

BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2003/04 ANNUAL REPORT

Registered Office: Level 2, Fountain Court, Bendigo, Victoria, 3550.

Your directors present their report on the company for the financial year ended 30 June 2004.

DIRECTORS

The Directors of the Company at the date of this report are:

Chairman	Mr R Hunt
Directors	Mr D Erskine
	Ms K Byrne
	Mr L Kilmartin
	Mr G Michell
	Mr G Bastian
Executive Director	Mr A Cairns (commenced 15 th July, 2003)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year were telecommunications services. There were no significant changes in the principal activities of the Company in the course of the year.

FINANCIAL RESULTS

The operating profit of the company after providing for income tax amounted to \$771,426 (2003 operating profit of \$287,686).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended by the directors in the current financial year.

REVIEW OF OPERATIONS

Bendigo Community Telco Limited is now in its fourth year of operations, and has again expanded its product range to include continuity and disaster recovery services through the Business Continuity Centre in Bendigo which was commissioned in September 2003, GSM (Digital) mobile services commencing in March 2004 and in June 2004 a pilot trial of 'single bill' services, providing full service including line rental and locals calls. Existing services and market share has also been maintained or expanded during the financial year.

Bendigo Community Telco Limited has also maintained wholesale agreements with AAPT, Camtech, Primus, Optus Networks, Request Broadband, Intercall Australia, Info-In.com, Comindico Australia and Connect Internet Solutions and has also negotiated contracts with Newsnet and Community Telco Australia.

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

There has not been any significant changes in the state of affairs of the Company during the financial year. Since the end of the financial year it has become known that it is anticipated that a capital raising will be conducted in the first half of 2005 with the view to broadening ownership (refer to Note 21), however there have been no other matters or circumstances which have arisen which may significantly affect the operations of the Company in subsequent financial years.

LIKELY DEVELOPMENTS IN OPERATIONS

During the 2003/04 financial year BCT was involved in negotiations with Community Developments Australia (CDA) (a wholly owned subsidiary of Bendigo Bank Limited) to migrate BCT from its current business model to a Franchise of CDA. The Franchise Agreement is expected to provide BCT with increased purchasing power through CDA's national aggregated purchasing and also ensure BCT has access to operating and business systems developed by CDA. In return for the Franchisee benefits, BCT will be required to pay a Franchise fee based on total turnover. The final state of negotiations is anticipated to be completed in the first quarter of the 2004/05 financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year end, the company has paid premiums to insure certain officers of the company. The officers of the company covered by the insurance policy include the directors listed above.

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 16, 18 and 19 to the Financial Report.

SHARE OPTIONS

The Company has not issued any share options.

PROCEEDINGS

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

DIRECTORS MEETINGS

During the financial year 2003/04 meetings of directors were held. Attendances were:-

Directors' Meetings		
Directors	No. eligible to attend	No. attended
Rob Hunt	9	6
Don Erskine	9	9
Kathy Byrne	9	6
Les Kilmartin	9	6
Graeme Bastian	9	8
Geoff Michell	9	8
Andrew Cairns	9	9

1. Andrew Cairns eligible for period from 15th July, 2003.

INFORMATION ON DIRECTORS

Mr Robert George Hunt – Chairman

Qualifications

Fellow of Australian Institute of Company Directors (FAICD)

Employment

Managing Director, Bendigo Bank Group

Experience

Other Directorships

BSX Group Holdings Pty Ltd
Elders Rural Bank Limited
Bendigo Investment Services Limited
Sandhurst Trustees Limited
Tasmanian Banking Services

Tasmanian Trustees Limited
Victorian Securities Corporation Limited
Councillor of Australian Bankers Association
Community Telco Australia Pty Ltd
Community Developments Australia Ltd

Interest in Shares

Direct – 15,001 Shares

Indirect – Bendigo Bank Group 737,003 Shares

INFORMATION ON DIRECTORS Cont.

