BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2011 FINANCIAL REPORT

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 Geoff Michell, Graham Bastian and Andrew Cairns.
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 2001.* 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.

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 2011.

DIRECTORS

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

Mr R Hunt (Chairman)	Mr G Bastian
Mr A Cairns	Mr D Erskine
Dr L Kilmartin (retired 16/3/11)	Mr G Michell
Mrs M Spalding	Ms M O'Sullivan (commenced 23/6/11)

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 22.

INFORMATION ON DIRECTORS

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.

Mr Robert George Hunt – AM, FAICD – Chairman

Occupation
Bendigo and Adelaide Bank Limited – Consultant
Treasury Corporation of Victoria – Chairman

Qualifications
Fellow of the Australian Institute of Company Directors, 2003

Doctor of the University (honoris causa), LaTrobe University, 1999

Experience
Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief Executive Officer. During his 36 years with the organisation, Mr Hunt guided Bendigo through many challenges, but also through opportunities in the development and implementation of strategies as a regional and community banking organisation.

Mr Hunt is architect of the **Community Bank®** model, and has been instrumental in the development of a range of Community Enterprise and Engagement models, now utilised by communities across Australia to provide key infrastructure and essential services through local commercial structures. These Enterprises provide communities with a framework, the cashflow, capacity and flexibility to address new economic opportunities.

Mr Hunt continues his involvement in a number of community organisations and enterprises on behalf of Bendigo and Adelaide Bank Limited – including Bendigo Community Telco, Community Telco Australia, the **Community Bank®** Strategic Advisory Board and Community Sector Banking – and he is passionate about the capacity of local Australian communities to contribute to improved national, state and local economic outcomes. Mr Hunt is also the current Chairman of Treasury Corporation of Victoria.

Interest in Shares
Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 421,004 Shares
Indirect – Annette Hunt 30,044 Shares

Special Responsibilities Nil

Other Directorships
Chairman, Treasury Corporation of Victoria since 2010;

Consultant (Community Engagement Programs & Strategic Enterprises) for Bendigo and Adelaide Bank Limited since 2009;

Chairman, Bendigo Community Telco since 2000;

Chairman, Community Telco Australia since 2001;

Director, **Community Bank®** Strategic Advisory Board since 2008;

Director, Community Sector Banking Pty Ltd since 2003;

Chairman, Lead On Australia Limited since 2001;

Patron-in-Chief, Community Enterprise Foundation since 2005;

Patron, St Luke's Anglicare since 2002.

Honours and Awards
Order of Australia Award /Member (AM) General Division, 2002;

Paul Harris Fellowship Award, Rotary Club of Bendigo Sandhurst, 2000;

Citizen of the Year Award, City of Greater Bendigo 1999;

Key to the City Award, City of Greater Bendigo 2009.

Mr Graham William Bastian – Director

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 Member of Audit and Risk Committee

Other Directorships Nil

Mr Andrew Cairns - Director

Occupation Head of Community Solutions & Partnering Bendigo & Adelaide Bank

Qualifications Bachelor of Engineering – Electrical (Footscray Institute of Technology)
Member of Australian Institute of Company Directors

Experience Andrew Cairns 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 now the Head of Community Solutions & Partnering at the Bendigo & Adelaide Bank. He remains a director of Bendigo Community Telco.

Interest in Shares Indirect – Bendigo & Adelaide Bank Limited 1,112,146

Special Responsibilities Andrew Cairns is a Member of the Audit and Risk Committee

Other Directorships
Coliban Region Water Authority
Bendigo Asset Management Limited
Community Developments Australia Pty Limited
Community Energy Australia Pty Limited
Community Exchanges Australia Pty Limited
Community Solutions Australia Pty Limited
Community Telco Australia Pty Ltd
Lead On Australia Limited
Loddon Mallee Housing Services Limited
The Bendigo Affordable Housing Company Ltd

Mr Donald James Erskine - Director

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 Coliban Water, Director of Community Telco Australia and Director of Bendigo Economic Development Committee, Chairman of Australian Technical College and Director of Bendigo Regional Institute of TAFE. 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 Nil

Mr Geoffrey Ralph Michell - Director

Occupation Director

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

Experience Geoff is a Director on a number of Boards. 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 Member of the Audit and Risk Committee and the Remuneration Committee

Other Directorships Bendigo Health
Bendigo Tourism Board
Lower Murray Water
Wimmera Catchment Management Authority

Mrs Margot Elizabeth Spalding – Director

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

Ms Michelle Kaye O'Sullivan – Director (commenced 23 June 2011)

Occupation	Lawyer – Michelle O'Sullivan Lawyer
Qualifications	Bachelor of Laws (Hons) Bachelor of Commerce Certificate III in Fitness
Experience	Michelle O'Sullivan has had experience on various boards including, Loddon Mallee Women's Health and the Bendigo Street Surfer Board. Michelle was recently a committee member of the Bendigo Law Association Inc. and is currently the President of Bendigo Law Association Inc. Michelle is the newest Director and Board member of Bendigo Community Telco.
Interest in Shares	Nil

Special Responsibilities Nil

Other Directorships Nil

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:
Mr Ken Belfrage FCA, MAICD, Dip. Bus.
Mr Belfrage is an experienced Company Director and Company Secretary who has extensive business, finance and general management skills including 34 years as a practicing public accountant.

