

# YOUR LOCAL NBN SPECIALIST



Bendigo Community Telco Limited  
ABN 88 089 782 203

Registered Office  
23 McLaren Street  
Bendigo Victoria 3550

Customer inquiries

Principal places of business

23 McLaren Street  
Bendigo Victoria 3550

113 Williamson Street  
Bendigo Victoria 3550

121 Edwards Road  
Bendigo Victoria 3550

Telephone 1300 228 123

[www.bendigotelco.com.au](http://www.bendigotelco.com.au)

Shareholder inquiries

Bendigo Community Telco Share Registry  
C/- AFS & Associates  
PO Box 454  
Bendigo Victoria 3552

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## CHAIRMAN'S REPORT 2014

We are very pleased to announce another year of strong profit growth for our company. During the 14 years since the founding of the business, Bendigo Community Telco has successfully grown and changed to keep pace with the dynamics of the telecommunications marketplace. This success has again delivered a record after tax profit result for Bendigo Community Telco of \$1,592,130 for the 12 months ending June 30th 2014.

This profit result is a 40% improvement over the previous year. Directors have declared a fully-franked final dividend of 13.0 cents, making the full-year dividend payment of 20.0 cents for this financial year. This maintains our record of producing a very healthy return on shareholder dividends for over a decade. Our average dividend yield over the past 5 years has been 10.15% fully franked.

Bendigo Community Telco was founded in 2000 to ensure that businesses operating in our region were not disadvantaged in price or functionality when compared with our capital city competitors. With the critical role played by telecommunications and technology in all businesses today, it is important that we are able to provide a broad range of solutions to our customers and at competitive prices.

Over the last twelve months, the company has undergone significant restructuring. The focus of these changes has been to position the company to address a truly national market with both its business and consumer products. This new direction is expected to deliver strong growth for the business over the coming years as we look far beyond the traditional boundaries of Bendigo and its surrounding districts.

The company has been active in the market signing direct wholesale relationships with the primary telecommunications players. Bendigo Community Telco now has in place several active wholesale relationships, including NBN Co., Telstra and AAPT. These direct business relationships provide us with enhanced opportunity to deliver leading edge technologies to our own customers and will enable us to offer pricing competitive with the major industry players.

2014 has seen solid additions to our business product portfolio. The company has invested in enhanced capabilities with respect to both 'Hosted Voice' and 'Virtual Desktop' solutions. These investments will see our business able to keep pace with future developments in the industry and enhance our ability to deliver leading edge solutions. Bendigo Community Telco has identified that our sales efforts are best targeted at companies with between 100 and 500 employees. This target market is well placed to benefit from the solutions and technologies that we deliver while being poorly served by the larger telecommunications players.

The company has used 2014 to continue our investments to deliver the National Broadband Network (NBN) to our customer base. We are currently able to provide NBN services, including both voice and data, to consumers and business in the Bendigo, Ballarat and Tasmanian regions. Over the coming weeks NBN connections will also be made that will enable us to sell NBN solutions into the Horsham, Shepparton, Toowoomba and South Morang areas. Our NBN expansion will continue to gather pace as the NBN network is rolled out nationally. The company's relationship with NBN Co. enables us to deliver enhanced support to our end-user customers and keep pace with prevailing market pricing.

Compliance requirements of the telecommunications industry continue to be a significant cost, especially for smaller companies. Bendigo Community Telco was found to be in compliance with all Telecommunications Consumer Protocol (TCP) requirements during our recent 2014 annual review. The company's '8 Star Customer Service Promise' has enabled us to achieve remarkably low levels of Telecommunication Industry Ombudsman (TIO) complaints and that fact has helped us to reduce our compliance costs.

During 2014 the company has been successful in acquiring several major new customers. These include well know business names such as CVGT, Royal Australian College of Surgeons and GEO Group. Initially these customers have purchased Virtual Private Network (VPN) services from Bendigo Community Telco; however the VPN infrastructure provides us with the ability to sell other value added services such as Cloud, Virtual Desktop and Hosted Voice.

