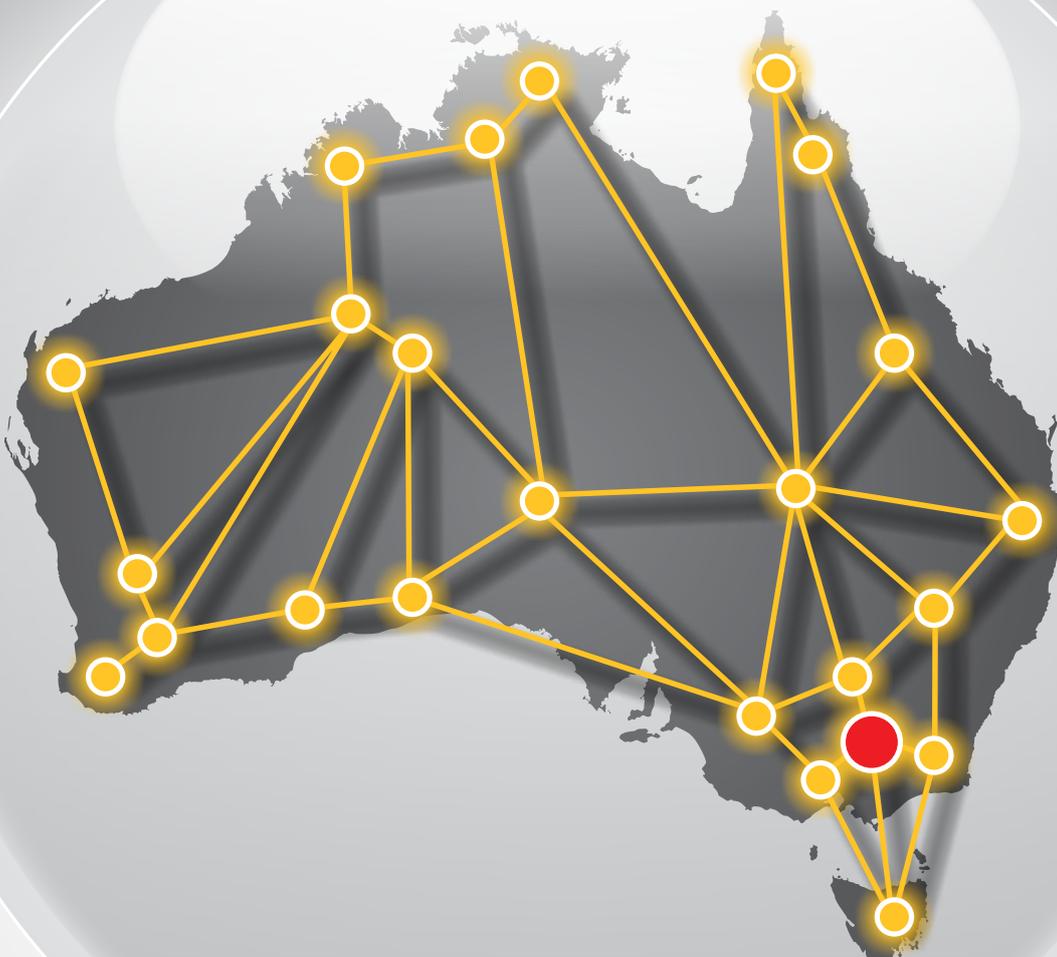


CONNECTING OUR COMMUNITY

2012 CONCISE FINANCIAL REPORT

Bendigo
**Community
Telco** 



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Bendigo Community Telco Limited
ABN 88 089 782 203

Registered Office
23 McLaren Street
Bendigo Victoria 3550

Customer inquiries

Principal places of business

23 McLaren Street
Bendigo Victoria 3550

113 Williamson Street
Bendigo Victoria 3550

121 Edwards Road
Bendigo Victoria 3550

Telephone (03) 5454 5000
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bendigo.communitytelco.com.au

Shareholder inquiries

Bendigo Community Telco Share Registry
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PO Box 454
Bendigo Victoria 3552

Telephone (03) 5443 0344

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Chairman and Chief Executive Officer's Report 2012

We are pleased to announce another successful trading year and profit result. During the year we completed a number of key initiatives, with new business capability and infrastructure projects being successfully implemented that will substantially enhance the prospects of this locally driven community enterprise. Our core business of providing quality telecommunications solutions to our customer base remains our priority.

