
 Community Sector Enterprises Pty Ltd and subsidiary Community Sector Banking Pty Ltd
 Community Enterprise Foundation (Patron-in-Chief)

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

Mr Graham William Bastian - Director

Age	55
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 Andrew Cairns - Director

Age	45
Occupation	Chief Executive Officer of Community Telco Australia Pty Ltd
Qualifications	Bachelor of Engineering – Electrical (Footscray Institute of Technology) Associate Fellow of the Australian Institute of Management Member of Australian Institute of Company Directors
Experience	Andrew Cairns has extensive experience in a variety of industries from manufacturing to television and telecommunications, both in Australia and internationally. In the past few years he has applied that experience to steering start-up organisations to success, including initially Bendigo Community Telco as Chief Executive Officer. The success of the Community Telco model, led by Andrew as Chief Executive Officer of Community Telco Australia has now resulted in the project being rolled out to regional communities across Australia.
Interest in Shares	Direct – 24,600 Shares Indirect – 0 Shares
Special Responsibilities	Andrew Cairns is a Member of the Audit Committee
Other Directorships	iTEL Community Telco (appointed 31 July 2006)

Mr Donald James Erskine - Director

Age	61
Occupation	Managing Director – Industrial Conveying (Aust.) Pty Ltd Managing Director – Bendigo Brick Pty Ltd
Experience	<p>Don is trained as a mechanical engineer. He is Managing Director of both Industrial Conveying (Aust.) Pty Limited and Bendigo Brick Pty Limited. Industrial Conveying (Aust.) Pty Ltd was formed by Don in 1979.</p> <p>Don is a non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT Strategy and Property Committees. His previous appointments include Director of North West Country Credit Union Co-op Ltd, Director of Community Telco Australia and Director of Bendigo Economic Development Committee. Don is also chairman of the Australian Technical College and is actively involved in the Bendigo Community.</p>
Interest in Shares	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 844,000 Shares Indirect – Bendigo Bank Limited 1,112,146 Shares
Special Responsibilities	Don Erskine is a Member of the Remuneration Committee
Other Directorships	Bendigo Bank Limited Chairman – Australian Technical College Pty Ltd

Dr Leslie Alan Kilmartin - Director

Age	63
Occupation	Principal of The Insight Group
Qualifications	B.A. Queensland, M.A. Aust. National University, PhD La Trobe University
Experience	<p>Les Kilmartin is the former head of the Bendigo campus of La Trobe University and he held the position of Professor of Regional and Urban Studies. He is now the Principal of The Insight Group.</p> <p>Dr Kilmartin's academic interests include a long-standing involvement in regional development, and he served on the Premier's Northern Region Forum and prepared a regional strategy plan for La Trobe University. In addition he also established and was Founding Director of the University's Centre for Sustainable Regional Communities, which conducts applied regional research and community service programs through central and northern Victoria.</p>
Interest in Shares	Direct – 5,000 Shares Indirect - 0 Shares
Special Responsibilities	Nil
Other Directorships	Nil

Mr Geoffrey Ralph Michell - Director

Age	56
Occupation	Chief Executive – Coliban Water
Qualifications	Diploma of Civil Engineering, Masters of Business Administration (Deakin)
Experience	<p>After initially working in the construction industry, Geoff has spent the last 33 years in the water industry at various locations throughout Victoria. He has been involved in the construction and operation of water and wastewater infrastructure and management of water services.</p> <p>Geoff was appointed Chief Executive of Coliban Water in August 1998, after working with the utility since its creation in 1992. Geoff has been extensively involved in all aspects of Coliban Water's strategic use of the private sector to achieve its business objectives.</p>
Interest in Shares	Direct – 20,002 Shares Indirect – Coliban Region Water Authority 40,000 Shares
Special Responsibilities	Geoff Michell is a Member of the Audit Committee and the Remuneration Committee
Other Directorships	Nil

COMPANY SECRETARY

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

REMUNERATION REPORT

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

Remuneration Policy

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

Key Management Personnel

John Warmbrunn	Chief executive officer (resigned 2 July 2007)
Adrian Basile	Business unit manager (resigned 30 March 2007)
Neville Boyle	Technical services manager
Mandy Cooper	Financial controller
Stephen Culpitt	Customer operations manager
Peter Kellett	Business continuity centre manager (resigned 30 April 2007)
Bryan Pedersen	Technical manager
Wayne Williams	Sales and marketing manager

Details of remuneration for year ended 30 June 2007

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

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

Operations have continued to perform in line with expectations. The operating profit of the company for the financial year after providing for income tax was \$692,338 (before tax profit \$1,070,095). The 2006 operating profit was \$553,402 (before tax profit \$858,935).