Mr Donald James Erskine - Director

Employment

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

Experience

Other Directorships

Bendigo Bank Limited
Chairman – Bendigo Plus

Community Telco Australia Pty Limited

Previous Appointments

North West Country Credit Union Co Op Ltd

Bendigo Economic Development Committee

Interest in Shares

Direct - 0 Shares

Indirect – Erskine Investments Pty Ltd 422,000 Shares

Indirect – Bendigo Bank Groups 737,003 Shares

Ms Kathleen Ellen Byrne - Director

Qualifications

BHA (NSW)

Assoc. Dip. MRA (Cumberland)

Employment

Chief Executive, Bendigo Health Care Group

Experience

Other Directorships

Girton Grammar School Limited
Loddon Mallee Health Alliance Network Ltd

LaTrobe Univesity Bendigo, Regional
Advisory Board

Interest in Shares

Direct – 0 Shares

Indirect – Bendigo Health Care Group 30,000 Shares

INFORMATION ON DIRECTORS Cont.

Mr Graham William Bastian - Director

Qualifications

Dip Engineering – Civil (Swinburne)
Dip Ed (Hawthorn State College)

Grad Dip Computing (LaTrobe University)

Employment

Principal – Bendigo Senior Secondary College

Experience

Other Directorships

LaTrobe University Regional Advisory Board
Bendigo Safe City Forum

Discovery Science & Technology Centre

Interest in Shares

Direct – 0 Shares

Indirect – Bendigo Senior Secondary College 50,000 Shares

Mr Leslie Alan Kilmartin - Director

Qualifications

B.A. Queensland
M.A. Aust. National University

PhD LaTrobe University

Employment

Higher Education Consultant – The Insight Group & Northern Melbourne Institute of Technology

Experience

Other Directorships:

Australian Ballet School Council

Previous Directorships:

Loddon Mallee Emergency Housing Board
Bendigo Bank Academy of Sports

LaTrobe University Council

Interest in Shares

Direct – 0 Shares

INFORMATION ON DIRECTORS Cont.

Mr Geoffrey Ralph Michell - Director

Qualifications

Diploma of Civil Engineering

Master of Business Administration (Deakin)

Employment

Chief Executive – Coliban Water

Experience

Other Directorships

Chairman – Discovery Science & Technology Centre, Bendigo

Interest in Shares

Direct – 10,001 Shares

Indirect – Coliban Region Water Authority 20,000 Shares

Mr Andrew Cairns - Executive Director

Qualifications

Bachelor of Engineering – Electrical (Footscray Institute of Technology)

Associate Fellow of the Australian Institute of Management

Member of Australian Institute of Company Directors

Employment

Chief Executive Officer of Community Telco Australia Pty Limited

Experience

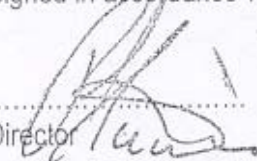
Other Directorships

Bendigo Regional Institute of Tafe (BRIT)

Interest in Shares

Direct – 0 Shares

Signed in accordance with a resolution of the Board of Directors


.....
Director


.....
Director

Dated this 17th day of August, 2004..

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes of the company:
 - a) comply with Accounting Standards and the Corporations Act 2001; and
 - b) give a true and fair view of the financial position and performance of the company for the year ending 30 June, 2004
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the directors



.....
Director

.....
Director

BENDIGO: 17 August 2004

A N D R E W F R E W I N & S T E W A R T



INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
BENDIGO COMMUNITY TELCO LIMITED

Scope

We have audited the financial report of Bendigo Community Telco Limited for the financial year ended 30 June 2004 as set out on pages 1 to 23 including the directors' declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Bendigo Community Telco Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b. other mandatory professional reporting requirements.

