



Bendigo Community Telco Limited
ABN 88 089 782 203

Registered Office
23 McLaren Street
Bendigo Victoria 3550

Customer inquiries

Principal places of business

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Bendigo Victoria 3550

113 Williamson Street
Bendigo Victoria 3550

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Bendigo Victoria 3550

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Shepparton Victoria 3630

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Shareholder inquiries

Bendigo Community Telco Share Registry
C/- AFS & Associates
PO Box 454
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Chairman & CEO's Report 2015

It has been a year of significant change and development at Bendigo Telco that has seen the company establish a platform for sustainable growth over the medium term. Against a backdrop of unrelenting change in the telecommunications industry your company has again produced strong results, delivering an after tax profit of \$1,126,650 for the 12 months ending June 30th 2015. Directors have declared a fully-franked dividend of 10.0 cents, making the full-year dividend a payment of 17.0 cents for the full financial year. Our average dividend yield over the past 5 years has been 10.57% fully franked.

Some of the key changes at Bendigo Telco this year have been:

- Significant structural changes that have enabled the company to become a truly independent telecommunications business.
- National roll-out of our key products and services – greatly expanding our potential sales opportunities.
- The hiring of two critical senior management staff – Jeff Jordan our CEO and Jason Sim our General Manager, Sales.
- The adoption of a new trading name of 'Bendigo Telco' for the business.
- The development of a new logo to support the name change.
- The opening of a sales office in Shepparton.
- Establishment of our own direct wholesale relationships with primary carriers including Telstra and AAPT.

These changes are designed to revitalize the business and position it for growth across all of our key markets.

Renewed Focus on Sales and Marketing

The business has embarked on a new sales strategy, with a particular focus on our two key industries of Financial Services and Health. This renewed focus has already yielded significant new business. In the health sphere, Bendigo Telco was recently selected as the successful tenderer for the IT Services business of a key Regional Health Alliance. In the financial space the company has won a range of new business including significant Cloud Services contracts.

During the financial year Bendigo Telco also added business from many new customers, demonstrating our growing presence in regions outside of Bendigo.

Industry Trends

Bendigo Telco is a key regional player in the telecommunications marketplace and is thus subject to the rapidly changing market forces that are at play in this arena. There are a number of important trends occurring that affect us. Firstly, there is a rapid move away from traditional fixed line telephone service delivered over the legacy copper infrastructure. Instead, our customers are asking us to deliver their voice service via their data service. This results in reduced costs for our customers, but results in more complex networks for BCT. The change does have the prospect of increasing our retained margin for these types of services. Another important development is the cost that the

current NBN business model has for smaller telecommunications players as there is a relatively high fixed cost to connect to the NBN's network.

Here in Bendigo, NBN Co. decided earlier this year that a full roll-out of connectivity will not commence until approximately October 2016. Apart from the existing NBN Wireless currently being used on the outskirts of Bendigo, we are unlikely to see significant NBN use in the Bendigo CDB until sometime during 2017.

New Products

As always, your company is looking for ways to innovate and lead in our marketplace. We have launched a number of important new products this year including OneCloud and our NBN Small Business Package.

OneCloud is an exciting development for BCT that allows our customers to connect to the Public Cloud via our well established Private Cloud services. For our customers this means that they can take full advantage of services such as Amazon's AWS or Microsoft's Azure Public Cloud without sacrificing the data security that is critical for their business. BCT has already had a number of significant sales of this technology including to companies in the financial and health markets.

The NBN Small Business package is a system that allows our customers to connect their existing PBX phone system direct to an NBN data service. The system has the potential to deliver significantly lower call costs while also providing access to very high speed data networking. BCT is expecting strong take-up of this offering in regions where the NBN has already been rolled out in the primary business areas.

Contract Renewals

BCT has now signed an important extension to the Bendigo Bank Data Centre contract that runs until 2017. Under this contract BCT provides the bank with critical hosting for their core banking services as well as a comprehensive disaster recovery environment. Many other significant contract renewals were affected during the period including ones with our major customer base.