DIVIDENDS PAID OR RECOMMENDED

	Year Ended 30 June 2007	
Dividends paid in the year:	Cents	\$
Final – September 2006	4.0	223,440
Interim – April 2007	5.0	279,301
Total	9.0	502,741

FINANCIAL POSITION

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

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

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

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

REVIEW OF OPERATIONS

Bendigo Community Telco Limited is now in its seventh year of operations and has continued to consolidate its position within the Bendigo and district market, providing a full range of products and services to its customers including full service (line rental, local calls, etc), broadband and dial up internet access, mobiles, data services and business continuity services, and this year our additional services and products through our Kangaroo Flat office including PABX and phone system sales and installation, UHF Radios, Technical installation and servicing including cabling, and further expansion of our 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, Intercall Australia, Info-In.com, Soul, Newsnet, RedCoal and AAPT Limited.

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

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

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

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

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the company with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the company, controlled entity or related body corporate other than interests and benefits disclosed at Notes 21, 23 and 24 to the Financial Report.

SHARE OPTIONS

The Company has not issued any share options.

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

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

NON AUDIT SERVICES

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

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

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

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

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

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

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



Rob Hunt
Director



Andrew Cairns
Director

AUDITOR'S INDEPENDENCE DECLARATION

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

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

This declaration is in respect of Bendigo Community Telco Limited.



Andrew Frewin & Stewart
Bendigo
VIC 3550

29 August 2007

DIRECTORS' DECLARATION

In the Directors opinion:

1. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - a. comply with Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the company's financial position as at 30 June 2007 and of its performance as presented by the results of its operations and its cash flows for the financial year ended on that date; and
2. the Acting Chief Executive Officer and Financial Controller have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Rob Hunt
Chairman



Andrew Cairns
Director

Signed on 28 August 2007

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 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 financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the 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 financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Bendigo Community Telco Limited, which comprises the balance sheet at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Bendigo Community Telco Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying 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 financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall performance of the financial report.

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

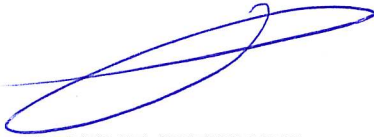
Independence

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

Auditor's Opinion

In our opinion the financial report of Bendigo Community Telco Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



GRAEME STEWART

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 29th day of August 2007

**INCOME STATEMENT
 FOR YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
Revenue from ordinary activities	1(h), 4	23,534,654	18,246,030
Cost of products sold		(16,604,351)	(13,632,491)
Other revenue		121,817	125,403
Salaries and employee benefit costs		(2,851,667)	(1,756,770)
Occupancy and associated costs		(287,216)	(212,535)
General administration costs	6	(1,108,374)	(680,271)
Depreciation and amortisation costs	5	(270,617)	(191,710)
Advertising and promotion costs		(341,755)	(195,731)
Systems costs		(1,101,672)	(817,390)
Borrowing costs	5	(20,724)	(25,601)
Profit before income tax expense		<u>1,070,095</u>	<u>858,935</u>
Income tax expense	7	(377,757)	(305,533)
Profit for the period	16	<u>692,338</u>	<u>553,402</u>
Profit attributable to members of the entity	16	<u><u>692,338</u></u>	<u><u>553,402</u></u>
Overall Operations		cents	cents
Basic earnings per share	20	12.39	10.25
Diluted earnings per share	20	12.39	10.25

