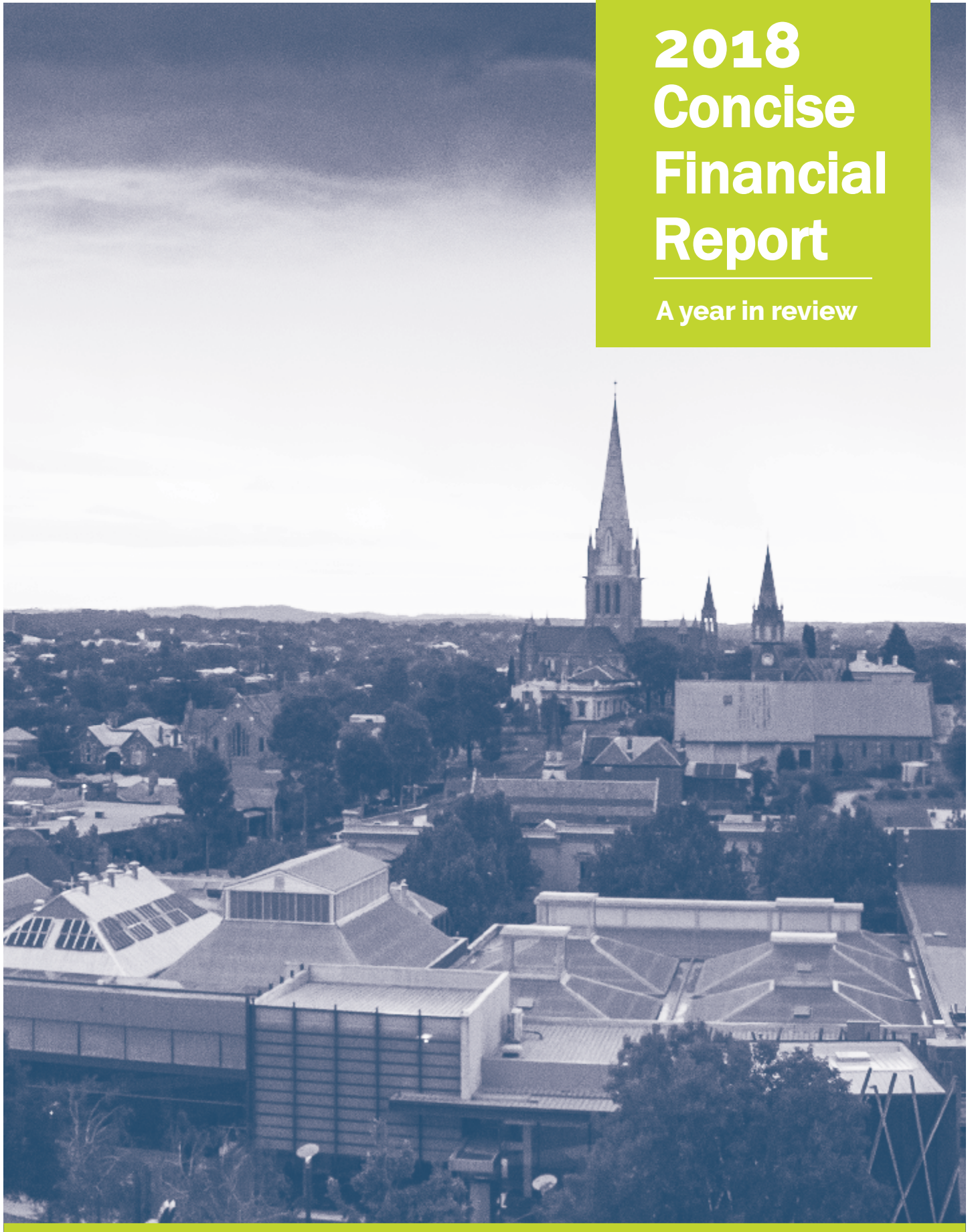


2018 Concise Financial Report

A year in review



Bendigo Telco Limited
ABN 88 089 782 203

REGISTERED OFFICE
23 McLaren Street
Bendigo VIC 3550

OFFICE LOCATIONS
Bendigo Telco
23 McLaren Street
Bendigo VIC 3550

Innovation Court
Kennington 3550

33 Piper Road
East Bendigo 3550

Vicwest Telco
39A Peel Street
Ballarat VIC 3350

Unit 3, 2-6 Rutland Street
Geelong VIC 3220

Tastel
Level 9, 39 Murray Street
Hobart TAS 7000

Suite 2, Level 1 Patterson Street
Launceston TAS 7250

Telephone 1300 228 123
bendigotelco.com.au

SHAREHOLDER ENQUIRIES
Bendigo Telco Share Registry
C/- AFS & Associates
PO Box 454
Bendigo VIC 3552

Telephone (03) 5443 0344

**"WE ARE COMMITTED TO
FEEDING INTO THE PROSPERITY
OF OUR CUSTOMERS AND THEIR
COMMUNITIES, NOT OFF IT."**

2018

CONTENT

CHAIRMAN AND CEO REPORT	4-7
COMPANY VISION & MISSION STATEMENT	8-9
COMPANY STATISTICS	10-11
TIMELINE OF FINANCIAL YEAR HIGHLIGHTS	12-13
COMMUNITY SUPPORT	14-15
DEPARTMENT GOALS	16
OPERATING AND FINANCIAL REVIEW	18-19
CORPORATE GOVERNANCE STATEMENT	20
DIRECTORS REPORT	21-31
AUDITORS INDEPENDENCE DECLARATION	32
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	33
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	34
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	35
CONSOLIDATED STATEMENT OF CASH FLOWS	37
NOTES TO THE CONCISE FINANCIAL REPORT	38-40
DIRECTORS DECLARATION	41
INDEPENDENT AUDITORS REPORT	42
SHAREHOLDER INFORMATION	43

CHAIRMAN & CEO REPORT

BY ROB HUNT - CHAIRMAN
& JEFF JORDAN - CEO



THE 2018 FINANCIAL YEAR WAS AGAIN A PERIOD OF INVESTMENT AND DEVELOPMENT AT BENDIGO TELCO, OVER WHICH WE DELIVERED ANOTHER SUCCESSFUL TRADING YEAR AND A SOUND PROFIT RESULT.

During the period it has become quite commonplace to see announcements in the mainstream media about the challenges that beset the telco space. The key driver of this disruption has of course been the National Broadband Network (NBN) that is rapidly being rolled-out across Australia and has already delivered an improved broadband experience to more than 4 million locations. For the established telco industry however, the NBN roll-out has brought with it sharply reduced revenue and margins, across the full range of telco market segments. This ongoing industry disruption will present both challenges and opportunities for our company.

I am pleased to be able to report to shareholders that our business delivered a healthy 26.8% increase in earnings per share (EPS) as compared to the full

2017 financial year. This result, produced against a backdrop of testing market conditions underscores the success that the business has achieved in integrating the telco assets we purchased from the Bendigo Bank in FY2017. This improved outcome has enabled our Board of Directors to declare a fully franked dividend of 8.0 cents for the latest half, bringing the total dividend payment to 12.0 cents across the full financial year.

As a business, our purpose is the same today as when we were founded eighteen years ago – to be Australia's leading customer and community engaged technology solutions partner.

We are committed to feeding into the prosperity of our customers and their communities, not off it.

We seek to achieve this by:

- Ensuring we remain relevant, connected and valued by our customers.
- Creating genuine community partnership through meaningful engagement and relevant contribution in the regions we serve.
- Minimising the telecommunication inequity experienced by regional businesses as compared with our capital city competitors.
- Maximising the retention of human, intellectual and financial capital within our regions.
- Providing an alternative to the Tier 1 telco suppliers whilst ensuring that a portion of our customer's telco spend is returned directly to community activities across our regions.

With the increasing commoditisation of telecommunication products, our customer and community values are a powerful reason that our customers choose to stay with us, year after year. We work hard to remain relevant and connected to our communities and our customers. Our customers don't simply buy what we do, they buy why we do it! Our commitment to this fundamental difference in the way we do business will continue to be our highest priority and ensure that we remain a strong company - even as the telecommunications industry continues to undergo rapid change.