The company has conducted a wide range of marketing campaigns during the period. We have conducted national marketing campaigns to attract new customers for both our business and consumer offerings. In the business space

we have focussed on direct mail campaigns highlighting our VPN offerings to prospects with up to 500 employees right across Australia. In the consumer space we have conducted a broad campaign here in the Bendigo region consisting of television, radio, print and online components. The goal of this campaign is to position Bendigo Community Telco as a credible source of NBN products when the NBN roll-out is completed here in 2015-2016. Bendigo Community Telco is confident that our nationally focussed marketing campaigns will yield a significant increase in our customer base.

Another highlight for the business in the 2014 financial year was the signing of a further five year agreement for the Bendigo and Adelaide Bank's 'Metropolitan Area Network' (MAN). The physical infrastructure of the MAN has been completely updated with more redundant and resilient hardware. The project required the leasing of additional fibre capacity to increase system availability. An additional benefit to the company is that we will now also be able to sell high speed networking services on this infrastructure to other local business.

The telecommunications industry continues to change and evolve at a rapid rate. Bendigo Community Telco has made significant investments during the period to help us keep pace with these changes. We have commenced the migration to a new, more efficient billing system that will enable us to more accurately track revenue flows and we have bought our level one support capability back 'in-house'. We have made investments in people and systems that we believe will equip us well for the future.

For the third year in succession the company was successful in being certified as 'Payment Card Industry' compliant. This PCI certification underscores our commitment to the security of our customers' data, and is an important advantage when competing for financial services business. PCI compliance is also a key requirement when dealing with our largest customer, the Bendigo and Adelaide Bank. The Bank requires this certification for both the Branch Network and ATM Network that we implement for them.

The business has continued its proud tradition of returning a dividend to the local community. Throughout 2014 we have worked with several local 'Community Enterprise' groups whose members place their telecommunications business with us. This commitment to keeping their telecommunications spend with us allows us to return them funding for their own community projects. This financial year, Bendigo Community Telco contributed in excess of \$20,000 to these Community Enterprises as well as supporting other local causes and events.

The results that we have achieved this year demonstrate our ability to effectively execute on our business plan. The telecommunications industry is going through a period of rapid change with the deployment of the NBN and many other factors. Our continued success depends on our ability to invest in the correct technologies and people and to treat our customers with respect and care.

We would like to extend our sincere thanks to our board of Directors for their work and commitment throughout the year. We also thank our shareholders for their ongoing support of the company which makes an important contribution to the success of our business. Finally and most importantly thanks are due to our highly skilled staff who has embraced the changes that have taken place at the company over the past 12 months and whose commitment to the needs of our customers is central to our success.



Don Erskine

Chairman

## **OPERATING AND FINANCIAL REVIEW**

### **PRINCIPAL ACTIVITIES**

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

### **OPERATING RESULTS AND REVIEW OF OPERATIONS**

The concise financial report is an extract from the full financial report for the full year ended 30 June 2014. The financial statements and disclosures in the concise report have been derived from the 2014 financial report of Bendigo Community Telco (BCT) Limited. A copy of the full financial report and auditor's report will be sent to any shareholder, free of charge, upon request. The discussion and analysis is provided to assist shareholders in understanding the concise financial report.

Bendigo Community Telco delivered a profit result of \$1,592,130 after income tax representing an increase of 40% compared to the previous year. This significant improvement was largely influenced by a reduction in operating expenses which were 5% lower than in the prior year. This resulted from increased efficiencies achieved from a review of operations in the first half of the financial year.

The company has experienced a decline in fixed voice revenues which fell by 19%. This caused a fall in total company revenue which was down 2.5% to \$22,031,440. Excluding the decline in fixed voice, other product revenue was up 5%. This growth was achieved predominantly through attracting new customers for virtual private network and cloud data products.

The company continued to make investments into the key growth product areas of virtual private networks, cloud services and the National Broadband Network (NBN). BCT commenced offering NBN products during the financial year and this is expected to provide significant growth for BCT in the future.

Other major revenues for Bendigo Community Telco continued to come from products such as data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

Bendigo Community Telco has maintained a number of wholesale agreements with suppliers including AAPT, Optus, Telstra and NextGen. These agreements are held directly with the supplier or via our franchise agreement with Community Telco Australia.

The net assets of Bendigo Community Telco increased by \$648,974 to \$5,826,071 in 2014. This increase was due to the improved operating performance of the company which resulted in an increase in retained profits.

Cash flows remained strong in 2014 with cash and cash equivalents increasing to \$3,157,294. This was primarily a result of the increased profitability of the company and improved collection of receivables.