The accompanying notes form an integral part of this Income Statement

**BALANCE SHEET
 AS AT 30 JUNE 2007**

	Notes	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents	1(c), 17	2,699,589	2,900,622
Trade and other receivables	1(h), (i), (j), (o), 8	3,172,186	2,795,574
Prepayments	1(j)	568,842	408,555
Other financial assets		215,418	50,402
Total Current Assets		6,656,035	6,155,153
Non Current Assets			
Property, plant and equipment	1(d), (e), 3, 10	1,120,695	670,838
Intangibles	1(e), (n), 3, 11	530,933	-
Total Non Current Assets		1,651,628	670,838
TOTAL ASSETS		8,307,663	6,825,992
Current Liabilities			
Trade and other payables	1(o), 12	3,521,683	2,673,952
Borrowings	1(l), (m), 13, 18, 19	105,763	139,222
Provisions	1(f), (p), 14	263,951	80,495
Taxation	1(b), 7	381,962	144,856
Total Current Liabilities		4,273,359	3,038,525
Non Current Liabilities			
Borrowings	1(l), (m), 13, 18, 19	106,932	89,818
Provisions	1(f), (p), 14	50,955	10,829
Total Non Current Liabilities		157,887	100,647
TOTAL LIABILITIES		4,431,246	3,139,172
NET ASSETS		3,876,417	3,686,820
EQUITY			
Issued capital	1(q), 15	3,350,678	3,350,678
Retained earnings	16	525,739	336,142
TOTAL EQUITY		3,876,417	3,686,820

The accompanying notes form an integral part of this Balance Sheet

**STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
<u>Equity</u>			
Total equity at the beginning of the financial year		3,686,820	1,972,370
Net income/expense recognised directly in equity		-	-
Net profit/(loss) for the year		692,338	553,402
Total recognised income & expenses for the year		<u>4,379,158</u>	<u>2,535,772</u>
Shares issued during period	15	-	1,676,000
Costs of issuing shares		-	(263,627)
Dividends provided for or paid		(502,741)	(251,325)
Total equity at the end of the financial year		<u><u>3,876,417</u></u>	<u><u>3,686,820</u></u>

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

**CASH FLOW STATEMENT
 FOR YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received in course of operations		23,158,042	17,978,246
Interest paid		(20,724)	(25,601)
Cash paid in course of operations		(21,689,674)	(17,219,059)
Interest received		121,817	125,403
Net cash used in operating activities	17(b)	1,569,461	858,990
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(720,474)	(178,140)
Purchase of intangible assets		(530,933)	-
Proceeds from sale of investment		-	250,000
Net cash used in investing activities		(1,251,407)	71,860
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,676,000
Net proceeds of borrowings		(16,346)	(117,046)
Dividends paid		(502,741)	(251,325)
Cost of Shares Issued		-	(263,627)
Net cash provided by financing activities		(519,087)	1,044,002
Net increase in cash held during the financial year		(201,033)	1,974,852
Cash at beginning of financial year		2,900,622	925,770
Cash at the end of the financial year	17(a)	2,699,589	2,900,622

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. Statement of Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

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

The financial report has been prepared on an accruals basis and is based on historical costs as modified by the revaluation of financial assets and liabilities at fair value through profit and loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Income Tax

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

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

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

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

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts.

(d) Property, Plant and Equipment

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

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

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

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

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

Asset Class	Depreciation Rate (%)	
	2007	2006
Office Furniture & Equipment		
Advertising Collateral	7.5	7.5
Furniture & Fittings	4.5 – 37.5	4.5 - 37.5
Office Equipment	7.5 – 40	7.5 - 40
Computer Equipment	30 – 50	37.5 - 40
Satellite Equipment	50	50
Software	33 – 40	33 - 40
Retail/Display Equipment	11.25	-
Installation/Servicing Equipment	11.25 – 30	-
Business Continuity Centre	2.5 – 37.5	2.5 - 33
Motor Vehicles	18.75 – 25	18.75 - 22.5
Leasehold	4.5 – 25	4.5 – 11.25
Telecommunications & Infrastructure		
Infrastructure	7.59	7.59
Computer Equipment	37.5	-
Connectivity Links	7.5 - 33	20 - 50

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

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

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

(e) Impairment of Assets

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

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

(f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

(g) Comparative Information

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

(h) Revenue

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

(i) Payment Terms

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

(j) Receivables and Payables

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

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

(l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amount equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(m) Financial Instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at the principal amount. Interest is recognised as an expense as it accrues.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(n) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Tax Office (ATO). In these

circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO which are disclosed as operating cash flows.

(p) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past transactions or other past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

(q) Issued Capital

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

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates – Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key Judgments – Bad Debt Provision

Included in the accounts receivable at 30 June 2007 are amounts that equate to approximately \$85,000 which are currently progressing through our debt collection process and are therefore classified as doubtful debt. A provision has been made in the Balance Sheet at 30 June 2007.