FURTHER EXPANSION OF OUR BUSINESS

Just as the Industry as a whole continues to change, Bendigo Telco has been undergoing some important strategic changes of its own. In February of this year, Bendigo Telco entered into a further agreement with the Bendigo Bank to acquire all of its remaining telco business.

The transaction, which was EPS neutral for the current financial year enabled us to acquire a further 10,500 telco customers. This acquisition of the final tranche of the Bank's direct telco customers is an important addition to the scale of our business and also establishes the company as the Bank's preferred telco provider on behalf of its customers. The transaction further underscores the strength of the relationship between Bendigo Telco and the Bendigo Bank that has developed over many years.

As a result of our customer base expansion over the recent past, our revenue grew 13.1% to \$35.3M

as compared to the FY2017 figure of \$31.2M. For the same period, NPAT grew 32.7% to \$1.2M as compared to the FY2017 figure of \$0.9M.

FINANCIAL YEAR HIGHLIGHTS

- Completion of the integration of the remaining Bendigo Bank telco customers into our business.
- Strengthening of the important strategic partnership between Bendigo Telco and the Bendigo Bank. One result of this is that the Bendigo Bank transferred their voice services to our business during the financial year, generating more than \$200K in additional revenue per month.
- Renewed focus on automation to lower our cost to serve customers – especially in the consumer and small business sector.
- Reorganisation of the business into three distinct divisions - Bendigo Bank, Business & Enterprise, and the Consumer & Micro Business - to enable us to better serve our customers with differing needs.
- Continued R&D investment to broaden the range of solutions that we make available to our customers in each of the market segments that we serve.

INDUSTRY TRENDS

With the NBN rollout now more advanced, its effects upon our business and our industry have come into sharper focus. However, we believe that we now have a sound understanding of how to operate as a business in this new paradigm.

As the NBN moves into a particular region, customers are responding by moving to switch their data services from ADSL to the new NBN network.

At the same time, customers are also moving away from traditional 'fixed-line' voice to voice delivered over their NBN data connection.

This change has the effect of reducing both revenue and margins retained by Bendigo Telco for this type of service. We have found, however, that as the NBN rolls through a region where we are present, we actually gain customers as a result.

**OUR PURPOSE IS THE SAME TODAY
AS WHEN WE WERE FOUNDED
EIGHTEEN YEARS AGO –
TO BE AUSTRALIA'S LEADING
CUSTOMER & COMMUNITY ENGAGED
TECHNOLOGY SOLUTIONS PARTNER.**

This has helped us maintain our revenues as this process continues. We have also worked hard with our wholesale suppliers over the financial year which has made a positive difference to our retained margins.

The second major industry trend active in our marketplace at present is the introduction of additional competition into the mobile technology space. Aggressive buildout of mobile capacity by the majors with increasing amounts of data for consumers will result in a reduction in the margins seen from mobile products. This trend will have an effect on Bendigo Telco over the medium term, as end user prices are reduced, however our strong relationships with our wholesale suppliers will help us lessen the effects of this on our business.

OUR COMPETITIVE ADVANTAGE

The telco landscape has changed rapidly over the last few years for all participants in the marketplace – every telco business has been affected, whatever their size or market position. Our competitive position is based on the relationships that we have developed with our customers and the communities that we serve.

Over the last year we have increased our focus on engagement with our customers and the delivery of outstanding customer service. We believe that this will be of great benefit to us and enable us to retain our customers as the telco market becomes even more commoditised.

One of our key focus areas has always been the ‘mid-tier’ marketplace – business customers with between 50 to 500 employees. In this market segment we have a rich set of existing relationships and have continued to add depth in this area over the last financial year. We have a strong technical capability around

Telephony, Cloud and Networking and this enables us to deliver additional value to this customer segment - that rarely has this skill-set ‘in house’. We are actively expanding our product set for the mid-tier including the launch this year of a new ‘Backup as a Service’ offering that has been well received by our customers.

KEY STRATEGIC PRIORITIES FOR THE YEAR AHEAD

As we manage the company over the next year, we will pay particular attention to a number of key strategic priorities across the business, including:

- During the FY Bendigo Telco welcomed around 10,500 new customers who came to us from our partner the Bendigo Bank. We must continue to ensure that these customers are well cared for and that they understand why they can trust us to deliver their telco services.
- Putting the needs of our customers first is one of our core principles. We are improving our ability to rapidly respond to the needs of our customers – both in person and by using new technologies.
- We believe that we can grow the business over the medium term by deeply understanding the needs of our customers, so we continue to deliver the relevant products, service and experience that will support the achievement of their goals.
- Our business was created to serve the needs of the Bendigo community. As we have matured and expanded, it is important that we work to extend our positive impact in other communities, especially in key regional areas such as Geelong and Ballarat. We are more closely aligning our community focus with that of the Bendigo Bank to increase our impact in this area.

OVER THE LAST YEAR WE HAVE INCREASED OUR FOCUS ON ENGAGEMENT WITH OUR CUSTOMERS AND THE DELIVERY OF OUTSTANDING CUSTOMER SERVICE. WE BELIEVE THAT THIS WILL BE OF GREAT BENEFIT TO US AND ENABLE US TO RETAIN OUR CUSTOMERS AS THE TELCO MARKET BECOMES EVEN MORE COMMODITISED.



ACKNOWLEDGEMENTS

I would like to thank our Board of Directors for the leadership they have shown in guiding our business through these complex times of mergers, acquisitions and industry disruption. To our customers and communities – thank you for allowing us the opportunity to continue to serve you across the years. It is your loyalty that has kept us strong and enabled us to grow. Thank you as well to our dedicated team of management and staff for the commitment you



ROB HUNT - CHAIRMAN

have shown to the needs of the customers that make our business strong.

The telecommunications business is a complex one that is currently undergoing a period of rapid change.

I believe that if we are true to our purpose and put the interests of our customers and communities first that we will continue to grow and prosper as a business.



JEFF JORDAN - CEO

"I BELIEVE THAT IF WE ARE TRUE TO OUR PURPOSE AND PUT THE INTERESTS OF OUR CUSTOMERS AND COMMUNITIES FIRST THAT WE WILL CONTINUE TO GROW AND PROSPER AS A BUSINESS."

ROB HUNT



OUR PURPOSE

TO BE AUSTRALIA'S LEADING CUSTOMER & COMMUNITY ENGAGED TECHNOLOGY SOLUTIONS PARTNER.

OUR MISSION

- Engage & strengthen the communities in which we operate to foster sustainability, growth and partnerships
- Create lasting, meaningful and trusted relationships with our customers
- Enable successful customer outcomes through innovative solutions
- Develop a culture where integrity, passion, teamwork and diversity are recognised and celebrated
- Provide our staff with industry recognised training and career advancement opportunities
- Recognise the importance of family and a sound work-life balance
- Provide an opportunity for our shareholders to participate in the delivery of a strong community dividend
- Ensure our staff, customers, shareholders and suppliers all feel proud to be associates of our group

OUR VALUES

HONESTY & INTEGRITY

We will demonstrate honesty and integrity in all our dealings.

PASSION

We are passionately committed to the success of our business, staff and customers.

FUN

We encourage a fun working environment and celebrate our successes.

ENGAGEMENT

We will actively engage with our customers, staff and the community.

LIVING THESE VALUES ENABLES US TO DELIVER INNOVATIVE OUTCOMES FOR OUR CUSTOMERS & OUR COMMUNITIES.

COMPANY STATS.

TOTAL COMPANY TURNOVER **\$35,363,998**

The consolidated profit of the Group amounted to \$1,215,276 after income tax.

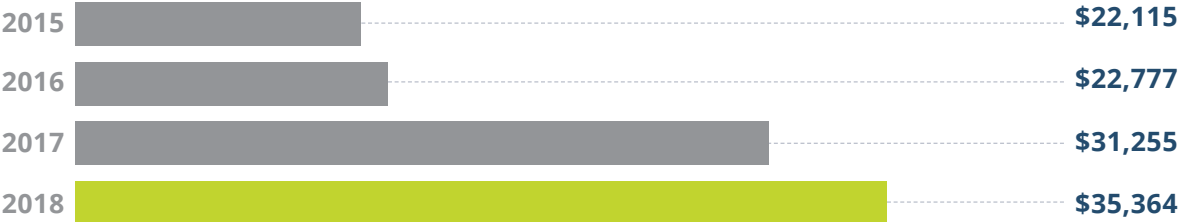
REVENUE INCREASED +13.15%

Total company revenue increased from the previous year.

