BENDIGO TELCO LIMITED

A.B.N. 88 089 782 203

2017 FINANCIAL REPORT

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

About Bendigo Telco

Bendigo Telco is a provider of managed telecommunications services to customers located throughout Australia.

The business now has offices in several key markets including Bendigo, Ballarat, Geelong, Tasmania and the Gold Coast. Our core product offerings include - fixed line telephone services, Internet Services, Cloud Services and Virtual Private Networks. Our focus is on delivering technology solutions to our customers that are underpinned by a level of support that is rare in our industry.

During the financial year 2017, the company, led by CEO - Jeff Jordan completed the merger with Vicwest under a 'scheme of arrangement' and acquired a range of other assets from Community Telco Australia. The transaction also included the signing of an additional five-year contract with the Bendigo and Adelaide Bank Ltd for provision of their wide area network. This long-term contract that extends through 2021, is an important endorsement from our largest customer and secures long-term revenue certainty for our business.

During the period, the business also added an important new contract to supply Bendigo and Adelaide Bank with fixed-line voice services. Additionally, our broadened customer base will enable us to offer a wider range of service to our new customers, providing sound potential for further business growth.

The implementation of the merger transaction is now well behind us and has left us a stronger business with significantly increased scale. In addition, our greater size has proven very useful in renegotiating supplier contracts that will lead to a significant increase in our retained margins.

The roll out of the NBN Co.'s National Broadband network (NBN) has continued to have a significant effect on our industry. Bendigo Telco has a direct wholesale relationship in place with NBN Co. that has allowed us to maintain our margins as customers make the switch from ADSL to NBN. Our strong relationships with our wholesale partners, combined with our increased scale has enabled us to remain competitive in this period of rapid change in the 'telco industry'.

As ever, the communities that we serve are a primary focus at Bendigo Telco. During FY 2017, we have worked with a broad range of community organisations to help deliver sustainable outcomes and foster community success.

Financial and Operating Performance

Year ended 30 June ($'000)	2017	2016	Change (%)
Revenue	31,255	22,777	37.2%
Gross margin	14,140	12,149	16.4%
Net profit after tax	916	1,289	(28.9)%
Earnings per share (cents)	12.37	22.44	
Dividend (cents per share)	13.0	17.0	

Total company revenue increased 37.2% from the prior year delivering a total turnover of $31,254,789.

The consolidated profit of the Group amounted to $915,948 after providing for income tax. This represents a 28.9% decrease on the results reported for the year ended 30 June 2016. The financial performance of the Group did not meet expectations for the period primarily due to additional operational and acquisition costs as well as several one-off costs, which were directly related to the implementation associated with the merger. However, with this transition fully behind us, the business is now positioned to take full advantage of its increased customer base and scale.

The net assets of the Group increased by $3,997,792 from 30 June 2016 to $9,877,486 as at 30 June 2017. The Group generated strong cash flows from operating activities and continued to maintain a sound working capital with current assets exceeding current liabilities by $1,274,819.

The 2017 financial year has been an important one for us in which we have invested heavily in building a stronger and more efficient business with great growth potential. The merger process has significantly strengthened the company and enabled us to secure important long-term customer contracts and to invest in the scalability of our infrastructure. Now that these activities are complete, we have established a platform to improve our earnings profile and to deliver growth in 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 8.0 cents per share was declared by the Board of Directors on 30 August 2017 which will be distributed to shareholders on 29 September 2017.

EVENTS AFTER THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Disclosure of information relating to major development in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the directors, will not unreasonably prejudice the interests of the Group, is contained in the Report by the Chairman and Chief Executive Officer in the Concise Annual Report.

ENVIRONMENTAL ISSUES

The group is not subject to any significant environmental regulation.

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 are Directors Graham Bastian, Andrew Watts, Rod Payne and Don Erskine.
3. A Share Trading policy which outlines directors and employees obligations in trading in its securities. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Group's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. Director Don Erskine is the Chairman and Andrew Watts is a Member of the Remuneration Committee.
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 2017. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2017 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 D Erskine (Chairman)	Mr A Watts
Mr G Bastian	Mr J Selkirk
Ms M O'Sullivan	Mr R Payne
Mr R Hunt	Mr K Dole

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

DIVIDENDS PAID OR RECOMMENDED

Ordinary Dividends Paid:

	Cents	$
Final – August 2016	10.0	574,532
Interim – April 2017	3.0	232,359
	13.0	**806,891**

Ordinary Dividends Declared:

Final - September 2017	8.0	619,623

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The group has indemnified all directors, officers and the managers in respect of liabilities to other persons (other than the group or related body corporate) that may arise from their position as directors, officers or managers of the group except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The group has not provided any insurance for an auditor of the group or a related body corporate.

PROCEEDINGS ON BEHALF OF GROUP

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

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

NON-AUDIT SERVICES

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

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

- all non-audit services are reviewed and approved by the Audit and Risk committee prior to the commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or are payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2017:

	$
Taxation services	3,493
Share registry services	20,489
	23,982

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 15 of the financial report.

OPTIONS

The Group has not issued any share options.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Mr Donald James Erskine - Chairman

Occupation	Managing Director – Industrial Conveying (Aust.) Pty Ltd
Experience	Don is trained as a mechanical engineer. He is Managing Director of Industrial Conveying (Aust.) Pty Limited which was formed by Don in 1979 and DJE Investments Pty Ltd (Yourland Developments). His previous appointments include non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT Strategy and Property Committees, Director of North West Country Credit Union Co-op Ltd, Director of Coliban Water, Director of Community Telco Australia and Director of Bendigo Economic Development Committee, Chairman of Australian Technical College and Director of Bendigo Regional Institute of TAFE. Don is actively involved in the Bendigo Community.
Interest in Shares	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 939,326 Shares
Special Responsibilities	Chair of Remuneration Committee and Member of the Audit and Risk Committee.
Other Directorships	Nil

Mr Robert George Hunt – AM, FAICD – Director

Occupation	Treasury Corporation of Victoria – Chairman (retired 30 June 2017)
Qualifications	Fellow of the Australian Institute of Company Directors, 2003 Doctor of the University (honoris causa), LaTrobe University, 1999
Experience	Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief Executive Officer. Mr Hunt is the architect of the **Community Bank**® model, and has been instrumental in the development of a range of Community Enterprise and Engagement models, now utilised by communities across Australia to provide key infrastructure and essential services through local commercial structures. These Enterprises provide communities with a framework, the cashflow, capacity and flexibility to address new economic opportunities.
Interest in shares	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 418,758 Shares
Special Responsibilities	Nil
Other Directorships & Appointments	Director, Apollo Bay Central District Community Bank since 2011; Director, BEUT Property Pty Ltd
Honours and Awards	Order of Australia Award /Member (AM) General Division, 2002; Paul Harris Fellowship Award, Rotary Club of Bendigo Sandhurst, 2000; Citizen of the Year Award, City of Greater Bendigo 1999; Key to the City Award, City of Greater Bendigo 2009.