Our after tax profit result of \$870,029 is an 11% improvement over the previous year. Directors have declared a fully-franked final dividend of 7.0 cents, making the full-year dividend payment of 12.0 cents for this financial year. This maintains our record of producing a very healthy return on shareholder funds for over a decade. Our average dividend yield over the past 5 years has been 9.89%.

Bendigo Community Telco was developed to ensure that businesses operating in our region were not disadvantaged in price or functionality when compared with our capital city competitors. With the critical role played by telecommunications and technology in all businesses today, it is important that we (at a local level) determine the priorities and ensure these are aligned to our local businesses (not to someone else's national strategic plan).

Over the years we have achieved significant leverage from our combined buying commitment to ensure that competition in our local market remains healthy. The combined buying power achieved through our franchisor (Community Telco Australia) greatly assists in our negotiations with a variety of telecommunication wholesale providers. This is what enables us to promote and secure healthy competition in our marketplace.

Our original objectives were to ensure we retained local capital and profit in our local economy – while at the same time building strong new competencies, new infrastructure, and the ability to enhance the range of services we are able to offer our local customers. We believe the benefit to our local economy is substantial – enabling us to make a number of major investments and providing the capacity for us to support the broader community – all of which is embodied in this local business model.

By way of example, our Bendigo Data Centre (with its business continuity capability), our Network Operation Centre (NOC), and our Technical Assistance Centre (TAC) add greatly to our capacity to support our customer base – while adding new capabilities not normally seen in other regional centres across Australia. These major investments greatly enhanced our ability to secure a long-term contract with our largest customer, Bendigo and Adelaide Bank – but they also greatly enhance the offerings we can now make to other customers across our community.

As these new technological advances are made, the expectation is that this area of our business will continue to grow, as more businesses take up and exploit these world-class services. For example, the Data Centre, NOC and TAC enable us to add significant value for many of our customers, as well as producing new and diversified revenues for our business. They also underpin the offering of leading-edge products to other franchises in the Community Telco Australia network, and this wholesale capacity (while being a new initiative) is expected to grow in both relevance and importance within the BCT structure. We expect all new business capacities will become important strategic assets for both the business and our community. Capacities that include Virtual Private Networks, Virtual Servers, and other cloud-based solutions are now all available through the local Telco.

We greatly appreciate the commitment shown by our major customers who have demonstrated their confidence in our business – and in our city – to be able to provide the creativity, innovation, and secure operation from our regional location.

The successful deployment of Bendigo and Adelaide Bank's Wide Area Network (utilising our new MPLS network and Data Centre assets) enabled us to secure the 5-year contract with the Bank. This project was completed in January 2012 and marked a significant milestone in our history as we deployed the last service of the biggest network project undertaken by this company.

We have continued to position ourselves as a company that cares about personal service and, during a time of record industry-wide complaints to the Telecommunications Industry Ombudsman (TIO), our commitment to our 8 Star Customer Service Promise remains ingrained in our company culture.

We also embrace the recent changes recommended by ACMA and can assure shareholders that we already lead the way – having introduced many of the suggested enhancements to eliminate customer bill shock.

Late in the financial year we demonstrated our community commitment by teaming with the Bendigo Advertiser to launch its iPhone application. This initiative reflects well on our company and its brand, and provides another opportunity for us to demonstrate our commitment to the latest technological advances – and all of this from a regional base. Bendigo Community Telco has also supported many community projects in Central Victoria through sponsorships (such as the Rotary Club of Bendigo's Community Carols) and through large contributions to the district's various Community Enterprises. These locally-initiated Enterprises are building on their respective community strengths by gaining a reliable source of funding generated through partnership with the Telco.

Bendigo Community Telco's end-of-year result not only acknowledges the clear strategy and priorities set for the business, but also demonstrates the outstanding dedication and commitment of our staff and management team in support of this important local asset. One of our original objectives was to increase our local capacity and competencies, and we believe this has been achieved through the commitment of our entire team.

We are proud to be both relevant and connected to our community and our customers, and we intend to continue our pursuit of innovation, customer alignment, and further customer service enhancements. We believe this will secure ongoing success for this locally-owned business for many years to come.