NET PROFIT INCREASE +32.64%

Increase on results reported for the previous year.

TOTAL REVENUE

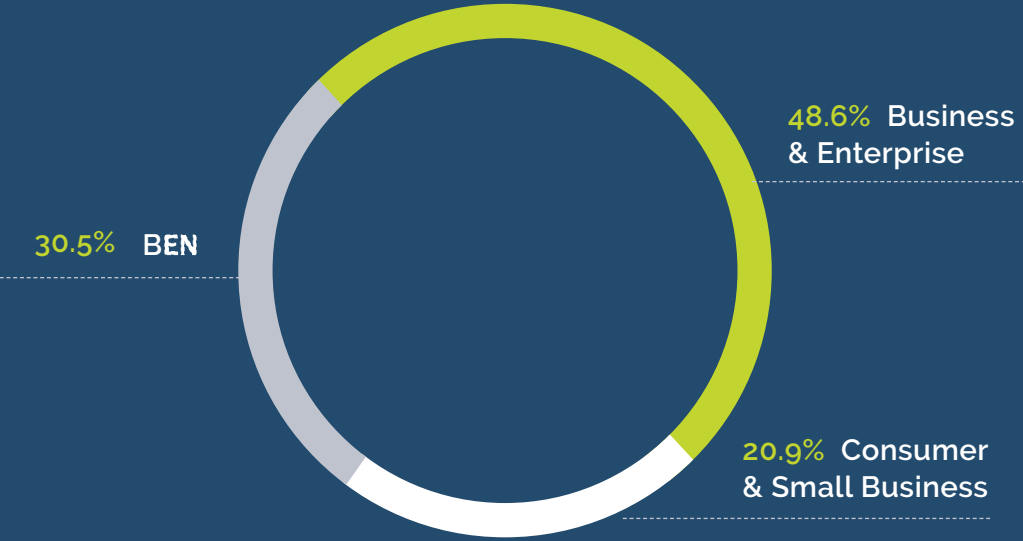


100+
STAFF MEMBERS

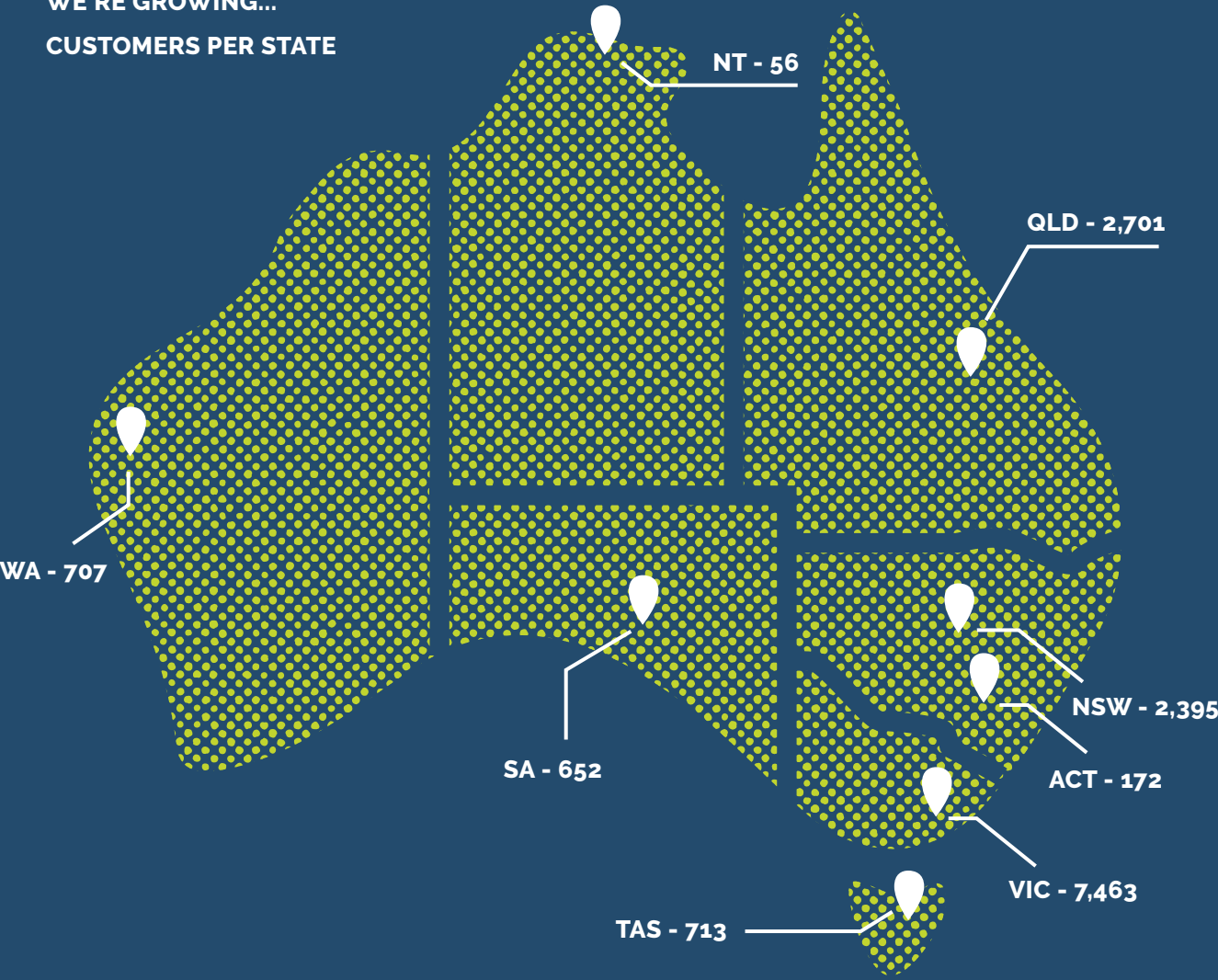
18
YEARS IN BUSINESS

12c
FY 17/18 DIVIDEND

REVENUE PER DIVISION



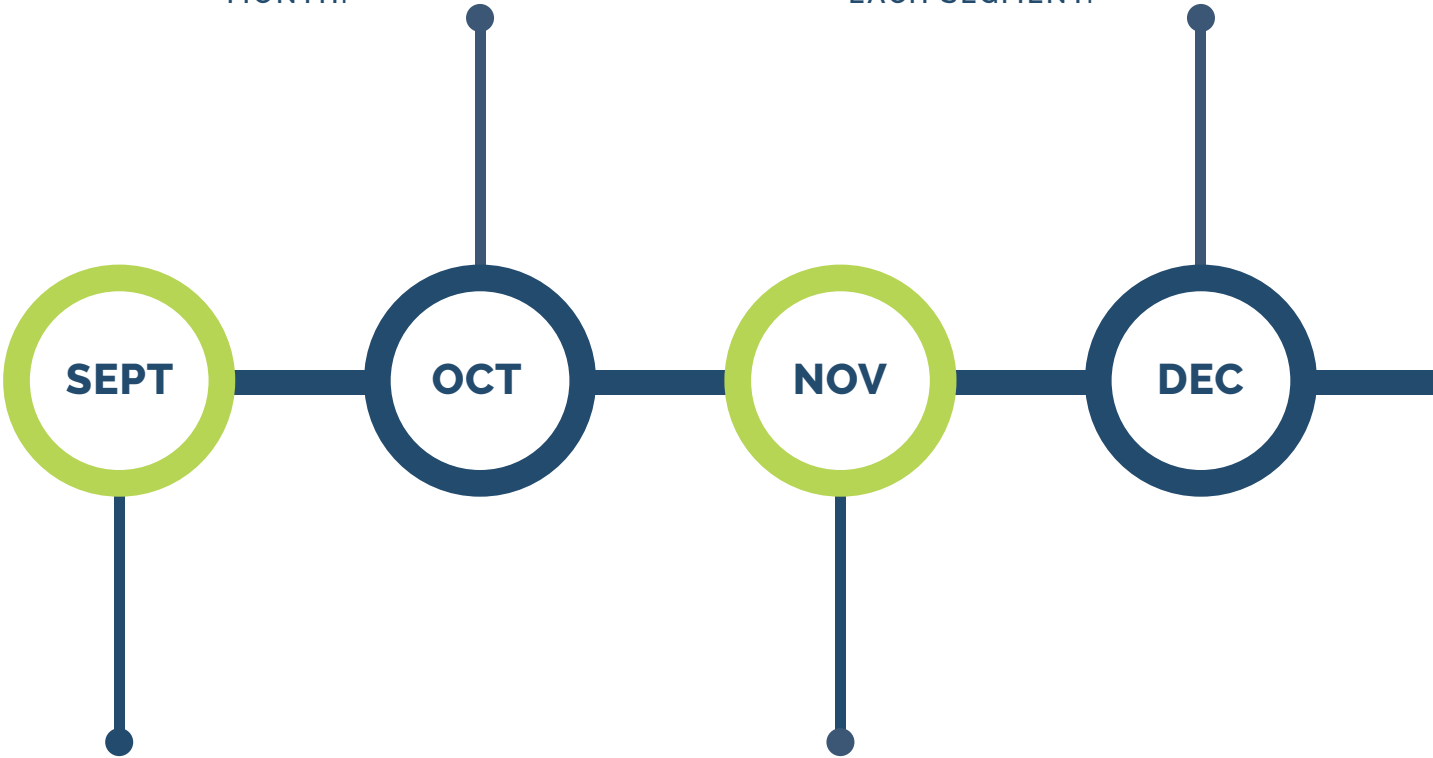
WE'RE GROWING...
CUSTOMERS PER STATE



2018 FINANCIAL YEAR HIGHLIGHTS

THE BANK TRANSFERRED THEIR VOICE SERVICES TO OUR BUSINESS, GENERATING MORE THAN \$200K IN REVENUE PER MONTH.

CONTINUED RESEARCH & DEVELOPMENT TO BROADEN THE RANGE OF SOLUTIONS WE MAKE AVAILABLE IN EACH SEGMENT.

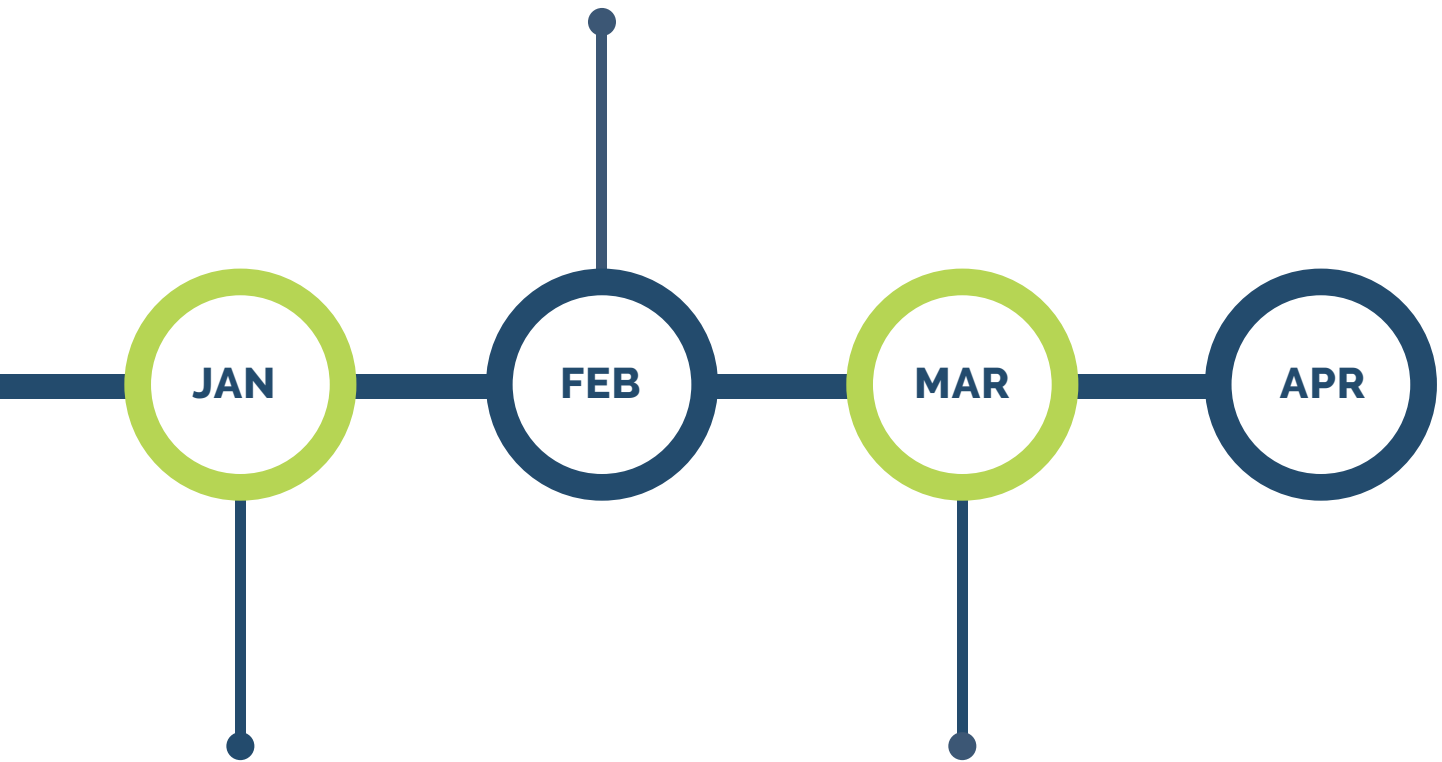


RENEWED FOCUS ON AUTOMATION TO LOWER OUR COST TO SERVE CUSTOMERS. ESPECIALLY IN THE CONSUMER & SMALL BUS. SECTORS.

BENDIGO BANK MOBILES SUCCESSFULLY MIGRATED TO BENDIGO TELCO.



COMPLETION OF THE INTEGRATION OF THE REMAINING BENDIGO BANK TELCO CUSTOMERS INTO OUR BUSINESS.



RE-ORGANISATION OF THE BUSINESS INTO 3 DISTINCT DIVISIONS TO ENABLE US TO BETTER SERVE OUR CUSTOMERS.

FIRST BENDIGO TELCO BILL GENERATED FOR ACQUIRED BENDIGO BANK TELCO CUSTOMERS.

- 1. CONSUMER & SMALL BUSINESS
- 2. BUSINESS & ENTERPRISE
- 3. BENDIGO BANK

COMMUNITY SUPPORT

Bendigo Telco supports our local communities in many ways. From grants and sponsorships to helping build playgrounds and athletic facilities, so much of this is achieved through our ongoing partnerships with our Local Community Enterprises.

