

BENDIGO COMMUNITY TELCO LIMITED

A.B.N. 88 089 782 203

2002/03 ANNUAL REPORT

Bendigo Community Telco Limited
ABN 88 089 782 203
2002/03 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 2003.

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
	Mr B Winzar (resigned 25 th October, 2002)

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 \$287,686 (2002 operating loss of \$505,800).

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

Following the commencement of the operation as a Telecommunication carriage service provider in October 2000 and its subsequent developments the services provided have again expanded in the financial year just completed to include provision of satellite services (SatWeb), ADSL (Speedi) and secured data backup/storage (BCTSafe), along with further increases in market share in our existing services.

The purchase of Impulse.net was finalised during the year, completing the transfer of both the operation and ownership of the Internet Service. Other capital acquisition included the purchase of 10% ownership in Community Telco Australia and telecommunications infrastructure (Communications Tower at Specimen Hill).

Bendigo Community Telco is involved in wholesale agreements with AAPT, Camtech, Primus, Optus Networks, Request Broadband, Intercall Australia, Info-In.com, Comindico Australia and Connect Internet Solutions.

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, nor have there been any matters or circumstances which have arisen since the end of the financial year which may significantly affect the operations of the Company in subsequent financial years.

LIKELY DEVELOPMENTS IN OPERATIONS

There are two matters that may significantly affect the operations of Bendigo Community Telco in future years.

Business Continuity Centre - The Centre is to be commissioned in September 2003. BCT is committed to a 5 year term lease for the premises as well as agreements with suppliers for the connectivity and hardware used in the centre. Pre-commitments to utilise the BCC's services are in place with capacity to add additional customers and services.

Community Telco Australia Franchise - BCT will transfer to a Franchise agreement with CTA in the final quarter of 2003. BCT will be charged a franchise fee and will benefit from the increased buying power of the national group as well as enhanced systems and marketing support.

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 18 to the Financial Report.

SHARE OPTIONS

The Company has not issued any share options.

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 2002/03 meetings of directors were held. Attendances were:-

Directors' Meetings		
Directors	No. eligible to attend	No. attended
Rob Hunt	11	10
Don Erskine	11	10
Kathy Byrne	11	5
Les Kilmartin	11	9
Graeme Bastian	11	6
Geoff Michell	11	7
Bruce Winzar ¹	4	4

1. Bruce Winzar – eligible for period 1st July 2002 to 25th October, 2002

INFORMATION ON DIRECTORS

Mr Robert George Hunt – Chairman

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 Limited

Interest in Shares

Direct – 15,001 Shares

Indirect – Bendigo Bank Group 737,001 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

Community Telco Australia 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 737,001 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

LaTrobe University Bendigo, Regional
Advisory Branch

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

Pro Vice Chancellor – LaTrobe University Bendigo

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 – 1 Share

Indirect – LaTrobe University 42,000 Shares

INFORMATION ON DIRECTORS Cont.

Mr Geoffrey Ralph Michell - Director

Qualifications

Diploma of Civil Engineering

MBA

Employment

Chief Executive Officer – 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 Bruce Winzar - Director

Qualifications

BSc. Computing

Grad Dip Management

Dip Bus. Information Processing

Employment

Executive Manager IT & T, City of Greater Bendigo

Interest in Shares

Direct – 0 Shares

Signed in accordance with a resolution of the Board of Directors



Director



Director

Dated this 16th day of September, 2003.

DIRECTORS' DECLARATION

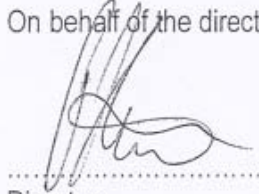
The Directors of the company declare that:

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 2003.
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 16th September 2003



A N D R E W F R E W I N & S T E W A R T
I N D E P E N D E N T A U D I T R E P O R T

T O T H E M E M B E R S O F
B E N D I G O C O M M U N I T Y T E L C O L I M I T E D

Scope

We have audited the financial report of Bendigo Community Telco Limited for the financial year ended 30 June 2003 as set out on pages 1 to 16 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 2003 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.

A handwritten signature in black ink, appearing to read 'D C Hutchings', written over a horizontal line.

D C Hutchings
ANDREW FREWIN & STEWART
Partner
Bendigo
16 September 2003

**STATEMENT OF FINANCIAL PERFORMANCE
 FOR YEAR ENDED 30TH JUNE, 2003**

	Notes	2003	2002
		\$	\$
Total Revenue	2, 20	9,523,534	6,813,673
Cost of Products sold		<u>(6,898,716)</u>	<u>(5,606,366)</u>
Gross Margin		2,624,818	1,207,307
Expenditure			
General Administration	3	(635,556)	(484,485)
Salaries & Associated Costs		(1,271,695)	(902,234)
Advertising & Promotion Costs		(89,157)	(130,996)
Occupancy & Associated Costs		(72,289)	(31,641)
Systems Costs		(77,622)	(48,618)
Depreciation & Amortisation		(132,108)	(46,463)
Borrowing Costs		<u>(58,705)</u>	<u>(68,670)</u>
Total Expenditure		(2,337,132)	(1,713,107)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES BEFORE INCOME TAX EXPENSE		287,686	(505,800)
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>287,686</u>	<u>(505,800)</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE FROM TRANSACTIONS WITH OWNERS AS OWNERS		<u>287,686</u>	<u>(505,800)</u>

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

**STATEMENT OF FINANCIAL POSITION
 AS AT 30TH JUNE, 2003**

	Notes	2003 \$	2002 \$
Current Assets			
Cash Assets	12	761,667	87,474
Receivables	1(g), 5	1,777,045	1,409,298
Inventories		50,637	62,735
Total Current Assets		<u>2,589,349</u>	<u>1,559,507</u>
Non Current Assets			
Property Plant & Equipment	6	553,197	414,413
Investments	7	250,000	0
Total Non-Current Assets		<u>803,197</u>	<u>414,413</u>
TOTAL ASSETS		<u>3,392,546</u>	<u>1,973,920</u>
Current Liabilities			
Payables		1,854,509	1,279,927
Interest Bearing Liabilities	8	181,285	492,372
Provisions	1(d), 9	55,265	61,006
Total Current Liabilities		<u>2,091,059</u>	<u>1,833,305</u>
Non-Current Liabilities			
Interest Bearing Liabilities	8	184,094	127,908
Total Non-Current Liabilities		<u>184,094</u>	<u>127,908</u>
TOTAL LIABILITIES		<u>2,275,153</u>	<u>1,961,213</u>
NET ASSETS		<u>1,117,393</u>	<u>12,707</u>
EQUITY			
Contributed Capital	10	1,955,005	1,138,005
Accumulated Losses	11	(837,612)	(1,125,298)
TOTAL EQUITY		<u>1,117,393</u>	<u>12,707</u>

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

STATEMENT OF CASH FLOWS

	Notes	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		9,155,787	5,962,931
Cash paid to suppliers and employees		(8,464,221)	(6,554,167)
Interest Received		80	88
Other income		0	0
		<hr/>	<hr/>
Net cash used in operating activities	12(b)	691,646	(591,148)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		(398,907)	(102,631)
Purchase of shares Community Telco Australia		(250,000)	0
Proceeds on sale of property plant and equipment		79,855	0
		<hr/>	<hr/>
Net Cash used in investing activities		(569,052)	(102,631)
CASH FLOW FROM FINANCING ACTIVITIES			
Process from issue of shares		817,000	733,000
Net proceeds of borrowings		118,943	0
		<hr/>	<hr/>
Net cash provided by financing activities		935,943	733,000
Net increase in cash held during the financial year		1,058,537	39,221
Cash at the beginning of the financial year		(296,870)	(336,091)
		<hr/>	<hr/>
Cash at the end of the financial year	12(a)	761,667	(296,870)

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	4.5% – 40%
Motor Vehicles	22.5%
Leasehold	4.5% – 7.5%
Telecommunications & Infrastructure	7.5% – 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.