We would like to thank our Directors for their ongoing support during this extremely busy year, and the Board sincerely thanks all of our shareholders for your ongoing support and contribution to the success of our business.

Rob Hunt
Chairman



Phil Lazenby
Chief Executive Officer



New capabilities, initiatives and investments

Wholesale capability

Our wholesale business has continued to develop with the expansion of our national network, and further development of new products has seen the ability for us to take on more complex customer solutions. Our franchisor Community Telco Australia is the largest customer of our wholesale business, and we are currently working with other national companies to grow this part of our business further.

Bendigo and Adelaide Bank Wide Area Network

Following success in a tender process to manage Bendigo and Adelaide Bank's Wide Area Network earlier last year, we have now migrated all Bendigo and Adelaide Bank branches and agencies onto our national network. Bendigo and Adelaide Bank branches now enjoy the benefits of a faster, secure network that boasts an automatic 3G failover to ensure the Banks services are always reliable. Bendigo Community Telco also manages all these services via our Network Operations Centre.

In February this year, we were successful in winning a 5 year contract to provide connectivity to all of Bendigo and Adelaide Banks ATM fleet. This contract will also provide opportunity for Bendigo Community Telco to manage these services.

NBN4Bendigo committee

Our CEO, Phil Lazenby and Director Don Erskine have both played roles in assisting the city to become an early adopter of the NBN, by becoming active members of the NBN4Bendigo committee. In March 2013, the roll out will commence in Bendigo, Ironbark, Golden Square, Kangaroo Flat, Golden Gully, Quarry Hill, Flora Hill, Spring Gully, Kennington, Strathdale, West Bendigo, California Gully, North Bendigo, White Hills, East Bendigo, Junortoun, Strathfieldsaye and Big Hill. Again, our support of this initiative demonstrates our continued commitment to ensure that regional Australians are not disadvantaged on the telecommunication front. We would like to thank the Chairman of this Group, Bruce Winzar, the City of Greater Bendigo and the other committee members who have put in a lot of effort to ensure that Bendigo was included in the early rollout.

Community involvement

Our support for the Community Enterprises in our region is still pivotal for the growth of each community group. Currently there are 7 Community Enterprise groups which include Strathfieldsaye and Districts, Empowering Eaglehawk, Mount Alexander Shire Community Grants Project, Kangaroo Flat, Echuca-Moama, Bendigo Northern Districts, and we are also a proud supporter of the Deniliquin Community Group. We would like to thank our partner, Bendigo and Adelaide Bank, for the major role they also play in supporting these community groups.

The Rotary Club of Bendigo Community Carols remains one of our major sponsorship commitments, and we fulfilled our pledge for a fifth consecutive year. Following the cancellation of the event due to rain 2010, we ensured in 2011 we had a contingency plan in the event of inclement weather. The heavens again opened up on the day of the event, but with a sound contingency plan in place, the Carols were successfully moved from Rosalind Park to the Bendigo Exhibition Centre. Numbers were down on previous years, but reports suggested that a good night was had by all that attended. We continue to be proud of the role we play in keeping this yearly tradition alive and we would like to thank the Rotary Club of Bendigo for this opportunity, and the City of Greater Bendigo for being such supportive partners in this event.

We were also very pleased to assist Bendigo Health with sponsorship of the Bendigo Bank Fun Run. Many of our staff and their families were keen participants, and helped raise in excess of \$50,000 for the children's ward at Bendigo Health.

Personal service

The 8 Star Customer Service Promise continues to remain as Bendigo Community Telco's differentiator as a part of the telecommunications industry. This Promise that we launched to the general public last year, has 100percent support from all our staff, and is demonstrated through the dealings they have with our customers on a daily basis.

Discussion and Analysis of the Financial Statements

Information on Bendigo Community Telco Limited Concise Financial Report

The concise financial report is an extract from the full financial report for the full year ended 30 June 2012. The financial statements and disclosures in the concise report have been derived from the 2012 financial report of Bendigo Community Telco Limited. A copy of the full financial report and auditor's report will be sent to any shareholder, free of charge, upon request. The discussion and analysis is provided to assist shareholders in understanding the concise financial report.

The profit after income tax for the year of \$870,029 is 11% higher than the results from the previous financial year. This is mainly due to improved profit margins from data networks and growth in wholesale revenues. The wholesale part of our business is still a relatively new part of our business and our wholesale product revenue increased by \$909,528 for the year.