Through these partnerships, Bendigo Telco shares a portion of the profits from each customer's telco services with the Community Enterprise of their choice.

Over the past 12 months, Bendigo Telco has contributed to various projects around the community making a real difference to the lives of people in the area. Some of the projects include the Eaglehawk Regional Play Space, the multi-million dollar Gurri Wanyarra Wellbeing Centre and the addition of new sensory equipment to the Bendigo Community Toy Library.



**BENDIGO COMMUNITY TOY LIBRARY
(PICTURED LEFT)**

STAR CINEMA UPGRADE TO COUCHES

**KANGAROO FLAT GURRI WANYARRA
WELLBEING CENTRE**

**MULTIPLE DEFIBRILLATORS
THROUGHOUT THE COMMUNITY**

**EPSOM SKATE PARK DESIGN &
PROJECT (PICTURED RIGHT)**

**BENDIGO BMX CLUB
(PICTURED RIGHT)**

FLITE BASKETBALL CLUB



BENDIGO HAWKS SWIMMING CLUB
(PICTURED RIGHT)

STRATHFIELDSAYE PRESCHOOL

BENDIGO NORTHERN FLAMES
& NORTH BENDIGO FOOTBALL
NETBALL CLUB



BOOKS FOR BABIES
(PICTURED LEFT)

RSL SOLDIERS MEMORIAL
INSTITUTE MILITARY MUSEUM
PROJECT

DAI GUM LOONG



EAGLEHAWK CRICKET CLUB

EAGLEHAWK REGIONAL PLAY
SPACE

THE GREAT STUPA CARPARK
DEVELOPMENT (PICTURED RIGHT)



DEPARTMENT GOALS

BUSINESS & ENTERPRISE

- Improve our customer's experience and NPS result.
- Increase the take up of strategic products, such as cloud computing.
- Improve engagement within the business community to enable outcomes for our regions.