Other Changes

During the financial year we undertook a significant project to move all of the company's billing to a new billing platform. By the end of this financial year period we had moved all of our customers to the new billing system. This change will enable us increased flexibility in the creation of telecommunications products and reduce the overall cost of creating invoices for our customers. Another important change this year has been the migration of all of our mobile customers to a new wholesale provider. This change was necessitated by the impending closure of the Telstra 2G network and our desire to deliver our customers with greater choice in mobile telephony.

Thank You

As usual, I would like to thank the Bendigo Community for the support that they have continued to show us. In our turn we have supported several Community Enterprise groups whose members place their telecommunications services with us. Thank you also to our customers who have continued to show great faith in our business over the last year.

To our Board of Directors, I extend my thanks for your continued dedication in guiding this important Bendigo business, your breadth of experience and knowledge has been essential as we expand into new markets and products.

Lastly, thank you to our staff. It is through your continuing commitment to Bendigo Telco's '8 Star Customer service Promise' that we have managed to grow and prosper over the years. Your ability to put the interests of our customers first has been the cornerstone of our long-term success as a business.



Don Erskine
Chairman



Jeff Jordan
CEO

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS AND REVIEW OF OPERATIONS

The concise financial report is an extract from the full financial report for the full year ended 30 June 2015. The financial statements and disclosures in the concise report have been derived from the 2015 financial report of Bendigo Community Telco Limited and Controlled Entities. 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.

The consolidated profit of the Group amounted to \$1,126,650, after providing for income tax. This represents a 29% decrease on the results reported for the year ended 30 June 2014. The Group has been able to maintain a consistent revenue base whilst improving cost efficiencies resulting in an improved gross margin of \$327,106 from the previous year.

The decrease in profit is predominately a result of the Group, investing in three key areas – staff, infrastructure and sales/marketing. The rapidly evolving telecommunications marketplace has mandated this investment in order to establish a platform for sustainable growth over the short to medium term.

In addition, the profit has been affected by a number of one-off transactions relating to the company's restructure including costs associated with the migration of services to a new billing system whereby two systems were operating in parallel for a period of time as well as costs associated with the restructuring of the management team to support the new direction of the group.

In October 2014, Bendigo Telco acquired McPherson Media, a small ISP located in Shepparton, Victoria. The acquisition has greatly expanded the range of locally supported telecommunication products in the Shepparton region.

The Group has maintained a number of wholesale agreements with suppliers including AAPT, Optus, NBNCo, Telstra and Nextgen. As a result of the termination of the franchisee agreement with Community Telco Australia in December 2014, the Group has arranged for these agreements to be held directly with the suppliers.

The net assets of the Group have increased by \$25,515 from 30 June 2014 to \$5,851,586 in 2015. The Group continues to maintain a strong working capital with current assets exceeding current liabilities by \$1,860,809.

The management team has been bolstered during the year with the appointments of Mr Jeffery Jordan as General Manager and Mr Jason Sim as General Manager, Sales. The management team continued to review the Groups operations during the year and continue to implement strategies which will set the Group up for continued growth.

The Group has implemented a new sales strategy with particular focus on two key industry verticals – Financial Services and Health. The Group has identified these target industries as a good fit for the types of products and services that the group offers and have already yielded significant new business with more in the pipeline.

The Group has and will continue to invest in infrastructure to secure its long-term success. In particular, investment in Cloud and National Networks will be made in future years as this continues to underpin the groups key revenue streams.

The directors believe the group is in a strong 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 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 10.0 cents per share was declared by the Board of Directors on 26 August 2015 which will be distributed to shareholders on 29 September 2015.

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.

SECURITIES REGISTER

The securities register is managed by AFS & Associates on behalf of Bendigo Community Telco Limited and Controlled Entities. 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 30 June 2015.