2. FINANCIAL RISK MANAGEMENT

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

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

- (i) Market Risk – The company has no exposure to any transactions denominated in a currency other than Australian dollars.
- (ii) 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.
- (iii) 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.
- (iv) Liquidity Risk – the company maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.
- (v) Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. The company has mitigated risk on long-term interest-bearing liabilities by negotiating fixed rate contracts.

3. BUSINESS COMBINATIONS

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

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

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

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

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

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4. REVENUE FROM ORDINARY ACTIVITIES

	2007	2006
	\$	\$
Operating activities:		
Sales revenue	23,441,570	18,204,179
Other revenue	93,084	41,852
Total revenue from operating activities	23,534,654	18,246,030
Non-operating activities:		
Interest received	121,817	125,403
Total revenue from non-operating activities	121,817	125,403
Total revenue from ordinary activities	23,656,471	18,371,433

5. SIGNIFICANT EXPENSES

	\$	\$
Depreciation of non current assets:		
Office furniture & equipment	192,672	123,225
Motor vehicles	67,269	55,522
Leasehold	5,072	1,170
Telecommunications & infrastructure	5,604	11,793
	270,617	191,710
Borrowing expenses:		
Interest paid	3,873	3,046
Finance costs	16,712	19,960
Other	139	2,595
	20,724	25,601
Bad debts	62,339	7,507
Doubtful debts	20,000	-
	82,339	7,507
Loss of sale of assets	41,949	70,928

The 2007 bad debts expense increased significantly as there were a number of debts which completed their transition through the debt collection process and were deemed unrecoverable. The doubtful debts provision was also increased in line with trade debtors. Both of these expenses are within normal business and budgeted expectations.

6. AUDITORS' REMUNERATION

	\$	\$
Amounts received, or due and receivable by the auditors for		
Auditing the financial statements	20,452	15,372
Other services	24,519	9,209
	44,971	24,581

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7. INCOME TAX EXPENSE

	2007	2006
	\$	\$
a. The components of tax expense comprise:		
Current tax	394,102	261,330
Under/(over) provision in respect of prior years	(16,345)	44,203
	377,757	305,533

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	1,070,095	858,935
Prima facie tax on profit from ordinary activities @ 30%	321,028	257,680
Income tax attributable to operating profit		
Tax effect of:		
Provision movements	73,074	3,650
Income tax on operating profit	394,102	261,330

8. TRADE AND OTHER RECEIVABLES

	2007	2006
	\$	\$
Trade debtors	3,257,186	2,860,574
Provision for doubtful debts	(85,000)	(65,000)
	3,172,186	2,795,574

9. OTHER FINANCIAL ASSETS

	2007	2006
	\$	\$
Inventory	215,418	50,402
	215,418	50,402

The company raised and issued additional shares in the 2005/06 financial year. Costs totalling \$173,344 directly relating to this issue have been capitalised during the financial year and are included in the equity raising costs as shown in the Balance Sheet. These costs have been recognised directly against the shares issued in accordance with Urgent Issues Group Abstract UIG23.

10. PROPERTY PLANT AND EQUIPMENT

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

2007	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Carrying amount at the start of the year	338,844	245,409	17,685	68,900	670,838
Additions	305,340	209,267	99,182	169,725	783,513
Disposals	(19,660)	(28,324)	(15,056)	-	(63,040)
Depreciation	(155,311)	(67,269)	(5,072)	(42,965)	(270,617)
Impairment	-	-	-	-	-
Carrying amount at the end of the year	469,213	359,083	96,739	195,660	1,120,695

11. INTANGIBLES

	2007 \$	2006 \$
Goodwill	530,933	-
Accumulated Impairment Losses	-	-
Net Carrying Value	530,933	-

Goodwill

Year ended 30 June	2007	2006
Balance at the beginning of year	-	-
Additions	530,933	-
Impairment losses	-	-
Closing value at end of year	530,933	-

Goodwill has an indefinite life. The allocation of goodwill acquired in a business combination must be completed before the end of the first annual period beginning after the acquisition date (19 October 2006). At the date of this report the allocation has not been completed, however will be completed before the expiration of the first annual period.