CONSUMER & SMALL BUSINESS

- Invest in staff development and culture.
- Establish a clear point of difference of value in the Consumer and Small Business market.
- Continually improve our customer support experience.

BEN

- Maintain exceptional customer experience.
- Continue to increase the value we add to the bank.
- Foster the relationship at all levels and increase engagement.

CORPORATE

- Continue to return strong shareholder and community dividends.
- Continued investment and engagement in our communities.
- Continued investment in the development and advancement of our staff.

COMPANY SIZE

We have experienced significant growth over the past seven years.

JULY 2011

60

STAFF MEMBERS

JULY 2018

101

STAFF MEMBERS



OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were telecommunications services.

OPERATING RESULTS AND REVIEW OF OPERATIONS

The concise financial report is an extract from the full financial report for the full year ended 30 June 2018. The financial statements and disclosures in the concise report have been derived from the 2018 financial report of Bendigo Telco Limited and Controlled Entities. The concise financial report cannot be expected to provide as full an understanding of financial performance, financial position and financing and investing activities as the full financial report. 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.

About Bendigo Telco

Headquartered in Bendigo Victoria, Bendigo Telco is a provider of a broad range of telecommunications services to both business and consumer customers. Our key strategic focus is in delivering managed telco services to the mid-tier business marketplace – businesses that have between 50 to 500 employees. Our deep technical capability enables us to build flexible solutions for this market segment that has traditionally been underserved by the larger telco players.

The business has worked hard during the year to increase the breadth of our product offering to the mid-tier, including the launch of a new 'Backup as a Service' offering that has been well received by our customers. It is in this market segment where we believe we can grow the business over the medium term. We will focus on deeply understanding the needs of these customers, to ensure that we continue to deliver the relevant products, service and experience that will support the achievement of our customers' goals.

Additionally, during this financial year Bendigo Telco entered into a further agreement with the Bendigo and Adelaide Bank to acquire all of its remaining telco business. The transaction, which was EPS neutral for the current financial year enabled Bendigo Telco to acquire a further 10,500 telco customers. This acquisition of the final tranche of Bendigo and Adelaide Bank's direct telco customers is an important addition to the scale of our business and also establishes Bendigo Telco as Bendigo and Adelaide Bank's preferred telco provider on behalf of its customers. The transaction further underscores the strength of the relationship between Bendigo Telco and the Bendigo and Adelaide Bank that has developed over many years.

The roll-out of the National Broadband Network (NBN) continues to have an effect on the entire telco industry – and our business has not been immune from this. With the NBN delivery now more advanced, its effects upon our business and our industry have come into sharper focus. However, we believe that we now have a sound understanding of how to operate as a business in this new paradigm. As the NBN moves into a particular region, customers are responding by moving to switch their data services from ADSL to the new NBN network. At the same time, customers are also moving away from traditional 'fixed-line' voice to voice delivered over their NBN data connection.

This change has the effect of reducing both revenue and margins retained by Bendigo Telco for this type of service. We have found, however, that as the NBN rolls through a region where we are present, we actually gain customers as a result. This has helped us maintain our revenues as this process continues. We have also worked hard with our wholesale suppliers over the financial year which has made a positive difference to our retained margins.

The guiding purpose of Bendigo Telco is to be 'Australia's leading customer and community engaged technology solutions partner'. We are proud to have worked with a broad range of community organisations during 2018 to help them make the communities that we serve a better place to live.

Bendigo Telco Limited and Controlled Entities
ABN 88 089 782 203
Concise Financial Report for the Year Ended 30 June 2018

Financial and Operating Performance

Year ended 30 June (\$'000)	2018	2017	Change (%)
Revenue	35,364	31,255	13.15%
Gross margin	16,575	14,140	17.22%
Net profit after tax	1,215	916	32.64%
Earnings per share (cents)	15.69	12.37	
Dividend (cents per share)	12.0	13.0	

Total company revenue increased 13.15% from the prior year delivering a total turnover of \$35,363,998.

The consolidated profit of the Group amounted to \$1,215,276 after providing for income tax. This represents a 32.64% increase on the results reported for the year ended 30 June 2017. The improved financial performance of the Group reflects the company's ability to take advantage of its increased customer base and scale following the merger and customer acquisitions over the last 2 years.

The net assets of the Group increased by \$276,890 from 30 June 2017 to \$10,154,376 as at 30 June 2018. The Group generated strong cash flows from operating activities and continued to maintain a sound working capital with current assets exceeding current liabilities by \$813,794.

The telecommunications industry is currently undergoing a period of rapid change driven by the rollout of the NBN network and increased competition in the mobile space. Our primary focus will continue to be the mid-tier marketplace where we have a strong customer base and sustainable competitive advantage. The company will continue to put the interests of our customers and communities first, and believes that by doing so we will continue to grow and prosper as a business.

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 group that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Since the end of the financial year a fully franked final dividend in the amount of 8.0 cents per share was declared by the Board of Directors on 29 August 2018 which will be distributed to shareholders on 1 October 2018.

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 Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Disclosure of information relating to major development in the operations of the Group 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 Group, is contained in the Report by the Chairman and Chief Executive Officer on page 4.

ENVIRONMENTAL ISSUES

The group is not subject to any significant environmental regulation.

SECURITIES REGISTER

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

Mail:	Bendigo Telco Share Register C/- AFS & Associates PO Box 454 Bendigo Victoria 3552	Telephone:	(03) 5443 0344
		Email:	shares@bendigotelco.com.au

The information contained in this report is correct and current at 30 June 2018.

CORPORATE GOVERNANCE STATEMENT

Bendigo 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 Telco Limited have adopted the following principles of Corporate Governance. The policies may be viewed on the group 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 were Directors Rob Hunt, Graham Bastian, Andrew Watts, Rod Payne, Don Erskine and Greg Gillett.
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 Group's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. The members of the of the Remuneration Committee were Directors Rob Hunt, Don Erskine and Andrew Watts.
5. A Continuous Disclosure policy which complies with the obligations imposed by National Stock Exchange (NSX) Listing Rules and the *Corporations Act 2001*. This policy requires immediate notification to the NSX of any information concerning the group, 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 group shares.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed in the director's report.

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2018

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred herein as the Group) consisting of Bendigo Telco Limited and its controlled entities for the financial year ended 30 June 2018. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2018 and is to be read in conjunction with the following information:

GENERAL INFORMATION

DIRECTORS

The following persons were directors of Bendigo Telco during or since the end of the financial year up to the date of this report:

Mr R Hunt (Chairman)	Mr J Selkirk
Mr G Bastian	Mr R Payne
Ms M O'Sullivan	Mr K Dole
Mr D Erskine	Mr G Gillett (appointed 1 September 2017)
Mr A Watts (resigned 20 June 2018)	

Particulars of each director's experience and qualifications are set out later in this report.

DIVIDENDS PAID OR RECOMMENDED

Ordinary Dividends Paid:

	Cents	\$
Final – September 2017	8.0	619,622
Interim – March 2018	4.0	309,810
	12.0	929,432

Ordinary Dividends Declared:

Final - October 2018	8.0	620,623
----------------------	-----	---------

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The group has indemnified all directors, officers and the managers in respect of liabilities to other persons (other than the group or related body corporate) that may arise from their position as directors, officers or managers of the group 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 group has not provided any insurance for an auditor of the group or a related body corporate.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

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

The Board of Directors, in accordance with advice from the Audit and Risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the following services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk committee prior to the commencement to ensure they do not adversely affect 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.

The following fees were paid or are payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2018:

	\$
Taxation services	1,020
Share registry services	<u>20,171</u>
	<u><u>21,191</u></u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 32 of the financial report.

OPTIONS

The Group has not issued any share options.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed below.