David Hutchings
ANDREW FREWIN & STEWART

Bendigo
16 August 2004

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aud-repl

**STATEMENT OF FINANCIAL PERFORMANCE
 FOR YEAR ENDED 30TH JUNE, 2004**

	Notes	2004	2003
		\$	\$
Total Revenue	2, 20	12,141,693	9,523,534
Cost of Products sold		<u>(8,509,280)</u>	<u>(6,898,716)</u>
Gross Margin		3,632,413	2,624,818
Expenditure			
General Administration	3	(609,487)	(635,756)
Salaries & Associated Costs		(1,302,514)	(1,271,695)
Advertising & Promotion Costs		(191,373)	(89,157)
Occupancy & Associated Costs		(141,450)	(72,289)
Systems Costs		(376,940)	(77,622)
Depreciation & Amortisation		(208,127)	(132,108)
Borrowing Costs		<u>(31,096)</u>	<u>(58,705)</u>
Total Expenditure		(2,806,987)	(2,320,632)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES BEFORE INCOME TAX EXPENSE			
		771,426	287,686
Income Tax credit relating to ordinary activities	4	<u>0</u>	<u>'0</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER RELATED INCOME TAX CREDIT			
		<u>771,426</u>	<u>287,686</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE FROM TRANSACTIONS WITH OWNERS AS OWNERS			
		<u>771,426</u>	<u>287,686</u>

The accompanying notes form an integral part of this
 Statement of Financial Performance

**STATEMENT OF FINANCIAL POSITION
 AS AT 30TH JUNE, 2004**

	Notes	2004 \$	2003 \$
Current Assets			
Cash Assets	13	1,273,378	761,667
Receivables	1(g), 5	1,647,473	1,689,198
Prepayments		113,954	87,847
Inventories		71,505	50,637
Intangibles	6	20,520	0
Total Current Assets		3,126,830	2,589,349
Non Current Assets			
Property Plant & Equipment	7	759,171	553,197
Investments	8	250,000	250,000
Total Non-Current Assets		1,009,171	803,197
TOTAL ASSETS		4,136,001	3,392,546
Current Liabilities			
Payables		1,754,405	1,854,509
Interest Bearing Liabilities	9	178,661	181,285
Provisions	1(d), 10	62,323	55,265
Total Current Liabilities		1,995,389	2,091,059
Non-Current Liabilities			
Interest Bearing Liabilities	9	251,793	184,094
Total Non-Current Liabilities		251,793	184,094
TOTAL LIABILITIES		2,247,182	2,275,153
NET ASSETS		1,888,819	1,117,393
EQUITY			
Contributed Capital	11	1,938,305	1,938,305
Accumulated Losses	12	(49,486)	(820,912)
TOTAL EQUITY		1,888,819	1,117,393

The accompanying notes form an integral part of this
 Statement of Financial Position

STATEMENT OF CASH FLOWS

	Notes	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		13,272,065	9,155,787
Interest paid		(31,096)	0
Cash paid to suppliers and employees		(12,410,090)	(8,464,221)
Interest Received		17,358	80
		<hr/>	<hr/>
Net cash used in operating activities	13(b)	848,237	691,646
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(465,969)	(398,907)
Purchase of shares Community Telco Australia		0	(250,000)
Proceeds from sale of property plant and equipment		51,868	79,855
		<hr/>	<hr/>
Net Cash used in investing activities		(414,101)	(569,052)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		0	817,000
Net proceeds of borrowings		77,575	118,943
		<hr/>	<hr/>
Net cash provided by financing activities		77,575	935,943
Net increase in cash held during the financial year		511,711	1,058,537
Cash at the beginning of the financial year		761,667	(296,870)
		<hr/>	<hr/>
Cash at the end of the financial year	13(a)	1,273,378	761,667

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. Statement of Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, the Corporations Act 2001, and other professional reporting requirements in Australia. They have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Income Tax

The company adopts the liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Performance as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

(c) Property, Plant and Equipment

Acquisition and Depreciation

Items of property, plant and equipment are recorded at cost and are depreciated over their estimated useful lives on a straight line basis or diminishing value basis.