Bendigo Community Telco maintains a strong working capital, with current assets exceeding current liabilities by \$2,262,491. The company has no borrowings.

The management team under the guidance of Mr Erskine as acting CEO, reviewed the company's operations during the year. The company has been set up for substantial growth with the implementation of new accounting and billing systems and a reorganised structure.

A rolling national sales and marketing campaign started during the year which has generated a substantial increase in the sales pipeline going into the new financial year.

The directors believe the company is in a strong and stable financial position to expand and grow its current operations.

#### **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 company 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 13.0 cents per share was declared by the Board of Directors on 20 August 2014 which will be distributed to shareholders on 26 September 2014.

#### **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 Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

#### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

Disclosure of information relating to major development in the operations of the Company 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 Company, is contained in the Report by the Chairman and Chief Executive Officer in the Concise Annual Report.

#### **ENVIRONMENTAL ISSUES**

The company is not subject to any significant environmental regulation.

## SECURITIES REGISTER

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

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

The information contained in this report is correct and current at 20 August, 2014.

## CORPORATE GOVERNANCE STATEMENT

Bendigo Community 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 Community Telco Limited have adopted the following principles of Corporate Governance. The policies may be viewed on the company website [www.bendigotelco.com.au](http://www.bendigotelco.com.au).

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit Committee Charter and the appointment of the Audit Committee as a sub-committee of the Board. The members of the Audit Committee are Directors Geoff Michell, Graham Bastian, Andrew Watts 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 Company's security price.
4. A Remuneration policy which sets out the terms and conditions for the Chief Executive Officer and other senior managers. Directors Don Erskine and Geoff Michell are members 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 company, 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 company 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 and their term of office are detailed in the director's report.

## DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of the directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

### DIRECTORS

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

Mr D Erskine (Chairman)	Mr R Hunt
Mr A Cairns (retired 16/01/14)	Mr G Michell
Mr G Bastian	Ms M O'Sullivan
Mr A Watts (appointed 17/02/14)	

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

### DIVIDENDS PAID OR RECOMMENDED

#### Ordinary Dividends Paid:

	Cents	\$
Final – September 2013	9.5	543,029
Interim – March 2014	7.0	400,127
	<b>16.5</b>	<b>943,156</b>

#### Ordinary Dividends Declared:

Final - September 2014	13.0	749,332
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### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

### PROCEEDINGS ON BEHALF OF BENDIGO COMMUNITY TELCO

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

### NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company 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.

Fees of \$8,273 were paid or payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2014.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 15 of the financial report.

#### **OPTIONS**

The Company 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 and their term of office are detailed below.

### Mr Donald James Erskine - Chairman

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

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### Mr Robert George Hunt – AM, FAICD – Director

<b>Occupation</b>	Bendigo and Adelaide Bank Limited – Consultant Treasury Corporation of Victoria – Chairman
<b>Qualifications</b>	Fellow of the Australian Institute of Company Directors, 2003 Doctor of the University (honoris causa), LaTrobe University, 1999
<b>Experience</b>	Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief Executive Officer. During his 36 years with the organisation, Mr Hunt guided Bendigo Bank through many challenges, but also through opportunities in the development and implementation of strategies as a regional and community banking organisation.  Mr Hunt is the architect of the <b>Community Bank</b> <sup>®</sup> 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.  Mr Hunt continues his involvement in a number of community organisations and enterprises on behalf of Bendigo and Adelaide Bank Limited – including Bendigo Community Telco and Community Sector Banking – and he is passionate about the capacity of local Australian communities to contribute to improved national, state and local economic outcomes. Mr Hunt is also the current Chairman of Treasury Corporation of Victoria.
<b>Interest in shares</b>	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 421,004 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 30,044 Shares
<b>Special Responsibilities</b>	Nil
<b>Other Directorships &amp; Appointments</b>	Chairman, Treasury Corporation of Victoria since 2010; Consultant (Community Engagement Programs & Strategic Enterprises) for Bendigo and Adelaide Bank Limited since 2009; Director, Community Sector Banking Pty Ltd since 2003; Director, Apollo Bay Central District Community Bank since 2011;

Patron-in-Chief, Community Enterprise Foundation since 2005;  
Patron, St Luke's Anglicare since 2002.