Mr Graham William Bastian – Director

Occupation	Consultant
Qualifications	Dip Engineering - Civil (Swinburne), Dip Ed (Hawthorn State College)
Experience	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. He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and recently retired as Principal of Bendigo Senior Secondary College. Since this career change, Graham has been providing consultancy services to the Department of Education Central Office as well as many schools across the state. In addition serves as an independent member of the Audit Committee of the City of Greater Bendigo.
Interest in shares	Direct – 0 Shares Indirect – Jeanette Bastian 2,000 Shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

Ms Michelle Kaye O'Sullivan – Director

Occupation	Lawyer – O'Sullivan Johanson Lawyers
Qualifications	Bachelor of Laws (Hons) Bachelor of Commerce Certificate III in Fitness
Experience	Michelle O'Sullivan has had experience on various boards including, Loddon Mallee Women's Health and the Bendigo Street Surfer Board. Michelle was a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc.
Interest in Shares	Direct - 44,711 Shares
Special Responsibilities	Nil
Other Directorships	Nil

Mr Andrew Watts – Director

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

Kevin Dole – Director

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

Rod Payne – Director

Occupation	Principal Harwood Andrews Lawyers
Qualifications	Bachelor of Law (Melbourne University)
Experience	Rod has been a lawyer in commercial practice for 35 years and has been a partner at Harwood Andrews since 2000. Rod was a director of Geelong Community Telco Pty Ltd and Vicwest Community Telco prior to the amalgamation of Vicwest with Bendigo Telco Ltd. In his legal practice Rod has undertaken a broad range of commercial work and in his role in Karingal and Karingal St Laurence has been involved in major developments and mergers.
Interest in shares	Indirect - Linrod Holdings Pty Ltd atf the Payne Superannuation Fund A/C 2,268 shares Indirect - Linrod Holdings Pty Ltd atf the Payne Investment Trust A/C 4,821 shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Director - The Legal Lantern Group Chair - Karingal St Laurence Director – Geelong Connected Communities Limited

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Jonathon Selkirk – Director

Occupation	Chief Financial Officer, The Gull Group Ballarat.
Qualifications	Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
Experience	Jock has held various executive roles across a variety of industries including manufacturing, building industry, property development and financial services. Jock was CFO at Selkirk Brick for 11 years prior to taking up his current role at the Gull Group in late 2016. He has considerable experience in driving business growth and generating profit & cash-flow improvements and provides solid financial and commercial acumen and analytical focus. He has also held several executive and non-executive director roles and has good experience in governance, risk & compliance management and people and culture development. Jock is a mentor for the Leadership Ballarat & Western Region Program run by the Committee for Ballarat, and is also actively involved in several other community programs.
Interest in shares	Nil
Special Responsibilities	Nil
Other Directorships	Private Family Companies.

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

	Directors' Meetings		**Audit & Risk Committee**		**Remuneration Committee**	
Directors	No. eligible to attend	No. attended	No. eligible to	No. attended	No. eligible to attend	No. attended
Rob Hunt	13	12	2	2	-	-
Graham Bastian	13	13	4	4	-	-
Don Erskine	13	11	4	3	1	1
Michelle O'Sullivan	13	12	-	-	-	-
Andrew Watts	13	13	4	4	1	1
Kevin Dole	9	8	-	-	-	-
Jonathon Selkirk	9	7	-	-	-	-
Rodney Payne	9	7	3	3	-	-

DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the group with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the group's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the group, controlled entity or related body corporate other than interests and benefits disclosed at Note 27 to the 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

Donald Erskine	Chairman	
Robert Hunt	Director	
Graham Bastian	Director	
Michelle O'Sullivan	Director	
Andrew Watts	Director	
Kevin Dole	Director	Commenced 1 September 2016
Jonathon Selkirk	Director	Commenced 1 September 2016
Rodney Payne	Director	Commenced 1 September 2016

(ii) Executives

Jeffery Jordan	Chief Executive Officer	
Jim Nielsen	Chief Operating Officer	
Adam Murdoch	Chief Technology Officer	
Jason Sim	General Manager Sales & Marketing	
Steven Wright	Chief Financial Officer	Commenced 22 August 2016
Stephen Culpitt	General Manger Customer Service	Commenced 14 November 2016
Jarrod Draper	General Manager Technology	Commenced 29 May 2017

Group performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue, profits and dividends for the last five years for Bendigo Telco Limited, as well as the share price at the end of the respective financial years.

Analysis of the actual figures show consistent profits each year, with the exception of 2017 which fell as a result of additional operational and acquisition costs associated with the implementation of the merger as well as positioning the business in order to take full advantage of the larger customer base and scale. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 9.07% fully franked and the group’s performance has been reflected in an increase in the share price with an increase in the last 5 years. 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.

	2013	**2014**	**2015**	**2016**	**2017**
Revenue	$22.6M	$22.0M	$22.1M	$22.8M	$31.9M
EBITDA	$2.48M	$2.96M	$2.61M	$3.06M	$3.08M
Net profit	$1.13M	$1.59M	$1.13M	$1.29M	$0.91M
Share price at year end	$1.50	$1.65	$1.95	$2.04	$2.10
Dividends paid	12.5 cents	16.5 cents	20.0 cents	17.0 cents	13.0 cents

Details of remuneration for year ended 30 June 2017

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

		Short-term benefits	Post-employment benefits		
		Cash Salary and Fees	Superannuation	TOTAL	Proportion of remuneration that is performance based %
Robert Hunt	2017	13,699	1,301	15,000	-
	2016	13,699	1,301	15,000	-
Graham Bastian	2017	15,000	-	15,000	-
	2016	15,000	-	15,000	-
Donald Erskine	2017	-	15,000	15,000	-
	2016	-	15,000	15,000	-
Michelle O’Sullivan	2017	13,699	1,301	15,000	-
	2016	13,699	1,301	15,000	-
Andrew Watts	2017	13,699	1,301	15,000	-
	2016	13,699	1,301	15,000	-
Kevin Dole	2017	11,416	1,084	12,500	-
	2016	-	-	-	-
Jonathon Selkirk	2017	11,416	1,084	12,500	-
	2016	-	-	-	-
Rodney Payne	2017	12,500	-	12,500	-
	2016	-	-	-	-
Total	2017	91,429	21,071	112,500	-
	2016	56,097	18,903	75,000	-

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

		Short-term benefits		Post employment benefits	Share-based payments			
		Salaries $	Non-Cash Benefits $	Super-annuation $	Shares $	Termination Benefits $	Total $	Proportion of remuneration that is performance based %
Jim Nielsen	2017	96,094	15,000	34,585	-	-	145,679	7
	2016	94,310	15,000	34,257	-	-	143,567	7
Adam Murdoch	2017	150,687	15,000	14,315	-	-	180,002	6
	2016	149,378	15,000	14,001	-	-	178,379	6
Jeffery Jordan	2017	232,309	15,000	19,408	-	-	266,717	7
	2016	238,204	15,000	22,789	-	-	275,993	18
Jason Sim	2017	195,136	-	17,113	-	-	212,249	19
	2016	192,943	-	16,706	-	-	209,649	19
Steven Wright	2017	148,478	-	12,806	-	-	161,284	6
	2016	-	-	-	-	-	-	-
Stephen Culpitt	2017	119,246	15,000	11,328	-	-	145,574	-
	2016	-	-	-	-	-	-	-
Jarrod Draper	2017	10,480	-	987	-	-	11,467	-
	2016	-	-	-	-	-	-	-
Total	2017	952,430	60,000	110,542	-	-	1,122,972	
	2016	674,835	45,000	87,753	-	-	807,588	

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 30 August 2017.

