

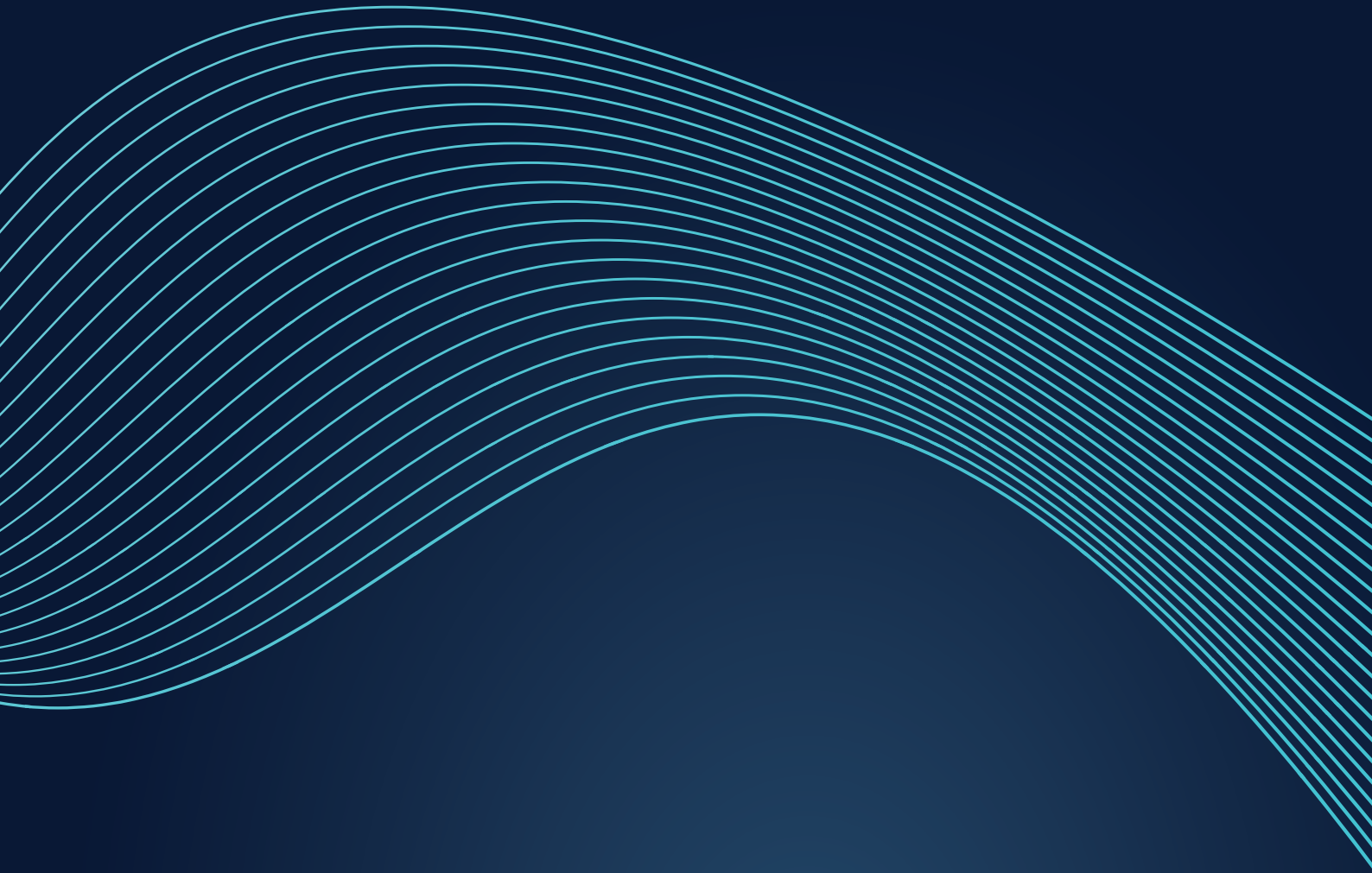


**Bendigo**  
Telco

2019  
**CONCISE  
FINANCIAL  
REPORT**

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A YEAR IN REVIEW



**Connecting our community**

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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

39A Peel Street  
Ballarat VIC 3350

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Geelong VIC 3220

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 RECOGNISE THAT OUR  
CUSTOMERS DON’T SIMPLY  
BUY **WHAT WE DO**, THEY BUY  
**WHY WE DO IT!**”

2019

# EXECUTIVE CHAIRMAN & EXECUTIVE GENERAL MANAGER'S REPORT

BY ROB HUNT - EXECUTIVE CHAIRMAN &  
JARROD DRAPER - EXECUTIVE GENERAL MANAGER



THIS YEAR HAS BEEN ONE OF TRANSFORMATIVE CHANGE FOR OUR BUSINESS, IN LINE WITH A SUBSTANTIALLY CHANGED TELCO ENVIRONMENT AND REDUCED MARGINS IN MANY OF THE TRADITIONAL TELCO PRODUCTS PROVIDED BY US INTO OUR LOCAL MARKETS.

With the rollout of the National Broadband Network by the Australian Government and the introduction of new telco technologies, there continues to be a significant shift in the revenues for all Telecommunications providers. This has prompted us to make structural alterations and modifications to our business priorities to ensure we remain – **relevant, connected and valued** by our customer base across all our local markets.

Bendigo Telco was formed 20 years ago to address areas of Telco 'market failure' in our regions. Our regions were disadvantaged in terms of price, priority, competition, and access to infrastructure connecting us to national markets. This placed our customers and communities at a significant disadvantage. While many of these shortcomings have been reduced or eliminated over the years new challenges continue to emerge.

Our customers and local markets still experience 'digital disadvantage' compared to major capital city organisations.

Over the years we have played a significant role in prompting a more competitive and responsive telco market in our communities. We will continue to play this role and we expect this will provide new opportunities for our business.

After reviewing and considering the changed market conditions, we have prioritised our efforts into activities that are more aligned to our particular strategic strengths. This has prompted a reshaping of our balance sheet, our organisational structure and operating model over the course of the last year to position the business for the future.

While we are reporting a statutory loss for the year, we continued to produce a solid cash profit and maintain strong customer alignment and support. The opportunity to continue to enhance individual customers' telco and technology outcomes, in all our markets, remains apparent. Our new strategy and operating model moving forward addresses these opportunities, and we believe effectively employs our shareholder capital in this changed market environment.

Against this backdrop and in challenging market conditions, the company was able to deliver a Net Profit after Tax (NPAT) before one-off adjustments of \$1.23M for FY19. The one-off adjustments included a non-cash impairment charge of \$2.35M made against goodwill and other non-current assets and restructuring costs of \$285K. This result has enabled our Board of Directors to declare a fully franked dividend of 7.0 cents for the final half of the year, bringing the total dividends paid from the FY19 trading to 11.0 cents.