**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.

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**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 he is the independent chair of the Bendigo Regional TAFE Audit and Risk Committee until 1 July 2014 and 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

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**Mr Geoffrey Ralph Michell - Director**

**Occupation** Director

**Qualifications** Diploma of Civil Engineering, Masters of Business Administration (Deakin)

**Experience** Geoff is a Director on a number of Boards. He previously spent some 35 years in senior management and engineering roles, including 10 years as Managing Director of Coliban Water.

**Interest in Shares** Direct – 20,002 Shares

**Special**

**Responsibilities** Chairman of the Audit and Risk Committee and the Remuneration Committee

**Other Directorships** Bendigo Health  
Aspire Charitable and Cultural Foundation

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**Ms Michelle Kaye O’Sullivan – Director**

<b>Occupation</b>	Lawyer – O’Sullivan Johanson Lawyers
<b>Qualifications</b>	Bachelor of Laws (Hons) Bachelor of Commerce Certificate III in Fitness
<b>Experience</b>	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.
<b>Interest in Shares</b>	Nil
<b>Special</b>	
<b>Responsibilities</b>	Nil
<b>Other Directorships</b>	Rochester and Elmore District Health Service

**Mr Andrew Watts – Director**

<b>Occupation</b>	Executive, Customer Service Improvement, Bendigo and Adelaide Bank
<b>Qualifications</b>	Bach. Engineering (Civil), Grad Dip, Business Administration
<b>Experience</b>	Andrew joined Bendigo and Adelaide Bank in 1994 and has held various senior positions including strategic planning, marketing, retail, electronic banking / payments, technology and change. Andrew has led a number of strategic programs including the technology integration of Bendigo and Adelaide Bank as Chief Information Officer. He has been a member of Bendigo and Adelaide Bank’s Executive Committee for 7 years. Andrew is a director of Strategic Payment Services, a national payments company.
<b>Interest in shares</b>	Direct – Nil
<b>Special</b>	
<b>Responsibilities</b>	Member of Audit and Risk Committee
<b>Other Directorships</b>	Strategic Payment Services Pty. Ltd.

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

Directors	Directors’ Meetings		Audit & Risk Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Rob Hunt	11	10	-	-	-	-
Graham Bastian	11	11	4	4	-	-
Andrew Cairns	5	5	2	2	-	-
Don Erskine	11	11	4	4	1	1
Geoff Mitchell	11	10	4	3	1	1
Michelle O’Sullivan	11	11	-	-	-	-
Andrew Watts	5	4	1	1	-	-

## **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 company 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 company's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the company, controlled entity or related body corporate other than interests and benefits disclosed at Note 23 to the full Financial Report.

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

The Board's policy for determining the nature and amount of remuneration for key management personnel of the company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, 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 key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company'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.

Key management personnel are also entitled to participate in the employee share plan.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.25% (9.50% in the 2015 financial year) of the individuals average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel 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 key management personnel'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 key management personnel 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 Community 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
Andrew Cairns	Director (01/07/13 to 16/01/14)
Geoffrey Michell	Director
Michelle O'Sullivan	Director
Andrew Watts	Director (17/02/14 to 30/06/14)

#### (ii) Executives

Peter Bowman	General Manager Finance
Bryan Pedersen	General Manager Technology
Jim Nielsen	General Manager Operations
Adam Murdoch	General Manager Sales (30/08/13 to 30/06/14)

There were no other changes in respect to the Company's directors and executives between the reporting date and the date the financial report was authorised for issue.

### Company 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 Community Telco Limited, as well as the share price at the end of the respective financial years.

Analysis of the actual figures shows an increase in profits each year as well as an increase in dividends paid to shareholders. The improvement in the company's profit performance has been reflected in an increase in the company share price in the last two years. The Board is satisfied with the company's progress which can be attributed in part to the previously described remuneration policy.

	2010	2011	2012	2013	2014
<b>Revenue</b>	\$27.0M	\$26.3M	\$23.9M	\$22.6M	\$22.0M
<b>EBITDA</b>	\$1.90M	\$1.97M	\$2.12M	\$2.48M	\$2.96M
<b>Net profit</b>	\$737K	\$787K	\$870K	\$1.13M	\$1.59M
<b>Share price at year end</b>	\$1.40	\$1.00	\$1.00	\$1.50	\$1.65
<b>Dividends paid</b>	8.0 cents	11.0 cents	10.0 cents	12.5 cents	16.5 cents

**Details of remuneration for year ended 30 June 2014**

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

		Short-term benefits		Post-employment benefits	TOTAL	Proportion of remuneration that is performance based %
		Cash Salary and Fees	Superannuation			
Robert Hunt	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Graham Bastian	2014	15,000		-	15,000	-
	2013	15,000		-	15,000	-
Andrew Cairns	2014	7,345		679	8,024	-
	2013	13,761		1,239	15,000	-
Donald Erskine	2014	-		15,000	15,000	-
	2013	-		15,000	15,000	-
Geoffrey Michell	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Michelle O'Sullivan	2014	13,730		1,270	15,000	-
	2013	13,761		1,239	15,000	-
Andrew Watts	2014	5,067		469	5,536	-
	2013	-		-	-	-
<b>Total</b>	2014	68,602		19,958	88,560	-
	2013	70,044		19,956	90,000	-

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

		Short-term benefits		Post employment benefits	Share-based payments	Termination Benefits	Total	Proportion of remuneration that is performance based %
		Salaries	Non-Cash Benefits	Super-annuation	Shares			
		\$	\$	\$	\$	\$	\$	
Philip Lazenby	2014	-	-	-	-	-	-	-
	2013	135,397	11,548	21,492	-	11,580	180,017	14
Bryan Pedersen	2014	142,339	15,000	23,898	-	-	181,237	6
	2013	132,923	15,000	22,548	1,000	-	171,471	6
Wayne Williams	2014	-	-	-	-	-	-	-
	2013	26,818	3,822	3,361	-	68,056	102,057	10
Peter Bowman	2014	148,047	-	12,187	-	-	160,234	6
	2013	144,143	-	11,462	1,000	-	156,605	6
Jim Nielsen	2014	87,221	15,000	26,053	-	-	128,274	8
	2013	86,272	15,000	7,570	1,000	-	109,842	-
Adam Murdoch	2014	108,491	15,000	9,913	-	-	133,404	-
	2013	-	-	-	-	-	-	-
<b>Total</b>	2014	486,098	45,000	72,051	-	-	603,149	
	2013	525,553	45,370	66,433	3,000	79,636	719,992	

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 20 August 2014.



Graham Bastian

Director



Andrew Watts

Director



**Auditor's Independence Declaration under S 307C of the *Corporations Act 2001* to the Directors of Bendigo Community Telco Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Yours faithfully

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Victoria  
Dated this 20<sup>th</sup> day of August 2014

**Adrian Downing**  
Lead Auditor

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Revenue	2	22,031,440	22,601,411
Cost of products sold		(11,240,569)	(11,807,514)
Other income	2	59,078	102,782
Salaries and employee benefit costs		(4,595,270)	(4,711,838)
Occupancy and associated costs		(618,938)	(604,067)
General administration costs		(816,484)	(967,625)
Depreciation and amortisation costs		(880,366)	(946,891)
Advertising and promotion costs		(161,726)	(280,504)
Systems costs		(1,313,471)	(1,468,753)
Borrowing costs		<u>(328,256)</u>	<u>(277,245)</u>
Profit before income tax		2,135,438	1,639,756
Income tax expense		<u>(543,308)</u>	<u>(505,129)</u>
Net profit for the year		1,592,130	1,134,627
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,592,130</u>	<u>1,134,627</u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited		<u>1,592,130</u>	<u>1,134,627</u>
<b>Earnings per share</b>			
Basic earnings per share (cents)		27.85	19.99
Diluted earnings per share (cents)		27.85	19.99

**The accompanying notes form part of these financial statements**

**STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2014**

	Notes	2014 \$	2013 \$
<b>Current Assets</b>			
Cash and cash equivalents		3,157,294	2,371,730
Trade and other receivables		1,010,188	1,568,401
Prepayments		681,057	765,208
Inventories		108,736	130,147
<b>Total Current Assets</b>		<b>4,957,275</b>	<b>4,835,486</b>
<b>Non Current Assets</b>			
Property, plant and equipment		1,997,665	1,835,748
Intangible assets		1,525,508	1,535,509
Deferred tax asset		186,881	160,319
<b>Total Non Current Assets</b>		<b>3,710,054</b>	<b>3,531,576</b>
<b>TOTAL ASSETS</b>		<b>8,667,329</b>	<b>8,367,062</b>
<b>Current Liabilities</b>			
Trade and other payables		1,959,481	2,489,802
Borrowings		-	87,679
Provisions		512,096	452,441
Taxation		223,207	59,387
<b>Total Current Liabilities</b>		<b>2,694,784</b>	<b>3,089,309</b>
<b>Non Current Liabilities</b>			
Provisions		146,474	100,656
<b>Total Non Current Liabilities</b>		<b>146,474</b>	<b>100,656</b>
<b>TOTAL LIABILITIES</b>		<b>2,841,258</b>	<b>3,189,965</b>
<b>NET ASSETS</b>		<b>5,826,071</b>	<b>5,177,097</b>
<b>EQUITY</b>			
Issued capital		3,484,505	3,484,505
Retained earnings		2,341,566	1,692,592
<b>TOTAL EQUITY</b>		<b>5,826,071</b>	<b>5,177,097</b>

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
 FOR YEAR ENDED 30 JUNE 2014**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2012</b>		3,437,522	1,267,138	4,704,660
<b>Comprehensive Income</b>				
Profit for the year		-	1,134,627	1,134,627
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		-	1,134,627	1,134,627
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	3	-	(709,173)	(709,173)
Shares issued during the year		46,983	-	46,983
<b>Total transactions with owners and other transfers</b>		46,983	(709,173)	(662,190)
<b>Balance at 30 June 2013</b>		<b>3,484,505</b>	<b>1,692,592</b>	<b>5,177,097</b>
<b>Balance at 1 July 2013</b>		3,484,505	1,692,592	5,177,097
<b>Comprehensive Income</b>				
Profit for the year		-	1,592,130	1,592,130
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		-	1,592,130	1,592,130
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	3	-	(943,156)	(943,156)
Shares issued during the year		-	-	-
<b>Total transactions with owners and other transfers</b>		-	(943,156)	(943,156)
<b>Balance at 30 June 2014</b>		<b>3,484,505</b>	<b>2,341,566</b>	<b>5,826,071</b>

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS  
 FOR YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		25,065,149	26,108,737
Interest paid		(1,565)	(9,726)
Payments to suppliers and employees		(21,867,732)	(22,871,811)
Income tax paid		(406,050)	(455,451)
Interest received		59,078	32,360
<b>Net cash provided by operating activities</b>		<b>2,848,880</b>	<b>2,804,109</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(320,181)	(175,761)
Purchase of property, plant and equipment		(731,391)	(364,645)
Proceeds from sale of property, plant and equipment		19,091	100,455
<b>Net cash used in investing activities</b>		<b>(1,032,481)</b>	<b>(439,951)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease		(87,679)	(51,256)
Dividends paid		(943,156)	(709,173)
<b>Net cash used in financing activities</b>		<b>(1,030,835)</b>	<b>(760,429)</b>
<b>Net increase in cash held</b>		<b>785,564</b>	<b>1,603,729</b>
Cash and cash equivalents at beginning of financial year		2,371,730	768,001
<b>Cash and cash equivalents at end of the financial year</b>		<b>3,157,294</b>	<b>2,371,730</b>

The accompanying notes form part of these financial statements

## NOTES TO THE CONCISE FINANCIAL REPORT

### 1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report is an extract for the full financial report for the year ended 30 June 2014. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: *Concise Financial Reports*, and the *Corporations Act 2001*.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Bendigo Community Telco Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investment activities of Bendigo Community Telco Limited as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The presentation currency used in this concise financial report is Australian dollars.

### 2. REVENUE AND OTHER INCOME

	2014	2013
	\$	\$
Revenue:		
Sales revenue	22,030,776	22,570,085
Other revenue	664	31,326
Total revenue	22,031,440	22,601,411
Other income:		
Interest received	59,078	32,360
Profit on sale of assets	-	70,422
Total other income	59,078	102,782
Total revenue and other income	22,090,518	22,704,193

### 3. DIVIDENDS PAID AND PROPOSED

	2014	2013
	\$	\$
Distributions paid:		
2013 Final fully franked ordinary dividend of 9.5 (2012: 7.0) cents per share franked at the rate of 30% (2012: 30%)	543,029	397,137
2014 Interim fully franked ordinary dividend of 7.0 (2013: 5.5) cents per share franked at the rate of 30% (2013: 30%)	400,127	312,036
	943,156	709,173
Distributions proposed:		
2014 Proposed Final fully franked ordinary dividend of 13.0 (2013: 9.5) cents per share franked at the rate of 30% (2013: 30%)	749,332	543,029

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2014 but will be brought to account in the 2015 financial year.