Donald Erskine

Chairman

Andrew Watts

Director

Partners in success
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 2017, 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: 30 August 2017

Adrian Downing
Lead Auditor

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
Revenue	3	31,254,789	22,777,122
Cost of products sold		(17,114,423)	(10,627,938)
Other income	3	715,124	39,679
Salaries and employee benefit costs		(7,765,034)	(5,867,450)
Occupancy and associated costs		(844,069)	(737,692)
General administration costs		(1,406,949)	(909,064)
Depreciation and amortisation costs	4	(1,558,280)	(1,236,516)
Advertising and promotion costs		(173,218)	(148,683)
Systems costs		(940,548)	(745,370)
Borrowing costs		(810,486)	(807,879)
Profit before income tax		1,356,906	1,736,209
Tax expense		(440,958)	(447,107)
Net profit for the year		915,948	1,289,102
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		915,948	1,289,102
Total comprehensive income attributable to members of Bendigo Telco Limited		915,948	1,289,102
Earnings per share			
Basic earnings per share (cents)	9	12.37	22.44
Diluted earnings per share (cents)	9	12.37	22.44

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $	2016 $
Current Assets			
Cash and cash equivalents	10	1,196,726	1,577,913
Trade and other receivables	11	1,706,920	884,786
Prepayments		2,332,353	1,837,713
Inventories	12	281,968	140,719
Total Current Assets		**5,517,967**	**4,441,131**
Non Current Assets			
Property, plant and equipment	14	3,972,367	3,837,166
Intangible assets	15	8,432,536	1,518,925
Deferred tax asset	19(b)	1,186,098	337,754
Total Non Current Assets		**13,591,001**	**5,693,845**
TOTAL ASSETS		**19,108,968**	**10,134,976**
Current Liabilities			
Trade and other payables	16	2,301,336	1,636,672
Provisions	18	807,522	604,038
Taxation	19(a)	63,638	16,918
Borrowings	17	1,070,652	515,529
Total Current Liabilities		**4,243,148**	**2,773,157**
Non Current Liabilities			
Provisions	18	189,408	132,555
Borrowings	17	4,798,926	1,349,570
Total Non Current Liabilities		**4,988,334**	**1,482,125**
TOTAL LIABILITIES		**9,231,482**	**4,255,282**
NET ASSETS		**9,877,486**	**5,879,694**
EQUITY			
Issued capital	20	7,112,955	3,248,146
Retained earnings		2,764,531	2,631,548
TOTAL EQUITY		**9,877,486**	**5,879,694**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Ordinary Share Capital $	Retained Earnings $	Total $
Balance at 1 July 2015		3,532,435	2,319,151	5,851,586
Comprehensive Income				
Profit for the year		-	1,289,102	1,289,102
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,289,102	1,289,102
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(976,705)	(976,705)
Shares issued during the year		-	-	-
Cost of equity raised		(284,289)	-	(284,289)
Total transactions with owners and other transfers		(284,289)	(976,705)	(1,260,994)
Balance at 30 June 2016		**3,248,146**	**2,631,548**	**5,879,694**
Balance at 1 July 2016		3,248,146	2,631,548	5,879,694
Comprehensive Income				
Profit for the year		-	915,948	915,948
Recognition of DTA on BSA Acquisition			23,926	23,926
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	939,874	939,874
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(806,891)	(806,891)
Shares issued during the year		3,999,924	-	3,999,924
				-
Cost of equity raised		(135,115)	-	(135,115)
Total transactions with owners and other transfers		3,864,809	(806,891)	3,057,918
Balance at 30 June 2017		**7,112,955**	**2,764,531**	**9,877,486**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		33,365,161	25,220,751
Interest paid		(173,987)	(99,567)
Payments to suppliers and employees		(30,763,924)	(21,248,942)
Income tax paid		(360,479)	(620,618)
Interest received		4,682	15,834
Net cash provided by operating activities	24	**2,071,453**	**3,267,458**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(650,390)	(309,354)
Purchase of property, plant and equipment		(523,028)	(634,854)
Proceeds from sale of property, plant and equipment		275,000	23,845
Net cash used in investing activities		**(898,418)**	**(920,363)**
CASH FLOW FROM FINANCING ACTIVITIES			
Cost of shares issued		(135,115)	(284,289)
Repayment of finance lease		(612,216)	(455,504)
Dividends paid		(806,891)	(976,705)
Net cash used in financing activities		**(1,554,222)**	**(1,716,498)**
Net increase / (decrease) in cash held		**(381,187)**	**630,597**
Cash and cash equivalents at beginning of financial year		1,577,913	947,316
Cash and cash equivalents at end of the financial year	10	**1,196,726**	**1,577,913**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* , Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidated

The consolidated financial statements incorporate all of the assets, liabilities of the parent (Bendigo Telco Limited) and the wholly owned subsidiary. A subsidiary is an entity the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of a business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity’s incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer’s interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no affect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term financial liabilities in current liabilities on the statement of financial position.

(d) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debt, probability that the debt will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the assets carrying amount, and the present value of the estimated future cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of the cost at time of purchase.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

	Depreciation Rate (%)	
Asset Class	**2017**	**2016**
Office Furniture & Equipment		
Advertising Collateral	7.5	7.5
Furniture & Fittings	7.5 – 37.5	7.5 – 37.5
Office Equipment	7.5 - 40	7.5 - 40
Office Computer Equipment	20 – 66.67	20 – 66.67
Satellite Equipment	50	50
Software	33 - 80	33 - 80
Retail/Display Equipment	11.25	11.25
Installation/Servicing Equipment	11.25 - 30	11.25 - 30
Motor Vehicles	18.75 - 25	18.75 - 25
Leasehold	2.5 - 40	2.5 – 40
Telecommunications & Infrastructure		
Infrastructure	7.59	7.59
Data Centre	2.5 - 50	2.5 - 50
Network Computer & Infrastructure	8 - 50	8 - 50
Connectivity Links	7.5 - 50	7.5 - 50
Cloud	14.29 - 50	14.29 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is also performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits.

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as the other long-term employee benefits.

Equity-settled compensation

The Group has operated an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense in the period of the grant date, with the corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price.

(i) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers. Service revenue is recognised on a stage of completion basis. Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset. All revenue is stated net of the amount of Goods and Services Tax (GST).

(j) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amount equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provision of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value in accordance with the documented risk management or investment strategy. Realised and unrealised gains and losses arising from a change in fair value are included in profit or loss in the period in which they arise.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at the principal amount. Interest is recognised as an expense as it accrues.

(iii) *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(l) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Computer software development costs have been assessed as having a useful life of four years and will be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

Projects that have not been completed by the end of the financial year have not yet been assessed for a useful life, this will be completed at the end of the project, therefore costs for these projects are recorded in the Balance Sheet without any amortisation. Once a useful life is established, amortisation will commence, and the projects will also be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO which are disclosed as operating cash flows.