Mr Robert George Hunt – AM, FAICD - Chairman

Occupation	Treasury Corporation of Victoria – Chairman (retired 30 June 2017)
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. 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 economic opportunities.
Interest in shares	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 418,758 Shares
Special Responsibilities	Chair of Remuneration Committee and Member of Audit and Risk Committee.
Other Directorships & Appointments	Director, Apollo Bay Central District Community Bank since 2011; Director, BEUT Property Pty Ltd
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 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 and DJE Investments Pty Ltd (Yourland Developments). 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 939,326 Shares
Special Responsibilities	Member of Remuneration Committee and Member of the Audit and Risk Committee.
Other Directorships	Nil



Mr Graham William Bastian – Director

Occupation	Consultant
Qualifications	Dip Engineering - Civil (Swinburne), Dip Ed (Hawthorn State College)
Experience	<p>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.</p> <p>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, Graham serves as an independent member of the Audit Committee of the City of Greater Bendigo.</p>
Interest in shares	Direct – 0 Shares Indirect – Jeanette Bastian 2,000 Shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

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 a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc.
Interest in Shares	Direct - 44,711 Shares
Special Responsibilities	Nil
Other Directorships	Nil

Mr Andrew Watts – Director

Occupation	Executive, Customer Service Improvement, Bendigo and Adelaide Bank
Qualifications	Bach. Engineering (Civil), Grad Dip, Business Administration
Experience	<p>Andrew is a seasoned finance industry executive, with extensive experience in technology, organisational change, mergers and acquisitions and customer service.</p> <p>He worked for Bendigo and Adelaide Bank for 23 years, and was a member of its Executive Committee from 2007 to 2017. He has held various senior positions in strategic planning, marketing, retail, electronic banking / payments, technology, operations and change.</p> <p>Andrew has led a number of strategic programs including the technology integration of Bendigo and Adelaide Bank as Chief Information Officer.</p> <p>In his previous role as Executive, Customer Service Improvement Andrew oversaw the bank’s national processing centres, national properties, corporate sourcing and continuous improvement programs. Andrew retired from the bank in 2018.</p> <p>Andrew is former director of TicToc Online Pty. Ltd., a fintech who launched the world’s first instant home loan in 2017.</p> <p>Living in Melbourne, Andrew is highly active in the Central Victorian community through his passion for youth development and the arts.</p>
Interest in shares	Direct – Nil
Special Responsibilities	Member of Audit and Risk Committee and is a Member of the Remuneration Committee
Other Directorships	TicToc Online Pty. Ltd.

Kevin Dole – Director

Occupation Head of Technology Solutions and Services , Bendigo and Adelaide Bank
Qualifications Associate Diploma in Information Processing (Latrobe)
Experience Kevin has worked for Bendigo and Adelaide Bank for 30 years.
 During that time his career has been in the Information Technology Division.
 Throughout his career he has held a number of senior technical and leadership roles.
 He has considerable experience in large program delivery inclusive of merging and integrating technology based solutions.

Interest in shares Direct – Nil
Special
Responsibilities Nil
Other Directorships Nil

Rod Payne – Director

Occupation Principal Harwood Andrews Lawyers
Qualifications Bachelor of Law (Melbourne University)
Experience Rod has been a lawyer in commercial practice for 35 years and has been a partner at Harwood Andrews since 2000.
 Rod was a director of Geelong Community Telco Pty Ltd and Vicwest Community Telco prior to the amalgamation of Vicwest with Bendigo Telco Ltd.
 In his legal practice Rod has undertaken a broad range of commercial work and in his role in Karingal and Karingal St Laurence has been involved in major developments and mergers.

Interest in shares Indirect - Linrod Holdings Pty Ltd atf the Payne Superannuation Fund A/C 2,268 shares
 Indirect - Linrod Holdings Pty Ltd atf the Payne Investment Trust A/C 4,821 shares

Special
Responsibilities Member of Audit and Risk Committee
Other Directorships Director - The Legal Lantern Group
 Director - Karingal St Laurence

Jonathon Selkirk – Director

Occupation Chief Financial Officer, The Gull Group Ballarat.
Qualifications Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
Experience Jock has held executive roles across several industries including financial services, manufacturing, building and property development. Jock started his career as a chartered accountant, then moved into banking & financial services in both Melbourne & London and was CFO at Selkirk Brick for 11 years prior to his current role as CFO at the Gull Group. He has experience in driving business growth together with commercial acumen and an analytical focus. He has held several executive and non-executive director roles and has experience in governance, risk & compliance management, as well as people and culture development. Jock is a mentor for the Leadership Ballarat & Western Region Program run by the Committee for Ballarat, and is also actively involved in other community programs.

Interest in shares Nil
Special
Responsibilities Nil
Other Directorships Board member Ballarat and Clarendon College, Ballarat.

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2018

Greg Gillett – Director

Occupation	Consultant
Qualifications	Senior Fellow of the Financial Services Institute of Australia.
Experience	<p>Greg is a semi-retired Bank Executive with 37 years of experience in the banking industry (20 years at NAB and 17 years at Bendigo Bank).</p> <p>The last 10 years of his working life being in Executive roles and the Bendigo Bank. Greg has held Executive roles covering Retail Banking, Marketing, Human Resources, Strategic Planning and Community Development.</p> <p>Greg has been a company Director of both private and publicly listed companies.</p>
Interest in shares	Direct - 24,108 shares
Special	
Responsibilities	Chairman of Audit and Risk Committee
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, GAICD, 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.

MEETINGS OF DIRECTORS

During the financial year, 18 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

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	12	12	4	4	1	1
Graham Bastian	12	12	4	4	-	-
Don Erskine	12	11	4	2	2	1
Michelle O'Sullivan	12	10	-	-	-	-
Andrew Watts	12	9	4	3	2	2
Kevin Dole	12	11	-	-	-	-
Jonathon Selkirk	12	11	-	-	-	-
Rodney Payne	12	10	4	4	-	-
Gregory Gillett	10	10	3	3	-	-

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 group 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 group's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the group, controlled entity or related body corporate other than interests and benefits disclosed at Note 28 to the Full Financial Statements.

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 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 Telco Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and incentives based on key performance areas affecting the group's financial results. The Board of Bendigo Telco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the group is as follows:

- The remuneration policy, setting the terms and conditions for the KMP, 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 Remuneration Committee 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 KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the group'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.

KMP receive, at minimum a superannuation guarantee contribution required by the government, which is currently 9.5% of the individuals average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the group and expensed. KMP are also entitled and encouraged to participate in the employee share plan to align directors' interests with shareholder interests. Shares given to KMP 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 KMP'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 KMP 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.

Share-based payments

The Group's share-based payments are disclosed at Note 27 to the Full Financial Statements.

Directors

From the inception of Bendigo 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
Donald Erskine	Director
Graham Bastian	Director
Michelle O'Sullivan	Director
Andrew Watts	Director (resigned 20 June 2018)
Kevin Dole	Director
Jonathon Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director (appointed 1 September 2017)

(ii) Executives

Jeffery Jordan	Chief Executive Officer
Jim Nielsen	Chief Operating Officer
Adam Murdoch	Chief Technology Officer
Jason Sim	Executive General Manager Consumer and Small Business
Steven Wright	Chief Financial Officer
Stephen Culpitt	General Manger Customer Service (resigned 28 January 2018)
Jarrold Draper	Executive General Manager Business and Enterprise

Group 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 Telco Limited, as well as the share price at the end of the respective financial years.