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 other depreciable assets are:-

Asset Class	Depreciation Rate
Office Furniture & Equipment	
Advertising Collateral	7.5%
Furniture & Fittings	4.5% - 37.5%
Office Equipment	7.5% - 40%
Computer Equipment	37.5% - 40%
Satellite Equipment	50%
Software	33% - 40%
Business Continuity Centre	2.5% - 33%
Motor Vehicles	18.75% - 22.5%
Leasehold	4.5% - 11.25%
Telecommunications & Infrastructure	
Infrastructure	7.59%
Connectivity Links	20% - 50%

(d) Employee Benefits

Provision is made in respect of the company's liability for annual, sick and long service leave at balance date when it is probable that settlement will be required and where the liability is capable of being measured reliably. Entitlements are calculated at the employee's current rate of pay at balance date where the provision is expected to be settled within 12 months are measured at the net present value of estimated future 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.

Long service leave is accrued in respect of all employees with more than five years service with the company. No employees fall into this category.

(e) Comparative Information

Where necessary the previous year's figures have been reclassified to facilitate comparisons.

(f) Revenue

Revenue from the sale of services is recognised upon delivery of service to customers. Interest revenue is recognised as it accrues.

(g) Receivables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(i) 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 entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability 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.

(j) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Tax Office. 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 statement of financial position are shown inclusive of GST.

2. OPERATING PROFIT/(LOSS)

Operating Profit/(Loss) before income tax has been determined as follows:	2004 \$	2003 \$
Interest Income – Cash and Liquid Assets	17,358	80
Proceeds on sale of Fixed Assets	112,328	79,855
Interest Expense	(10,433)	(23,625)
Bad Debts Written Off	(44,179)	(44,035)
Loss on sale of property plant and equipment	(3,594)	(58,740)

3. AUDITORS' REMUNERATION

Amounts received, or due and receivable by the auditors for	2004 \$	2003 \$
Auditing the financial statements	7,735	18,191
Other Services	12,818	35,150

4. INCOME TAX EXPENSE

The prima facie tax payable on operating profit is reconciled to the income tax provided in the financial report as follows:	2004 \$	2003 \$
Operating Profit/(Loss)	771,426	287,686
Prima facie tax credit thereon @ 30%	231,428	86,306
Income tax attributable to operating Profit/(Loss)		
Tax effect of permanent and other differences:		
Benefit of tax losses not recognised	(231,428)	(86,306)
Income tax attributable to operating profit	<u>0</u>	<u>0</u>

5. RECEIVABLES

	2004	2003
	\$	\$
Trade Debtors	1,698,601	1,720,862
Provision for Doubtful Debts	(51,128)	(31,664)
	1,647,473	1,689,198

6. INTANGIBLE ASSETS

	2004	2003
	\$	\$
Equity Raising Costs Capitalised	20,520	0

The company intends to raise additional shares in the 2004/05 financial year. Costs totalling \$20,520 directly relating to this issue have been incurred as at the balance date. These costs will be recognised directly against the shares issued in accordance with Urgent Issues Group Abstract UIG23.

7. PROPERTY PLANT AND EQUIPMENT

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

2004	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Carrying amount at the start of the year	331,438	140,911	5,432	75,416	553,197
Additions	180,543	221,814	13,611	50,000	465,969
Disposals	0	(112,328)	0	0	(112,328)
Depreciation	(147,840)	18,734	(319)	(18,241)	(147,666)
Carrying amount at the end of the year	364,141	269,131	18,724	107,175	759,171

8. INVESTMENTS

	2004	2003
	\$	\$
Shares in Community Telco Australia Limited	250,000	250,000

9. INTEREST-BEARING LIABILITIES

	2004	2003
	\$	\$
Current Interest-Bearing Liabilities		
Secured by fixed and floating registered mortgage debenture		
Lease Liabilities	112,205	114,829
Bank Loans	66,456	66,456
Total Current Interest-Bearing Liabilities	178,661	181,285
Non-Current Interest-Bearing Liabilities		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	47,878	104,537
Lease Liabilities	203,915	79,557
Total Non-Current Interest-Bearing Liabilities	251,793	184,094