12. TRADE AND OTHER PAYABLES

	\$	\$
Unsecured liabilities:		
Trade payables	2,413,541	1,958,869
Sundry payables and accrued expenses	1,108,142	715,083
	3,521,683	2,673,952

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13. BORROWINGS

	2007	2006
	\$	\$
Current borrowings		
Secured by fixed and floating registered mortgage debenture		
Lease liabilities	105,763	139,222
Total current borrowings	105,763	139,222
Non current borrowings		
Secured by fixed and floating registered mortgage debenture		
Lease liabilities	106,932	89,818
Total non current borrowings	106,932	89,818

14. PROVISIONS

	2007	2006
	\$	\$
Current		
Employee Benefits	263,951	80,495
Non Current		
Employee Benefits	50,955	10,829
TOTAL	314,906	91,324

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Employees previously employed by Bendigo Communications, many of whom were long term employees, transferred their employment to Bendigo Community Telco following the acquisition of that company in October 2006. Accumulated employee benefits relating to the former Bendigo Communications employees were recognised by Bendigo Community Telco (approximately \$169,000) which contributed significantly to the increase in provisions during the financial year. Consideration for these employee benefits was incorporated into the acquisition price.

15. ISSUED CAPITAL

	No. of Shares	2007 \$	2006 \$
Issued and paid up capital ordinary shares of \$1 each	1,955,005	3,631,005	1,955,005
Bonus ordinary shares (issued 16 November 2004)	1,955,005	-	-
Shares issued on 10 August 2005	1,675,000	-	1,675,000
Shares issued on 10 April 2006	1,000	-	1,000
Less cost of equity raised		(280,327)	(280,327)
TOTAL	5,586,010	3,350,678	3,350,678

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16. RETAINED EARNINGS

	2007	2006
	\$	\$
Balance at the beginning of the financial year	336,142	34,065
Net profit from ordinary activities after income tax	692,338	553,402
Dividends Paid	(502,741)	(251,325)
Balance at the end of the financial year	<u>525,739</u>	<u>336,142</u>

17. NOTES TO THE STATEMENT OF CASH FLOWS

a. Reconciliation of Cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the profit and loss accounts as follows:

	\$	\$
Cast at bank and in hand	1,424,589	1,160,994
Short-term bank deposits	1,275,000	1,739,628
	<u>2,699,589</u>	<u>2,900,622</u>

b. Reconciliation of operating profit to net cashflows from operating activities

Profit from ordinary activities	692,338	553,402
Depreciation and amortisation of non current assets	270,617	191,710
Change in assets and liabilities		
(Increase)/decrease in assets		
Receivables and prepayments	(536,898)	(349,630)
Inventory	(165,015)	39,299
Other assets	-	173,344
Increase/(decrease) in liabilities		
Accounts payable and provisions	1,308,419	250,864
Net cash flow from operating activities	<u>1,569,461</u>	<u>858,990</u>

18. LEASING COMMITMENTS

(a) Finance Leases

Leasing arrangements

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

	2007	2006
	\$	\$
Finance lease liabilities		
No later than 1 year	105,763	139,222
Later than 1 year and not later than 5 years	127,044	106,254
Minimum finance lease payments	232,808	245,477
Less future finance charges	(20,113)	(16,437)
Finance lease liabilities	212,695	229,040

(b) Operating Leases

Leasing arrangements

The operating leases relate to the rental of the business premises at 23 McLaren Street, Bendigo with a lease term of five years beginning 31 October 2006, 219 High Street, Kangaroo with a lease term of three years beginning 13 October 2006 and the Business Continuity Centre, Edwards Road, Flora Hill with a lease term of five years, beginning 1 September 2003.

In addition operating leases for computer and connectivity equipment for customer use commenced in this financial period with terms of either three or five years. Approximately 76% of the overall liability relates to these leases which will generate revenues in excess of the expenses noted below.

The company does not have an option to purchase the leased asset at the expiry of any lease period.