Total revenue reduced by 9% to \$23.9 million. This was predominantly due to a fall in revenue on fixed voice services which has continued to experience reduced demand across the telecommunications industry. Data network revenue also fell by 6% but this was a direct result of Bendigo Community Telco adopting new and improved technologies across its own infrastructure that enabled it to reduce prices as well as improve profit margins on these products.

Total assets decreased by \$669,576 to \$8,222,560. This decrease was due to the utilisation of cash assets to reduce trade payables and taxation liabilities that had accrued in the prior year.

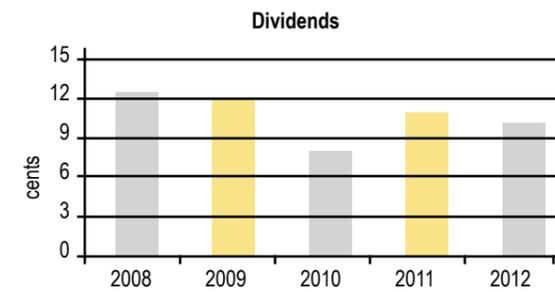
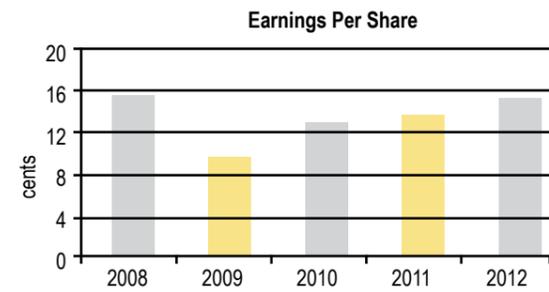
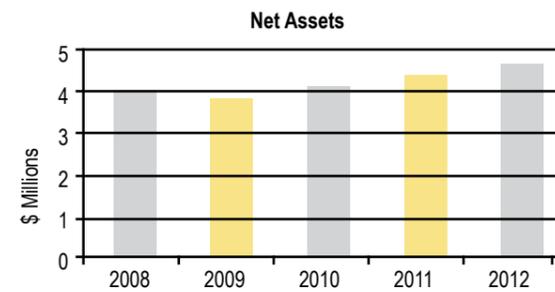
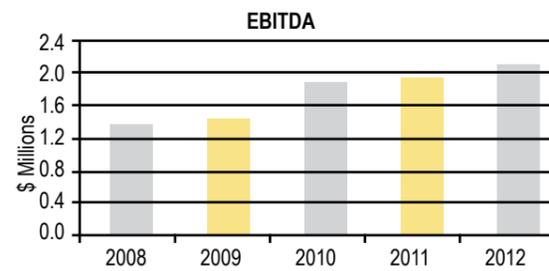
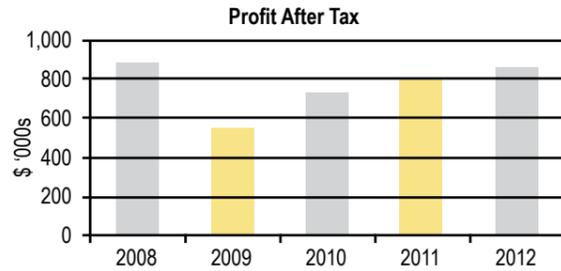
The equity of Bendigo Community Telco increased by \$350,541 to \$4,704,660. This was due to an increase in retained profits (after dividend payments) of \$307,041 and the issue of staff shares of \$43,500.

A positive cash inflow was recorded from operating activities of \$1,073,269. Investment in assets increased by \$350,844 compared to the prior year as the company continued to develop its own network infrastructure which has led to continued improvement in gross margins and profit.

Dividend payments of 5.0 cents per share in September 2011 and 5.0 cents in March 2012 increased the total dividends paid to shareholders since listing in September 2005 to 67 cents per share. A final dividend for the 2011/12 year of 7.0 cents/share was also declared by the Board at their meeting on 5 September 2012.

There were 43,500 shares issued in the company under the staff share scheme during the year, increasing the number of shares on issue to 5,673,384. Earnings per share increased to 15.45 cents in 2012 from 14 cents in 2011 as a result of the higher profit for the year.

