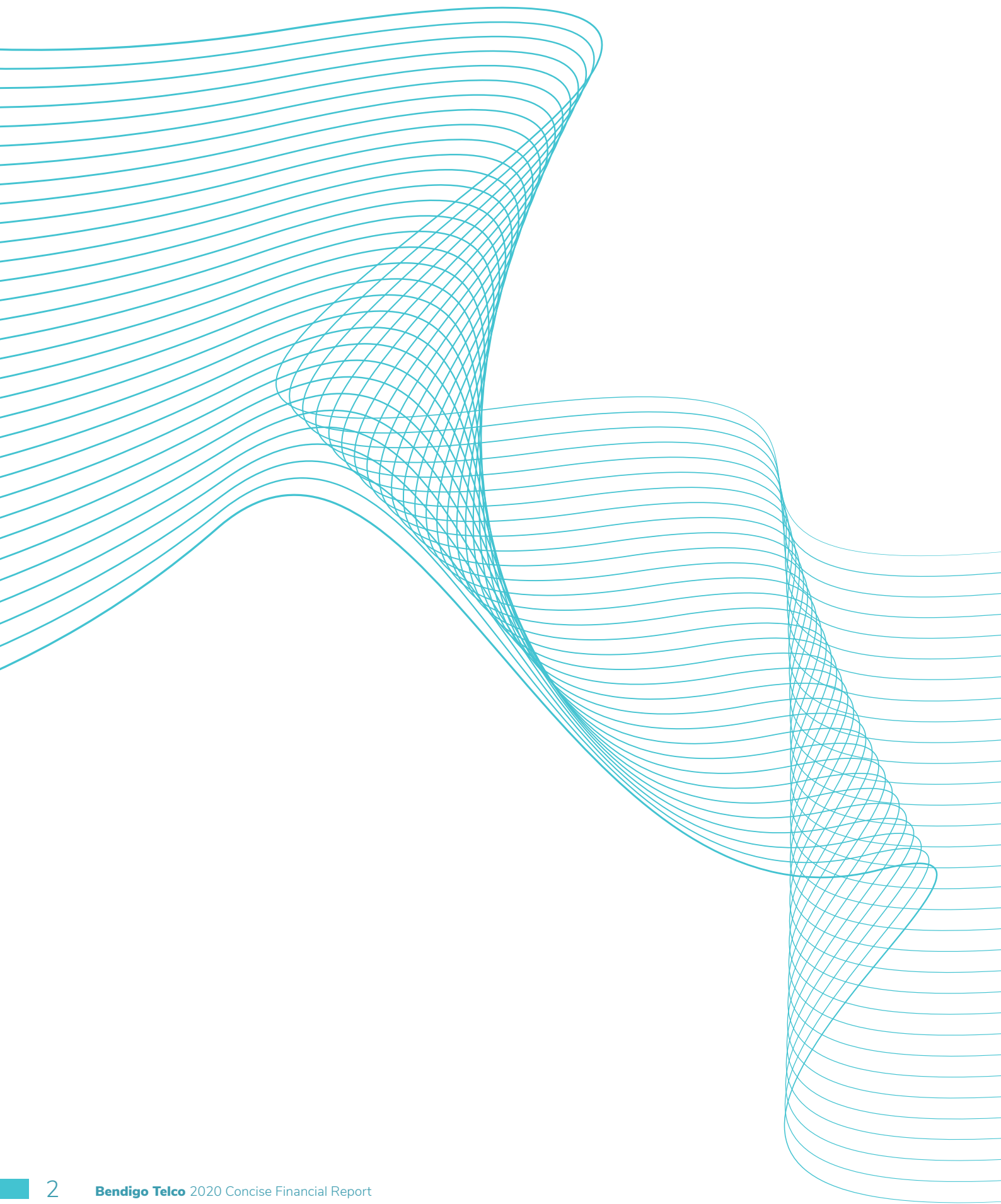


2020
Concise Financial Report



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Chairman and Executive General Managers Report

Rob Hunt *Chairman*, **Steven Wright** *Executive General Manager*

A year of challenge

This year has been extremely challenging for all Australians. With drought and the devastating bushfires challenging many regions and the onset of the COVID-19 pandemic, people, businesses, communities and the economy have all been significantly impacted.

Throughout this period of uncertainty and change, one thing has remained constant, that is, the health, safety and wellbeing of our staff, customers, partners and communities has remained at the forefront of our mind and influenced our priorities.

The company chose to implement its continuity plan with a focus on having most staff working at home or remotely. By doing so we were able to ensure the protection of our staff, the services we deliver to our customers and the support we provide to the communities we are committed too.

As more people and businesses moved to remote working arrangements, the reliance on our services, support and infrastructure became even more critical. We made it a focus to support our customers during this challenging time and assist them to move to a new way of working using technology to support their business operations.

As these unprecedented times continue to change so too does the telecommunications industry. The continued rollout of the government NBN and the evolution of new telco technologies have been embraced by our customers and the market. This has resulted in compressed revenues and margins from the traditional voice and data products that we have provided to our customers over the years.

Our business was formed by locals 21 years ago to overcome shortcomings in the availability, pricing, adequacy and commitment from the major telecommunication providers to our local market and its businesses.

Over the years, we have provided genuine competition, improved technical outcomes for local businesses and genuine pricing or access improvements by leveraging our combined buying base and partnering commitment. Our focus today remains to provide improved outcomes for our customers and each of the communities we currently have the privilege to serve.

We have successfully achieved our original objectives, while producing solid annual shareholder returns. We still see opportunities to further enhance the service outcomes through our customer and community commitment, our technical capabilities, and our upgraded infrastructure access, while continuing to produce solid shareholder returns for the providers of our core capital.



Rob Hunt



Steven Wright

Our business has been reshaped to ensure we focus on areas where we can make the greatest contribution to success in each of our local markets. Success in our customer base and in the communities, we serve, will make us a more sustainably successful business.