	\$	\$
Non-cancellable operating leases		
No later than 1 year	850,627	91,905
Later than 1 year and not later than 5 years	2,295,041	63,636
	3,145,668	155,541

19. FINANCIAL INSTRUMENTS

19 (a) Terms, conditions and accounting policies

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

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

19 (b)(i) Interest Rate Risk

Financial Instrument	Floating Interest Rate \$	Fixed Interest maturing in:			Total Carrying Amount per Balance Sheet		Weighted Average Effective Interest Rate	
		1 year or less \$	Over 1 to 5 years \$	Non Interest Bearing \$	2007 \$	2006 \$	2007 %	2006 %
<i>Financial Assets</i>								
Cash or Cash Equivalents	1,424,589				1,424,589	1,160,994	n/a	n/a
Short-term deposits	1,275,000				1,275,000	1,739,628	6.23	5.67
Accounts Receivable - Debtors				3,172,186	3,172,186	2,795,574	n/a	n/a
<i>Financial Liabilities</i>								
Creditors & Accruals				3,521,683	3,521,683	2,673,952	n/a	n/a
Finance Leases		105,763	127,044		212,695	229,040	7.7	7.7

19 (b)(ii) Credit Risk

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

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

Bendigo Community Telco has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.

19 (c) Fair Values

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

	Total Carrying Amount per Balance Sheet		Aggregate Net Fair Values	
	2007	2006	2007	2006
	\$	\$	\$	\$
Financial Instruments				
<i>Financial assets</i>				
Cash or cash equivalents	1,424,589	1,160,994	1,424,589	1,160,994
Short-term bank deposits	1,275,000	1,739,628	1,275,000	1,739,628
Accounts receivable - debtors	3,172,186	2,795,574	3,172,186	2,795,574
Total financial assets	5,871,775	5,696,197	5,871,775	5,696,197
<i>Financial liabilities</i>				
Creditors and accruals	3,521,683	2,673,952	3,521,683	2,673,952
Finance leases	212,695	229,040	212,695	229,040
Total financial liabilities	3,734,378	2,902,992	3,734,378	2,902,992

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

Recognised Financial Instruments

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

20. EARNINGS PER SHARE

	2007 cents	2006 cents
Earnings per share for the financial year were:	12.39	10.25
Diluted earnings per share for the financial year were:	12.39	10.25

21. DIRECTORS' REMUNERATION

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

22. EXECUTIVE REMUNERATION

	2007 \$	2006 \$
Amounts received or due and receivable from the Company by executive officers (including executive directors) whose remuneration is \$100,000 per annum or greater	614,989	356,724

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

Range	No.	No.
\$100,000 to \$109,999	2	2
\$110,000 to \$119,999	1	-
\$120,000 to \$129,999	1	-
\$130,000 to \$139,999	-	-
\$140,000 to \$149,999	-	-
\$150,000 to \$159,999	1	1

23. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

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

24. DIRECTORS RELATED PARTY DISCLOSURES

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

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

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

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Directors Shareholdings	No.	No.
Robert Hunt	421,004	421,004
Graham Bastian	-	-
Andrew Cairns	24,600	24,600
Don Erskine	844,000	844,000
Les Kilmartin	5,000	5,000
Geoff Michell	20,002	20,002

Mr Hunt is a Director and Chairman of Community Telco Australia (CTA) and Community Developments Australia (CDA), and Mr Cairns is the Acting Chief Executive Officer of BCT and Chief Executive Officer of CTA. Bendigo Community Telco has been engaged with CTA throughout the financial year assisting with the development of the Community Telco Project.

The Community Telco Project involves granting to entities majority owned or controlled by communities the right to use certain intellectual property and shared services to enable the establishment and operation of a business of providing telecommunications services to customer. CTA is a company established by Bendigo Bank Limited which it jointly owns as a joint venture with AAPT Limited. Bendigo Community Telco has entered into a binding licence with CTA in relation to the use of the Community Telco Project.

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

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

26. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year a final dividend in the amount of 6.5 cents per share was declared by the Board of Directors on 28 August 2007 which will be distributed to shareholders on 24 September 2007. In addition the Board received the resignation from the Chief Executive Officer (CEO), John Warmbrunn effective from 2 July 2007. As provided in our succession planning, Andrew Cairns (Executive Director) is now operating in the role of Acting Chief Executive Officer until a new CEO is appointed.

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

27. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office

23 McLaren Street, Bendigo, Victoria.

Principal Places of Business

Bendigo Office – 23 McLaren Street, Bendigo, Victoria.

Kangaroo Flat Office – 219 High Street, Kangaroo Flat, Victoria.

Business Continuity Centre - 121 Edwards Road, Bendigo, Victoria.