Corporate governance statement



Bendigo Community Telco Limited is committed to high standards of Corporate Governance. This commitment applies to the conduct of its business dealings with its customers and its dealings with its shareholders, employees, suppliers and the Community.

The Board of Bendigo Community Telco Limited have adopted the following principals of Corporate Governance. The policies may be viewed on the company website, www.bendigotelco.com.au

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit and Risk Committee Charter and the appointment of the Audit and Risk Committee as a sub-committee of the Board. The members of the Audit and Risk Committee are Directors Geoff Michell, Andrew Cairns and Graham Bastian.
3. A Share Trading policy which outlines Directors and employees obligations in trading in its securities. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Company's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. Directors Don Erskine and Geoff Michell are members of the Remuneration Committee.
5. A Continuous Disclosure policy which complies with the obligations imposed by National Stock Exchange (NSX) Listing Rules and the Corporations Act. This policy requires immediate notification to the NSX 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.

Directors' report

Directors **

Mr R Hunt (Chairman)

Mr A Cairns

Mr G Bastian

Mrs M Spalding
(retired 01/09/2011)

Mr D Erskine

Mr G Michell

Ms M O'Sullivan

Your directors present their report on the Company for the financial year ended 30 June 2012.

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.

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 as follows.

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

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 the 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 economy 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 and Appointments

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;
Director, Apollo Bay Central District Community Bank since 2011;
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.

In addition he is the independent chair of the Bendigo Regional TAFE Audit Risk Committee and serves as an independent member of the Audit Committee of the City of Greater Bendigo.

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 Customer Led Connections Bendigo and 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 Customer Led Connections at the Bendigo and 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
Community Solutions Australia Pty Limited
Community Telco Australia Pty Ltd
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

Ms Michelle Kaye O'Sullivan

Director

Occupation

Lawyer – O'Sullivan Johanson Lawyers

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 a past President of the 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 \$870,029 (30 June 2011: \$787,131).

Review of operations

Bendigo Community Telco Limited has continued to consolidate its position within the Bendigo and Central Victorian market. The business provides high quality data and network services Australia wide as well as fixed and mobile telephone services and broadband internet access. We also manage the Bendigo Data Centre which is the major site for our own MPLS network and also delivers our business customers with cloud hosting services and secure data back-up. Bendigo Community Telco provides network management and monitoring services via its network operations centre and combined with our wholesale business we are able to offer these professional services on a national scale. The supply and installation of PABX and telephone systems, videoconferencing equipment, and data cabling are some of the additional services we provide.

Bendigo Community Telco has continued in its Franchise Agreement with Community Telco Australia and has maintained wholesale agreements with AAPT, SingTel Optus, Telstra and NextGen Pure Data.

Financial position

The net assets of Bendigo Community Telco Limited have increased to \$4,704,660 at 30 June 2012 (30 June 2011: \$4,354,119). The change has resulted from an increase in retained earnings.

The Company's working capital, being current assets less current liabilities, has increased from \$849,193 in 2011 to \$860,719 in 2012.

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 7.0 cents per share was declared by the Board of Directors on 5 September 2012 which will be distributed to shareholders on 8 October 2012.

Dividends paid

Ordinary Dividends paid in the year:	Year Ended 30 June 2012	
	Cents	\$
Final – September 2011	5.0	281,494
Interim – March 2012	5.0	281,494
Total	10.0	562,988

Directors	Directors' Meetings		Audit & Risk Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	10	10	-	-	-	-
Graham Bastian	7	7	2	2	-	-
Andrew Cairns	10	8	3	2	-	-
Don Erskine	10	9	-	-	1	1
Geoff Michell	10	6	3	3	1	1
Michelle O'Sullivan	10	10	-	-	-	-

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 3 of the Concise Annual Report.

Environmental regulation

The company is not subject to any significant environmental regulation.

Meetings of directors

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

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 23 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 note 4 to the full financial report.

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

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

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

The nature of the services provided does 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 \$6,818 were paid or payable to Andrew Frewin & Stewart for non-audit services provided during the year ended 30 June 2012.

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 20.