10. CURRENT PROVISIONS

	2004	2003
	\$	\$
Employee Provisions	62,323	55,265

11. CONTRIBUTED CAPITAL

	2004	2003
	\$	\$
Issued and paid up capital		
1,955,005 ordinary shares of \$1 each	1,955,005	1,955,005
Less cost of equity raised	(16,700)	(16,700)
TOTAL CONTRIBUTED CAPITAL	1,938,305	1,938,305

12. RETAINED LOSSES

	2004	2003
	\$	\$
Balance at the beginning of the financial year	(820,912)	(1,125,298)
Net profit/(loss) from ordinary activities after income tax	771,426	287,686
Cost of equity raised	0	16,700
Balance at the end of the financial year	(49,486)	(820,912)

13. NOTES TO THE STATEMENT OF CASH FLOWS

	2004	2003
	\$	\$
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the profit and loss accounts as follows:		
Cash	1,273,378	761,667
	1,273,378	761,667

(b) Reconciliation of operating profit to net cashflows from operation activities	2004 \$	2003 \$
Profit from ordinary activities	771,426	287,686
Depreciation and amortisation of non current assets	208,127	132,108
Change in Assets and Liabilities		
(Increase) / decrease in assets		
Receivables & prepayments	15,618	(355,729)
Stock	(20,868)	0
Increase in intangible assets	(20,520)	0
Loss on sale of plant property and equipment	0	58,740
Increase / (decrease) in Liabilities		
Accounts payable & provisions	(105,546)	568,841
Net cash flow from operating activities	<u>848,237</u>	<u>691,646</u>

14. LEASES

Disclosures for Lessees

(a) Finance Leases

Leasing arrangements

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

	2004 \$	2003 \$
Finance Lease Liabilities		
No later than 1 year	84,122	114,829
Later than 1 year and not later than 5 years	231,998	79,557
Minimum finance lease payments	<u>316,120</u>	<u>194,386</u>
Less future finance charges	<u>(32,401)</u>	<u>(12,500)</u>
Finance Lease Liabilities	<u>283,719</u>	<u>181,886</u>

(b) Operating Leases

Leasing arrangements

The operating leases relate to the rental of the business premises at View Point, Bendigo, with a lease term of three years, beginning 1st February, 2004 and Business Continuity Centre, Edwards Road, Flora Hill with a lease term of five years, beginning 1st September, 2003. The company does not have an option to purchase the leased asset at the expiry of either lease period.

	2004	2003
	\$	\$
Non-cancellable operating leases		
No later than 1 year	115,445	33,167
Later than 1 year and not later than 5 years	160,061	0
	275,506	33,167

15. FINANCIAL INSTRUMENTS

15 (a) Terms, conditions and accounting policies

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

Recognised	Accounting Policies	Terms and Conditions
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 doubtful debts. A doubtful debts provision is made for any amounts which are considered unlikely to be collected.	Credit is allowed for a 30 day term.
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.

Bendigo Community Telco Limited
 ABN 88 089 782 203
 2003/04 Annual Report

15 (b)(i) Interest Rate Risk

Financial Instrument	Floating Interest Rate	Fixed Interest maturing in:				Total Carrying Amount per Statement of Financial Position		Weighted Average Effective Interest Rate	
		1 year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	%	%	
<i>Financial Assets</i>									
Accounts Receivable – Debtors					1,647,473	1,647,473	1,781,760	N/A	N/A
<i>Financial Liabilities</i>									
Creditors & Accruals					1,754,405	1,754,405	1,854,509	N/A	N/A
Loans		66,456	47,878			114,334	170,993	6.75	6.75
Finance Leases		73,124	210,595			283,719	181,886	9.42	10.48

15 (b)(ii) Credit Risk

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

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

Bendigo Community Telco minimises concentrations of credit risk by undertaking transactions with a large number of customers. Bendigo Community Telco is therefore not materially exposed to any individual customer.