## OUR NEW OPERATING MODEL AND RESHAPING OF OUR BUSINESS

As stated the environment our business is operating within is ever changing, and we must react effectively to the shift in the market. As a result, the business has carefully reviewed its strategy, target markets, organisational context and cost base. During FY19 we have reinvigorated our forward strategy.

The four key elements to our forward strategy are:

### Community Enablement

Foster sustainability, growth and partnerships in each regional community in order to build a better strategic future for the markets we serve.

### Bendigo & Adelaide Bank Partnership

Further enhance our existing business with the Bank in the areas of Networks, Voice, Cloud, Security and Data Centre capabilities.

### Grow Mid-Tier Business Market Segment

Continue to create stronger connections with our larger customers in the mid-tier market and expand this base by enhancing our ability to enable them to achieve their individual business goals.

### Protect Consumer and SMB Market Segment

The advent of the NBN and introduction of new technologies has changed the economics of the Consumer and Small Business telco marketplace. We will maintain a quality level of service to our customer base and continue a focus on automation to serve our customers at a lower cost.

In order to give effect to our forward strategy, we have embarked on significant reshaping of our business. This bold approach involves implementing a simplified flattened organisational structure, which will allow the company to become more agile, better respond to the needs of our business customers and deliver on our

strategic priorities. Layers of management and overheads that are not in line with our strategic priorities have also been removed or reduced. Our core business and implementation of our new operating model has been led by Executive General Manager – Mr Jarrod Draper. As Chairman I will continue to have strategic oversight of the business in conjunction with the executive team and my highly competent team of directors.

This reshaping positions our business well to capitalise on our strengths, amplify our competitive advantage and achieve long term success in our chosen markets.

As the telecommunications industry continues to undergo rapid change, our commitment to our customer and community values will continue to be our highest priority. We recognise that our customers don't simply buy **what we do**, they buy **why we do it!** These values are a powerful reason that our customers choose to stay with us, year after year.

## FINANCIAL YEAR HIGHLIGHTS

As stated the environment our business is operating within is ever changing, and we must react effectively to the shift in the market. As a result, the business has carefully reviewed its strategy, target markets, organisational context and cost base. During FY19 we have reinvigorated our forward strategy.

- Significant investment into our strategic technology capabilities in Data Centre, Network, Security and Cloud – upgrading to industry leading platforms
- Reshaping of the business in order to better serve our target market and communities
- Restructuring of our balance sheet in line with the changed market conditions
- Delivered robust cost optimisation in order to offset the reduction in gross margins
- Improvements in business productivity and efficiency
- Progressed strategic conversations with existing and new partners in order to address the 'digital disadvantage' experienced by regionally based customers
- Working hard to continue the important strategic partnership between Bendigo Telco and the Bendigo Bank (our largest customer)
- Continued focus on automation to lower our cost to serve customers



**KEY STRATEGIC PRIORITIES FOR THE YEAR AHEAD**

As we manage the company over the next year, we will focus on executing our forward strategy, key priorities include:

- Product development in the strategic areas of Cloud, Security and Networking. A key outcome of this product development is to provide enhanced 'visibility and control' to our customers.
- A refocus on the communities we serve, increasing our participation in these communities
- Lead additional strategic conversations with our partners to deliver strong outcomes for our regions
- Continue the reinvigoration of our processes and internal business systems to address the needs of our customers and to deliver a great customer experience
- Continue to deliver improvements in business productivity and efficiency

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, Security and Networking and this enables us to deliver additional value to this customer segment. During the FY19 period, we have made a significant investment into the technology platforms that serve this buying base, these platforms are class leading. We are now focused on leveraging this technology investment to deliver innovative and relevant product capabilities to the market.

**ACKNOWLEDGEMENTS**

During the period our CEO of four and half years - Jeff Jordan, returned to the USA to pursue both business and personal endeavors. Jeff leaves the organisation in good shape to meet these market challenges and departs with our thanks and good wishes for the great contribution he has made to the business during his tenure as CEO.

I would like to thank our Board of Directors for the leadership they have shown in guiding our business through these challenging times. 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.

Thank you as well to our dedicated team of management and staff for the commitment you have shown to the needs of the customers and your eagerness to constantly adapt to the changes in our company and our industry.

Finally to our shareholders, thank you for the trust and support you have demonstrated to us over the years. I'm confident that we have the right assets, strategy, priorities and partnerships as well as a highly competent team in place to execute on our refreshed strategy – to continue our objective to create shareholder value.

**ROB HUNT - CHAIRMAN**

**JARROD DRAPER - EXECUTIVE GM**

**"I'M CONFIDENT THAT WE HAVE THE RIGHT ASSETS, STRATEGY, PRIORITIES AND PARTNERSHIPS AS WELL AS A HIGHLY COMPETENT TEAM IN PLACE TO EXECUTE ON OUR REFRESHED STRATEGY – TO CONTINUE OUR OBJECTIVE TO CREATE SHAREHOLDER VALUE."**

**– ROB HUNT**





# OUR PURPOSE

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

# OUR MISSION

- Engage and 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 AND OUR COMMUNITIES.





# COMPANY STATS

TOTAL COMPANY REVENUE **\$36,624,771**

TOTAL UNDERLYING PROFIT\* **\$1,228,226**

REVENUE INCREASED **+3.57%**      UNDERLYING EBIDTA INCREASE\* **+1.38%**

Total company revenue increased from the previous year.

\* Underlying results are calculated before one-off adjustments including non-cash impairments to goodwill and non-current assets and restructuring costs