#### 4. SEGMENT REPORTING

##### (a) Information about reportable segments

###### Aggregated Communications Departments

	2014	2013
	\$	\$
External segment revenues	22,031,440	22,601,411
Segment expenses	(18,724,504)	(19,855,756)
Net segment profit	3,306,936	2,745,655

##### (b) Reconciliation of Reportable Segment Revenue, Profit/(Loss), Assets & Liabilities and Other Material Items

###### Aggregated Communications Departments

	2014	2013
	\$	\$
<b>Revenues</b>		
Total revenue for reportable segments (aggregated)	22,031,440	22,601,411
Other revenue	59,078	102,782
Consolidated revenue	22,090,518	22,704,193
<b>Profit or Loss</b>		
Total profit for reportable segments (aggregated)	3,306,936	2,745,655
Other profit	59,078	102,782
Unallocated amounts:		
Finance expense	(328,256)	(277,245)
Depreciation & amortisation	(880,366)	(946,891)
Debtor Impairment	(21,954)	15,455
Consolidated profit before income tax	2,135,438	1,639,756

###### Assets & Liabilities

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

#### 5. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 13.0 cents per share was declared by the Board of Directors on 20 August 2014 which will be distributed to shareholders on 26 September 2014.

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

#### **DIRECTORS' DECLARATION**

The directors of Bendigo Community Telco Limited declare that the concise financial report for the financial year ended 30 June 2014 as set out on pages 4 to 22:

- a. Complies with Accounting Standard AASB 1039: *Concise Financial Reports* ; and
- b. Is an extract from the full financial report for the year ended 30 June 2014 and has been derived from and is consistent with the full financial report of Bendigo Community Telco Limited.

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

On behalf of the directors



Graham Bastian

Director



Andrew Watts

Director

Dated this 20 August 2014.



## Independent Auditor's Report to the Members of Bendigo Community Telco Limited

### Report on the Concise Financial Report

We have audited the accompanying concise financial report of Bendigo Community Telco Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and related notes, derived from the audited financial report of Bendigo Community Telco Limited for the year ended 30 June 2014, as well as the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

### Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard *AASB 1039: Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

### Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard *ASA 810: Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bendigo Community Telco Limited for the year ended 30 June 2014. We expressed an unmodified audit opinion on that financial report in our report dated [insert date of the auditor's report on the (full) financial report]. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report 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 entity's internal control. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion on whether, in all material respects, the concise financial report complies with *AASB 1039: Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in *AASB 1039: Concise Financial Reports*.

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

### Independence

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

### Auditor's Opinion

In our opinion, the concise financial report, including the discussion and analysis of Bendigo Community Telco Limited for the year ended 30 June 2014, complies with Accounting Standard *AASB 1039: Concise Financial Reports*.

Yours faithfully

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Victoria  
Dated this 20<sup>th</sup> day of August 2014

**Adrian Downing**  
Lead Auditor

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337.

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## SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 30 June 2014.

### Distribution of Shareholders

Category	Number of Holders
1 - 1,000	135
1,001 - 5,000	210
5,001 - 10,000	56
10,001 - 100,000	43
100,001 and over	5
	449
	449

The number of shareholdings held in less than marketable parcels is 11.

### Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,112,146	19.5
Erskine Investments Pty Ltd	939,326	16.4
Ron Poyser Administrators Pty Ltd	438,400	7.7
Hunters Ridge Pty Ltd	421,004	7.4
EGP Fund No 1 Pty Ltd	127,000	2.2
Community Telco Syndicate	98,000	1.7
MGR Property Pty Ltd	90,000	1.6
Latrobe University	84,000	1.5
Kirkstow Nominees Pty Ltd	64,000	1.1
Bendigo Health Care Group	60,000	1.0
Crockford Superannuation Fund	60,000	1.0
Total shares held by top 10 holders	3,493,876	61.1