15 (c) Fair Values

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

Financial Instruments	Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>Financial Assets</i>				
Accounts Receivable – Debtors	1,647,473	1,781,760	1,647,473	1,781,760
Total Financial Assets	1,647,473	1,781,760	1,647,473	1,781,760

Financial Liabilities

Creditors and Accruals	1,754,405	1,854,509	1,754,405	1,854,509
Loans	114,334	170,993	114,334	170,993
Finance Leases	283,719	181,886	283,719	181,886
<i>Total Financial Liabilities</i>	2,152,458	2,207,388	2,152,458	2,207,388

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.

16. DIRECTORS' REMUNERATION

	2004	2003
	\$	\$
Total remuneration received or due and receivable by the Directors of the Company for the year ended 30 June 2004 was	Nil	Nil

17. EXECUTIVES REMUNERATION

	2004	2003
	\$	\$
Amounts received or due and receivable from the Company by executive officers (including executive directors) whose remuneration is \$100,000 per annum or greater	102,470	262,536

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

Range	2004	2003
	No.	No.
\$100,000 to \$149,999	1	1
\$150,000 to \$199,999	0	1

18. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2004	2003
	\$	\$
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

19. RELATED PARTY DISCLOSURES

Bendigo Community Telco has entered into an agreement with D.J. Erskine Nominees Pty Ltd to lease the property of 5 View Point for three (3) year period terminating on the 31st January, 2007. The organisation is majority owned by Director – Mr D.J. Erskine.

Bendigo Community Telco has been engaged with Community Telco Australia throughout the financial year assisting with the development of the CTA Project. The CTA Project involves granting to entities majority owned or controlled by communities the right to use certain intellectual property and shared services to enable the establishment and operation of a business of providing telecommunications services to customer. CTA is a company established and majority owned by Bendigo Bank Ltd with a 10% holding by Bendigo Community Telco. Bendigo Community Telco has entered into a binding licence with CTA in relation to the use of the Community Telco Project.

Bendigo Community Telco is provided banking overdraft and lending facilities by Bendigo Bank Ltd. This is done at commercial rates.

20. FINANCIAL REPORTING BY SEGMENTS

Bendigo Community Telco is a carriage service provider and a retailer of mainstream telecommunications products to businesses and residential customers in the Bendigo and surrounding districts. Bendigo Community Telco delivers a range of telephony, data, mobile, Internet and e-solutions. The revenue received by market segments is shown below:

	2004	2003
	\$	\$
Fixed Telephone Services	4,914,785	4,563,791
Data Network Services	3,540,383	3,261,449
Mobile Telephone Services	608,941	447,167
Traditional Internet Services	609,279	667,914
Broadband Services	518,472	113,029
e-Solutions and Services	8,872	36,748
Inventory and Equipment	216,204	200,078
Satellite Services	13,555	9,444
Business Continuity Centre Services	1,311,112	0
Community Resale Services	274,092	199,984
Other Revenue	125,998	23,930
TOTAL	12,141,693	9,523,534

21. EVENTS SUBSEQUENT TO BALANCE DATE

It is anticipated that a capital raising will be conducted in the first half of 2005 with the view to broadening ownership of the Company.

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.

22. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Bendigo Community Telco Limited has commenced transition to accounting policies and financial reporting from current Australia standards to Australian equivalents of International Financial Reporting Standards (IFRS). With consultation with our external auditors, the company is ensuring that the impact of the transition to IFRS is fully reviewed and completed.

Based on current requirements, the financial statements of the company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS have not been fully assessed due to the short timeframe between finalisation of the IFRS standards and completing this report. The impact on future years will depend on circumstances prevailing at the time of preparing relevant financial reports.

The currently identified key potential implications to Bendigo Community Telco Limited of the conversion to IFRS are:-

- a) income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities;
- b) changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements.