

## Report from the Chairman and Chief Executive Officer

It is a great pleasure to be able to present the first annual report to our new shareholders who participated in the successful capital raising. We welcome them to our community owned business and also to report that the strong performance of Bendigo Community Telco in 2004/05 has assisted us to reach several important milestones during the year. Growth in our customer base and the services we offer is essential, in order to build a sustainable business based on the principles of aggregating local demand and passing on benefits to our customers across the community.

Our success in presenting an irresistible proposition to the community and to national telco suppliers can be clearly seen in our growth in turnover from \$12.14 to \$15.42 million (27%). Importantly, this has also been profitable growth. In fact, by August 2004 we had generated sufficient profit to cover the cost of establishing and running this new company – and, in turn, we were able to distribute dividends of approximately \$413,000 to shareholders (\$0.1056 per share). These dividends were confirmation of the success of our strategy and the power of capturing capital flows that only a locally-owned and operated company can offer. In terms of return on equity, our profit represents a solid return of 28.3% on the capital employed.

The demonstrated commitment shown by initial shareholders who funded the business through its formation stage – together with the customer support forthcoming from the Bendigo community and our resulting performance – has recently underpinned a successful capital raising via prospectus. Now having more than 380 local shareholders, our aim is to continue to generate strong shareholder and community returns (to benefit our local economy). Indeed our listing on the Bendigo Stock Exchange has been the first for a local company in 50+ years – and demonstrates the importance of having a market place for SMEs and Community Enterprises across Australia.

During the year, we further consolidated our position by migrating to the in-built support systems of the Community Enterprise™ franchise structure. This move allows Bendigo Community Telco to focus on its primary goal of delivering competitive, relevant, and nationally-negotiated telecommunications to Bendigo businesses and residents.

Communities of the future are being shaped today. Bendigo Community Telco and our new Business Continuity Centre are examples of what can be achieved in Bendigo – if we turn our minds to improving our own prospects by working together as a community. Local ownership effectively gives Bendigo people a chance to set the priorities for the provision of telecommunications services in our district – rather than waiting for such services to be supplied by recognised market leaders.

### Year in Review

Since its inception, Bendigo Community Telco has continued to grow the range of telecommunications products and services it offers. Over the past 12 months two significant services were introduced – GSM mobile phone services and Full Service (ie – local calls and line rentals). The addition of these services means our customers can now obtain all their telco services from us with the convenience of receiving one consolidated bill.

Our staff numbers have grown to 27, and our commitment to providing a genuine personal customer service experience (rather than the traditional call centre support) continues to separate us from our competitors. Indeed at the national ICSP Customer Service Awards our customer service was acknowledged as the best in Australia (*all industries / 15–100 staff*) – and we were again acknowledged by our peer telco companies by receiving the Best Regional Telco Award for the second year running. We have also continued to place staff development at the top of our list of priorities, in order to ensure that our customer and community focus model remains sustainable.

The customer base of BCT has grown to over 5000 customers in total. Our focus has remained on the business sector (with more than 1 in 3 Bendigo businesses now using Bendigo Community Telco) and we are striving to provide solutions for local needs, rather than just providing a standard commodity telco offering. A fine demonstration of this approach has been the ongoing development of our Business Continuity Centre in Flora Hill. Today the centre is already generating a profit and customers are using the Centre for a multitude of services (eg – data back-up and recovery, business continuity and secure hosting). Without the Centre, most of these services simply would have to be sourced outside Bendigo – and therefore this capital would be leaving our local economy.

As detailed in our prospectus, we are looking forward to further enhancing our competitive advantage through the development and implementation of a number of strategic initiatives. We believe our customers will be excited by the new services and facilities we will be able to deliver and the unique value proposition they will represent.

Our residential customer base continues to be based around our Internet Service Provider business (Impulse). However with the introduction of more residentially-based services, we have begun to see growth in this sector. In particular we have been excited by the launch of the Strathfieldsaye Community Enterprise (SCE).

In conjunction with Bendigo Bank, we have entered into a referral agreement with SCE – and the funds generated through this program will be used to support vital local community initiatives in Strathfieldsaye (such as the construction of new sporting grounds). This initiative is a great example of the potential for local communities to realise direct benefits by committing their telecommunications services to Bendigo Community Telco. We are already finding that other local groups are interested in working with us, and we anticipate this side of our business will continue to build as we become closer and closer to the community we serve.

In summary, our strategy of Community Engagement (combined with demand aggregation) is clearly working and helping us to build a viable and sustainable local business. The elements key to our future are consistent with this strategy –

- We will be highly competitive in the telecommunications marketplace through the provision of exceptional service, support and solutions that only a local telecommunications company can offer.
- We will ensure the savings achieved through our Community Telco model will benefit all customers in our district.
- We will become even more relevant to our customer base by realising tangible benefits for the community we serve (eg – assisting local projects to become viable), and by increasing our significant positive impact on the local economy.



Rob Hunt  
Chairman



John Warmbrunn  
CEO