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 $787,131 (30 June 2010: $736,744).

REVIEW OF OPERATIONS

As Bendigo Community Telco Limited enters its second decade of operations the business continues to consolidate its position within the Bendigo and Central Victorian market, as well as now providing high quality data and network services Australia wide. The business continues to provide a full range of products and services to its customers including traditional telco services, full service (line rental, local calls, etc), broadband and dial up internet access, mobiles, data services and business continuity services. We also supply and install PABX and phone systems, UHF Radios, technical installation and servicing including cabling. Bendigo Community Telco also provides network management and monitoring services via its network operations centre and combined with the wholesale business we are able to offer these professional services on a national scale.

Bendigo Community Telco has continued in its Franchise Agreement with Community Telco Australia. Bendigo Community Telco Limited has also maintained wholesale agreements with AAPT, Optus Singtel, Newsnet, and NextGen Pure Data.

FINANCIAL POSITION

The net assets of Bendigo Community Telco Limited have increased to $4,354,119 at 30 June 2011 (30 June 2010: $4,157,483). The change has resulted from an increase in retained earnings.

The Company's working capital, being current assets less current liabilities, has increased from $813,482 in 2010 to $849,193 in 2011.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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 31 August 2011 which will be distributed to shareholders on 30 September 2011.

DIVIDENDS PAID

	Year Ended 30 June 2011	
Dividends paid in the year:	**Cents**	**$**
Final – September 2010	6.0	336,163
Interim – March 2011	5.0	281,494
Total	**11.0**	**617,657**

EVENTS AFTER THE REPORTING PERIOD

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.

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 page 2 of the Concise Annual Report.

ENVIRONMENTAL REGULATION

The company is not subject to any significant environmental regulation.

MEETINGS OF DIRECTORS

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

Directors	Directors' Meetings		Audit Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	10	9	-	-	-	-
Graham Bastian	10	10	3	3	-	-
Andrew Cairns	10	9	3	2	-	-
Don Erskine	10	8	-	-	2	1
Les Kilmartin	10	9	-	-	-	-
Geoff Michell	10	7	3	3	2	2
Margot Spalding	10	7	-	-	-	-

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 Statements.

SHARE OPTIONS

The Company has not issued any share options.

PROCEEDINGS ON BEHALF OF BENDIGO COMMUNITY TELCO

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

NON AUDIT SERVICES

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

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

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

All non audit services have been reviewed to ensure they do not impact on the 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.

Fees of $4,974 were paid or payable to Andrew Frewin & Stewart for non-audit services provided during the year ended 30 June 2011.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by Section 308 (3c) of the *Corporations Act 2001*.

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.

Principles used to determine the nature and amount of remuneration

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.

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

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

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

Performance-based remuneration

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

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

Directors

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

Key Management Personnel

(i) Directors

Robert Hunt	Chairman
Graham Bastian	Director
Andrew Cairns	Director
Donald Erskine	Director
Leslie Kilmartin	Director – retired 16 March 2011
Geoffrey Michell	Director
Margot Spalding	Director
Michelle O'Sullivan	Director – appointed 23 June 2011

(ii) Executives

Philip Lazenby	Chief executive officer
Peter Bowman	General manager finance – appointed 14 December 2009
Mandy Cooper	General manager finance – resigned 6 November 2009
Bryan Pedersen	General manager technology
Wayne Williams	General manager operations

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

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue, profits and dividends for the last five years for Bendigo Community Telco Limited, as well as the share price at the end of the respective financial years.

Analysis of the actual figures shows an increase in profits each year, with the exception of the 2009 year. Dividends paid have been maintained at consistent levels apart from the 2010 year which followed the lower profit result in 2009. The board is satisfied with the company's progress which can be attributed in part to the previously described remuneration policy.

	2007	**2008**	**2009**	**2010**	**2011**
Revenue	$23.6M	$26.6M	$25.7M	$27.0M	$26.3M
EBITDA	$1.27M	$1.38M	$1.43M	$1.90M	$1.97M
Net profit	$606K	$883K	$545K	$737K	$787K
Share price at year end	$1.20	$1.60	$1.60	$1.40	$1.00
Dividends paid	9.0 cents	12.5 cents	12.0 cents	8.0 cents	11.0 cents

Details of remuneration for year ended 30 June 2011

(i) Directors – the remuneration for each of the directors of the entity during the year was as follows:

		Short-term benefits	**Post-employment benefits**		
		Cash Salary and Fees	**Superannuation**	**TOTAL**	**Proportion of remuneration that is performance based %**
Robert Hunt	2011	13,761	1,239	15,000	-
	2010	13,761	1,239	15,000	-
Graham Bastian	2011	15,000	-	15,000	-
	2010	15,000	-	15,000	-
Andrew Cairns	2011	13,761	1,239	15,000	-
	2010	13,761	1,239	15,000	-
Donald Erskine	2011	-	15,000	15,000	-
	2010	-	15,000	15,000	-
Leslie Kilmartin	2011	10,321	929	11,250	-
	2010	546	14,454	15,000	-
Geoffrey Michell	2011	3,440	11,560	15,000	-
	2010	-	15,000	15,000	-
Margot Spalding	2011	15,000	-	15,000	-
	2010	15,000	-	15,000	-
Total	2011	71,283	29,967	101,250	-
	2010	58,068	46,932	105,000	-