With most businesses requiring high speed data connections for their processing environments, customer servicing, cloud usage, future AI applications or other technical operations, our business is well positioned to facilitate and support this in our chosen markets.

Many regional markets across Australia are not well supported by the major players and are not afforded the same access to the essential service infrastructure or support structures to take advantage of today's digital market opportunities.

There clearly remains opportunities for us to add value at both the regional customer level, and in regional economic market outcomes. We will focus on areas where we can add strategic value and vital technical support across these markets, which, as stated are not prioritised by the major telco players.

We have an outstanding team of local, regionally based staff to provide the technical and support required to enable our customers to receive the first-class telco services and commitment they deserve.

The business will continue to ensure that its vision, purpose and strategy remain relevant and aligned with the key focuses of investing in our team, ensuring a quality customer experience, committing to the success of our communities, streamlining our business operations and building financial strength for all our stakeholders.

Chairman and Executive General Managers Report

Rob Hunt *Chairman*, **Steven Wright** *Executive General Manager*

Financial Results

Our financial results this year reflect the benefits and efficiencies that the implementation of our new operating model and business reshaping has produced. Whilst total Group annual revenue decreased by 8.9%, our reshaped cost base has enabled us to maintain a comparable gross margin outcome with FY19.

The business continued to produce solid results delivering a NPAT before one-off adjustments for the financial year of \$1.79M. The one-off adjustment relates to a non-cash impairment charge of \$723k made to other non-current assets following the review and write down the carrying value of assets that do not align to our strategy or strategic priorities going forward.

Reported EBITDA increased 263.3% from prior year to \$4.65M with the Group generating strong cash flows from operating activities which increased 69.4% from the prior year to \$5,902,307.

These results have enabled our Board of Directors to declare a fully franked dividend of 9.5 cents for the final half of the year, bringing the total dividends paid from the FY20 trading year to 14.5 cents.

100 Gig City

The company has undertaken a significant investment in uplifting its core data network between Bendigo and Melbourne with ultra-high-speed, high-performance fibre-optic infrastructure.

The commissioning of this 100Gbps connection combined with our existing infrastructure will enable Bendigo to become a 'One Hundred Gigabit City' marking a transformational opportunity to enable digital connectivity which will drive innovation, attract new business across industry and support our community and its businesses.

This unprecedented work is well advanced and will result in the City of Bendigo being the first regional centre with a local circular digital economy providing enormous ICT opportunities for businesses, governments, and the community.

Following the successful implementation, our business will review future partnership opportunities for expansion into other regional centres.

The Year Ahead

As we move into FY21, it is clear that the impacts of the pandemic will be with us for some time. The business will remain committed to ensuring that we continue to prioritise the health, safety and wellbeing of our staff, customers, partners, and all our communities.

The business is well positioned to continue executing on its forward strategy and generate solid shareholder returns by focusing on key areas including:

- Product development in the strategic areas of Cloud, Security and Networking.
- Leading additional strategic conversations with our customers and partners to deliver strong outcomes for all our regions
- Promoting a positive work environment where our people feel and know they are valued and supported.
- Continue to enhance our customer experience by delivering outcomes which support their success.
- Commit to investing in the success of the communities that we are privileged to serve.
- Continue to streamline our business operations and deliver improvements in business productivity and efficiency.
- Continue to foster a sustainable business model with a focus on long term prosperity for all our stakeholders.

Acknowledgments and thanks

During the period our Executive General Manager, Jarrod Draper left the organization to pursue career opportunities in Melbourne. Jarrod was instrumental in developing and commencing the implementation of our new operating model and forward strategy. We thank him for his contribution and wish him all the best for his future.

The Board and executive team would like to sincerely thank our shareholders, for your ongoing trust and support during the year.

To our customers and communities – thank you for allowing us the opportunity to continue to serve you across the years. It is your loyalty, trust and support that has kept us strong.

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

We would like to especially thank our small and highly effective executive team for their commitment to effectively implement our new operating model and for their contribution to our ongoing success.

And finally, thank you to every Bendigo Telco employee. Their dedication, resiliency and commitment to our customers, communities and co-workers during challenging and uncertain times is greatly valued and appreciated.



Rob Hunt
Chairman



Steven Wright
Executive General Manager

Community Support

Bendigo Telco is committed to the success of the communities that we are privileged to serve



More than \$710k reinvested back into local community enterprises over the last 15 years

We proudly partner with several volunteer-run Community Enterprise groups around Australia. Through these partnerships, Bendigo Telco shares a portion of the profits from customer's telco services with the Community Enterprise of their choice, enabling the Enterprise to build fantastic community assets like sporting fields, bike trails, playgrounds, and so much more.

Since committing to these funding arrangements in 2005, Bendigo Telco has reinvested more than \$710k back into local communities.

In addition to supporting the Community Enterprise groups, Bendigo Telco chooses to support a number of community initiatives directly through grants and sponsorship and is a member of a several important community focused organisations including Be.Bendigo, Geelong Chamber of Commerce, Geelong Connected Communities, Active Geelong and the Committee for Ballarat.