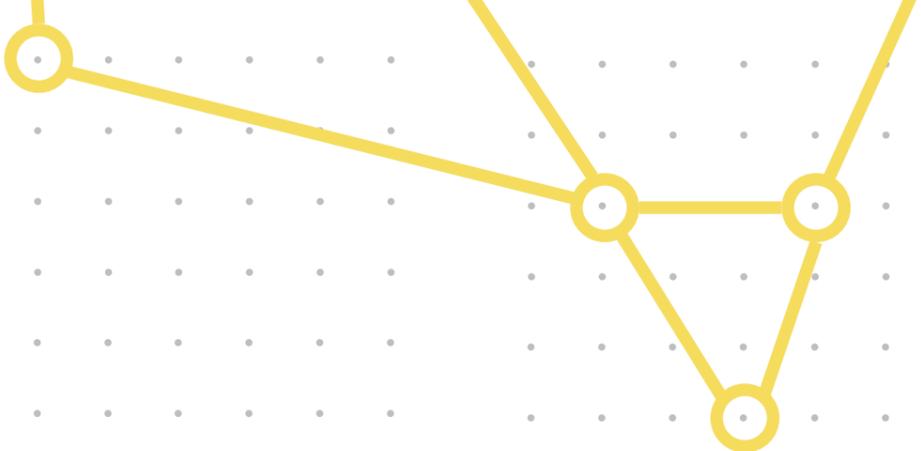
Remuneration report

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% of the individuals average weekly ordinary time earnings (AWOTE), 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 National 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
Geoffrey Michell	Director
Margot Spalding	Director - retired 1 September 2011
Michelle O'Sullivan	Director

(ii)	Executives
Philip Lazenby	Chief executive officer
Peter Bowman	General manager finance
Bryan Pedersen	General manager technology
Wayne Williams	General manager business development

There were no changes 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.

	2008	2009	2010	2011	2012
Revenue	\$26.6M	\$25.7M	\$27.0M	\$26.3M	\$23.9M
EBITDA	\$1.38M	\$1.43M	\$1.90M	\$1.97M	\$2.12M
Net profit	\$883K	\$545K	\$737K	\$787K	\$870K
Share price at year end	\$1.60	\$1.60	\$1.40	\$1.00	\$1.00
Dividends paid	12.5 cents	12.0 cents	8.0 cents	11.0 cents	10.0 cents

Details of remuneration for year ended 30 June 2012

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

		Short-term Benefits	Post-employment benefits		Proportion of remuneration that is performance based %
		Cash Salary and Fees	Superannuation	TOTAL	
Robert Hunt	2012	13,761	1,239	15,000	-
	2011	13,761	1,239	15,000	-
Graham Bastian	2012	15,000	-	15,000	-
	2011	15,000	-	15,000	-
Andrew Cairns	2012	13,761	1,239	15,000	-
	2011	13,761	1,239	15,000	-
Donald Erskine	2012	-	15,000	15,000	-
	2011	-	15,000	15,000	-
Leslie Kilmartin	2012	-	-	-	-
	2011	10,321	929	11,250	-
Geoffrey Michell	2012	13,761	1,239	15,000	-
	2011	3,440	11,560	15,000	-
Margot Spalding	2012	-	-	-	-
	2011	15,000	-	15,000	-
Michelle O'Sullivan	2012	13,761	1,239	15,000	-
	2011	-	-	-	-
Total	2012	70,044	19,956	90,000	-
	2011	71,283	29,967	101,250	-

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

		Short-term benefits	Post employment benefits	Share-based payments		Proportion or remuneration that is performance based %	
		Salaries	Non-Cash Benefits	Superannuation	Shares	Total	
		\$	\$	\$	\$	\$	
Philip Lazenby	2012	148,801	15,000	42,182	1,000	206,983	12
	2011	142,523	15,000	60,069	1,000	218,592	11
Bryan Pedersen	2012	120,713	15,000	21,648	1,000	158,361	6
	2011	117,007	15,000	21,170	1,000	154,177	6
Wayne Williams	2012	118,924	15,000	10,540	1,000	145,464	7
	2011	117,189	15,000	10,454	1,000	143,643	7
Peter Bowman	2012	141,382	-	11,220	1,000	153,602	7
	2011	141,464	-	11,214	1,000	153,678	7
Total	2012	529,820	45,000	85,590	4,000	664,410	
	2011	518,183	45,000	102,907	4,000	670,090	

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 5 September 2012.