(n) Provisions

Provisions are recognised when the group has a legal or constructive obligation as a result of past transactions or other past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Comparative Information

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates – Impairment

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.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2017. Should the projected turnover figures be less than 90% of budgeted figures incorporated into value in use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2017 amounting to $5,334,102 (2016: $916,941).

Key Judgments – Provision for impairment of receivables

Included in the accounts receivable at 30 June 2017 are amounts that equate to approximately $126,030 which are currently progressing through our debt collection process and are therefore classified as impaired. A provision has been made in the balance sheet at 30 June 2017.

(r) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different for those segments operating in other economic environments. Refer to Note 23.

(s) Share Based Payments

The Group measures the goods and services received by equity-settled shared based payment transactions as an increase in equity, directly, at the fair value of the goods or services rendered, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services rendered, the Group shall measure their value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, are unconditional and are not required to complete a specified period of service, the Group shall presume that the services rendered by the counterparty as consideration for the equity instruments have been received. On grant date, the Group recognises the services rendered in full, with a corresponding increase in equity.

If the equity instruments do not vest until the counterparties completes a specified period of service, the Group shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Group accounts for these services as they are rendered by the counterparty during the vesting period, with a corresponding increase to equity.

Share-based payment arrangements in which the group received goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

(t) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group’s financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:
- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Statement of Financial Position

	2017	2016
	$	$
ASSETS		
Current assets	5,517,967	4,251,908
Non-current assets	13,591,001	5,641,151
TOTAL ASSETS	19,108,968	9,893,059
LIABILITIES		
Current liabilities	4,243,148	4,148,996
Non-current liabilities	4,988,334	132,555
TOTAL LIABILITIES	9,231,482	4,281,551
EQUITY		
Issued Capital	7,112,955	3,248,146
Retained Earnings	2,764,531	2,363,362
TOTAL EQUITY	9,877,486	5,611,508

Statement of Profit or Loss and Other Comprehensive Income

Total profit	915,948	1,412,004
Total comprehensive income	915,948	1,412,004

Guarantees

During the reporting period, no guarantees exist between the parent and subsidiary.

Contingent liabilities

At 30 June 2017, no contingent liabilities exist in relation to the subsidiary.

Contractual commitments

At 30 June 2017, no capital commitments exist in relation to the subsidiary.

3. REVENUE AND OTHER INCOME

	2017	2016
	$	$
Revenue:		
Sales revenue	31,254,789	22,777,122
	31,254,789	22,777,122
Other income:		
Interest received	4,682	15,834
Profit on sale of assets	226,392	23,845
Government Grants	334,050	-
Legal reimbursement	150,000	-
	715,124	39,679
Total revenue and other income	31,969,913	22,816,801

4. EXPENSES

	2017	2016
	$	$
Depreciation and amortisation costs:		
Office furniture & equipment	373,652	308,564
Motor vehicles	81,752	106,172
Leasehold	53,862	54,806
Telecommunications & infrastructure	572,403	470,225
Amortisation of intangibles	476,611	296,749
	1,558,280	1,236,516
Borrowing expenses:		
Interest paid	173,987	99,567
Other	4,438	3,863
	178,425	103,430
Bad debts	49,523	11,538
Impaired debts	29,490	(114)
	79,013	11,424
Rental expense on operating leases:		
Buildings	547,175	423,784
Equipment	632,061	704,449

5. TAX EXPENSE

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax	370,138	510,349
Deferred tax	70,820	(16,240)
Under / (over) provision	-	(47,002)
	440,958	447,107

	2017 $	2016 $
b. The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	407,072	520,863
Add:		
Tax effect of:		
- Movement in provision for impairment	1,575	(34)
- Movement in provision for employee benefits	1,830	(6,494)
- Movement in deferred tax	70,820	(106,016)
- Capital allowances	14,721	11,604
- Non-deductible expenses	65,176	6,854
	154,122	(94,086)
Less:		
Tax effect of:		
- Capital raising costs	31,339	(67,332)
- Over provision in respect of prior years	-	47,002
	31,339	(20,330)
Carried Forward Losses	88,897	-
Income tax attributable to entity	440,958	447,107

6. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	1,012,430	719,835
Post-employment benefits	110,542	87,753
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	1,122,972	807,588

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's costs of superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Termination benefits

Amounts paid to KMP during the year upon termination of employment from the Group.

Share-based payments

These amounts represent the expense related to the participation of KMP in employee share schemes as measured by the fair value of the shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

KMP Shareholdings

The number of ordinary shares in Bendigo Telco Limited held by each KMP of the Group during the financial year is as follows:

30 June 2017	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	451,048	-	22,710	473,758
Graham Bastian	2,000	-	-	2,000
Don Erskine	939,326	-	-	939,326
Michelle O'Sullivan	29,711	-	15,000	44,711
Andrew Watts	-	-	-	-
Kevin Dole	-	-	-	-
Jonathon Selkirk	-	-	-	-
Rodney Payne	-	-	7,089	7,089
Jim Nielsen	2,518	-	-	2,518
Adam Murdoch	3,418	-	-	3,418
Jeff Jordan	-	-	-	-
Jason Sim	-	-	-	-
Steven Wright	3,238	-	-	3,238
Stephen Culpitt	4,301	-	-	4,301
Jarrod Draper	-	-	-	-
	1,435,560	-	44,799	1,480,359

30 June 2016	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	451,048	-	-	451,048
Graham Bastian	2,000	-	-	2,000
Don Erskine	939,326	-	-	939,326
Michelle O'Sullivan	-	-	29,711	29,711
Andrew Watts	-	-	-	-
Jim Nielsen	2,518	-	-	2,518
Adam Murdoch	3,418	-	-	3,418
Jeff Jordan	-	-	-	-
Jason Sim	-	-	-	-
	1,398,310	-	29,711	1,428,021

7. AUDITORS' REMUNERATION

	2017 $	2016 $
Remuneration of the auditor for:		
Auditing the financial report	74,322	57,050
Taxation services	3,493	3,345
Share registry services	20,489	11,602
	98,304	71,997

8. DIVIDENDS PAID AND PROPOSED

Distributions paid:	2017 $	2016 $
2016 Final fully franked ordinary dividend of 10.0 (2015: 10.0) cents per share franked at the rate of 30% (2015: 30%)	574,532	574,532
2017 Interim fully franked ordinary dividend of 3.0 (2016: 7.0) cents per share franked at the rate of 30% (2016: 30%)	232,359	402,173
	806,891	976,705
Total dividends (cents) per share for the period	13.00	17.00
a. Proposed Final 2017 fully franked ordinary dividend of 8.0 (2016: 10.0) cents per share franked at the rate of 30% (2016: 30%)	619,623	574,532

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2017 but will be brought to account in the 2018 financial year.

	2017	2016
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	1,001,755	972,205
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(265,553)	(246,228)

9. EARNINGS PER SHARE

	2017 $	2016 $
a. Reconciliation of earnings to profit or loss		
Profit for the year	915,948	1,289,102
Earnings used in calculation of basic and diluted EPS	915,948	1,289,102
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	7,405,564	5,745,322

10. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash at bank and on hand	1,165,933	1,547,913
Short term bank deposits	30,793	30,000
	1,196,726	1,577,913

Cash on hand is non interest bearing.

Cash at bank earned interest rates between 0.20% and 2.00% (2016: 0% and 2.00%) depending on the level of funds from time to time. Cash at bank is subject to interest rate risk, as it earns interest at floating rates. In 2017 the average floating interest rates for the Group were 0.40% (2016: 1.12%).

The effective interest rate on short term bank deposits was 2.64% (2016: 2.65%); these deposits had an average maturity of 360 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2017	2016
	$	$
Cash and cash equivalents	1,196,726	1,577,913

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
Trade debtors	1,832,950	953,843
Provision for impairment	(126,030)	(69,057)
	1,706,920	884,786

Impairment of receivables

The average credit period on sale of goods and rendering of services is 20 days. No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Before accepting any new customers, the Group internally reviews the potential customer's credit quality. Included in the Group's trade receivable balances are debtors with a carrying amount of $863,672 (2016: $179,024) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 20 days (2016: 14 days).

Ageing of trade receivables is as follows:

a. Ageing of past due but not impaired

	2017 $	2016 $
0 – 30 days	536,911	137,445
30 – 60 days	155,763	33,293
60 – 90 days	143,998	8,286
Over 91 days	-	-
	836,672	179,024

b. Movement in the provision for impairment

	2017 $	2016 $
Balance at beginning of the year	69,057	69,171
Impairment recognised during the year	106,496	11,424
Amounts written off as uncollectable	(49,523)	(11,538)
Amounts recovered during the year	-	-
Balance at the end of the year	126,030	69,057

In determining the recoverability of a trade receivable, the Group considers any recent history of payments and the status of the projects to which the debt relates to. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Fair value of receivables: Fair value of receivables at year end is measured to be the same as receivables net of provision for impairment.

12. INVENTORIES	2017 $	2016 $
Inventory	281,968	140,719
	281,968	140,719

13. INTEREST IN SUBSIDIARY

a. Information about Principal Subsidiary

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

Name of Subsidiaries	**Principal Place of Business**	**Ownership Interest Held by the Group**		**Proportion of Non-controlling Interests**	
		2017 **%**	**2016** **%**	**2017** **%**	**2016** **%**
BCT Shepparton Pty Ltd	Shepparton, Australia	100	100	-	-
Vicwest Community Telco Ltd	Geelong & Ballarat, Australia	100	-	-	-

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

b. Significant Restrictions

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

c. Acquisition of Controlled Entities

Scheme of Arrangement - Bendigo Telco & Vicwest

On 1 September 2016, the merger of Bendigo Telco Limited (Bendigo Telco) and Vicwest Community Telco Limited (Vicwest) was implemented via a scheme of arrangement through which Bendigo Telco acquired 100% of the shares in Vicwest.

Vicwest shareholders holding shares at Record Date of 7pm on 26 August 2016 received the scheme consideration of 1 Bendigo telco share for every 2.074 Vicwest shares, in accordance with the terms of the scheme. The new Bendigo Telco shares were issued on 1 September 2016. Bendigo Telco issued 1,499,962 shares.

On 1 September 2016, Bendigo Telco acquired part of Community Telco Australia (CTA)'s managed telco business. Under the terms of the acquisition, Bendigo Telco issued 500,000 shares to CTA as part of consideration for the acquisition. The principal activities of the managed businesses are telecommunication services.

Scheme of arrangement (Share allocation 1,499,962 at $2.00 per share)	**2,999,924**
CTA managed business (Share allocation of 500,000 shares at $2.00 per share plus stamp duty)	**1,010,495**
Business Loan	**3,800,000**
Current Assets	
Cash	86,554
Inventory	76,181
Receivables	666,874
Prepayments	423,459
Total Current Assets	**1,253,068**
Non Current Assets	
PP&E	52,638
Intangibles	64,940
Customer List	2,362,500
Deferred tax assets	882,103
Total Non Current Assets	**3,362,181**
Current Liabilities	
Payables	1,037,463
Employee Entitlements	184,978
Total Current Liabilities	**1,222,441**
Goodwill on acquisition	**4,417,611**

14. PROPERTY PLANT AND EQUIPMENT

	2017 $	2016 $
Office, Furniture & Equipment		
At Cost	2,142,265	1,836,379
Accumulated depreciation	(1,413,285)	(981,899)
	728,980	854,480
Motor Vehicles		
At Cost	634,690	542,837
Accumulated depreciation	(468,937)	(387,185)
	165,753	155,652
Leasehold		
At Cost	596,224	586,193
Accumulated depreciation	(395,150)	(341,287)
	201,074	244,906
Telecommunications & Infrastructure		
At Cost	6,066,881	5,270,026
Accumulated depreciation	(3,134,364)	(2,631,941)
Accumulated impairment losses	(55,957)	(55,957)
	2,876,560	2,582,128
Total Property, Plant & Equipment	3,972,367	3,837,166

a. Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunications & Infrastructure	TOTAL
Balance at 1 July 2015	920,240	205,790	290,067	951,934	2,368,031
Additions	242,804	56,034	9,645	2,100,419	2,408,902
Disposals	-	-	-	-	-
Depreciation	(308,564)	(106,172)	(54,806)	(470,225)	(939,767)
Impairment	-	-	-	-	-
Balance at 30 June 2016	854,480	155,652	244,906	2,582,128	3,837,166
Additions	248,152	91,853	10,030	875,163	1,225,198
Disposals	-	-	-	(8,328)	(8,328)
Depreciation	(373,652)	(81,752)	(53,862)	(572,403)	(1,081,669)
Impairment	-	-	-	-	-
Balance at 30 June 2017	728,980	165,753	201,074	2,876,560	3,972,367

15. INTANGIBLES

	2017 $	2016 $
Goodwill		
Cost	5,334,102	916,491
Accumulated Impairment Losses	-	-
Net Carrying Value	5,334,102	916,491
Customer List		
Cost	2,362,500	-
Accumulated Amortisation	(196,875)	-
Net Carrying Value	2,165,625	-
Internally Generated Software		
Cost	1,557,653	1,195,815
Accumulated Amortisation	(1,129,958)	(1,006,920)
Net Carrying Value	427,695	188,895
Project Development		
Cost	1,203,780	980,167
Accumulated Amortisation	(698,666)	(566,628)
Net Carrying Value	505,114	413,539
Total Intangibles	8,432,536	1,518,925

	Goodwill	Customer List	Internally Generated Software	Project Development	TOTAL
Year ended 30 June 2016					
Balance at beginning of year	916,491	-	160,091	429,738	1,506,320
Additions	-	-	149,969	159,385	309,354
Amortisation charge	-	-	(121,165)	(175,584)	(296,749)
	916,491	-	188,895	413,539	1,518,925
Year ended 30 June 2017					
Balance at beginning of year	916,491	-	188,895	413,539	1,518,925
Additions	4,417,611	2,362,500	361,838	288,552	7,430,501
Disposals	-	-	-	(40,279)	(40,279)
Amortisation	-	(196,875)	(123,038)	(156,698)	(476,611)
	5,334,102	2,165,625	427,695	505,114	8,432,536

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss and other comprehensive income. Goodwill has an indefinite useful life.