## TOTAL REVENUE (\$M)



  
**21**  
POINT INCREASE IN NET PROMOTER SCORE

  
**19**  
YEARS IN BUSINESS

  
**11c**  
FY19 DIVIDEND

## CURRENT TOTALS FOR ACTIVE SERVICES

 **10,859**  
VOICE SERVICES

 **10,712**  
MOBILE SERVICES

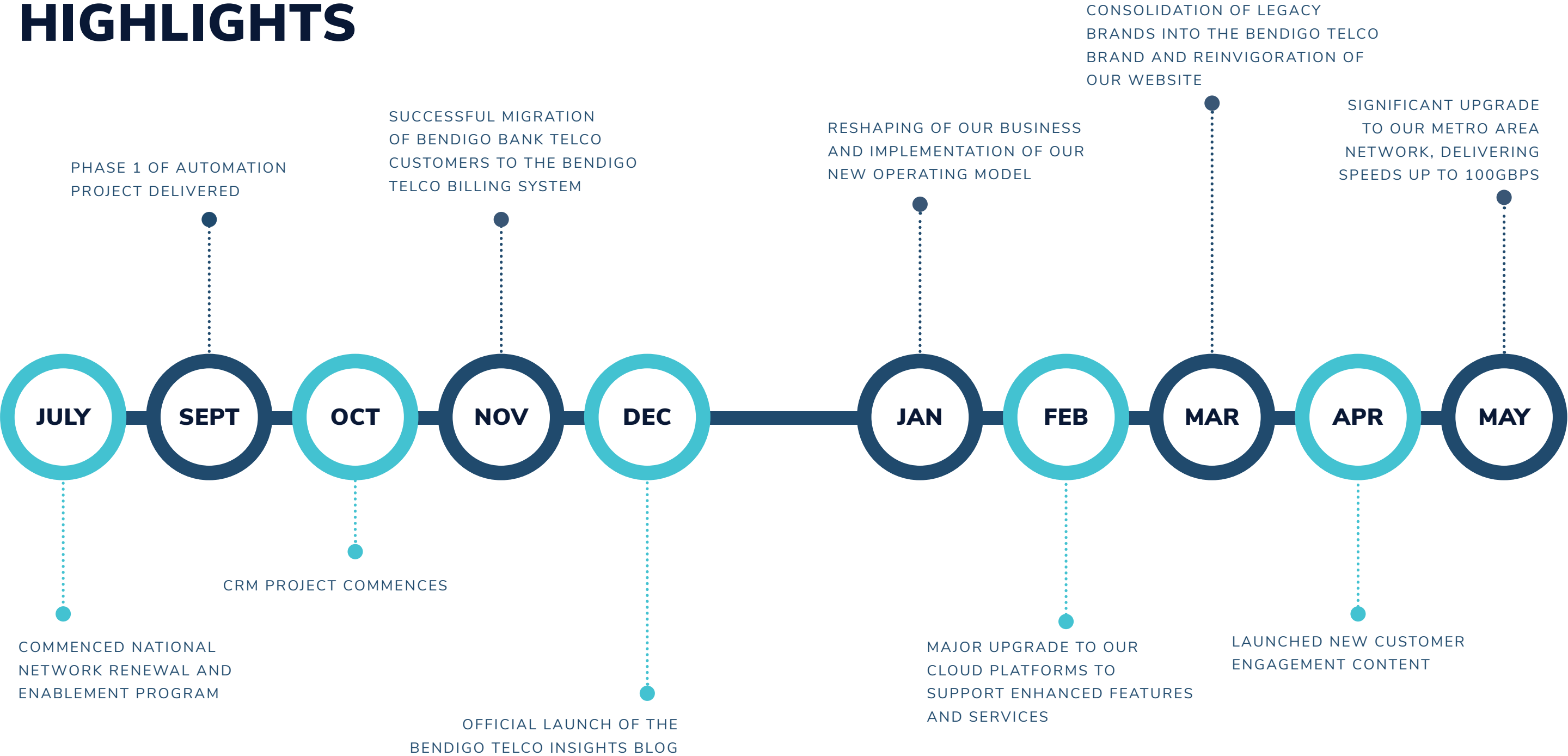
 **7,611**  
DATA SERVICES

 **369**  
CLOUD SERVICES





# 2019 FINANCIAL YEAR HIGHLIGHTS





# 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 customers 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 MADCOW Community Garden, O’Keefe Rail Trail bike repair stations, Community Centre upgrades, and renewal energy improvements to sporting facilities.

ST THERESE’S PRIMARY SCHOOL  
OUTDOOR LEARNING CENTRE

RENEWABLE ENERGY UPGRADES TO  
BENDIGO TABLE TENNIS STADIUM  
(PICTURED RIGHT)



O’KEEFE RAIL TRAIL  
BIKE REPAIR STATIONS

BENDIGO KIDS TRIATHLON

BENDIGO HAWKS SWIMMING CLUB  
LANE ROPES (PICTURED LEFT)



MANDURANG HALL UPGRADE

GURRI WANYARRA WELLBEING  
CENTRE (PICTURED LEFT)

COMMUNITY CHILDREN’S  
FESTIVALS

DEFIBRILATOR DONATIONS

MADCOW COMMUNITY GARDEN  
(PICTURED RIGHT)

BENDIGO BAPTIST CHURCH  
DROP-IN SPACE



ASSISI KINDERGARTEN

STRATHFIELDSAYE CYCLING PATH  
REVEGETATION

EAGLEHAWK REGIONAL  
PLAYSPACE (PICTURED RIGHT)





## 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 2019. The financial statements and disclosures in the concise report have been derived from the 2019 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

Bendigo Telco is a provider of a broad range of telecommunications services to both business and consumer customers. The company was formed to address areas of Telco 'market failure' in our regions. Our regions were disadvantaged in terms of price, priority, competition, and access to infrastructure placing our customers and communities at a significant disadvantage. Over the years Bendigo Telco has played a major role in addressing these shortcomings as well as prompting a more competitive and responsive telco market in our communities.

The telco environment has continued to evolve over the past year which has resulted in reduced margins in many of the traditional telco products provided to our customers. The rollout of the National Broadband Network and the introduction of new telco technologies have been the predominant factors which have led to the shift in the revenues for all Telecommunications providers. In order to address these changed market conditions, Bendigo Telco has prioritised our efforts into activities that are more aligned to our strategic strengths. This has prompted a reshaping of our Statement of Financial Position, organisational structure and operating model over the course of the last year to position the business for the future.

#### Forward Strategy

The changing telco environment has compelled Bendigo Telco to review our strategy, target markets, organisational context and cost base resulting in a reinvigorated forward strategy.

The four key elements to our forward strategy are:

- **Community Enablement**  
Foster sustainability, growth and partnerships in each regional community in order to build a better strategic future for the markets we serve.
- **Bendigo & Adelaide Bank Partnership**  
Further develop our existing business with the Bank in the areas of Networks, Voice, Cloud, Security and Data Centre capabilities.
- **Grow Mid-Tier Business Market Segment**  
Continue to create stronger connections with our larger customers in the mid-tier market and expand this base by enhancing our ability to enable them to achieve their individual business goals.
- **Protect Consumer and Small Business Market Segment**  
The advent of the NBN and introduction of new technologies has changed the economics of the Consumer and Small Business telco marketplace. We will maintain a quality level of service to our customer base and continue a focus on automation to serve our customers at a lower cost.

In order to give effect to our forward strategy, Bendigo Telco has implemented a simplified, flattened organisational structure, allowing the company to become more agile, better respond to the needs of our business customers and deliver on our strategic priorities. Layers of management and overheads that are not in line with our strategic priorities have also been removed or reduced. The reshaping positions our business well to capitalise on our strengths, amplify our competitive advantage and achieve long term success in our chosen markets.

### Financial and Operating Results

Summary financial results	FY19 \$'000	FY18 \$'000	Change (%)
Revenue	36,625	35,364	3.57%
Gross margin	16,785	16,575	1.27%
EBITDA	1,279	3,863	(66.89%)
Net profit/(loss) after tax	(1,331)	1,215	(209.55%)
Underlying net profit/(loss) after tax*	1,228	1,215	1.07%
Earnings per share (cents)	(17.16)	15.69	

\* Underlying net profit/(loss) after tax represents results excluding non-cash impairments to goodwill and other non-current assets and restructuring costs

Total Group revenue increased by 3.57% from the prior year delivering a total turnover of \$36,624,771 (FY18: \$35,363,998).

The NPAT result for the year, on a reported basis, was a loss of \$1,330,993 (FY18: \$1,215,276). The loss was due to significant one-off adjustments including a non-cash impairment charge of \$2,352,967 against goodwill and other non-current assets and restructuring costs of \$284,486.

The net assets of the Group decreased by \$2,103,575 from the prior year to \$8,050,801 (FY18: \$10,154,376) due to the non-cash impairment charges made to goodwill and other non-current assets. The Group was able to maintain a creditable equity ratio of 46.95% (FY18: 51.40%).

The Group continued to generate strong cash flows from operating activities and maintained sound working capital with current assets exceeding current liabilities by \$848,358.

The Directors resolved to pay a fully franked final dividend of 7.0 cents per share which will be paid to shareholders on 30 September 2019. The total dividend for FY19 is 11.0 cents fully franked. This represents a 69% payout ratio on FY19 underlying earnings (NPAT excluding net one-off non-cash impairments to goodwill and other non-current assets and restructuring costs).

#### Year Ahead

During FY20, Bendigo Telco we will focus on executing its forward strategy and key priorities including:

- Product development in the strategic areas of Cloud, Security and Networking.
- Increasing our focus and participation in the communities we serve.
- Lead additional strategic conversations with our partners to deliver strong outcomes for our regions.
- Continue the reinvigoration of our processes and internal business systems to address the needs of our customers and to deliver a great customer experience.
- Continue to deliver improvements in business productivity and efficiency.





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, Security and Networking and this enables us to deliver additional value to this customer segment. During the FY19 period, we have made a significant investment into the technology platforms that serve this buying base, these platforms are class leading. We are now focused on leveraging this technology investment to deliver innovative and relevant product capabilities to the market.

The Board of Directors are confident that Bendigo Telco has the right assets, strategy, priorities and partnerships as well as a highly competent team in place to execute on our refreshed strategy and to continue our objective of creating shareholder value.

#### **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 7.0 cents per share was declared by the Board of Directors on 28 August 2019 which will be distributed to shareholders on 30 September 2019.

#### **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 Executive General Manager on page 4.

#### **ENVIRONMENTAL ISSUES**

The group is not subject to any significant environmental regulation.



Bendigo Telco Limited and Controlled Entities  
ABN 88 089 782 203  
Concise Financial Report for the Year Ended 30 June 2019

## 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 2019.

## 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](http://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, 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 Executive General Manager and other senior managers. The members of the Remuneration Committee were Directors Rob Hunt and Don Erskine.
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 2019

## 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 2019. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2019 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 R Payne
Mr G Bastian	Mr K Dole
Ms M O'Sullivan	Mr G Gillett
Mr D Erskine	Ms N Rooke (Appointed 27 March 2019)
Mr J Selkirk	

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

#### DIVIDENDS PAID OR RECOMMENDED

##### Ordinary Dividends Paid:

	Cents	\$
Final – October 2018	8.0	620,623
Interim – March 2019	4.0	310,311
	<b>12.0</b>	<b>930,934</b>

##### Ordinary Dividends Declared:

Final - September 2019	7.0	543,045
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#### 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 2019:

	\$
Taxation services	10,478
Share registry services	19,764
	<u>30,242</u>

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 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.

### Robert Hunt – AM, FAICD - Chairman

<b>Occupation</b>	Director / Investor
<b>Qualifications</b>	Fellow of the Australian Institute of Company Directors, 2003 Doctor of the University (honoris causa), LaTrobe University, 1999
<b>Experience</b>	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 <b>Community Bank®</b> 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.
<b>Interest in shares</b>	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 418,758 Shares
<b>Special Responsibilities</b>	Chair of Remuneration Committee and Member of Audit and Risk Committee.
<b>Other Directorships &amp; Appointments</b>	Director, Apollo Bay Central District Community Bank since 2011; Director, BEUT Property Pty Ltd
<b>Honours and Awards</b>	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.

### Donald Erskine – Director

<b>Occupation</b>	Managing Director – Industrial Conveying (Aust.) Pty Ltd
<b>Experience</b>	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, 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.
<b>Interest in Shares</b>	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 939,326 Shares
<b>Special Responsibilities</b>	Member of Remuneration Committee and Member of the Audit and Risk Committee.
<b>Other Directorships</b>	Nil





**Graham Bastian – Director**

<b>Occupation</b>	Consultant
<b>Qualifications</b>	Dip Engineering - Civil (Swinburne), Dip Ed (Hawthorn State College)
<b>Experience</b>	<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 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>
<b>Interest in shares</b>	<p>Direct – 0 Shares</p> <p>Indirect – Jeanette Bastian 2,000 Shares</p>
<b>Special Responsibilities</b>	Member of Audit and Risk Committee
<b>Other Directorships</b>	Nil

**Michelle O’Sullivan – Director**

<b>Occupation</b>	Lawyer – O’Sullivan Johanson Lawyers
<b>Qualifications</b>	<p>Bachelor of Laws (Hons)</p> <p>Bachelor of Commerce</p> <p>Certificate III in Fitness</p>
<b>Experience</b>	<p>Michelle O’Sullivan has had experience on various boards including, Loddon Mallee Women’s Health, Rochester and Elmore District Health Service 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.</p>
<b>Interest in Shares</b>	Direct - 44,711 Shares
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Nil

**Kevin Dole – Director**

<b>Occupation</b>	Head of Technology Solutions and Services , Bendigo and Adelaide Bank
<b>Qualifications</b>	Associate Diploma in Information Processing (Latrobe)
<b>Experience</b>	<p>Kevin has worked for Bendigo and Adelaide Bank for 32 years.</p> <p>During that time his career has been in the Information Technology Division.</p> <p>Throughout his career he has held a number of senior technical and leadership roles.</p> <p>He has considerable experience in large program delivery inclusive of mergers as well as designing and integrating technology based solutions.</p>
<b>Interest in shares</b>	Direct – Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Nil



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**Rodney Payne – Director**

<b>Occupation</b>	Principal Harwood Andrews Lawyers
<b>Qualifications</b>	Bachelor of Law (Melbourne University)
<b>Experience</b>	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.
<b>Interest in shares</b>	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
<b>Special Responsibilities</b>	Member of Audit and Risk Committee
<b>Other Directorships</b>	Director - The Legal Lantern Group Director - Karingal St Laurence

**Jonathon Selkirk – Director**

<b>Occupation</b>	Chief Financial Officer, Country Club Living Pty Ltd.
<b>Qualifications</b>	Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
<b>Experience</b>	Jock has held executive roles across several industries including financial services, manufacturing, building and property development. Jock started his career in chartered accounting, then moved into banking & financial services in both Melbourne & London and was CFO at Selkirk Brick for 11 years prior to his current role. He has experience in driving business growth, governance, risk management, and people and culture development. He has also held several director roles in both the private and public sector. 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.
<b>Interest in shares</b>	Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Board member Ballarat and Clarendon College, Ballarat.

**Gregory Gillett – Director**

<b>Occupation</b>	Consultant
<b>Qualifications</b>	Senior Fellow of the Financial Services Institute of Australia.
<b>Experience</b>	Greg is a retired Bank Executive with 37 years of experience in the banking industry (20 years at NAB and 17 years at Bendigo Bank). 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. Greg has been a company Director of both private and publicly listed companies.
<b>Interest in shares</b>	Direct - 24,108 shares
<b>Special Responsibilities</b>	Chairman of Audit and Risk Committee
<b>Other Directorships</b>	Nil

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**Nicole Rooke – Director**

<b>Occupation</b>	Head of Investor Relations and Corporate Strategy, Bendigo and Adelaide Bank Ltd
<b>Qualifications</b>	CPA, B Commerce
<b>Experience</b>	Nicole has over 12 years' experience in Financial Services and is currently the Head of Investor Relations and Corporate Strategy for Bendigo and Adelaide Bank. Prior to working for the bank, Nicole was based in London and held financial and management accounting roles for Semptra Energy and Intelligent Engineering. Prior to this, Nicole worked as a public accountant and tax specialist for Pitcher Partners and was based in Melbourne. Nicole's prior Directorship was with VRCLP from 2016 to 2018, a not-for-profit organisation focused on effective leadership for a vibrant and sustainable regional Victoria.
<b>Interest in shares</b>	Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	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, 16 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
Robert Hunt	11	10	4	2	1	1
Graham Bastian	11	10	4	3	-	-
Donald Erskine	11	10	4	4	1	1
Michelle O'Sullivan	11	10	-	-	-	-
Kevin Dole	11	7	-	-	-	-
Jonathon Selkirk	11	5	-	-	-	-
Rodney Payne	11	10	4	4	-	-
Gregory Gillett	11	11	4	4	-	-
Nicole Rooke	4	4	-	-	-	-

**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 27 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.

## 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
Kevin Dole	Director
Jonathon Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director
Nicole Rooke	Director (appointed 27 March 2019)

#### (ii) Executives

Jeffery Jordan	Chief Executive Officer (1 July 2018 to 20 May 2019)
Jim Nielsen	Chief Operating Officer (1 July 2018 to 31 May 2019)
Adam Murdoch	Chief Technology Officer (1 July 2018 to 5 March 2019)
Jason Sim	Executive General Manager Consumer and Small Business (1 July 2018 to 27 November 2018)
Steven Wright	Chief Financial Officer
Jarrod Draper	Executive General Manager

### 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 dropped as a result of additional operational and acquisition costs associated with the implementation and consolidation of a business merger. 2019 net profits were impacted due to the non-cash impairment of goodwill and other intangibles as disclosed further in this report. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 8.49% 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.

	2015	2016	2017	2018	2019
Revenue	\$22.1M	\$22.8M	\$31.9M	\$35.4M	\$36.6M
EBITDA	\$2.61M	\$3.06M	\$3.08M	\$3.86M	\$1.28M
Net profit/(loss)	\$1.13M	\$1.29M	\$0.91M	\$1.22M	(\$1.33M)
Share price at year end	\$1.95	\$2.04	\$2.10	\$1.95	\$1.40
Dividends paid	20.0 cents	17.0 cents	13.0 cents	12.0 cents	12.0 cents



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**Details of remuneration for year ended 30 June 2019**

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

		Short-term benefits Cash Salary and Fees	Post-employment benefits Superannuation	TOTAL	Proportion of remuneration that is performance based %
Robert Hunt	2019	13,699	1,301	15,000	-
	2018	13,699	1,301	15,000	-
Graham Bastian	2019	15,000	-	15,000	-
	2018	15,000	-	15,000	-
Donald Erskine	2019	-	15,000	15,000	-
	2018	-	15,000	15,000	-
Michelle O'Sullivan	2019	13,699	1,301	15,000	-
	2018	13,699	1,301	15,000	-
Andrew Watts	2019	-	-	-	-
	2018	13,699	1,301	15,000	-
Kevin Dole	2019	13,699	1,301	15,000	-
	2018	13,699	1,301	15,000	-
Jonathon Selkirk	2019	13,699	1,301	15,000	-
	2018	13,699	1,301	15,000	-
Rodney Payne	2019	15,000	-	15,000	-
	2018	15,000	-	15,000	-
Gregory Gillett	2019	13,699	1,301	15,000	-
	2018	11,415	1,085	12,500	-
Nicole Rooke	2019	3,425	325	3,750	-
	2018	-	-	-	-
Total	2019	101,920	21,830	123,750	-
	2018	109,910	22,590	132,500	-

(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 payment			Proportion of remuneration that is performance based %
		Salaries \$	Non-Cash Benefits \$	Super- annuation \$	Shares \$	Termination Benefits \$	Total \$	
Jim Nielsen	2019	130,074	13,726	17,949	-	29,252	191,001	10
	2018	108,004	15,000	24,797	-	-	147,801	7
Adam Murdoch	2019	124,872	10,151	12,934	-	67,034	214,991	10
	2018	152,382	15,000	14,572	-	-	181,954	5
Jeffery Jordan	2019	183,480	13,274	17,503	-	105,311	319,568	-
	2018	240,282	15,000	20,049	25,000	-	300,331	7
Jason Sim	2019	101,216	-	7,908	-	43,588	152,712	13
	2018	203,044	-	17,450	-	-	220,494	21
Steven Wright	2019	182,026	-	16,006	-	-	198,032	13
	2018	152,480	-	13,328	-	-	165,808	6
Stephen Culpitt	2019	-	-	-	-	-	-	-
	2018	115,974	8,671	7,685	-	74,791	207,121	3
Jarrold Draper	2019	235,989	-	17,829	-	-	253,818	30
	2018	142,879	-	13,045	-	-	155,924	1
Total	2019	957,657	37,151	90,129	-	245,185	1,330,122	
	2018	1,115,045	53,671	110,926	25,000	74,791	1,379,433	

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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 28 August 2019.

Robert Hunt

Chairman

Donald 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 2019, 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: 28<sup>th</sup> day of August 2019

**Adrian Downing**  
Lead Auditor

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Revenue	2	36,624,771	35,363,998
Cost of products sold		(19,839,571)	(18,789,018)
Other income	2	23,658	87,091
Salaries and employee benefit costs		(8,431,776)	(8,357,326)
Occupancy and associated costs		(860,077)	(824,314)
General administration costs		(1,761,659)	(1,714,255)
Depreciation and amortisation costs		(2,013,610)	(1,882,712)
Advertising and promotion costs		(245,354)	(329,392)
Systems costs		(1,651,554)	(1,211,057)
Borrowing costs		(392,568)	(534,555)
Other expenses	4	(2,352,967)	-
Profit before income tax		(900,707)	1,808,460
Tax expense		(430,286)	(593,184)
Net profit/(loss) for the year		(1,330,993)	1,215,276
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(1,330,993)</u>	<u>1,215,276</u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u>(1,330,993)</u>	<u>1,215,276</u>
<b>Earnings per share</b>			
Basic earnings per share (cents)		(17.16)	15.69
Diluted earnings per share (cents)		(17.16)	15.69

The accompanying notes form part of these financial statements



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,868,943	1,945,454
Trade and other receivables		1,737,997	1,797,808
Prepayments		1,550,727	2,045,832
Inventories		190,581	197,519
Taxation		418,816	222,002
<b>Total Current Assets</b>		<b>5,767,064</b>	<b>6,208,615</b>
<b>Non Current Assets</b>			
Property, plant and equipment		4,122,185	3,570,543
Intangible assets		6,374,784	8,909,666
Deferred tax asset		883,068	1,065,463
<b>Total Non Current Assets</b>		<b>11,380,037</b>	<b>13,545,672</b>
<b>TOTAL ASSETS</b>		<b>17,147,101</b>	<b>19,754,287</b>
<b>Current Liabilities</b>			
Trade and other payables		2,200,866	2,615,198
Provisions		871,468	847,082
Borrowings		1,846,372	1,932,541
<b>Total Current Liabilities</b>		<b>4,918,706</b>	<b>5,394,821</b>
<b>Non Current Liabilities</b>			
Provisions		93,209	152,853
Borrowings		4,084,385	4,052,237
<b>Total Non Current Liabilities</b>		<b>4,177,594</b>	<b>4,205,090</b>
<b>TOTAL LIABILITIES</b>		<b>9,096,300</b>	<b>9,599,911</b>
<b>NET ASSETS</b>		<b>8,050,801</b>	<b>10,154,376</b>
<b>EQUITY</b>			
Issued capital		7,069,308	7,104,001
Retained earnings		981,493	3,050,375
<b>TOTAL EQUITY</b>		<b>8,050,801</b>	<b>10,154,376</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2017</b>		<b>7,112,955</b>	<b>2,764,531</b>	<b>9,877,486</b>
<b>Comprehensive Income</b>				
Profit for the year		-	1,215,276	1,215,276
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>1,215,276</b>	<b>1,215,276</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	5	-	(929,432)	(929,432)
Shares issued during the year		25,000	-	25,000
Cost of equity raised		(33,954)	-	(33,954)
<b>Total transactions with owners and other transfers</b>		<b>(8,954)</b>	<b>(929,432)</b>	<b>(938,386)</b>
<b>Balance at 30 June 2018</b>		<b>7,104,001</b>	<b>3,050,375</b>	<b>10,154,376</b>
<b>Balance at 1 July 2018</b>		<b>7,104,001</b>	<b>3,050,375</b>	<b>10,154,376</b>
Cumulative adjustment upon change in accounting policies (AASB15 and AASB9)	3	-	193,045	193,045
<b>Balance at 1 July 2018 (restated)</b>		<b>7,104,001</b>	<b>3,243,420</b>	<b>10,347,421</b>
<b>Comprehensive Income</b>				
Profit for the year		-	(1,330,993)	(1,330,993)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(1,330,993)</b>	<b>(1,330,993)</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	5	-	(930,934)	(930,934)
Shares issued during the year		-	-	-
Cost of equity raised		(34,693)	-	(34,693)
<b>Total transactions with owners and other transfers</b>		<b>(34,693)</b>	<b>(930,934)</b>	<b>(965,627)</b>
<b>Balance at 30 June 2019</b>		<b>7,069,308</b>	<b>981,493</b>	<b>8,050,801</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		40,827,569	39,098,652
Interest paid		(166,317)	(172,185)
Payments to suppliers and employees		(36,744,492)	(34,438,951)
Income tax paid		(444,705)	(758,189)
Interest received		12,509	12,515
<b>Net cash provided by operating activities</b>		<b>3,484,564</b>	<b>3,741,842</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(126,545)	(1,110,959)
Purchase of property, plant and equipment		(511,255)	(723,786)
Proceeds from sale of property, plant and equipment		29,848	103,455
<b>Net cash used in investing activities</b>		<b>(607,952)</b>	<b>(1,731,290)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	900,000
Cost of shares issued		(34,693)	(33,954)
Repayment of finance lease		(824,735)	(754,500)
Repayment of bank loans		(1,162,761)	(443,938)
Dividends paid		(930,934)	(929,432)
<b>Net cash used in financing activities</b>		<b>(2,953,123)</b>	<b>(1,261,824)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(76,511)</b>	<b>748,728</b>
Cash and cash equivalents at beginning of financial year		1,945,454	1,196,726
<b>Cash and cash equivalents at end of the financial year</b>		<b>1,868,943</b>	<b>1,945,454</b>

**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 2019. 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**

	2019 \$	2018 \$
Revenue:		
Revenue from contracts with customers <sup>a</sup>	36,624,771	35,363,998
	<u>36,624,771</u>	<u>35,363,998</u>
Other income:		
Interest received	12,509	12,515
Profit on sale of assets	11,149	74,576
	<u>23,658</u>	<u>87,091</u>
<b>Total revenue and other income</b>	<b>36,648,429</b>	<b>35,451,089</b>
	<u>36,648,429</u>	<u>35,451,089</u>
a. Revenue from contracts with customers:	2019 \$	2018 \$
Impacted by AASB 15 changes:		
Mobile repayment options	132,564	-
Modems provided with DSL / NBN plans	92,056	-
	<u>224,620</u>	<u>-</u>
No impact by AASB 15 changes:		
Other sales revenue from contracts with customers	36,400,151	35,363,998
	<u>36,400,151</u>	<u>35,363,998</u>



### 3. NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

#### AASB 15: Revenue from Contracts with Customers.

The Company has adopted AASB 15: Revenue from Contracts with Customers retrospectively using the cumulative effective transition method (i.e. modified approach). Under this transition method, AASB 15 has only been applied retrospectively to contracts that are not completed contracts at 1 July 2018 and the company has recognised the cumulative effect of adjustments against the opening balance of equity at this date. The company has also applied the practical expedient for completed contracts on transition at 1 July 2018. The following summarises the impact of transition to AASB 15 on retained earnings at 1 July 2018.

Mobile Handsets	\$ 27,080
Modems	\$ 45,753
Sales Commissions	\$ 125,693
Adjustment to Retained Earnings	<u>\$ 198,526</u>

Bendigo Telco had identified a number of key transactions which may be impacted by AASB 15:

#### Mobile Repayment Option (MRO)

- Customer acquisition of mobile handset which is repaid by the customer over a 24 month contract.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the mobile handset is passed to the customer.

#### Modem provided with DSL/NBN plan

- Customer provided with a compatible modem when signing to a DSL/NBN 24 month plan.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the modem is passed to the customer.

#### Sales Commissions

- Sales commissions are provided as incentives for sales. These commissions vary depending on the product sold.
- Under the prior standard, sales commissions were expensed in the month of sale. AASB 15 changes now see sales commissions capitalised and the expense recognised equally over the term of the contract.

### AASB 9: Financial Instruments

The Group has adopted AASB 9: Financial Instruments with an initial application date of 1 July 2018. As the Group does not hold complex financial instruments, the change which has impacted Bendigo Telco is the way in which impairment is recognised for financial assets. The following summarises the impact of transition to AASB 9 on retained earnings at 1 July 2018.

Provision for impairment	(5,481)
Adjustment to Retained Earnings	<u>(5,481)</u>

#### Impairment

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument has not shown significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit loss is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

Ageing	Expected default rate	Gross carrying amount	Credit loss allowance
Current	0.57%	903,897	5,185
31 - 60 days past due	3.02%	57,119	1,725
61 - 90 days past due	17.96%	3,738	672
90+ days past due	80.00%	<u>69,500</u>	<u>55,600</u>
Total		<u>1,034,254</u>	<u>63,182</u>





#### Presentation and disclosure

The presentation and disclosure of revenue from contracts with customers is not consistent with the disclosure in the prior period as the Group has adopted the cumulative effect transition method under AASB 15 and the comparative balances have not been restated.

The presentation and disclosure of financial instruments is not consistent with the disclosure in the prior period as the Group has applied an expected credit loss model in accordance with AASB 9 and the comparative balances have not been restated.

The following summarises the impacts of adopting AASB 15 and AASB 9 on the Group's consolidated financial statements for the year ended 30 June 2019 (increase / (decrease)):

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	As reported	AASB 15 & AASB 9 Adjustments	Balances without adjustments
Revenue	36,648,429	9,984	36,658,413
Expenses	(37,549,136)	60,566	(37,488,570)
<b>Profit (loss) before income tax</b>	<b>(900,707)</b>	<b>70,550</b>	<b>(830,157)</b>
Tax expense	(430,286)	(19,401)	(449,687)
<b>Net Profit (loss) for the year</b>	<b>(1,330,993)</b>	<b>51,149</b>	<b>(1,279,844)</b>

#### Consolidated Statement of Financial Position

Trade and other receivables	1,737,997	(305,819)	1,432,178
Prepaid expenses	1,550,727	183,324	1,734,051
Taxation	418,816	(15,676)	403,140
<b>Total Current Assets</b>	<b>5,767,064</b>	<b>(138,171)</b>	<b>5,628,893</b>
<b>Total Non-Current Assets</b>	<b>11,380,037</b>	<b>-</b>	<b>11,380,037</b>
<b>Total Current Liabilities</b>	<b>4,918,706</b>	<b>-</b>	<b>4,918,706</b>
<b>Total Non-Current Liabilities</b>	<b>4,177,594</b>	<b>-</b>	<b>4,177,594</b>
Retained earnings	981,493	(138,171)	843,322
<b>Total Equity</b>	<b>8,050,801</b>	<b>(138,171)</b>	<b>7,912,630</b>



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#### 4. OTHER EXPENSES

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

##### Impairment of Goodwill - Bendigo Communications purchase

Bendigo Communications was purchased October 2006. As at 31 December 2018, the carrying value of our assets in the Bendigo Communications CGU was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$916,491 impairment charge, writing down the remaining goodwill to zero. The impairment was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

##### Impairment of Goodwill - Vic West Community Telco purchase

Vicwest Community Telco was purchased September 2016. As at 31 December 2018, the carrying value of our assets in the Vicwest Community Telco CGUs was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$944,004 impairment charge, writing down the remaining goodwill to \$3,483,786. The impairment was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

##### Impairment of prepaid advertising - McMedia purchase

McMedia was purchased October 2014. Included in the purchase was an amount of prepaid advertising which could be used in publications which were 100% owned by the vendor. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for the consumer and small business market segment from growth to protect. As a result of this change in strategy, the prepaid advertising was assessed and deemed impaired. An impairment charge of \$417,985 was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income which wrote the remaining prepaid advertising to zero.

##### Impairment of intangible asset - Wireless Broadband project

Bendigo Telco incurred \$74,487 in development costs relating to a Wireless Broadband initiative. After review, it was deemed that the Wireless Broadband project was unlikely to bring future economic value to the business and deemed impaired. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$74,487 impairment charge which was recorded in "Other expenses".

	2019	2018
	\$	\$
Impairment of Goodwill - Bendigo Communications purchase	916,491	-
Impairment of Goodwill - Vic West Community Telco purchase	944,004	-
Impairment of prepaid advertising - McMedia purchase	417,985	-
Impairment of intangible asset - Wireless Broadband project	74,487	-
	<u>2,352,967</u>	<u>-</u>

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#### 5. DIVIDENDS PAID AND PROPOSED

	2019	2018
	\$	\$
Distributions paid:		
2018 Final fully franked ordinary dividend of 8.0 (2017: 8.0) cents per share franked at the rate of 27.5% (2017: 30%)	620,623	619,622
2019 Interim fully franked ordinary dividend of 4.0 (2018: 4.0) cents per share franked at the rate of 27.5% (2018: 30%)	<u>310,311</u>	<u>309,810</u>
	<u>930,934</u>	<u>929,432</u>
Total dividends (cents) per share for the period	12.00	12.00
a. Proposed Final 2019 fully franked ordinary dividend of 7.0 (2018: 8.0) cents per share franked at the rate of 27.5% (2018: 27.5%)	543,045	620,623
After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2019 but will be brought to account in the 2020 financial year.		
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	1,533,711	1,327,984
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(205,983)	(265,981)

#### 6. INTEREST IN SUBSIDIARIES

##### a. Information about Principal Subsidiaries

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	Ownership Interest Held		Proportion of Non-controlling	
		2019	2018	2019	2018
		%	%	%	%
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 concise 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.



7. SEGMENT REPORTING

Major customers

During the year ended 30 June 2019 approximately 32.8% (2018: 30.5%) of Bendigo Telco's external revenue was derived from sales to one customer (2018: one customer).

Revenue by product set

	2019	2018
	\$	\$
Voice	15,089,187	14,779,362
Data Networks	11,148,606	11,592,072
Broadband	4,523,194	3,322,328
IT Services	231,305	253,081
Hardware and Installations	835,779	935,657
Data Centre	3,076,030	2,921,758
Cloud	1,685,704	1,427,375
Other	34,966	132,365
	36,624,771	35,363,998

Assets & Liabilities

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

8. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 7.0 cents per share was declared by the Board of Directors on 28 August 2019 which will be distributed to shareholders on 30 September 2019.

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 2019:

- 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 2019 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



Robert Hunt

Chairman

Signed on 28 August 2019



Donald Erskine

Director







Independent auditor’s report to the members of Bendigo Telco Limited

Report on the concise financial report

Opinion

The concise financial report, which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019.

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 28 August 2019. 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 28<sup>th</sup> day of August 2019

Adrian Downing  
Lead Auditor

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 18 July 2019.

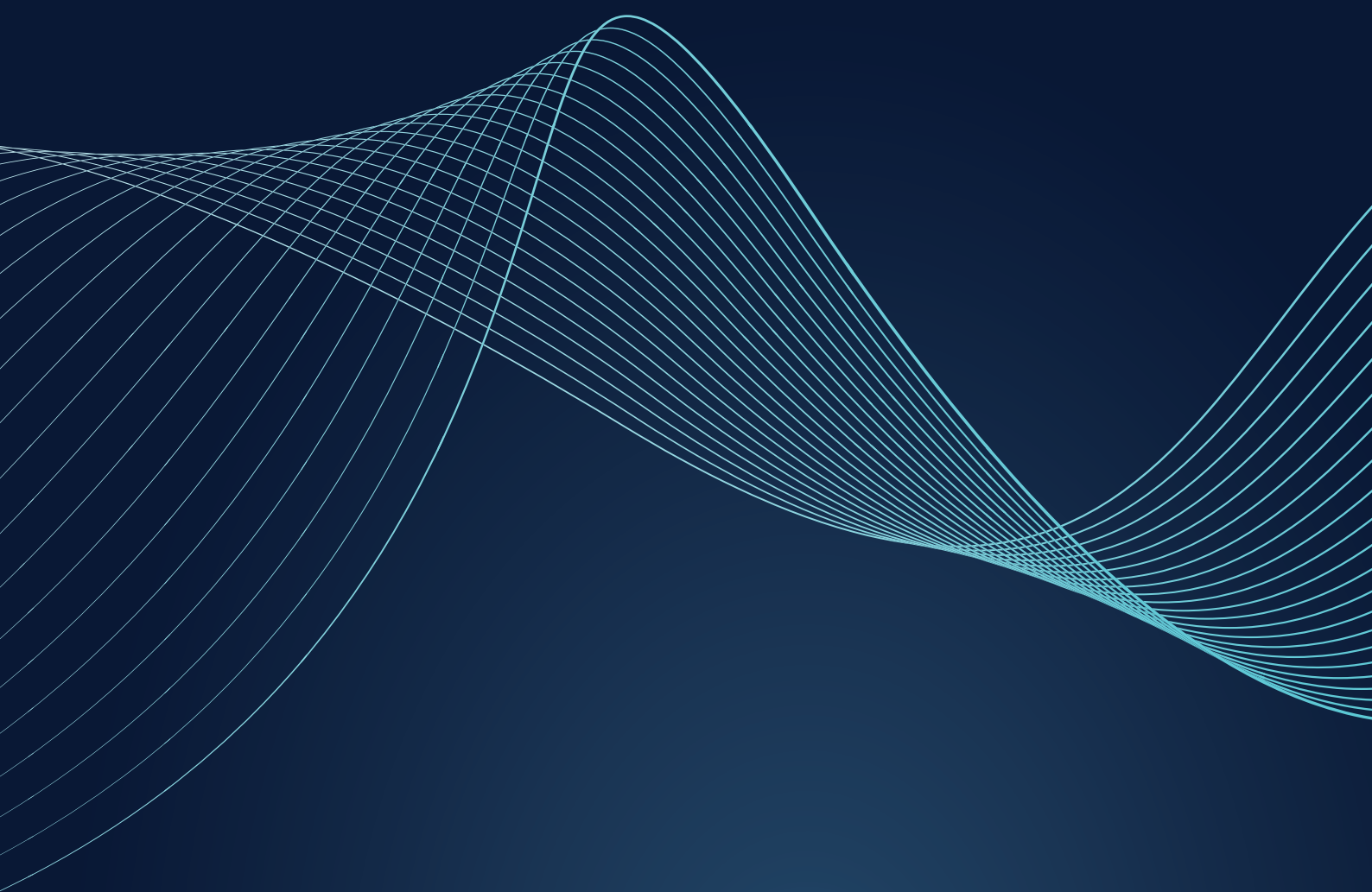
Distribution of Shareholders

Category	Number of Holders
1 - 1,000	136
1,001 - 5,000	261
5,001 - 10,000	75
10,001 - 100,000	63
100,001 and over	6
	541

The number of shareholdings held in less than marketable parcels is 25.

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	2,386,747	30.8
Erskine Investments Pty Ltd	939,326	12.1
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	4,784,289	61.7



**Bendigo**  
Telco