Rob Hunt
Director



Don Erskine
Director





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ABN 51 061 795 337

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 2012 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 5th day of September 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Revenue	2	23,909,362	26,328,180
Cost of products sold		(13,967,788)	(16,534,282)
Other revenue	2	74,240	46,474
Salaries and employee benefit costs		(4,276,133)	(4,074,704)
Occupancy and associated costs		(519,051)	(538,135)
General administration costs		(1,011,075)	(1,216,957)
Depreciation and amortisation costs		(969,449)	(823,620)
Advertising and promotion costs		(247,426)	(246,138)
Systems costs		(1,540,113)	(1,641,170)
Borrowing costs		(234,732)	(170,778)
Profit before income tax		1,217,835	1,128,870
Income tax expense		(347,806)	(341,739)
Net Profit for the year		870,029	787,131
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		870,029	787,131
Total comprehensive income attributable to members of Bendigo Community Telco Limited		870,029	787,131
Earnings per share			
Basic earnings per share (cents)		15.45	14.00
Diluted earnings per share (cents)		15.45	14.00

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

Notes	2012 \$	2011 \$
Current Assets		
Cash and cash equivalents	768,001	1,576,393
Trade and other receivables	2,216,696	2,183,232
Prepayments	1,090,302	1,333,659
Inventories	135,746	110,886
Total Current Assets	4,210,745	5,204,170
Non Current Assets		
Property, plant and equipment	2,134,819	2,170,383
Intangibles	1,672,956	1,340,284
Deferred tax asset	204,040	177,299
Total Non Current Assets	4,011,815	3,687,966
TOTAL ASSETS	8,222,560	8,892,136
Current Liabilities		
Trade and other payables	2,730,287	3,551,076
Financial liabilities	60,970	103,683
Provisions	505,339	427,970
Taxation	53,430	272,248
Total Current Liabilities	3,350,026	4,354,977
Non Current Liabilities		
Financial liabilities	77,965	123,059
Provisions	89,909	59,981
Total Non Current Liabilities	167,874	183,040
TOTAL LIABILITIES	3,517,900	4,538,017
NET ASSETS	4,704,660	4,354,119
EQUITY		
Issued capital	3,437,522	3,394,022
Retained earnings	1,267,138	960,097
TOTAL EQUITY	4,704,660	4,354,119

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2012

Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
	3,366,860	790,623	4,157,483
Balance at 1 July 2010			
Comprehensive Income			
Profit for the period	-	787,131	787,131
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	787,131	787,131
Transaction with owners, in their capacity as owners, and other transfers			
Dividends recognised for the year	-	(617,657)	(617,657)
Shares issued during the period	27,162	-	27,162
Total transactions with owners and other transfers	27,162	(617,657)	(590,495)
Balance at 30 June 2011	3,394,022	960,097	4,354,119
	3,394,022	960,097	4,354,119
Balance at 1 July 2011			
Comprehensive Income			
Profit for the year	-	870,029	870,029
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	870,029	870,029
Transaction with owners, in their capacity as owners, and other transfers			
Dividends recognised for the year	-	(562,988)	(562,988)
Shares issued during the period	43,500	-	43,500
Total transactions with owners and other transfers	43,500	(562,988)	(519,488)
Balance at 30 June 2012	3,437,522	1,267,138	4,704,660

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2012

Notes	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	26,809,230	28,863,210
Interest paid	(234,733)	(170,778)
Payments to suppliers and employees	(24,946,412)	(26,485,817)
Income tax paid	(593,365)	(165,668)
Interest received	38,549	46,474
Net cash provided by operating activities	1,073,269	2,087,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(561,356)	(189,958)
Purchase of property, plant and equipment	(747,662)	(768,216)
Proceeds from sale of property, plant and equipment	78,152	34,136
Net cash used in investing activities	(1,230,866)	(924,038)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	-
Repayment of finance lease	(87,807)	(247,286)
Dividends paid	(562,988)	(617,657)
Net cash used in financing activities	(650,795)	(864,943)
Net increase (decrease) in cash held during the financial year	(808,392)	298,440
Cash at beginning of financial year	1,576,393	1,277,953
Cash at the end of the financial year	768,001	1,576,393

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. Basis of preparation of the Concise Financial Report

The concise financial report is an extract for the full financial report for the year ended 30 June 2012. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived

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

The presentation currency used in this concise financial report is Australian dollars.