Analysis of the actual figures show consistent profits each year, with the exception of 2017 which fell as a result of additional operational and acquisition costs associated with the implementation and consolidation of a business merger. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 9.17% fully franked. The Board is satisfied with the group's progress which can be attributed in part to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2014	2015	2016	2017	2018
Revenue	\$22.0M	\$22.1M	\$22.8M	\$31.9M	\$35.4M
EBITDA	\$2.96M	\$2.61M	\$3.06M	\$3.08M	\$3.86M
Net profit	\$1.59M	\$1.13M	\$1.29M	\$0.91M	\$1.22M
Share price at year end	\$1.65	\$1.95	\$2.04	\$2.10	\$1.95
Dividends paid	16.5 cents	20.0 cents	17.0 cents	13.0 cents	12.0 cents

Bendigo Telco Limited and Controlled Entities
ABN 88 089 782 203
Concise Financial Report for the Year Ended 30 June 2018

Details of remuneration for year ended 30 June 2018

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

		Short-term benefits		Post-employment benefits	TOTAL	Proportion of remuneration that is performance based %
		Cash Salary and Fees		Superannuation		
Robert Hunt	2018	13,699		1,301	15,000	-
	2017	13,699		1,301	15,000	-
Graham Bastian	2018	15,000		-	15,000	-
	2017	15,000		-	15,000	-
Donald Erskine	2018	-		15,000	15,000	-
	2017	-		15,000	15,000	-
Michelle O'Sullivan	2018	13,699		1,301	15,000	-
	2017	13,699		1,301	15,000	-
Andrew Watts	2018	13,699		1,301	15,000	-
	2017	13,699		1,301	15,000	-
Kevin Dole	2018	13,699		1,301	15,000	-
	2017	11,416		1,084	12,500	-
Jonathon Selkirk	2018	13,699		1,301	15,000	-
	2017	11,416		1,084	12,500	-
Rodney Payne	2018	15,000		-	15,000	-
	2017	12,500		-	12,500	-
Gregory Gillett	2018	11,415		1,085	12,500	-
	2017	-		-	-	-
Total	2018	109,910		22,590	132,500	-
	2017	91,429		21,071	112,500	-

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

		Short-term benefits		Post employment benefits	Share-based payments	Termination Benefits	Total	Proportion of remuneration that is performance based %
		Salaries \$	Non-Cash Benefits \$	Super-annuation \$	Shares \$			
Jim Nielsen	2018	108,004	15,000	24,797	-	-	147,801	7
	2017	96,094	15,000	34,585	-	-	145,679	7
Adam Murdoch	2018	152,382	15,000	14,572	-	-	181,954	5
	2017	150,687	15,000	14,315	-	-	180,002	6
Jeffery Jordan	2018	240,282	15,000	20,049	25,000	-	300,331	7
	2017	232,309	15,000	19,408	-	-	266,717	7
Jason Sim	2018	203,044	-	17,450	-	-	220,494	21
	2017	195,136	-	17,113	-	-	212,249	19
Steven Wright	2018	152,480	-	13,328	-	-	165,808	6
	2017	148,478	-	12,806	-	-	161,284	6
Stephen Culpitt	2018	115,974	8,671	7,685	-	74,791	207,121	3
	2017	119,246	15,000	11,328	-	-	145,574	-
Jarrold Draper	2018	142,879	-	13,045	-	-	155,924	1
	2017	10,480	-	987	-	-	11,467	-
Total	2018	1,115,045	53,671	110,926	25,000	74,791	1,379,433	
	2017	952,430	60,000	110,542	-	-	1,122,972	

Bendigo Telco Limited and Controlled Entities
ABN 88 089 782 203
Concise Financial Report for the Year Ended 30 June 2018

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 29 August 2018.



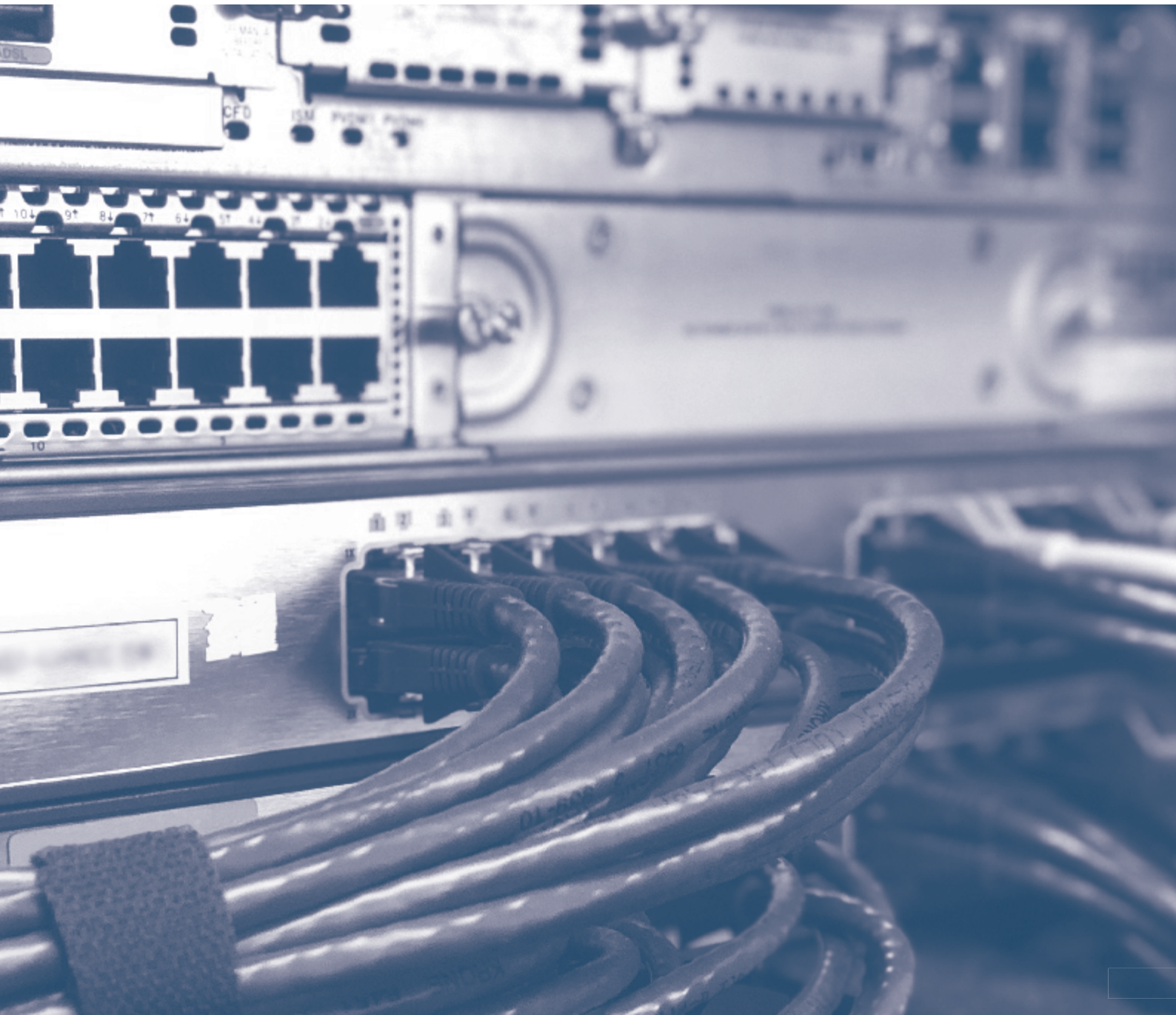
Rob Hunt

Chairman



Don Erskine

Director





Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bendigo Telco Ltd

As lead auditor for the audit of Bendigo Telco Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 29th day of August 2018

Adrian Downing
Lead Auditor

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
Revenue	2	35,363,998	31,254,789
Cost of products sold		(18,789,018)	(17,114,423)
Other income	2	87,091	715,124
Salaries and employee benefit costs		(8,357,326)	(7,765,034)
Occupancy and associated costs		(824,314)	(844,069)
General administration costs		(1,714,255)	(1,406,949)
Depreciation and amortisation costs		(1,882,712)	(1,558,280)
Advertising and promotion costs		(329,392)	(173,218)
Systems costs		(1,211,057)	(940,548)
Borrowing costs		<u>(534,555)</u>	<u>(810,486)</u>
Profit before income tax		1,808,460	1,356,906
Tax expense		<u>(593,184)</u>	<u>(440,958)</u>
Net profit for the year		1,215,276	915,948
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,215,276</u>	<u>915,948</u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u>1,215,276</u>	<u>915,948</u>
Earnings per share			
Basic earnings per share (cents)		15.69	12.37
Diluted earnings per share (cents)		15.69	12.37