2020 Highlights

July

- Investment in cloud management platform and deployment of Cisco UCS Director Platform
- National Network Refresh Program Fujitsu and Equinix datacentre deployments
- Security partnership with CrowdStrike for end point security

September

- Review of IT Service Management toolkit and requirements gathering project kick off

November

- Sponsor of the inaugural Bendigo Kid's Triathlon

August

- ACOMM Community Contribution Award finalist for our assistance with the development of Bendigo Bank House
- Internet border infrastructure upgrades and capacity increase

October

- Further investment in cyber security through deployment and commissioning of new DDoS Platform
- Implemented NSW state-based redundancy SIP Headend

December

- New CRM requirements gathering and solution design
- New vulnerability management platform

Company Statistics



\$33,367,674

-8.9%

Total Company Revenue



\$5,370,524

+37.1%

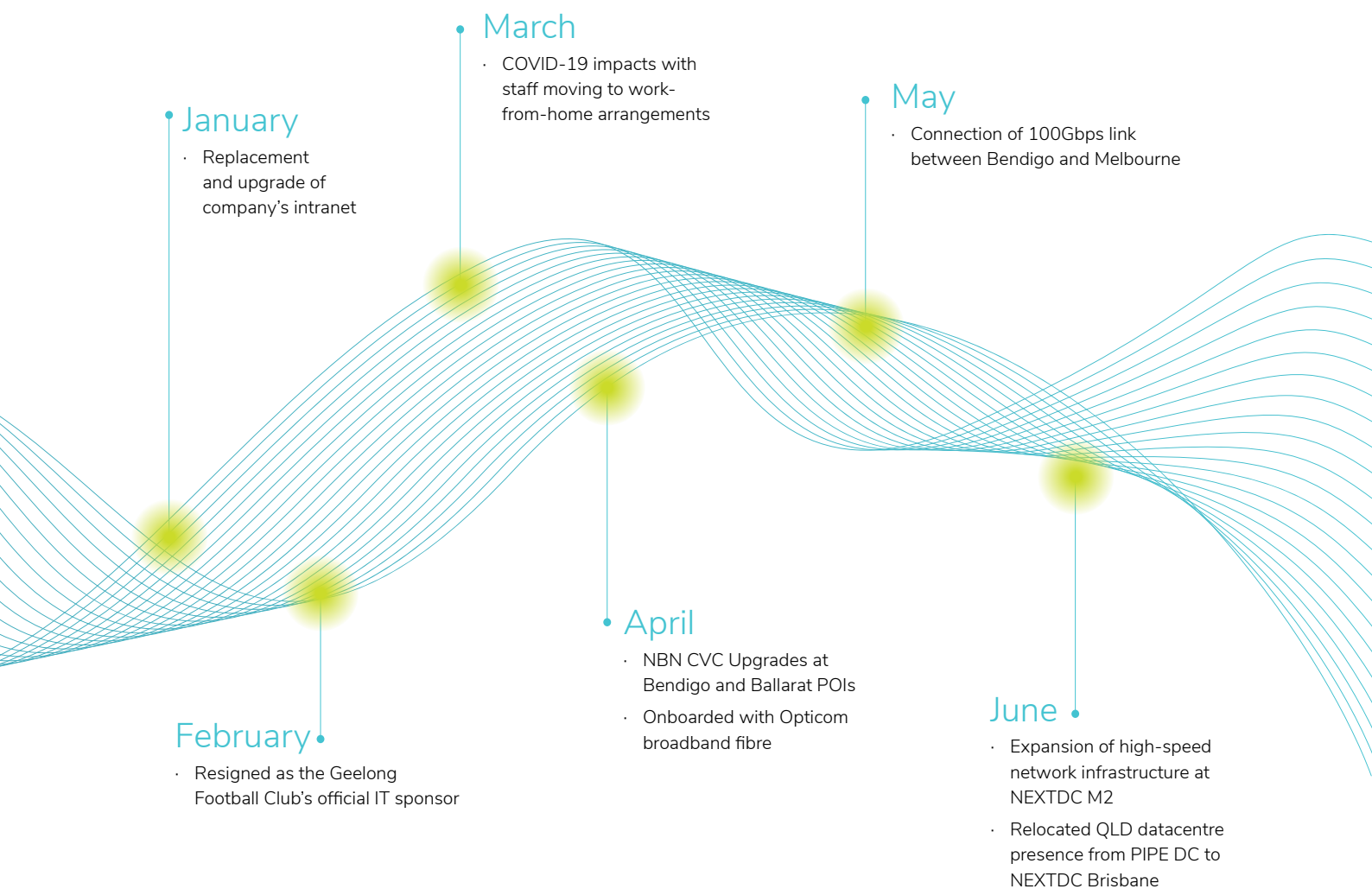
Underlying EBITA*



\$1,787,942

+45.6%

Underlying NPAT*



\$5,902,307

+69.4%

Cash Flow from Operating Activities



23.0c

EPS based on
Underlying NPAT*



14.5c

FY20 Dividend

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

Super-fast Business Connectivity for our Region

As businesses continue to evolve in the modern digital economy, high capacity, reliable data connectivity has never been more important. However, regional centres are not as well served as our city counterparts, as the infrastructure for this vital utility is less prevalent. Where it has been available, it is often too expensive for businesses to utilise, leaving them to compromise with much lower capacity and lower quality services.

Bendigo Telco was founded upon a guiding principal of improving telecommunications infrastructure in our region, responding to the needs of local businesses that were suffering from a lack of disaster recovery, business continuity and high-speed data services.

For over 20 years, we have been working with our partners and local businesses to fulfil this promise, investing in local data centres, high speed fibre rings and local cloud infrastructure.

Now, we are taking the next step forward for our region, bringing multi-gigabit speeds to local businesses via dual 100Gb/s backbone connections between Bendigo and Melbourne, providing the essential gateway to cloud and internet services at metro-equivalent prices.

The Bendigo-Melbourne Data Corridor

Australia's capital cities serve as critical data hubs for our nations data networks. While not obvious to most users, the vast majority of data travels via these cities before hitting our local networks and into our buildings. Furthermore, major public cloud services such as Microsoft Azure, Office 365, Amazon Web Services, Google Cloud and IBM Cloud all either have infrastructure or provide access in these major centres.

It is critically important that our region has the connectivity in place to ensure our local business can access these essential cloud services. Bendigo Telco has invested in multiple 100Gb/s backbone links to connect our city to the major cloud and data vendors.

This kind of capacity is unique to our region, giving Bendigo a competitive advantage amongst other regional centres and making Bendigo an even more compelling proposition when compared to capital cities. High speed data connectivity such as this allows Bendigo businesses to compete in the global economy, brings new businesses to our region and further strengthens our position as an innovative society.

Following the successful implementation, Bendigo Telco will review future partnership opportunities for expansion into other regional centres.

Enhancing our products

The commissioning of the 100Gb/s connection combined with our existing infrastructure marks a transformation opportunity to enable digital technology. The creation of a local circular digital economy will not only drive innovation but expand and enhance the product and services that Bendigo Telco offers to businesses, governments and the community including:

Managed Network Services

Data Services provide the underlying network fabric on which every modern enterprise relies upon to run their business operations. Bendigo Telco specialises in the management of these data services and can integrate high speed fibre optic links into a managed network, allowing business applications to run seamlessly over multiple locations.

Public Cloud Access

The investment in backbone connectivity allows us to provide businesses with cloud services from Microsoft, Amazon Web Services, Google, IBM as well as our own cloud infrastructure. This access is configured in a private, secure manor providing optimal performance and security.

Bendigo Telco Cloud

Bendigo Telco has invested in local cloud infrastructure designed to serve the needs of local businesses. This infrastructure is based upon industry leading vendors such as Cisco, VMWare, HPE and CommVault.

Integrated Data Security Services

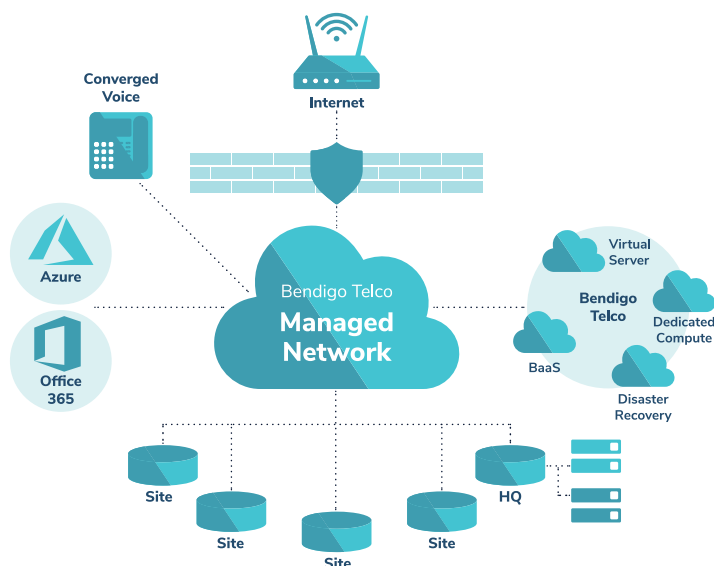
Data security is at the forefront of business concerns both locally and around the globe. Bendigo Telco provides data security services to support its range of cloud and data products. Security services include managed firewall services, firewall hosting and end-point protection solutions.

Internet Services

Bendigo Telco has designed its network so that it can provide enterprise grade internet services to our customers. These services can be configured in a variety of fashions, and can be integrated into a managed data network, data centre or delivery directly to your business site.

Voice Services

High quality, secure, reliable voice services are an essential part of any large business. Bendigo Telco designs voice solutions that are integrated into data networks, ensuring voice quality and security are catered for.



Financial Statements



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 2020. The financial statements and disclosures in the concise report have been derived from the 2020 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, formed in year 2000, was established by a group of prominent Bendigo based businesses who wanted better access to competitive pricing and telecommunications technology across our local market. These businesses identified the disadvantages (market failure) that they as regional businesses faced when compared with their metropolitan competitors. Early analysis identified the need to create a locally owned and focused organisation to improve the telecommunications services, in terms of price, priority, competition, and access to essential infrastructure.

Now in its 21st year of operation, Bendigo Telco has played a major role in addressing these shortcomings as well as promoting a more competitive and responsive telco market in all the communities that we now support. The Group continues to provide of a broad range of telecommunications services to enterprise, business, and consumer customers across these Australian markets.

Operational Review

Over the past 12 months the telco environment has continued to present challenges. The continued rollout of the NBN and the introduction of new telco technologies have been the prominent factors which have resulted in compressed revenues and margins for the traditional voice and data products that we have provided across our customer base. These declines in traditional revenue are in line with industry expectations and are projected to continue into FY21 and FY22. Our focus has been to replace these reduced revenues into services that will be of greatest benefit and value to our customers and local markets.

In response to the industry changes the Group progressively implemented a new strategy and operating model which it has continued to execute on over the past year. By remaining focused on our strategic priorities and delivering on our stated objectives, we have been able to continue to invest in our infrastructure, people, products, and processes and continue to produce a solid result for our shareholders.

Impact of COVID-19

During the financial year we have seen the onset of the COVID-19 pandemic which continues to have significant impacts on people, businesses, communities and the economy. In March 2020, the Group chose to progressively implement its continuity plans with a focus on having most staff working at home or remotely. This decision was made to ensure the protection of staff, the services we deliver to our customers and the support we provide to our communities and local economies.

As more businesses moved to remote working arrangements, the reliance on our services, support and infrastructure became even more critical with many customers requesting additional capacity to enable and support their employees to work at home and remotely.

The events relating to COVID-19 have not had a materially adverse impact on either the operations or financial performance of the Group during this period. The Group continues to offer support to its customers with several of them taking up an option to extend payment terms or enter into an acceptable payment arrangement. Given the uncertainty of the continually evolving circumstances, the longer-term impacts of COVID-19 are difficult to fully assess at this stage. The Group continues to monitor the situation and engage with customers to ensure we meet or exceed their service requirements.

The business received \$50,000 from the ATO cash flow boost during FY20 and expects to receive an additional \$50,000 from the 2nd ATO cash flow boost during FY21. The business was not entitled to any other Government related payments.

Financial and Operating Results

Summary financial results	FY20 \$'000	FY19 \$'000	Change (%)
Revenue	33,368	36,625	(8.89%)
Gross margin	16,715	16,785	(0.42%)
EBITDA	4,647	1,279	263.33%
Net profit/(loss) after tax	1,065	(1,331)	(180.02%)
Underlying net profit/(loss) after tax*	1,788	1,228	45.60%
Earnings per share (cents)	13.73	(17.16)	

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

Total Group revenue decreased by 8.89% from the prior year delivering a total turnover of \$33,367,674 (FY19: \$36,624,771) in line with our expectations.

The NPAT result for the year, on a reported basis, was a profit of \$1,064,822 (FY19: loss of \$1,330,993). The profit was impacted by significant one-off adjustments including a non-cash impairment charge of \$723,120 against other non-current assets.

The net assets of the Group increased by \$105,160 from the prior year to \$8,155,961 (FY19: \$8,050,801). The Group was able to maintain a creditable equity ratio of 42.18% (FY19: 46.95%).

The Group generated strong cash flows from operating activities which increased 69.38% from the prior year to \$5,902,307 (FY19: \$3,484,564) whilst maintaining a sound working capital with current assets exceeding current liabilities by \$1,778,575.

The Directors resolved to pay a fully franked final dividend of 9.5 cents per share which will be paid to shareholders on 30 September 2020. The total dividend for FY20 is 14.5 cents fully franked. This represents a 63% payout ratio on FY20 underlying earnings (NPAT excluding net one-off non-cash impairments to other non-current assets).

Year Ahead

FY21 is shaping to present both challenges and opportunities to Bendigo Telco. Whilst the Group will continue to invest in its people, processes, and products it will also make a significant investment in uplifting its core data network between Bendigo and Melbourne with ultra-high-speed, high-performance fibre-optic infrastructure.

The commissioning of this 100Gbps connection combined with our existing infrastructure will enable Bendigo to become a 'One Hundred Gigabit City' marking a transformational opportunity to enable digital connectivity which will drive innovation, attract new business across industry and support our regional economy and customer base.

The Board of Directors are confident that Bendigo Telco has the right assets, strategy, priorities, and partnerships in place to continue our objective of creating solid shareholder value and genuine strategic value for all our local markets.

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.

The events relating to COVID-19 have not had an adverse impact on either the operations or financial performance of the Group during this period. Given the uncertainty of the continually evolving circumstances, the longer-term impacts of COVID-19 are difficult to assess at this stage. The Group continues to monitor the situation.

Since the end of the financial year a fully franked final dividend in the amount of 9.5 cents per share was declared by the Board of Directors on 26 August 2020 which will be distributed to shareholders on 30 September 2020.

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 Acting Executive General Manager 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 2020.

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, 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.

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 2020. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2020 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
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 – September 2019	7.0	543,045
Interim – March 2020	5.0	387,889
	12.0	930,934

Ordinary Dividends Declared:

Final - September 2020	9.5	736,989
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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 under section 237 of the *Corporations Act 2001* 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 2020:

	\$
Share registry services	19,012
	<u>19,012</u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 30 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

Occupation	Director / Investor
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) 458,758 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.

Donald 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, 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

Graham 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 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	<p>Direct – 0 Shares</p> <p>Indirect – Jeanette Bastian 2,000 Shares</p>
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

Michelle O’Sullivan – Director

Occupation	Lawyer – O’Sullivan Johanson Lawyers
Qualifications	<p>Bachelor of Laws (Hons)</p> <p>Bachelor of Commerce</p> <p>Certificate III in Fitness</p>
Experience	<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.</p> <p>Michelle was a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc.</p>
Interest in Shares	Direct - 44,711 Shares
Special Responsibilities	Nil
Other Directorships	Nil

Kevin Dole – Director

Occupation	Consultant
Qualifications	Associate Diploma in Information Processing (Latrobe)
Experience	<p>Kevin has over 33 years in the technology industry with particular experience in Banking and finance.</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, due diligence for mergers and acquisitions, as well as delivery of change programs.</p> <p>In addition has considerable experience with vendor management and contract negotiation.</p>
Interest in shares	Direct – Nil
Special Responsibilities	Nil
Other Directorships	Nil

Rodney 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 Special	Indirect - Linrod Holdings Pty Ltd atf the Payne Investment Trust A/C 7,089 shares
Responsibilities	Member of Audit and Risk Committee
Other Directorships	Director - The Legal Lantern Group Director - Karingal St Laurence

Jonathan Selkirk – Director

Occupation	Chief Financial Officer, Country Club Living Pty Ltd.
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 in chartered accounting, then moved into banking & financial services in both Melbourne & London and was CFO at a Ballarat manufacturing and distribution business 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.
Interest in shares Special	Nil
Responsibilities	Nil
Other Directorships	Board member Ballarat and Clarendon College, Ballarat.

Gregory Gillett – Director

Occupation	Retired
Qualifications	Senior Fellow of the Financial Services Institute of Australia.
Experience	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.
Interest in shares Special	Direct - 24,108 shares
Responsibilities	Chairman of Audit and Risk Committee
Other Directorships	Nil

Nicole Rooke – Director

Occupation	Head of Corporate Strategy, Bendigo and Adelaide Bank Ltd
Qualifications	CPA, B Commerce
Experience	Nicole has over 13 years' experience in Financial Services and is currently Head of 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 Sempra 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.
Interest in shares	Nil
Special	
Responsibilities	Nil
Other Directorships	Nil

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Ken Belfrage FCA, 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, 10 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	10	10	4	4	1	1
Graham Bastian	10	10	4	4	-	-
Donald Erskine	10	8	4	3	1	1
Michelle O'Sullivan	10	10	-	-	-	-
Kevin Dole	10	9	-	-	-	-
Jonathan Selkirk	10	9	-	-	-	-
Rodney Payne	10	9	4	4	-	-
Gregory Gillett	10	10	4	4	-	-
Nicole Rooke	10	10	-	-	-	-

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 29 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
Jonathan Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director
Nicole Rooke	Director

(ii) Executives

Steven Wright	Chief Financial Officer (1 July 2019 to 4 March 2020), Acting Executive General Manager (5 March 2020 to 30 June 2020)
Jarrod Draper	Executive General Manager (1 July 2019 to 1 November 2019)
John Barlow	Acting General Manager - Operations
Kale Beesley	Acting General Manager - Technology (5 March 2020 to 30 June 2020)

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. 2020 net profits were impacted due to the non-cash impairment of intangible assets as disclosed further in this report. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 7.69% 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.

	2016	2017	2018	2019	2020
Revenue	\$22.8M	\$31.9M	\$35.4M	\$36.6M	\$33.4M
EBITDA	\$3.06M	\$3.08M	\$3.86M	\$1.28M	\$4.65M
Net profit/(loss)	\$1.29M	\$0.91M	\$1.22M	(\$1.33M)	\$1.06M
Share price at year end	\$2.04	\$2.10	\$1.95	\$1.40	\$1.15
Dividends paid	17.0 cents	13.0 cents	12.0 cents	12.0 cents	12.0 cents

Details of remuneration for year ended 30 June 2020

(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	2020	13,699	1,301	15,000	-
	2019	13,699	1,301	15,000	-
Graham Bastian	2020	15,000	-	15,000	-
	2019	15,000	-	15,000	-
Donald Erskine	2020	-	15,000	15,000	-
	2019	-	15,000	15,000	-
Michelle O'Sullivan	2020	13,699	1,301	15,000	-
	2019	13,699	1,301	15,000	-
Kevin Dole	2020	13,699	1,301	15,000	-
	2019	13,699	1,301	15,000	-
Jonathan Selkirk	2020	13,699	1,301	15,000	-
	2019	13,699	1,301	15,000	-
Rodney Payne	2020	15,000	-	15,000	-
	2019	15,000	-	15,000	-
Gregory Gillett	2020	13,699	1,301	15,000	-
	2019	13,699	1,301	15,000	-
Nicole Rooke	2020	13,699	1,301	15,000	-
	2019	3,425	325	3,750	-
Total	2020	112,194	22,806	135,000	-
	2019	101,920	21,830	123,750	-

(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	2020	-	-	-	-	-	-	-
	2019	130,074	13,726	17,949	-	29,252	191,001	10
Adam Murdoch	2020	-	-	-	-	-	-	-
	2019	124,872	10,151	12,934	-	67,034	214,991	10
Jeffery Jordan	2020	-	-	-	-	-	-	-
	2019	183,480	13,274	17,503	-	105,311	319,568	-
Jason Sim	2020	-	-	-	-	-	-	-
	2019	101,216	-	7,908	-	43,588	152,712	13
Steven Wright	2020	200,276	-	17,861	-	-	218,137	11
	2019	182,026	-	16,006	-	-	198,032	13
Jarrold Draper	2020	67,800	-	6,632	-	20,250	94,682	-
	2019	235,989	-	17,829	-	-	253,818	30
John Barlow	2020	124,413	15,000	11,819	-	-	151,232	-
	2019	-	-	-	-	-	-	-
Kale Beesley	2020	120,076	15,000	11,407	-	-	146,483	-
	2019	-	-	-	-	-	-	-
Total	2020	512,565	30,000	47,719	-	20,250	610,534	
	2019	957,657	37,151	90,129	-	245,185	1,330,122	

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 26 August 2020.



Robert Hunt

Chairman



Donald Erskine

Director





Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2020, 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 26th day of August 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
Revenue	2(a)	33,367,674	36,624,771
Cost of products sold		(16,652,702)	(19,839,571)
Other income	2(b)	50,000	11,149
Finance income	2(c)	5,693	12,509
Salaries and employee benefit costs		(7,660,919)	(8,431,776)
Occupancy and associated costs		(393,825)	(860,077)
General administration costs		(1,300,267)	(1,761,659)
Depreciation and amortisation costs		(2,515,677)	(2,013,610)
Advertising and promotion costs		(202,744)	(245,354)
Systems costs		(1,773,281)	(1,651,554)
Borrowing costs		(293,286)	(392,568)
Impairment losses	4	<u>(723,120)</u>	<u>(2,352,967)</u>
Profit before income tax		1,907,546	(900,707)
Income tax expense		<u>(842,724)</u>	<u>(430,286)</u>
Net profit/(loss) for the year		1,064,822	(1,330,993)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>1,064,822</u></u>	<u><u>(1,330,993)</u></u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u><u>1,064,822</u></u>	<u><u>(1,330,993)</u></u>
Earnings per share			
Basic earnings per share (cents)		13.73	(17.16)
Diluted earnings per share (cents)		13.73	(17.16)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents		4,120,844	1,868,943
Trade and other receivables		1,088,785	1,737,997
Prepayments		1,792,232	1,550,727
Inventories		104,701	190,581
Current tax assets		-	418,816
Total Current Assets		7,106,562	5,767,064
Non Current Assets			
Property, plant and equipment		1,126,203	4,122,185
Right-of-use assets		5,372,539	-
Intangible assets		4,995,107	6,374,784
Deferred tax asset		735,164	883,068
Total Non Current Assets		12,229,013	11,380,037
TOTAL ASSETS		19,335,575	17,147,101
Current Liabilities			
Trade and other payables		1,823,033	2,200,866
Borrowings		386,008	1,846,372
Lease Liabilities		1,720,355	-
Provisions		987,396	871,468
Current tax liabilities		411,195	-
Total Current Liabilities		5,327,987	4,918,706
Non Current Liabilities			
Borrowings		2,363,869	4,084,385
Lease Liabilities		3,406,075	-
Provisions		81,683	93,209
Total Non Current Liabilities		5,851,627	4,177,594
TOTAL LIABILITIES		11,179,614	9,096,300
NET ASSETS		8,155,961	8,050,801
EQUITY			
Issued capital		7,040,580	7,069,308
Retained earnings		1,115,381	981,493
TOTAL EQUITY		8,155,961	8,050,801

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2018		7,104,001	3,243,420	10,347,421
Comprehensive Income				
Loss for the year		-	(1,330,993)	(1,330,993)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(1,330,993)	(1,330,993)
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	5	-	(930,934)	(930,934)
Shares issued during the year		-	-	-
Cost of equity raised		(34,693)	-	(34,693)
Total transactions with owners and other transfers		(34,693)	(930,934)	(965,627)
Balance at 30 June 2019		7,069,308	981,493	8,050,801
Balance at 1 July 2019		7,069,308	981,493	8,050,801
Comprehensive Income				
Profit for the year		-	1,064,822	1,064,822
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,064,822	1,064,822
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	5	-	(930,934)	(930,934)
Shares issued during the year		-	-	-
Cost of equity raised		(28,728)	-	(28,728)
Total transactions with owners and other transfers		(28,728)	(930,934)	(959,662)
Balance at 30 June 2020		7,040,580	1,115,381	8,155,961

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		37,226,302	40,827,569
Payments to suppliers and employees		(31,172,931)	(36,744,492)
Lease payments not included in lease liabilities		(67,767)	-
Interest paid on lease liabilities		(122,469)	-
Interest paid on borrowings		(101,712)	(166,317)
Income tax paid		135,191	(444,705)
Interest received		5,693	12,509
Net cash provided by operating activities		5,902,307	3,484,564
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(7,515)	(126,545)
Purchase of property, plant and equipment		(358,723)	(511,255)
Proceeds from sale of property, plant and equipment		43,000	29,848
Net cash used in investing activities		(323,238)	(607,952)
CASH FLOW FROM FINANCING ACTIVITIES			
Cost of shares issued		(28,728)	(34,693)
Repayment of lease liabilities		(1,957,365)	(824,735)
Repayment of bank loans		(410,141)	(1,162,761)
Dividends paid		(930,934)	(930,934)
Net cash used in financing activities		(3,327,168)	(2,953,123)
Net increase / (decrease) in cash held		2,251,901	(76,511)
Cash and cash equivalents at beginning of financial year		1,868,943	1,945,454
Cash and cash equivalents at end of the financial year		4,120,844	1,868,943

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 2020. 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

	2020 \$	2019 \$
(a) Revenue:		
Revenue from contracts with customers	33,367,674	36,624,771
	<u>33,367,674</u>	<u>36,624,771</u>
(b) Other income:		
Profit on sale of assets	-	11,149
Government Grants	50,000	-
	<u>50,000</u>	<u>11,149</u>
(c) Finance income:		
Interest received	5,693	12,509
	<u>5,693</u>	<u>12,509</u>
	<u>33,423,367</u>	<u>36,648,429</u>

3. NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

Initial Application of AASB 16: Leases

The Group has applied AASB 16: Leases retrospectively without restatement of comparatives. The Group has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019 leases are recognised as right-to-use assets with corresponding lease liabilities at the date at which the leased asset is available for use by the Group.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

Practical expedients applied

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Reclassification of lease arrangements

The following summary indicates the reclassification of property, plant and equipment to right-of-use asset on 1 July 2019 due to implementation of AASB16:

Category	Carrying amount under AASB 117 \$	Adjustment \$	Carrying amount under AASB 16 \$
Reclassified from:			
- Property, plant and equipment - leased Motor Vehicles	63,013	(63,013)	-
- Property, plant and equipment - leased Network Infrastructure	2,188,431	(2,188,431)	-
- Property, plant and equipment - leased Cloud Infrastructure	621,398	(621,398)	-
	<u>2,872,842</u>	<u>(2,872,842)</u>	-
Reclassified to:			
- Right-of-use asset - leased Motor Vehicles	-	63,013	63,013
- Right-of-use asset - leased Network Infrastructure	-	2,188,431	2,188,431
- Right-of-use asset - leased Cloud Infrastructure	-	621,398	621,398
	-	<u>2,872,842</u>	<u>2,872,842</u>

Measurement of lease liabilities at 1 July 2019

The Group measured lease liabilities at 1 July 2019 as follows:

Description	2019 \$
Operating lease commitments disclosed at 30 June 2019	1,550,293
Discounted using the lessee's incremental borrowing rate at the date of initial application	(316,362)
Add:	
- finance lease liabilities recognised as at 30 June 2019	2,770,738
- adjustments as a result of different treatment of extension and termination options	1,887,160
- adjustments relating to changes in the index or rate affecting variable payments	182,387
Less:	
- low value leases not recognised as a liability	(72,235)
Lease liability recognised as at 1 July 2019	<u>6,001,981</u>
Of which are:	
- current lease liabilities	1,816,526
- non current lease liabilities	<u>4,185,455</u>
	<u>6,001,981</u>

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4%. The difference between the undiscounted amount of operating lease commitments at 30 June 2019 of \$1,550,293 and the discounted operating lease commitments as at 1 July 2019 of \$1,233,931 was \$316,362, which is due to discounting the operating lease commitments at the Group's incremental borrowing rate.

Measurement of right-of-use assets at 1 July 2019

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Description	2019 \$
Property, plant and equipment	(2,872,842)
Right-of-use assets	6,104,085
Borrowings	2,770,738
Lease liabilities	(6,001,981)
Net adjustment to retained earnings on 1 July 2019	<u>-</u>

Impact on the Statement of Financial Position for the year ended 30 June 2020

Right-of-use assets:	2020 \$
Initial recognition on adoption	6,104,085
Add:	
- additional right-of-use assets recognised	568,403
- remeasurement adjustments	1,729
Less:	
- depreciation expense	(1,289,056)
- disposals	(12,622)
Right-of-use assets at 30 June 2020	<u>5,372,539</u>

Lease liabilities:

Initial recognition on adoption	6,001,981
Add:	
- additional lease liabilities recognised	1,080,083
- remeasurement adjustments	1,729
- borrowing costs	202,745
Less	
- lease repayments	(2,160,108)
Lease liabilities at 30 June 2020	<u>5,126,430</u>

Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

Revenue and expenditure:	2020 \$
Decrease in the operating lease expense	(499,980)
Increase in borrowing costs on lease liabilities	122,469
Increase in right-of-use asset depreciation expense	462,752
Profit and loss:	
Increase in loss before income tax expense	<u>85,241</u>

4. IMPAIRMENT LOSSES

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 Intangible – VicWest Community Telco Customer List

Vicwest Community Telco was purchased September 2016. As at 30 June 2020, 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 a \$305,500 impairment loss was recognised in the Statement of Profit or Loss and Other Comprehensive Income, writing down the intangible to \$1,127,426. The impairment was recorded in "Impairment losses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment relates to the consumer and small business market segment portion of the customer list. Diminished revenues, lower margins, and higher cost-to-serve has led to a change in strategy for this market segment from growth to protect. It is projected that the revenues and margins from this market segment will continue to decrease into the future.

Impairment of Intangible – Bendigo Bank Telco Customer List

Bendigo Bank Telco was purchased March 2018. As at 30 June 2020, the carrying value of our assets in the Bendigo Bank 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 a \$417,620 impairment loss was recognised in the Statement of Profit or Loss and Other Comprehensive Income, writing down the intangible to \$70,083. The impairment was recorded in "Impairment losses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment relates to the consumer and small business market segment portion of the customer list. Diminished revenues, lower margins, and higher cost-to-serve has led to a change in strategy for this market segment from growth to protect. It is projected that the revenues and margins from this market segment will continue to decrease into the future.

	2020	2019
	\$	\$
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 - Wireless Broadband project	-	74,487
Impairment of Intangible – VicWest Community Telco Customer List	305,500	-
Impairment of Intangible – Bendigo Bank Telco Customer List	417,620	-
	<u>723,120</u>	<u>2,352,967</u>

5. DIVIDENDS PAID AND PROPOSED

	2020	2019
Distributions paid:	\$	\$
2019 Final 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
2020 Interim fully franked ordinary dividend of 5.0 (2019: 4.0) cents per share franked at the rate of 27.5% (2019: 27.5%)	<u>387,889</u>	<u>310,311</u>
	<u>930,934</u>	<u>930,934</u>
Total dividends (cents) per share for the period	12.00	12.00
a. Proposed Final 2020 fully franked ordinary dividend of 9.5 (2019:7.0) cents per share franked at the rate of 27.5% (2019: 27.5%)	736,989	543,045
After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2020 but will be brought to account in the 2021 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	1,005,044	1,533,711
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(279,548)	(205,983)

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 Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2020	2019	2020	2019
		%	%	%	%
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. OPERATING SEGMENTS

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the board that makes strategic decisions).

Bendigo Telco Limited operates under two divisions, Business and Enterprise (B&E) and Consumer and Small Business (CSB). The breakdown of revenue has also been disclosed by division and product set. Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 Operating Segments. On reallocation, no additional goodwill impairment was required.

Major customers

During the year ended 30 June 2020 approximately 35.0% (2019: 32.8%) of Bendigo Telco's external revenue was derived from sales to one customer (2019: one customer).

Revenue by division and product set for the period ending 30 June 2020	B&E	CSB
	\$	\$
Revenue from sales of services recognised over time		
Voice	7,110,093	2,054,758
Mobile	941,391	1,895,165
Data Networks	10,437,810	-
Broadband	931,049	3,088,952
IT Services	226,114	-
Data Centre	3,037,176	6,361
Cloud	2,027,911	32,790
Other	91,343	80,257
	24,802,887	7,158,283

Revenue from sales of goods recognised at a point in time		
Mobile	29,166	58,716
Broadband	12,493	41,450
Hardware and Installations	1,167,678	152,694
	1,209,337	252,860

Revenue by division and product set for the period ending 30 June 2019	B&E	CSB
	\$	\$
Revenue from sales of services recognised over time		
Voice	8,771,612	2,645,939
Mobile	1,071,779	2,467,294
Data Networks	11,148,606	-
Broadband	838,463	3,417,749
IT Services	231,305	-
Data Centre	3,069,670	6,360
Cloud	1,654,218	31,485
Other	72,614	160,937
	26,858,267	8,729,764

Revenue from sales of goods recognised at a point in time		
Mobile	40,146	92,417
Broadband	18,135	73,921
Hardware and Installations	747,663	88,116
	805,944	254,454

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 9.5 cents per share was declared by the Board of Directors on 26 August 2020 which will be distributed to shareholders on 30 September 2020.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Telco Limited, the directors of the Group declare that the concise financial report of Bendigo Telco Limited and Controlled Entities for the financial year ended 30 June 2020:

- 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 2020 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



Donald Erskine

Director

Signed on 26 August 2020





Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2020, 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 2020.

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 26 August 2020. 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*.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 26th day of August 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 23 July 2020.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	138
1,001 - 5,000	251
5,001 - 10,000	74
10,001 - 100,000	61
100,001 and over	6
	<u>530</u>

The number of shareholdings held in less than marketable parcels is 32.

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	513,758	6.6
Ron Poyser Administrators Pty Ltd	438,400	5.7
National Nominees Limited	160,000	2.1
P.J. & D.A. Eddy Pty Ltd	100,000	1.3
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
Total shares held by top 10 holders	<u>4,860,289</u>	<u>62.7</u>

Bendigo Telco Limited

ABN 88 089 782 203

Registered Office

Bendigo Telco
23 McLaren Street, Bendigo VIC 3550

Office Locations

Innovation Court, Kennington VIC 3550
33 Piper Road, East Bendigo VIC 3550
39A Peel Street, Ballarat VIC 3550
Unit 3, 2-6 Rutland Street, Geelong VIC 3220
Level 9, 39 Murray Street, Hobart TAS 7000
Suite 2, Level 1 Patterson Street, Launceston TAS 7000

Shareholder Enquiries

Bendigo Telco Share Registry
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bendigotelco.com.au

Connecting our community