Impairment Disclosures

Goodwill is allocated to a cash-generating unit (CGU) which was acquired through a business combination in 2006 & 2016.

	2017 $	2016 $
Acquired CGU Bendigo Communications (2006)	916,491	916,491
Acquired CGU VicWest (2016)	4,417,611	-
Total Goodwill	5,334,102	916,491

The recoverable amount of the cash generating unit above is determined based on value in use calculations. The value in use is calculated based on the present value of cash flow projections over a 10 year period with the period extending beyond 5 years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10 year government bonds at the beginning of the budget period which was 3%.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Bendigo Communications segment	0%	3%
VicWest segment	5%	3%

Management has based the value in use calculations on budgets for the reporting CGU. These budgets use historical weighted average growth rates to project revenue across all aspects of the operational CGU. Costs are calculated taking into account historical gross margins as well as estimating weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the CGU's operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular CGU.

16. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Unsecured liabilities:		
Trade payables	1,400,989	933,065
Sundry payables and accrued expenses	900,347	703,607
	2,301,336	1,636,672

17. BORROWINGS

	2017	2016
	$	$
Current		
Secured by fixed and floating registered mortgage debenture		
Bank loans	319,444	-
Lease liability	751,208	515,529
Total current borrowings	1,070,652	515,529
Non current		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	3,480,556	-
Lease liability	1,318,370	1,349,570
Total non-current borrowings	4,798,926	1,349,570

The group has three facilities provided by the Bendigo and Adelaide Bank Limited.

1. Commercial Business (Overdraft) Facility to a maximum value of $500,000.
2. Lease liabilities are secured by the underlying leased assets.

Both facilities are secured by a Registered First Company Debenture charge from Bendigo Telco Limited in its own right.

3. Business Loans, with the following conditions:

Bendigo & Adelaide Bank may conduct a review of Bendigo Telco's financial position each 12 months. If Bendigo & Adelaide Bank determine that there has been an adverse change in the financial position of Bendigo Telco, the facility may be terminated.

Evidence is to be provided to Bendigo & Adelaide Bank every 6 months showing that all statutory payments are up to date.

Management accounts are to be provided to Bendigo & Adelaide Bank on a half yearly basis (within 60 days of period end).

On a consolidated basis Equity (Equity/Total Assets) is to be measured half yearly and maintained at a minimum ratio of 40%.

On a consolidated basis a Debt Service Coverage Ratio is to be measured half yearly and maintained at greater than 1.5 times. This ratio is to be calculated on basis of EBITDA less tax (provisioned at 30% of calculated net profit for period)/contracted finance commitments.

Annual audited Group consolidated financial statements to be made available to Bendigo & Adelaide Bank within 180 days of financial year end.

Interest rates will immediately convert to a market rate of interest if there is a material change in ownership of Bendigo Telco Ltd. A material change in ownership is defined as any existing or new shareholder (excluding Bendigo & Adelaide Bank) exceeding 20% shareholding and/or Bendigo Telco listing on the ASX or taking action to list on the ASX.

18. PROVISIONS

	2017	2016
	$	$
Current		
Employee Benefits		
Annual Leave	416,325	270,626
Long Service Leave	391,197	333,412
	807,522	604,038
Non Current		
Employee Benefits		
Long Service Leave	189,408	132,555
	189,408	132,555

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1.

19. TAX

	2017	2016
	$	$
a. Liabilities		
Current		
Provision for income tax	63,638	16,918
Non Current		
Deferred Tax Liability	-	-
	-	-
b. Deferred Tax Assets		
Balance as at 30 June	1,186,098	337,754
Represented by tax effect of:		
- Provision for impaired debts	37,809	20,717
- Provision for annual leave	124,898	81,188
- Provision for long service leave	174,181	139,790
- Capital allowances	20,886	6,283
- Capital raising costs deductible	102,912	89,776
- Carried forward losses	725,412	-
	1,186,098	337,754

20. ISSUED CAPITAL

	No. of Shares	2017 $	2016 $
Fully paid ordinary shares at beginning of period	5,745,322	3,816,634	3,816,634
VicWest Scheme of Arrangement	1,499,962	2,999,924	-
CTA purchase of Managed Customers	500,000	1,000,000	-
Less cost of equity raised - IPO	-	(284,199)	(284,199)
Less cost of equity raised - Scheme of arrangement	-	(419,404)	(284,289)
	7,745,284	7,112,955	3,248,146

21. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	2017 $	2016 $
Payable minimum lease payments:		
No later than 12 months	850,578	609,151
Between 12 months and 5 years	1,405,910	1,464,237
Minimum lease payments	2,256,488	2,073,388
Less future finance charges	(186,909)	(208,289)
Present value of minimum lease payments	2,069,579	1,865,099

Leasing arrangements

Finance leases relate to Property Plant & Equipment, with lease terms of either three or five years. The economic entity has options to purchase the equipment for a nominal amount at the conclusion of the lease arrangements.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements	2017	2016
	$	$
Payable minimum lease payments:		
No later than 12 months	464,307	928,873
Between 12 months and 5 years	196,773	592,342
	661,080	1,521,215

Leasing arrangements

The operating leases relate to the rental of the business premises including:

1. 23 McLaren Street, Bendigo - Lease term renegotiated to commencing 1 July 2017 and ending on 30 June 2022, with rent payable monthly in advance. There is also an option for 3 further terms of five years each, and each of those options must be exercised at least 3 months in advance. Fixed reviews of 2.0% increases will take place on 1 July.

2. Business Continuity Centre, 121 Edwards Road, Flora Hill - the lease has been renewed for a further five years, lease term beginning 1 September 2013 and ending 31 August 2018. Rent is payable monthly in advance and an annual CPI review during the term on 1 September each year. There is an option for a further five year term by giving notice at least 3 months in advance.

3. 113 Williamson Street, Bendigo – Lease term renegotiated to commencing 1 July 2017 and ending 30 June 2022, with rent payable monthly in advance. There is an option for 3 further terms of five years each by giving notice at least 3 months in advance. Fixed reviews of 2.0% increases will take place on 1 July.

Operating leases for computer network/infrastructure equipment for customer use continued in this financial period with terms of either three or five years. Approximately 67% of the overall liability relates to these leases which will generate revenues in excess of the expenses noted below.

The group does not have an option to purchase the leased asset at the expiry of any lease period.

(c) Capital Expenditure Commitments

	2017	2016
Capital expenditure commitments contracted for:	$	$
Plant and Equipment	38,024	-
Motor Vehicles	62,887	-
Business Continuity Centre	16,706	
Computer Network & Infrastructure	42,081	-
	159,698	-
Payable:		
No later than 12 months	159,698	-
Between 12 months and 5 years	-	-
	159,698	-

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent assets or contingent liabilities at the date of this report to affect the financial statements.

23. 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 one segment, however, the breakdown of revenue has been disclosed by 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 2017 approximately 30.7% (2016: 45.2%) of Bendigo Telco's external revenue was derived from sales to one customer (2016: one customer).

Revenue by product set

	2017	2016
	$	$
Voice	11,775,516	4,548,752
Data Networks	11,275,326	10,704,762
Broadband	2,544,965	2,496,280
IT Services	311,967	340,630
Hardware and Installations	1,204,886	775,389
Data Centre	2,903,488	2,969,023
Cloud	1,141,591	942,285
Other	97,050	-
	31,254,789	22,777,121

Assets & Liabilities

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

24. CASH FLOW INFORMATION

	2017	2016
	$	$
Reconciliation of net cash provided by operating activities with		
Profit after income tax	915,948	1,289,102
Non-cash flows in profit:		
Depreciation and amortisation of non current assets	1,558,280	1,236,516
Loss / (Profit) on sale of assets	(226,392)	(23,845)
Change in assets and liabilities		
(Increase)/decrease in assets and Increase/(decrease) in liabilities		
Receivables	(822,134)	641,980
Prepayments	(218,480)	83,452
Inventories	(141,249)	(9,203)
Deferred tax asset	33,759	(106,016)
Accounts payable	664,664	244,614
Provisions	260,337	(21,647)
Taxation	46,720	(67,495)
Net cash flow from operating activities	2,071,453	3,267,458

25. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 8.0 cents per share was declared by the Board of Directors on 30 August 2017 which will be distributed to shareholders on 29 September 2017.

26. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2017 $	2016 $
Amounts of a prescribed benefit given during the year by the Group or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office.	Nil	Nil

27. DIRECTORS RELATED PARTY DISCLOSURES

The names of directors who have held office during the financial year are:

Robert Hunt	Michelle O'Sullivan
Don Erskine	Kevin Dole
Andrew Watts	Jonathon Selkirk
Graham Bastian	Rodney Payne

No director or related entity has entered in to a material contract with the group.

Directors Shareholdings	2017 No.	2016 No.
Robert Hunt	473,758	451,048
Graham Bastian	2,000	2,000
Don Erskine	939,326	939,326
Michelle O'Sullivan	44,711	29,711
Andrew Watts	-	-
Kevin Dole	-	-
Jonathon Selkirk	-	-
Rodney Payne	7,089	-

Bendigo Telco is provided banking overdraft and lending facilities by Bendigo and Adelaide Bank Ltd. The banking services are provided in accordance with Bendigo and Adelaide Bank’s prevailing product terms and conditions.

28. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with bank, short-term investments, accounts receivable and payable and leases. The main purpose of non-derivative financial instruments is to raise finance for group operations.

The group's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of the telecommunications market and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out by the Board of Directors and senior management.

(i) Market Risk – the group has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price Risk – the group is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The group is not exposed to commodity price risk.

(iii) Credit Risk – the group has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.

(iv) Liquidity Risk – the group maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.

(v) Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. The group has mitigated risk on long-term interest-bearing liabilities by negotiating fixed rate contracts.

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

Recognised	**Accounting Policies**	**Terms and Conditions**
Financial assets		
Notes, coin and cash at bank	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis.	These items are cash or are readily convertible to cash.
Accounts Receivable – Debtors	Debtors are carried at the nominal amounts due less any provision for impairment. An impairment provision is made for any amounts which are considered unlikely to be collected.	Trade receivables are generally due for settlement within 14 days.
Financial liabilities		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods and services.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.

(b) Financial Instruments

Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest		Floating Interest Rate	
	2017	2016	2017	2016
	%	%	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	1,165,933	1,547,913
Short-term Deposits	2.64	2.65	30,793	30,000
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	2.64	2.65	1,196,726	1,577,913
Financial Liabilities				
Creditors & Accruals	-	-	-	-
Bank Loans	1.50	-	-	-
Finance Leases	5.69	5.68	-	-
Total Financial Liabilities	7.19	5.68	-	-

	Within 1 Year		1 to 5 years	
	2017	2016	2017	2016
	$	$	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	-	-
Total Financial Assets	-	-	-	-
Financial Liabilities				
Creditors & Accruals	-	-	-	-
Bank Loans	319,444	-	1,533,334	-
Finance Leases	850,578	609,151	1,405,910	1,464,237
Total Financial Liabilities	1,170,022	609,151	2,939,244	1,464,237

	Over 5 years		Non Interest Bearing	
	2017	2016	2017	2016
	$	$	$	$
Financial Assets				
Cash or Cash Equivalents	-	-	-	-
Short-term Deposits	-	-	-	-
Accounts Receivable - Debtors	-	-	1,706,920	884,786
Total Financial Assets	-	-	1,706,920	884,786
Financial Liabilities				
Creditors & Accruals	-	-	2,301,336	1,636,672
Bank Loans	1,947,222	-	-	-
Finance Leases	-	-	-	-
Total Financial Liabilities	1,947,222	-	2,301,336	1,636,672

	Total	
	2017	2016
	$	$
Financial Assets		
Cash or Cash Equivalents	1,165,933	1,547,913
Short-term Deposits	30,793	30,000
Accounts Receivable - Debtors	1,706,920	884,786
Total Financial Assets	2,903,646	2,462,699
Financial Liabilities		
Creditors & Accruals	2,301,336	1,636,672
Bank Loans	3,800,000	-
Finance Leases	2,069,578	1,865,099
Total Financial Liabilities	8,170,914	3,501,771

Creditors and accruals are expected to be paid as follows:	2017	2016
	$	$
Less than 6 months	2,301,336	1,636,672
6 months to 1 year	-	-
1 – 5 years	-	-
Over 5 years	-	-
	2,301,336	1,636,672

(c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of Bendigo Telco which have been recognised on the balance sheet is the carrying amount net of any provisions for impairment.

Bendigo Telco has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.

Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2017	2016
	$	$
Cash or Cash Equivalents	1,196,726	1,577,913
Trade & Other Receivables	1,706,920	884,786
	2,903,646	2,462,699

The Group's entire exposure to credit risk for Trade Receivables was attributable to customers located in Australia.

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments, for the Group:

	Carrying Amount $	Contracted Cash Flows $	1 year or less $	1-5 years $	Over 5 years $
30 June 2017					
Financial Liabilities					
Trade and other payables	1,400,989	1,400,989	1,400,989	-	-
Bank loans	3,800,000	3,800,000	319,444	1,533,334	1,947,222
Lease liabilities	2,069,579	2,256,488	850,578	1,405,910	-
Total financial liabilities	7,270,568	7,457,477	2,571,011	2,939,244	1,947,222

Lease Liabilities have been entered into subsequent to balance date.

(e) Fair Values

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

	Total Carrying Amount per Balance Sheet		Aggregate Net Fair Values	
	2017	2016	2017	2016
Financial Instruments	$	$	$	$
Financial assets				
Cash or cash equivalents	1,165,933	1,547,913	1,165,933	1,547,913
Short-term bank deposits	30,793	30,000	30,793	30,000
Accounts receivable - debtors	1,706,920	884,786	1,706,920	884,786
Total financial assets	2,903,646	2,462,699	2,903,646	2,462,699
Financial liabilities				
Creditors and accruals	2,301,336	1,636,672	2,301,336	1,636,672
Bank loans	3,800,000	-	3,800,000	-
Finance leases	2,069,578	1,865,099	2,069,578	1,865,099
Total financial liabilities	8,170,914	3,501,771	8,170,914	3,501,771

The following methods and assumptions are used to determine the net fair values of Financial Assets and Financial Liabilities:

Recognised Financial Instruments

Cash and Short Term Investments	These financial instruments have a short term to maturity. Accordingly it is considered that carrying amounts reflect fair values.
Receivable and Creditors and Accruals	Carrying amounts reflect fair values.
Long Term Investments	Carrying amounts reflect fair values.

(f) Sensitivity Analysis

Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	$	$
Change in profit		
Increase in interest rate by 2%	27,746	25,252
Decrease in interest rate by 2%	(27,746)	(25,252)
Change in equity		
Increase in interest rate by 2%	27,746	25,252
Decrease in interest rate by 2%	(27,746)	(25,252)

29. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office
23 McLaren Street, Bendigo, Victoria.

Principal Places of Business
Bendigo Telco Office – 23 McLaren Street, Bendigo, Victoria.
Bendigo Telco Business Advisory Centre – 113 Williamson Street, Bendigo, Victoria.
Data Centre - 121 Edwards Road, Bendigo, Victoria.
McPherson Media - 56 High Street, Shepparton, Victoria.
VicWest Ballarat Office - 39 Peel Street, Ballarat, Victoria.
VicWest Geelong Office - Unit 3, 2-6 Rutland Street, Newtown, Victoria.
Tastel Hobart Office - Lv 9, 39 Murray Street, Hobart, Tasmania.
Tastel Launceston Office - Suite 2, Level 1, 39 Paterson Street, Launceston, Tasmania
SEQ Telco Maroochydore Office - Lv 2, 12 Aerodrome Road, Maroochydore, Queensland.
SEQ Telco Ipswich Office - Ground Floor, 114 Brisbane Street, Ipswich, Queensland.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Telco Limited, the directors of the group declare that:

1. the financial statements and notes of the group are in accordance with the *Corporations Act 2001* , and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;

2. in the director's opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable;

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer; and

4. the audited remuneration report set out in the Directors Report (as part of the remuneration report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001* and the Corporations Regulation 2001.

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

On behalf of the directors

Donald Erskine	Andrew Watts
Chairman	Director

Signed on 30 August 2017

Partners in success
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 Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Bendigo Telco Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:
The accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
b. Complying with Australian Accounting Standards and the Corporations Regulations 2001

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Group in accordance with auditor independence requirements of the Corporations Act 2001and the ethical requirements of the Accounting and Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report, including in relation to these matters. Accordingly, our audit included performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key audit matter	How our audit addressed the matter
Scheme of arrangement – Bendigo Telco and Vicwest	
Given the complex nature of the merger of Bendigo Telco Limited and Vicwest Community Telco Limited, implemented via a scheme of arrangement, there is a risk that the transaction could be materially misstated. Determination of the intangible assets, goodwill and deferred tax asset acquired under the scheme of arrangement are complex and involve significant judgement with regard to valuation of customer lists, goodwill attributed to Cash Generating Units (CGUs) and ability to carry forward deferred tax assets. The Groups disclosure of business combinations is disclosed in Note 1 and the scheme of arrangement is included in Note 13.	We evaluated the valuation of intangible assets including customer lists and goodwill. We assessed the calculation of the acquired deferred tax asset, including the ability to utilise historical losses in compliance with accounting standards. We evaluated the accounting policies around business combinations in Note 1 and the disclosure of the scheme of arrangement in Note 13 for compliance with the business combinations requirements of the Australian Accounting Standards (AASBs).
Impairment of the goodwill and intangible assets	
Given the changing nature of the industry in which the Group operates, there is a risk that there could be a material impairment to goodwill and intangible asset balances. Determination as to whether or not there is an impairment relating to an asset or Cash Generating Unit (CGU) involves significant judgement about the future cash flows and plans for these assets and CGUs. The Group's disclosures about goodwill are included in Note 15, which specifically explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.	We evaluated the impairment calculations including testing of the recoverable amount of each CGU. We assessed the reasonableness of the cash flow projections used in impairment models as well as the Group's historical ability to achieve forecasts. We evaluated the reasonableness of key assumptions used in the impairment models including the discount rate, terminal growth rates and forecast growth assumptions. We performed sensitivity analysis around the key drivers of the cash flow projections. Having considered the change in assumptions (individually or collectively) that would be required for the CGUs to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We evaluated the adequacy of disclosure included in Note 15.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>There are significant judgement areas relating to revenue recognition. These are:

▪ Accounting for new products and plans including multiple element arrangements
▪ Accounting for large and complex service contracts

The accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, the complexity of products and services, and the combination of products sold and price changes in the year. The complexity of the billing systems also requires some reliance on the Group's IT systems with automated processes and controls over the capturing, valuing and recording of transactions.

The Group's accounting policies and disclosures about its revenue recognition are included in Note 1 and Note 3.</td><td>Our audit procedures to address the risk of material misstatement relating to revenue recognition included:

▪ Evaluating the design and effectiveness of key controls over the capture and measurement of revenue transactions, including evaluating the general controls over the relevant IT systems.
▪ Detailed analysis of revenue based on expectations derived from our industry knowledge and following up variances from our expectations.
▪ Detailed substantive testing of significant revenue balances.

We evaluated the Group's accounting policies and disclosures about its revenue recognition included in Note 1 and Note 3 for compliance with the revenue recognition requirements of the Australian Accounting Standards (AASBs).</td></tr>
<tr><td colspan="2">Capitalisation and asset lives</td></tr>
<tr><td>There are a number of areas where judgement impacts the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortisation profiles. This is a key part of the audit due to the judgement involved in:

▪ The decision to capitalise or expense costs
▪ The annual asset life review
▪ The timeliness of the transfer from assets in the course of construction

Disclosures relating to the capitalisation and write-off of assets can be found in Note 1.</td><td>We understood and assessed the Group's design and operating effectiveness of controls over the fixed asset cycle, evaluated the appropriateness of capitalisation policies, performed tests of a sample of costs capitalised during the year and assessed the timeliness of transfer of assets in the course of construction.

We also performed testing on the application of the asset life review. This testing included assessing judgements made by the Group on:
The nature of underlying cost capitalised
The appropriateness of assets lives applied in the calculation of depreciation and amortisation.

We evaluated the adequacy of disclosures included in Note 1.</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Bendigo Telco Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 30th day of August 2017

Adrian Downing
Lead Auditor

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 12 July 2017.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	141
1,001 - 5,000	254
5,001 - 10,000	79
10,001 - 100,000	59
100,001 and over	6
	539

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

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,862,147	24.0
Erskine Investments Pty Ltd	939,326	12.1
Community Telco Australia	500,000	6.5
Hunters Ridge Pty Ltd	473,758	6.1
Ron Poyser Administrators Pty Ltd	438,400	5.7
EGP Fund No 1 Pty Ltd	180,000	2.3
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
Kirkstow Nominees Pty Ltd	64,000	0.8
Total shares held by top 10 holders	4,779,689	61.7