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018**

	Notes	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents		1,945,454	1,196,726
Trade and other receivables		1,797,808	1,706,920
Prepayments		2,045,832	2,332,353
Inventories		197,519	281,968
Taxation		222,002	-
Total Current Assets		6,208,615	5,517,967
Non Current Assets			
Property, plant and equipment		3,570,543	3,972,367
Intangible assets		8,909,666	8,432,536
Deferred tax asset		1,065,463	1,186,098
Total Non Current Assets		13,545,672	13,591,001
TOTAL ASSETS		19,754,287	19,108,968
Current Liabilities			
Trade and other payables		2,615,198	2,301,336
Provisions		847,082	807,522
Taxation		-	63,638
Borrowings		1,932,541	1,070,652
Total Current Liabilities		5,394,821	4,243,148
Non Current Liabilities			
Provisions		152,853	189,408
Borrowings		4,052,237	4,798,926
Total Non Current Liabilities		4,205,090	4,988,334
TOTAL LIABILITIES		9,599,911	9,231,482
NET ASSETS		10,154,376	9,877,486
EQUITY			
Issued capital		7,104,001	7,112,955
Retained earnings		3,050,375	2,764,531
TOTAL EQUITY		10,154,376	9,877,486

The accompanying notes form part of these financial statements

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2018

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2016		3,248,146	2,631,548	5,879,694
Comprehensive Income				
Profit for the year		-	915,948	915,948
Recognition of DTA on BSA Acquisition		-	23,926	23,926
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	939,874	939,874
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	3	-	(806,891)	(806,891)
Shares issued during the year		3,999,924	-	3,999,924
Cost of equity raised		(135,115)	-	(135,115)
Total transactions with owners and other transfers		3,864,809	(806,891)	3,057,918
Balance at 30 June 2017		7,112,955	2,764,531	9,877,486
Balance at 1 July 2017		7,112,955	2,764,531	9,877,486
Comprehensive Income				
Profit for the year		-	1,215,276	1,215,276
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,215,276	1,215,276
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	3	-	(929,432)	(929,432)
Shares issued during the year		25,000	-	25,000
Cost of equity raised		(33,954)	-	(33,954)
Total transactions with owners and other transfers		(8,954)	(929,432)	(938,386)
Balance at 30 June 2018		7,104,001	3,050,375	10,154,376

The accompanying notes form part of these financial statements



**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		39,098,652	33,365,161
Interest paid		(172,185)	(173,987)
Payments to suppliers and employees		(34,438,951)	(30,763,924)
Income tax paid		(758,189)	(360,479)
Interest received		12,515	4,682
Net cash provided by operating activities		<u>3,741,842</u>	<u>2,071,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(1,110,959)	(650,390)
Purchase of property, plant and equipment		(723,786)	(523,028)
Proceeds from sale of property, plant and equipment		103,455	275,000
Net cash used in investing activities		<u>(1,731,290)</u>	<u>(898,418)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		900,000	-
Cost of shares issued		(33,954)	(135,115)
Repayment of finance lease		(754,500)	(612,216)
Repayment of bank loans		(443,938)	-
Dividends paid		(929,432)	(806,891)
Net cash used in financing activities		<u>(1,261,824)</u>	<u>(1,554,222)</u>
Net increase / (decrease) in cash held		748,728	(381,187)
Cash and cash equivalents at beginning of financial year		1,196,726	1,577,913
Cash and cash equivalents at end of the financial year		<u>1,945,454</u>	<u>1,196,726</u>

The accompanying notes form part of these financial statements

NOTES TO THE CONCISE 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 2018. 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 Telco Limited and Controlled Entities. 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 Telco Limited and Controlled Entities 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 AND OTHER INCOME

	2018	2017
	\$	\$
Revenue:		
Sales revenue	35,363,998	31,254,789
	35,363,998	31,254,789
Other income:		
Interest received	12,515	4,682
Profit on sale of assets	74,576	226,392
Government Grants	-	334,050
Legal reimbursement	-	150,000
	87,091	715,124
Total revenue and other income	35,451,089	31,969,913

3. DIVIDENDS PAID AND PROPOSED

	2018	2017
	\$	\$
Distributions paid:		
2017 Final fully franked ordinary dividend of 8.0 (2016: 10.0) cents per share franked at the rate of 30% (2016: 30%)	619,622	574,532
2018 Interim fully franked ordinary dividend of 4.0 (2017: 3.0) cents per share franked at the rate of 30% (2017: 30%)	309,810	232,359
	929,432	806,891
Total dividends (cents) per share for the period	12.00	13.00
a. Proposed Final 2018 fully franked ordinary dividend of 8.0 (2017: 8.0) cents per share franked at the rate of 30% (2017: 30%)	620,623	619,622

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2018 but will be brought to account in the 2019 financial year.

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2018

	2018	2017
	\$	\$
b. Balance of franking account at year-end adjusted for franking credits arising from:		
- dividends recognised as receivables and franking debits arising from payment of proposed dividends	1,327,984	1,001,755
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(265,981)	(265,553)

4. INTEREST IN SUBSIDIARY

a. Information about Principal Subsidiary

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. The subsidiaries principal place of business is also its country of incorporation.

Name of Subsidiaries	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2018	2017	2018	2017
		%	%	%	%
BCT Shepparton Pty Ltd	Shepparton, Australia	100	100	-	-
Vicwest Community Telco Ltd	Geelong & Ballarat, Australia	100	100	-	-

Subsidiaries financial statements used in preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

b. Significant Restrictions

There are no restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

c. Acquisition of Controlled Entities

Acquisition of additional telco business

On 1 March 2018, Bendigo Telco completed its contract with Community Telco Australia Pty Ltd trading as Bendigo Bank Telco, a fully owned subsidiary of Bendigo and Adelaide Bank, to acquire their last remaining telco clients. The customer list was purchased for \$798,059.

5. SEGMENT REPORTING

Major customers

During the year ended 30 June 2018 approximately 30.5% (2017: 30.7%) of Bendigo Telco's external revenue was derived from sales to one customer (2017: one customer).

Revenue by product set

	2018	2017
	\$	\$
Voice	14,779,362	11,775,516
Data Networks	11,592,072	11,275,326
Broadband	3,322,328	2,544,965
IT Services	253,081	311,967
Hardware and Installations	935,657	1,204,886
Data Centre	2,921,758	2,903,488
Cloud	1,427,375	1,141,591
Other	132,365	97,050
	<u>35,363,998</u>	<u>31,254,789</u>

Assets & Liabilities

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

6. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 8.0 cents per share was declared by the Board of Directors on 29 August 2018 which will be distributed to shareholders on 1 October 2018.



DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Telco Limited, the directors of the company declare that the concise financial report of Bendigo Telco Limited and Controlled Entities for the financial year ended 30 June 2018:

- 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 2018 and has been derived from and is consistent with the full financial report of Bendigo Telco Limited.

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

On behalf of the directors



Rob Hunt

Chairman



Don Erskine

Director

Signed on 29 August 2018





Independent auditor's report to the members of Bendigo Telco Ltd

Report on the concise financial report

Opinion

The concise financial report, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited financial report of Bendigo Telco Limited (the Company) and its subsidiaries (collectively the Group) for the year ended 30 June 2018.

In our opinion, the accompanying concise financial report, including the discussion and analysis, is consistent, in all material respects, with the audited financial report, in accordance with AASB 1039: Concise Financial Reports and the *Corporations Act 2001*.

Concise Financial Report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards applied in the preparation of the audited financial report of Bendigo Telco Limited. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

Independence

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

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 29 August 2018. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with AASB 1039: *Concise Financial Reports* and the *Corporations Act 2001*.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the concise financial report is consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with *Auditing Standard ASA 810: Engagements to Report on Summary Financial Statements*.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 29th day of August 2018

Adrian Downing
Lead Auditor

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 2 August 2018.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	138
1,001 - 5,000	263
5,001 - 10,000	79
10,001 - 100,000	61
100,001 and over	6
	<u>547</u>

The number of shareholdings held in less than marketable parcels is 18.

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,862,147	24.0
Erskine Investments Pty Ltd	939,326	12.1
Community Telco Australia	500,000	6.4
Hunters Ridge Pty Ltd	473,758	6.1
Ron Poyser Administrators Pty Ltd	438,400	5.7
National Nominees Limited	160,000	2.1
MGR Property Pty Ltd	90,000	1.2
Latrobe University	84,000	1.1
Community Telco Syndicate	78,000	1.0
Indicrock Superannuation Pty Ltd	70,058	0.9
Kirkstow Nominees Pty Ltd	64,000	0.8
Total shares held by top 10 holders	<u>4,759,689</u>	<u>61.4</u>