2. REVENUE

	2012 \$	2011 \$
Sales revenue	23,813,383	26,249,936
Other income	95,979	78,244
Total revenue	23,909,362	26,328,180
Interest revenue	38,550	46,474
Profit on sale of assets	35,690	-
Total other income	74,240	46,474
Total revenue and other income	23,983,602	26,374,654

3. DIVIDENDS

Distributions paid:	2012 \$	2011 \$
Final fully franked ordinary dividend of 5.0 (2011: 6.0) cents per share franked at the rate of 30% (2011: 30%)	281,494	336,163
Interim fully franked ordinary dividend of 5.0 (2011: 5.0) cents per share franked at the rate of 30% (2011: 30%)	281,494	281,494
Total	562,988	617,657

4. SEGMENT REPORTING

(a) Information about reportable segments

Aggregated Communications Departments	2012 \$	2011 \$
External segment revenues	23,909,362	26,328,180
Segment expenses	(21,512,992)	(24,262,883)
Net segment profit/(loss)	2,396,370	2,065,297

(b) Reconciliation of Reportable Segment Revenue, Profit/(Loss), Assets & Liabilities and other Aggregated Communications Departments

Revenues	2012 \$	2011 \$
Total revenue for reportable segments (aggregated)	23,909,362	26,328,180
Other revenue	74,240	46,474
Consolidated revenue	23,983,602	26,374,654

Profit or Loss	2012	2011
Total profit/(loss) for reportable segments (aggregated)	2,396,370	2,065,297
Other profit/(loss)	74,240	46,474
Unallocated amounts:		
Finance expense	(234,732)	(170,778)
Depreciation & amortisation	(969,449)	(823,620)
Impairment	(48,594)	11,497
Consolidated profit/(loss) before income tax	1,217,835	1,128,870

Assets & Liabilities

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

5. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 7.0 cents per share was declared by the Board of Directors on 5 September 2012 which will be distributed to shareholders on 8 October 2012.

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.

DIRECTORS' DECLARATION

The directors of Bendigo Community Telco Limited declare that the concise financial report for the financial year ended 30 June 2012 as set out on pages 7 to 26:

- a. Complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b. Is an extract from the full financial report for the year ended 30 June 2012 and has been derived from and is consistent with the full financial report of Bendigo Community Telco Limited.

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

Rob Hunt
Director



Don Erskine
Director



Dated this 5th day of September 2012



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INDEPENDENT AUDITOR'S REPORT

To the members of Bendigo Community Telco Limited

Report on the Concise Financial Report

The accompanying concise financial report of Bendigo Community Telco Limited comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited full financial report of Bendigo Community Telco Limited for the year ended 30 June 2012, and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: *Concise Financial Reports* (including the Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bendigo Community Telco Limited for the year ended 30 June 2012. Our audit report on the full financial report for the year was signed on 5 September 2012 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

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

Independence

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

Auditor's Opinion

In our opinion, the concise financial report including discussion and analysis of Bendigo Community Telco Limited for the year ended 30 June 2012 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

GRAEME STEWART

ANDREW FREWIN STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 5th day of September 2012

Shareholder information

Shareholder information

The shareholder information set out below was current as at 22 August 2012.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	143
1,001 - 5,000	204
5,001 - 10,000	58
10,001 - 100,000	47
100,001 and over	4
Total	456

The number of Shareholdings held in less than marketable parcels is 24.

Top 10 Shareholders

Name of Shareholders	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,112,146	19.6
Erskine Investments Pty Ltd	840,000	14.8
Hunters Ridge Pty Ltd	421,004	7.4
Ron Poyser Administration Pty Ltd	372,000	6.6
Bendigo Senior Secondary College	100,000	1.8
Community Telco Syndicate	98,000	1.7
MGR Property Pty Ltd	90,000	1.6
Bendigo Regional Institute of TAFE	86,000	1.5
Latrobe University	84,000	1.5
Kirkstow Nominees Pty Ltd	64,000	1.1
Total shares held by top 10 holders	3,267,150	57.6

Securities Register

The securities register is managed by AFS & Associates on behalf of Bendigo Community Telco Limited. You can contact the registry by:

Mail: Bendigo Community Telco
Share register
C/- AFS & Associates
PO Box 454
Bendigo Victoria 3552

The information contained in this report is correct and current at 5 September.