(ii) Executives - The remuneration for each of the five executive officers of the entity during the year was as follows:

		Short-term benefits		Post employment benefits	Share-based payments		
		Salaries $	Non-Cash Benefits $	Super-annuation $	Shares $	Total $	Proportion of remuneration that is performance based %
Philip Lazenby	2011	142,523	15,000	60,069	1,000	218,592	11
	2010	131,837	25,000	35,140	-	191,977	11
Bryan Pedersen	2011	117,007	15,000	21,170	1,000	154,177	6
	2010	113,400	15,000	18,430	-	146,830	6
Wayne Williams	2011	117,189	15,000	10,454	1,000	143,643	7
	2010	109,933	15,000	9,626	-	134,559	6
Peter Bowman	2011	141,464	-	11,214	1,000	153,678	7
	2010	64,293	-	5,026	-	69,319	-
Mandy Cooper	2011	-	-	-	-	-	-
	2010	73,360	5,301	3,947	-	82,608	6
Total	2011	518,183	45,000	102,907	4,000	670,090	
	2010	492,823	60,301	72,169	-	625,293	

Note: Philip Lazenby's remuneration includes an amount of $20,000 in backpay for an adjustment to non-cash benefits entitled to but not used under his contract package.

This marks the end of the audited remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors on 31 August 2011.

Rob Hunt

Director

Don Erskine

Director

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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 2011 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 31st day of August 2011

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Revenue	2	26,328,180	26,985,107
Cost of products sold		(16,534,282)	(17,792,243)
Other revenue	2	46,474	78,515
Salaries and employee benefit costs		(4,074,704)	(3,689,547)
Occupancy and associated costs		(538,135)	(535,996)
General administration costs		(1,216,957)	(1,180,994)
Depreciation and amortisation costs	3	(823,620)	(787,880)
Advertising and promotion costs		(246,138)	(312,765)
Systems costs		(1,641,170)	(1,603,293)
Borrowing costs	3	(170,778)	(117,233)
Profit before income tax		1,128,870	1,043,671
Income tax expense	5	(341,739)	(306,927)
Profit for the period		787,131	736,744
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		787,131	736,744
Total comprehensive income attributable to members of Bendigo Community Telco Limited		787,131	736,744
Earnings per share			
Basic earnings per share (cents)		14.00	13.15
Diluted earnings per share (cents)		14.00	13.15

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	2011 $	2010 $
Current Assets			
Cash and cash equivalents	8	1,576,393	1,277,953
Trade and other receivables	9	2,183,232	2,240,892
Prepayments		1,333,659	965,651
Inventories	10	110,886	130,669
Total Current Assets		**5,204,170**	**4,615,165**
Non Current Assets			
Property, plant and equipment	11	2,170,383	2,139,792
Intangibles	12	1,340,284	1,322,112
Deferred tax asset	16(b)	177,299	152,443
Total Non Current Assets		**3,687,966**	**3,614,347**
TOTAL ASSETS		**8,892,136**	**8,229,512**
Current Liabilities			
Trade and other payables	13	3,551,076	3,112,879
Financial liabilities	14	103,683	273,477
Provisions	15	427,970	344,006
Taxation	16(a)	272,248	71,321
Total Current Liabilities		**4,354,977**	**3,801,683**
Non Current Liabilities			
Financial liabilities	14	123,059	200,550
Provisions	15	59,981	69,796
Total Non Current Liabilities		**183,040**	**270,346**
TOTAL LIABILITIES		**4,538,017**	**4,072,029**
NET ASSETS		**4,354,119**	**4,157,483**
EQUITY			
Issued capital	17	3,394,022	3,366,860
Retained earnings		960,097	790,623
TOTAL EQUITY		**4,354,119**	**4,157,483**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Equity			
Total equity at the beginning of the financial year		4,157,483	3,868,956
Net profit for the year		787,131	736,744
Shares issued during the year		27,162	-
Transactions with owners in their capacity as owners			
Dividends provided for or paid		(617,657)	(448,217)
Total equity at the end of the financial year		4,354,119	4,157,483
Retained earnings			
Retained earnings at the beginning of the period		790,623	502,096
Total comprehensive income attributable to members		787,131	736,744
Dividends paid to members		(617,657)	(448,217)
Retained earnings at the end of the financial year		960,097	790,623

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received in course of operations		28,863,210	29,635,050
Interest paid		(170,778)	(117,233)
Cash paid in course of operations		(26,485,817)	(28,123,414)
Income tax paid		(165,668)	(340,623)
Interest received		46,474	78,515
Net cash provided by operating activities	**18**	**2,087,421**	**1,132,295**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(189,958)	(318,940)
Purchase of property, plant and equipment		(768,216)	(829,323)
Proceeds from sale of assets		34,136	43,951
Net cash used in investing activities		**(924,038)**	**(1,104,312)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	331,845
Repayment of finance lease		(247,286)	(385,568)
Dividends paid		(617,657)	(448,217)
Net cash used in financing activities		**(864,943)**	**(501,940)**
Net increase (decrease) in cash held during the financial year		**298,440**	**(473,957)**
Cash at beginning of financial year		1,277,953	1,751,910
Cash at the end of the financial year	**8**	**1,576,393**	**1,277,953**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

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 set out the accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of a business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity’s incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer’s interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

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

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

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

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

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

(c) 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 three months or less, and bank overdrafts. Bank overdrafts are shown within short-term financial liabilities in current liabilities on the balance sheet.

(d) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debt, probability that the debt will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the assets carrying amount, and the present value of the estimated future cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of the cost at time of purchase.

(f) 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:-

	Depreciation Rate (%)	
Asset Class	**2011**	**2010**
Office Furniture & Equipment		
Advertising Collateral	7.5	7.5
Furniture & Fittings	7.5 – 37.5	7.5 – 37.5
Office Equipment	7.5 - 40	7.5 - 40
Office Computer Equipment	20 – 66.67	20 – 66.67
Satellite Equipment	50	50
Software	33 - 80	33 - 80

Retail/Display Equipment	11.25	11.25
Installation/Servicing Equipment	11.25 - 30	11.25 - 30
Business Continuity Centre	2.5 - 50	2.5 - 50
Motor Vehicles	18.75 - 25	18.75 - 25
Leasehold	2.5 - 40	2.5 – 40
Telecommunications & Infrastructure		
Infrastructure	7.59	7.59
Network Computer & Infrastructure	8 - 50	8 - 50
Connectivity Links	7.5 - 50	7.5 - 50
Customer Premise Equipment	40	40

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.

(g) 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.

Impairment testing is also performed annually for goodwill and intangible assets with indefinite lives.

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.

(h) 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. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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.

Equity-settled compensation

The Company has operated an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense in the period of the grant date, with the corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

(i) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers. Service revenue is recognised on a stage of completion basis. Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset. All revenue is stated net of the amount of Goods and Services Tax (GST).

(j) 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.

(k) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provision of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value in accordance with the documented risk management or investment strategy. Realised and unrealised gains and losses arising from change in fair value are included in profit and loss in the period in which they arise.

(ii) *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.

(iii) *Financial Liabilities*

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(l) 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.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Computer software development costs have been assessed as having a useful life of four years and will be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

Projects that have not been completed by the end of the financial year have not yet been assessed for a useful life, this will be completed at the end of the project, therefore costs for these projects are recorded in the Balance Sheet without any amortisation. Once a useful life is established, amortisation will commence, and the projects will also be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

(m) 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 Australian Taxation 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.

(n) 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.

(o) 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.

(p) Comparative Information

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

(q) 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.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2011. Should the projected turnover figures be outside 90% of budgeted figures incorporated into value in use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2011 amounting to $916,491.

Key Judgments – Provision for impairment of receivables

Included in the accounts receivable at 30 June 2011 are amounts that equate to approximately $39,317 which are currently progressing through our debt collection process and are therefore classified as impaired. A provision has been made in the balance sheet at 30 June 2011.

(r) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different for those segments operating in other economic environments. Refer to Note 24.

(s) Share Based Payments

The Company measures the goods and services received by equity-settled shared based payment transactions as an increase in equity, directly, at the fair value of the goods or services rendered, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services rendered, the Company shall measure their value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, are unconditional and are not required to complete a specified period of service, the Company shall presume that the services rendered by the counterparty as consideration for the equity instruments have been received. On grant date, the Company recognises the services rendered in full, with a corresponding increase in equity.

If the equity instruments do not vest until the counterparties completes a specified period of service, the Company shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Company accounts for these services as they are rendered by the counterparty during the vesting period, with a corresponding increase to equity.

Share-based payment arrangements in which the company received goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Company.

For the Companies policy on share based payments, please refer to Note 1 (h).

(t) Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) New accounting standards for application in future periods

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):
- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Subject to AASB 1049, general government sectors of the Australian Government and state and territory governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:
- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the company.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.
As noted above, the company has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Company's assessment of the impact of the new standards and interpretations is set out below.

(i*) AASB 9 Financial Instruments AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and may impact the Company's accounting for its financial assets in the future. The standard is not applicable until 1 January 2013 but is available for early adoption. The amendments have no current impact on the Company's financial statements.

(ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provided partial exemption from the disclosure requirements for government-related entities. The amendments, which become mandatory for The Company's 30 June 2012 financial statements are not expected to have any impact on the financial statements.

(iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

2. REVENUE

	2011 $	2010 $
Sales revenue	26,249,936	26,952,770
Other income	78,244	32,337
Total revenue	26,328,180	26,985,107
Interest revenue	46,474	78,515
Total other revenue	46,474	78,515
Total revenue and other income	26,374,654	27,063,622

3. PROFIT FOR THE YEAR

	2011 $	2010 $
Depreciation and amortisation costs:		
Office furniture & equipment	159,263	148,347
Motor vehicles	137,320	121,823
Leasehold	46,946	12,447
Telecommunications & infrastructure	308,274	378,572
Amortisation of intangibles	171,817	126,691
	823,620	787,880
Borrowing expenses:		
Interest paid	8,371	49,208
Finance costs	162,336	66,692
Other	71	1,333
	170,778	117,233
Bad debts	41,978	59,326
Impaired debts	(53,475)	(60,440)
	(11,497)	(1,114)
Rental expense on operating leases	316,597	316,240
Loss on sale of assets	51,656	95,694

4. AUDITORS' REMUNERATION

	2011 $	2010 $
Amounts received, or due and receivable by the auditors, Andrew Frewin & Stewart for:		
Auditing the financial statements	46,957	42,819
Other services	4,974	19,430
	51,931	62,249

5. INCOME TAX EXPENSE

	2011	2010
	$	$
a. The components of tax expense comprise:		
Current tax	370,433	292,375
Deferred tax	(29,373)	14,552
Under provision in respect of prior years	679	-
	341,739	306,927
b. The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:		
Operating profit		
Prima facie tax on profit from ordinary activities @ 30%	338,661	313,101
Add:		
Tax effect of:		
- Movement in provision for impairment	(16,043)	(18,132)
- Movement in provision for employee benefits	22,245	20,633
- Movement in deferred tax	(29,373)	14,552
- Capital allowances	18,886	-
- Non-deductible expenses	6,916	3,322
	2,631	20,375
Less:		
Tax effect of:		
- Capital raising costs deductible	232	17,052
- Investment allowance costs deductible	-	9,497
- Over provision in respect of prior years	(679)	-
	(447)	26,549
Income tax on operating profit	341,739	306,927

6. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company during the year are as follows:

	2011 $	2010 $
Short-term employee benefits	634,466	639,192
Post-employment benefits	132,874	91,101
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	4,000	-
	771,340	730,293

KMP Shareholdings

The number of ordinary shares in Bendigo Community Telco Limited held by each KMP of the Company during the financial year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Other changes during the year	Balance at end of year
Robert Hunt	451,048	-	-	451,048
Graham Bastian	2,000	-	-	2,000
Andrew Cairns	24,600	-	(24,600)	-
Donald Erskine	840,000	-	-	840,000
Leslie Kilmartin	5,000	-	-	5,000
Geoffrey Michell	20,002	-	-	20,002
Margot Spalding	10,000	-	-	10,000
Philip Lazenby	7,455	1,000	-	8,455
Bryan Pedersen	833	1,000	-	1,833
Wayne Williams	833	1,000	-	1,833
Peter Bowman	-	1,000	-	1,000

7. EARNINGS PER SHARE

	2011 $	2010 $
a. Reconciliation of earnings to profit or loss		
Profit for the year	782,634	736,744
Earnings used in calculation of basic and diluted EPS	782,634	736,744
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	5,621,028	5,602,722

8. CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank	1,374,893	1,176,448
Cash on hand	1,500	1,500
Short term bank deposits	200,000	100,005
	1,576,393	1,277,953

Cash on hand is non interest bearing.
Cash at bank earned interest rates between 0% and 4.00% (2010: 0% and 3.75%) depending on the level of funds from time to time. Cash at bank is subject to interest rate risk, as it earns interest at floating rates. In 2011 the average floating interest rates for the Company were 2.80% (2010: 2.68%).
The effective interest rate on short term bank deposits was 5.27% (2010: 4.62%); these deposits had an average maturity of 60 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2011 $	2010 $
Cash and cash equivalents	1,576,393	1,277,953

9. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade debtors	2,222,549	2,333,684
Provision for impairment	(39,317)	(92,792)
	2,183,232	2,240,892

Impairment of receivables

The average credit period on sale of goods and rendering of services is 14 days. No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Before accepting any new customers, the Company internally reviews the potential customer's credit quality. Included in the Company's trade receivable balances are debtors with a carrying amount of $255,849 (2010: $300,751) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of these receivables is 23 days (2010: 23 days).

Ageing of trade receivables is as follows:

a. Ageing of past due but not impaired

	2011 $	2010 $
0 – 30 days	202,622	229,794
30 – 60 days	39,019	70,957
60 – 90 days	14,208	-
Over 91 days	-	-
	255,849	300,751

b. Movement in the provision for impairment

	2011 $	2010 $
Balance at beginning of the year	92,792	153,232
Impairment recognised during the year	(13,094)	(6,584)
Amounts written off as uncollectable	(41,978)	(59,326)
Amounts recovered during the year	1,597	5,470
Balance at the end of the year	39,317	92,792

In determining the recoverability of a trade receivable, the Company considers any recent history of payments and the status of the projects to which the debt relates to. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Fair value of receivables: Fair value of receivables at year end is measured to be the same as receivables net of provision for impairment.

10. INVENTORIES

	2011 $	2010 $
Inventory	110,886	130,669
	110,886	130,669

11. PROPERTY PLANT AND EQUIPMENT

	2011 $	2010 $
Office, Furniture & Equipment		
At Cost	792,639	869,976
Accumulated depreciation	(399,356)	(538,466)
Total Office, Furniture & Equipment	393,283	331,510
Motor Vehicles		
At Cost	696,319	678,064
Accumulated depreciation	(358,344)	(292,679)
Total Motor Vehicles	337,975	385,385

Leasehold		
At Cost	451,701	328,676
Accumulated depreciation	(74,972)	(28,996)
Total Leasehold	376,729	299,680
Telecommunications & Infrastructure		
At Cost	2,331,219	2,135,381
Accumulated depreciation	(1,212,866)	(956,207)
Accumulated impairment losses	(55,957)	(55,957)
Total Telecommunications & Infrastructure	1,062,396	1,123,217
Total Property, Plant & Equipment	2,170,383	2,139,792

Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Balance at 1 July 2009	411,302	472,120	114,778	1,238,546	2,236,746
Additions	144,749	107,937	205,253	283,443	741,382
Disposals	(76,194)	(72,849)	(7,904)	(20,200)	(177,147)
Depreciation	(148,347)	(121,823)	(12,447)	(378,572)	(661,189)
Impairment	-	-	-	-	-
Balance at 30 June 2010	331,510	385,385	299,680	1,123,217	2,139,792
Additions	255,463	133,285	125,393	254,075	768,216
Disposals	(34,427)	(43,375)	(1,398)	(6,622)	(85,822)
Depreciation	(159,263)	(137,320)	(46,946)	(308,274)	(651,803)
Impairment	-	-	-	-	-
Balance at 30 June 2011	393,283	337,975	376,729	1,062,396	2,170,383

12. INTANGIBLES

	2011 $	2010 $
Computer software development costs		
Cost	526,396	336,407
Accumulated Amortisation	(137,603)	(70,752)
Net Carrying Value	388,793	265,655
Goodwill		
Cost	916,491	916,491
Accumulated Impairment Losses	-	-
Net Carrying Value	916,491	916,491

Bendigo Bank Wide Area Network (WAN)		
Cost	67,282	67,282
Accumulated Amortisation	(67,282)	(29,518)
Net Carrying Value	-	37,764
Network Operations Centre (NOC)		
Cost	109,807	109,807
Accumulated Amortisation	(109,807)	(52,607)
Net Carrying Value	-	57,200
Franchise Fee		
Cost	50,000	50,000
Accumulated Amortisation	(15,000)	(4,998)
Net Carrying Value	35,000	45,002
Total Intangibles	1,340,284	1,322,112

	Goodwill	Software	WAN	NOC	Franchise Fee
Year ended 30 June 2010					
Balance at the beginning of year	916,491	153,224	10,464	49,684	-
Additions	-	151,999	56,818	60,123	50,000
Amortisation	-	(39,568)	(29,518)	(52,607)	(4,998)
Closing value at end of year	916,491	265,655	37,764	57,200	45,002
Year ended 30 June 2011					
Balance at the beginning of year	916,491	265,655	37,764	57,200	45,002
Additions	-	189,989	-	-	-
Amortisation	-	(66,851)	(37,764)	(57,200)	(10,002)
Closing value at end of year	916,491	388,793	-	-	35,000

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.

Goodwill has an infinite life.

Impairment Disclosures

Goodwill is allocated to a cash-generating unit which was acquired through a business combination in 2006.

	2011 $	2010 $
Acquired segment	916,491	916,491
Total Goodwill	916,491	916,491

The recoverable amount of the cash generating unit above is determined based on value in use calculations. The value in use is calculated based on the present value of cash flow projections over a 10 year period with the period extending beyond 5 years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10 year government bonds at the beginning of the budget period which was 5.21%.

Management has based the value in use calculations on budgets for the reporting segment. These budgets use historical weighted average growth rates to project revenue across all aspects of the operational segment. Costs are calculated taking into account historical gross margins as well as estimating weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

13. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Unsecured liabilities:		
Trade payables	1,843,046	1,648,623
Sundry payables and accrued expenses	1,708,030	1,464,256
	3,551,076	3,112,879

14. FINANCIAL LIABILITIES

	2011 $	2010 $
Current		
Secured by fixed and floating registered mortgage debenture		
Lease liabilities	103,683	273,477
Total current	103,683	273,477
Non current		
Secured by fixed and floating registered mortgage debenture		
Lease liabilities	123,059	200,550
Total non current	123,059	200,550

The company has two facilities provided by the Bendigo and Adelaide Bank Limited.

1. Commercial Business (Overdraft) Facility to a maximum value of $500,000.
2. Standard Lease Facility to a maximum value of $1,000,000.

Both facilities are secured by a Registered First Company Debenture charge from Bendigo Community Telco Limited in its own right.

15. PROVISIONS

	2011 $	2010 $
Current		
Employee Benefits	427,970	344,006
Non Current		
Employee Benefits	59,981	69,796
	487,951	413,802

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.

16. TAX

	2011 $	2010 $
a. Liabilities		
Current		
Provision for income tax	272,248	71,321
Non Current		
Deferred Tax Liability	-	-
	-	-
b. Deferred Tax Assets		
Balance as at 30 June	177,299	152,443
Represented by tax effect of:		
- Provision for impaired debts	11,796	27,838
- Provision for annual leave	83,944	74,004
- Provision for long service leave	51,867	40,909
- Provision for sick leave	10,574	9,227
- Capital allowances	18,886	-
- Capital raising costs deductible	232	465
	177,299	152,443

17. ISSUED CAPITAL

	No. of Shares	2011 $	2010 $
Fully paid ordinary shares at 30 June 2010	5,602,722	3,651,059	3,651,059
Shares issued on 28 October 2010	27,162	27,162	-
Less cost of equity raised		(284,199)	(284,199)
	5,629,884	3,394,022	3,366,860

On 28 October 2010, the company issued 27,162 ordinary shares under the Staff Share Plan.

18. CASH FLOW INFORMATION

	2011 $	2010 $
Reconciliation of net cash provided by operating activities with profit after income tax		
Profit after income tax	787,131	736,744
Non cash flows in profit:		
Depreciation and amortisation of non current assets	823,620	787,880
Loss on sale of assets	51,656	95,733
Staff share issue	27,162	-
Change in assets and liabilities		
(Increase)/decrease in assets		
Receivables	57,660	(450,562)
Prepayments	(368,008)	(264,171)
Inventories	19,783	69,516
Increase/(decrease) in liabilities		
Accounts Payable and Provisions	688,417	157,155
Net cash flow from operating activities	2,087,421	1,132,295

19. CAPITAL AND LEASING COMMITMENTS

(a) Finance Leases

	2011 $	2010 $
Finance lease liabilities		
No later than 1 year	103,683	273,477
Later than 1 year and not later than 5 years	149,949	253,632
Minimum finance lease payments	253,632	527,109
Less future finance charges	(26,890)	(53,083)
Finance lease liabilities	226,742	474,026
Represented by:		
Current financial liabilities	87,807	273,477
Non current financial liabilities	138,935	200,549
	226,742	474,026

Leasing arrangements

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

(b) Operating Leases

Non-cancellable operating leases	2011 $	2010 $
No later than 1 year	963,701	1,065,348
Later than 1 year and not later than 5 years	1,135,799	1,388,561
	2,099,500	2,453,909

Leasing arrangements

The operating leases relate to the rental of the business premises including:

1. 23 McLaren Street, Bendigo - Lease term commencing 31 October 2006 and ending on 28 February 2015, with rent payable monthly in advance. An annual CPI review will be conducted in October of each year of the lease. There is also an option for 3 further terms of five years each, and each of those options must be exercised at least 3 months in advance.

2. Business Continuity Centre, 121 Edwards Road, Flora Hill - five years lease term expiring on 31 August 2013. Rent is payable monthly in advance and an annual CPI review during the term on 1 September each year. There is an option for 2 further terms of five years each by giving notice at least 3 months in advance.

3. 113 Williamson Street, Bendigo – five year lease term commencing 1 March 2010, with rent payable monthly in advance. A market review will be conducted on 1 March 2013 with a CPI review on 1 March 2014. There is an option for 3 further terms of five years each by giving notice at least 3 months in advance.

Operating leases for computer network/infrastructure equipment for customer use continued in this financial period with terms of either three or five years. Approximately 61% 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.

(c) **Capital Expenditure Commitments**

Capital expenditure commitments contracted for:	2011 $	2010 $
Leasehold	-	-
Furniture	-	-
Office Computer	-	4,500
Vehicles	122,082	-
Business Continuity Centre	-	-
Computer Network & Infrastructure	-	30,654
	122,082	35,154
Payable:		
No later than 1 year	122,082	35,154
Later than 1 year and not later than 5 years	-	-
	122,082	35,154

20. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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.

(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 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.

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**
Financial assets		
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 impairment. An impairment provision is made for any amounts which are considered unlikely to be collected.	Trade receivables are generally due for settlement within 14 days.
Financial liabilities		
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.

(b) Financial Instruments

Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2011	2010	2011	2010
	%	%	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	1,376,393	1,177,948
Short-term Deposits	2.84	4.62	200,000	100,005
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	2.84	4.62	1,576,393	1,277,953
Financial Liabilities				
Creditors & Accruals	-	-	-	-
Finance Leases	8.58	8.84	-	-
Total Financial Liabilities	8.58	8.84	-	-

	Within 1 Year		1 to 5 years	
	2011	2010	2011	2010
	$	$	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	-	-	-	-
Financial Liabilities				
Creditors & Accruals	-	-	-	-
Finance Leases	103,683	273,477	149,949	200,549
Total Financial Liabilities	103,683	273,477	149,949	200,549

	Over 5 years		Non Interest Bearing	
	2011	2010	2011	2010
	$	$	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	2,183,232	2,240,892
Total Financial Assets	-	-	2,183,232	2,240,892
Financial Liabilities				
Creditors & Accruals	-	-	3,551,076	3,112,879
Finance Leases	-	-	-	-
Total Financial Liabilities	-	-	3,551,076	3,112,879

	Total	
	2011	2010
	$	$
Financial Assets		
Cash or Cash Equivalents	1,376,393	1,177,948
Short-term Deposits	200,000	100,005
Accounts Receivable - Debtors	2,183,232	2,240,892
Total Financial Assets	3,759,625	3,518,845
Financial Liabilities		
Creditors & Accruals	3,551,076	3,112,879
Finance Leases	226,742	474,027
Total Financial Liabilities	3,777,818	3,586,906

Creditors and accruals are expected to be paid as follows:

	2011	2010
	$	$
Less than 6 months	3,551,076	3,112,879
6 months to 1 year	-	-
1 – 5 years	-	-
Over 5 years	-	-
	3,551,076	3,112,879

(c) 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 impairment.

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.

Exposure to Credit Risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2011	2010
	$	$
Cash or Cash Equivalents	1,576,393	1,277,953
Trade & Other Receivables	2,183,232	2,240,892
	3,759,625	3,518,845

The Company's maximum exposure to credit risk at the reporting date was:

Cash or Cash Equivalents	1,576,393	1,277,953
Trade & Other Receivables	2,183,232	2,240,892
	3,759,625	3,518,845

The Company's entire exposure to credit risk for Trade Receivables was attributable to customers located in Australia.

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, for the Company:

	Carrying Amount $	Contract C/Flows $	1 year or less $	1-5 years $	Over 5 years $
30 June 2011					
Financial Liabilities					
Trade and other payables	1,843,046	1,843,046	1,843,046	-	-
Lease liabilities	226,742	253,632	103,683	149,949	-
Total financial liabilities	2,069,788	2,096,678	1,946,729	149,949	-

(e) 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	
	2011	2010	2011	2010
Financial Instruments	$	$	$	$
Financial assets				
Cash or cash equivalents	1,376,393	1,177,948	1,376,393	1,177,948
Short-term bank deposits	200,000	100,005	200,000	100,005
Accounts receivable - debtors	2,183,232	2,240,892	2,183,232	2,240,892
Total financial assets	3,759,625	3,518,845	3,759,625	3,518,845
Financial liabilities				
Creditors and accruals	3,551,076	3,112,879	3,551,076	3,112,879
Finance leases	226,742	474,027	226,742	474,027
Total financial liabilities	3,777,818	3,586,906	3,777,818	3,586,906

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.

(f) **Sensitivity Analysis**

Interest Rate Risk

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2011 $	2010 $
Change in profit		
Increase in interest rate by 4%	1,301	2,197
Decrease in interest rate by 4%	(1,301)	(2,197)
Change in equity		
Increase in interest rate by 4%	1,301	2,197
Decrease in interest rate by 4%	(1,301)	(2,197)

21. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2011 $	2010 $
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

22. 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
Margot Spalding	Michelle O’Sullivan	

No director or related entity has entered in to a material contract with the company.

Directors Shareholdings	2011 No.	2010 No.
Robert Hunt	451,048	451,048
Graham Bastian	2,000	2,000
Andrew Cairns	-	24,600
Don Erskine	840,000	840,000
Les Kilmartin	5,000	5,000
Geoff Michell	20,002	20,002
Margot Spalding	10,000	10,000

Mr Hunt is a Director and Chairman of Community Telco Australia (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 customers. CTA is a company established by Bendigo and Adelaide 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 and Adelaide Bank Ltd. The banking services are provided in accordance with Bendigo and Adelaide Bank's prevailing product terms and conditions.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

24. SEGMENT REPORTING

The company has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the board that makes strategic decisions).
This has resulted in the departments of Fixed Telephone, Data Network, Mobile Telephone, Traditional Internet and Broadband services being aggregated into one reportable segment. Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 *Operating Segments*. On reallocation, no additional goodwill impairment was required.

(a) Description of Segments

Management has determined the operating segments based on reports reviewed by the board for making strategic decisions. The board monitors the business based on product factors and have identified five business segments: Fixed Telephone, Data Network, Mobile Telephone, and Broadband services. Each of these segments involves the delivery of communication services to customers.

(b) Information about reportable segments

Aggregated Communications Departments

	2011 $	2010 $
External segment revenues	26,328,180	26,985,107
Segment expenses	24,262,883	25,115,952
Net segment profit/(loss)	2,065,297	1,869,155

(c) Reconciliation of Reportable Segment Revenue, Profit/(Loss), Assets & Liabilities and Other Material Items

Aggregated Communications Departments

	2011	2010
	$	$
Revenues		
Total revenue for reportable segments (aggregated)	26,328,180	26,985,107
Interest revenue	46,474	78,515
Consolidated revenue	26,374,654	27,063,622
Profit or Loss		
Total profit/(loss) for reportable segments (aggregated)	2,065,297	1,869,155
Other profit/(loss)	46,474	78,515
Unallocated amounts:		
Finance expense	(170,778)	(117,233)
Depreciation & amortisation	(823,620)	(787,880)
Impairment	11,497	1,114
Consolidated profit/(loss) before income tax	1,128,870	1,043,671

Assets & Liabilities
No information is disclosed for segment assets as no measure of segment assets is regularly provided to the chief operating decision maker.

25. EVENTS AFTER THE REPORTING PERIOD

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 31 August 2011 which will be distributed to shareholders on 30 September 2011.

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.

26. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office

23 McLaren Street, Bendigo, Victoria.

Principal Places of Business

Bendigo Office – 23 McLaren Street, Bendigo, Victoria.

Business Advisory Centre – 113 Williamson Street, Bendigo, Victoria.

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

DIRECTORS' DECLARATION

In the Directors opinion:

1. the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, and:

   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 2011 and of its performance as presented by the results of its operations and its cash flows for the financial year ended on that date; and

2. the Chief Executive Officer and General Manager Finance 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.

4. the audited remuneration report set out in the Directors Report (as part of the remuneration report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001* and the Corporations Regulation 2001.

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

On behalf of the directors

Rob Hunt	Don Erskine
Director	Director

Signed on 31 August 2011

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INDEPENDENT AUDITOR'S REPORT

To the members of Bendigo Community Telco Limited

Report on the Financial Report

We have audited the accompanying financial report of Bendigo Community Telco Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors report and not in the financial report.

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 establishing 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. In Note 1, the directors also state, in accordance with Accounting Standard 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with Corporations Regulations 2001.

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 and the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 presentation of the financial report and the remuneration disclosures in the directors' report.

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:

a. the financial report of Bendigo Community Telco Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124 and s300a of the *Corporations Act 2001*.

GRAEME STEWART

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 31st day of August 2011