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(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:	2003 \$	2002 \$
Interest Income – Cash and Liquid Assets	80	88
Provision for Doubtful Debts	(31,664)	(27,101)
Capital Raising Costs	(16,700)	(27,238)
Sale of Fixed Assets	79,855	0
Interest Expense	(23,625)	(49,923)
Bad Debts Written Off	(44,035)	0
Loss on sale of property plant and equipment	(58,740)	0

3. AUDITORS' REMUNERATION

Amounts received, or due and receivable by the auditors for	2003 \$	2002 \$
Auditing the financial statements	18,191	5,000
Other Services	35,150	31,082

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:	2003 \$	2002 \$
Operating Profit/(Loss)	287,686	(505,800)
Prima facie tax credit thereon @ 30%	86,306	(151,740)
Income tax attributable to operating Profit/(Loss)		
Tax effect of permanent and other differences:		
Benefit of tax losses not recognised	(86,306)	151,740
	<hr/>	<hr/>
Income tax attributable to operating profit	0	0
	<hr/>	<hr/>

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5. RECEIVABLES

	2003	2002
	\$	\$
Trade Debtors	1,808,709	1,436,399
Provision for Doubtful Debts	(31,664)	(27,101)
	1,777,045	1,409,298

6. 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.

2003	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Carrying amount at the start of the year	227,040	184,625	2,748	0	414,413
Additions	249,310	58,618	5,979	85,000	398,907
Disposals	(64,872)	(63,143)	0	0	(128,015)
Depreciation	(84,538)	(39,189)	(3,295)	(5,086)	(132,108)
Carrying amount at the end of the year	326,940	140,911	5,432	79,914	553,197

7. INVESTMENTS

Reconciliation of the investments at the end of the financial year is set out below:

	2003	2002
	\$	\$
10% Ownership of Community Telco Australia Limited	250,000	0

8. INTEREST-BEARING LIABILITIES

Current Interest-Bearing Liabilities	2003	2002
	\$	\$
Secured by fixed and floating registered mortgage debenture		
Bank Overdraft	0	386,344
Lease Liabilities	114,829	106,028
Bank Loans	66,456	0
	181,285	492,372
Non-Current Interest-Bearing Liabilities		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	104,537	0
Lease Liabilities	79,557	127,908
	184,094	127,908

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9. CURRENT PROVISIONS

	2003	2002
	\$	\$
Provision for Annual Leave	54,804	61,006
Provision for Sick Leave	461	0
	55,265	61,006
TOTAL EMPLOYEE BENEFITS	55,265	61,006

10. CONTRIBUTED CAPITAL

	2003	2002
	\$	\$
Issued and paid up capital		
1,955,005 ordinary shares of \$1 each		
(1,138,005 ordinary shares of \$1 each - 2002)	1,955,005	1,138,005

11. RETAINED LOSSES

	2003	2002
	\$	\$
Balance at the beginning of the financial year	(1,125,298)	(619,498)
Net profit/(loss) from ordinary activities after income tax	287,686	(505,800)
	(837,612)	(1,125,298)
Balance at the end of the financial year	(837,612)	(1,125,298)

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

	2003	2002
	\$	\$
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	761,667	87,474
Bank Overdraft	0	(386,344)
	761,667	(298,870)

(b) Reconciliation of Cash Flow from Operations with Operating Profit after Income Tax:

Operating Profit/(Loss) after Income Tax	287,686	(505,800)
Depreciation of non current assets	132,108	46,463
Increase in trade creditors and accruals	574,582	694,300
Increase/(decrease) in provisions	(5,741)	69,252
Increase in receivables and inventories	(355,729)	(895,363)
Loss on sale of plant property and equipment	58,740	0
	691,646	(591,148)
Cash Flows from Operations	691,646	(591,148)

13. 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.

	2003	2002
	\$	\$
Finance Lease Liabilities		
No later than 1 year	114,829	105,997
Later than 1 year and not later than 5 years	79,557	159,424
Later than 5 years	0	0
	194,386	265,421
Minimum finance lease payments	194,386	265,421
Less future finance charges	(12,500)	(31,516)
	181,886	233,905
Finance Lease Liabilities	181,886	233,905

(b) Operating Leases

Leasing Arrangements

The operating lease relates to the rental of the business premises at View Point, Bendigo, with a lease term of three years, beginning 1st February, 2001. The company does not have an option to purchase the leased asset at the expiry of the lease period.

	2003	2002
	\$	\$
Non-cancellable operating leases		
No later than 1 year	33,167	58,850
Later than 1 year and not later than 5 years	0	34,329
Later than 5 years	0	0
	33,167	93,179
	33,167	93,179

14. FINANCIAL INSTRUMENTS

14 (a) Terms, conditions and accounting policies

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

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

14 (b)(i) Interest Rate Risk

Financial Instrument	Fixed Interest maturing in:					Total Carrying Amount per Statement of Financial Position		Weighted Average Effective Interest Rate	
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Financial Assets</i>									
Accounts Receivable – Debtors					1,781,760	1,781,760	1,409,298	N/A	N/A
<i>Financial Liabilities</i>									
Creditors & Accruals					1,871,723	1,871,723	628,131	N/A	N/A
Bank Overdraft					0	0	(386,344)	8.0	8.0
Loans		66,456	104,537			170,993	0	6.75	N/A
Finance Leases		104,930	76,956			181,886	233,905	10.48	10.78

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14 (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.

14 (c) Fair Values

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

	Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
	2003	2002	2003	2002
Financial Instruments	\$	\$	\$	\$
<i>Financial Assets</i>				
Accounts Receivable – Debtors	1,781,760	1,409,298	1,781,760	1,409,298
Total Financial Assets	1,781,760	1,409,298	1,781,760	1,409,298
<i>Financial Liabilities</i>				
Creditors and Accruals	1,871,723	1,014,506	1,871,723	1,014,506
Bank Overdraft	0	(386,375)	0	(386,375)
Loans	170,993	0	170,993	0
Finance Leases	181,886	233,905	181,886	233,905
Total Financial Liabilities	2,224,602	862,036	2,224,602	862,036

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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.

15. DIRECTORS' REMUNERATION

	2003	2002
	\$	\$
Total remuneration received or due and receivable by the Directors of the Company for the year ended 30 June 2003 was	Nil	Nil

16. EXECUTIVES REMUNERATION

	2003	2002
	\$	\$
Amounts received or due and receivable from the Company by executive officers (including executive directors) whose remuneration is \$100,000 per annum or greater	262,536	260,000

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

Range	2003	2002
	No.	No.
\$100,000 to \$149,999	1	1
\$150,000 to \$199,999	1	1

17. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2003	2002
	\$	\$
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.	0	0
Full particulars are not provided as the directors believe this would be unreasonable.		

18. COMMITMENTS

	2003	2002
	\$	\$
Capital commitments during the year	0	0

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 December, 2003. The organisation is majority owned by Director – Mr D.J. Erskine.

Bendigo Community Telco is currently piloting the Community Telco Project. The Community Telco Project is a project developed by Community Telco Australia (CTA). Community Telco Australia 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. The terms pursuant to which CTA will licence its intellectual property and shared services have not been finalised.

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:

	2003 \$	2002 \$
Telephony Services	4,563,791	3,250,692
Data Services	3,374,478	2,863,784
Mobile Services	647,245	208,668
Internet Services	667,914	376,774
e-Solutions	36,748	113,755
Satellite	9,444	0
Other Revenue	223,914	0
	<hr/>	<hr/>
TOTAL	9,523,534	6,813,673
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21. EVENTS SUBSEQUENT TO BALANCE DATE

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.