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 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 Committee Charter and the appointment of the Audit Committee as a sub-committee of the Board. The members of the Audit Committee are Directors 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 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 sole 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 and their term of office 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 Community Telco Limited and its controlled entities for the financial year ended 30 June 2015. The information in the preceding operating and financial review forms part of the directors' report for the financial year ended 30 June 2015 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 G Bastian	Mr G Michell (retired 28/02/2015)
Ms M O'Sullivan	Mr A Watts

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 2014	13.0	746,892
Interim – March 2015	7.0	402,173
	20.0	1,149,065

Ordinary Dividends Declared:

Final - September 2015	10.0	574,532
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INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

PROCEEDINGS ON BEHALF OF BENDIGO COMMUNITY TELCO

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.

Fees of \$13,033 were paid or payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2015.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 17 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 and their term of office 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	Don Erskine is a Member of the Remuneration Committee and Audit and Risk Committee.
Other Directorships	Nil

Mr Robert George Hunt – AM, FAICD – Director

Occupation	Treasury Corporation of Victoria – Chairman
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. During his 36 years with the organisation, Mr Hunt guided Bendigo Bank through many challenges, but also through the development and implementation of strategies as a regional and community banking organisation. 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. Mr Hunt continues his involvement in a number of community organisations and enterprises across Victoria. Mr Hunt is also the current Chairman of Treasury Corporation of Victoria.
Interest in shares	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 396,048 Shares
Special Responsibilities	Nil
Other Directorships & Appointments	Chairman, Treasury Corporation of Victoria since 2010; Director, Apollo Bay Central District Community Bank since 2011; Patron-in-Chief, Community Enterprise Foundation since 2005; Patron, St Luke's Anglicare since 2002. 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	<p>Graham worked as a civil engineer with a private firm of surveyors and engineers until entering teaching. Following a period as an educational consultant focused on assisting schools in the effective use of computers, Graham became the Principal of Charlton College.</p> <p>He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and recently retired as Principal of Bendigo Senior Secondary College. Since this career change, Graham has been providing consultancy services to the Department of Education Central Office as well as many schools across the state. In addition serves as an independent member of the Audit Committee of the City of Greater Bendigo.</p>
Interest in shares	Direct – 0 Shares Indirect – Jeanette Bastian 2,000 Shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

Ms Michelle Kaye O’Sullivan – Director

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

Mr Andrew Watts – Director

Occupation	Executive, Customer Service Improvement, Bendigo and Adelaide Bank
Qualifications	Bach. Engineering (Civil), Grad Dip, Business Administration
Experience	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.
Interest in shares	Direct – Nil
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

COMPANY SECRETARY

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

Mr Ken Belfrage FCA, GAICD, Dip. Bus.

Mr Belfrage is an experienced Company Director and Company Secretary who has extensive business, finance and general management skills including 34 years as a practicing public accountant.

MEETINGS OF DIRECTORS

During the financial year, 13 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	No. attended	No. eligible to attend	No. attended
Rob Hunt	9	9	-	-	-	-
Graham Bastian	9	9	4	3	-	-
Don Erskine	9	9	4	4	-	-
Geoff Michell	6	4	2	1	-	-
Michelle O'Sullivan	9	9	-	-	-	-
Andrew Watts	9	9	4	4	-	-

DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the group with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the group's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the group, controlled entity or related body corporate other than interests and benefits disclosed at Note 25 to the Full Financial Statements.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by Section 308 (3c) of the *Corporations Act 2001*.

This report details the nature and amount of remuneration for each key management person of Bendigo 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 group'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 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 key management personnel of the group 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 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.

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 9.50% 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 group 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
Geoffrey Michell	Director (resigned 28/02/2015)
Michelle O'Sullivan	Director
Andrew Watts	Director

(ii) Executives

Peter Bowman	General Manager Finance (resigned 04/03/2015)
Bryan Pedersen	General Manager Technology (resigned 29/08/2014)
Jim Nielsen	General Manager Operations
Adam Murdoch	General Manager Sales (resigned 30/11/2014) & General Manager Technology (appointed 30/08/2014)
Jeffery Jordan	General Manager (appointed 08/09/2014)
Jason Sim	General Manager Sales (appointed 01/12/2014)
Adam Lacey	Chief Executive Officer (appointed 14/08/2014, resigned 31/08/2014)

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 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, with the exception of 2015 which fell as a result of additional investment in key management personnel and infrastructure. Dividends paid to shareholders have continued to increase and the group's improved performance has been reflected in an increase in the share price with an increase in the last three 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 upwards trend in shareholder wealth over the past five years.

	2011	2012	2013	2014	2015
Revenue	\$26.3M	\$23.9M	\$22.6M	\$22.0M	\$22.1M
EBITDA	\$1.97M	\$2.12M	\$2.48M	\$2.96M	\$2.61M
Net profit	\$787K	\$870K	\$1.13M	\$1.59M	\$1.13M
Share price at year end	\$1.00	\$1.00	\$1.50	\$1.65	\$1.95
Dividends paid	11.0 cents	10.0 cents	12.5 cents	16.5 cents	20.0 cents

Details of remuneration for year ended 30 June 2015

(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	2015	13,699	1,301		15,000	-
	2014	13,730	1,270		15,000	-
Graham Bastian	2015	15,000	-		15,000	-
	2014	15,000	-		15,000	-
Andrew Cairns	2015	-	-		-	-
	2014	7,345	679		8,024	-
Donald Erskine	2015	-	15,000		15,000	-
	2014	-	15,000		15,000	-
Geoffrey Michell	2015	9,132	868		10,000	-
	2014	13,730	1,270		15,000	-
Michelle O'Sullivan	2015	13,699	1,301		15,000	-
	2014	13,730	1,270		15,000	-
Andrew Watts	2015	13,699	1,301		15,000	-
	2014	5,067	469		5,536	-
Total	2015	65,229	19,771		85,000	-
	2014	68,602	19,958		88,560	-

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

		Short-term benefits		Post employment benefits	Share-based payments	Termination Benefits	Total	Proportion of remuneration that is performance based %
		Salaries \$	Non-Cash Benefits \$	Super-annuation \$	Shares \$			
Bryan Pedersen	2015	40,978	2,425	30,861	1,000	53,502	128,766	-
	2014	142,339	15,000	23,898	-	-	181,237	6
Peter Bowman	2015	104,619	-	8,694	1,000	20,323	134,636	-
	2014	148,047	-	12,187	-	-	160,234	6
Jim Nielsen	2015	86,306	15,000	33,745	1,000	-	136,051	6
	2014	87,221	15,000	26,053	-	-	128,274	8
Adam Murdoch	2015	136,890	15,000	12,816	1,000	-	165,706	5
	2014	108,491	15,000	9,913	-	-	133,404	-
Adam Lacey	2015	9,273	699	881	-	17,659	28,512	-
	2014	-	-	-	-	-	-	-
Jeffery Jordan	2015	157,223	12,123	14,716	-	-	184,062	20
	2014	-	-	-	-	-	-	-
Jason Sim	2015	92,732	4,315	8,349	-	-	105,396	19
	2014	-	-	-	-	-	-	-
Total	2015	628,021	49,562	110,062	4,000	91,484	883,129	
	2014	486,098	45,000	72,051	-	-	603,149	

This marks the end of the audited remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors on 26 August 2015.



Don Erskine

Director



Graham Bastian

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 2015 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is enclosed within a thin black rectangular border.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Victoria
Dated this 26th day of August 2015

A handwritten signature in black ink, appearing to read 'Adrian Downing', is written in a cursive style.

Adrian Downing
Lead Auditor

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$	2014 \$
Revenue	2	22,114,833	22,031,440
Cost of products sold		(10,996,856)	(11,240,569)
Other income	2	145,494	59,078
Salaries and employee benefit costs		(5,297,909)	(4,595,270)
Occupancy and associated costs		(646,521)	(618,938)
General administration costs		(1,021,556)	(816,484)
Depreciation and amortisation costs		(1,032,779)	(880,366)
Advertising and promotion costs		(233,886)	(161,726)
Systems costs		(732,612)	(1,313,471)
Borrowing costs		<u>(696,826)</u>	<u>(328,256)</u>
Profit before income tax		1,601,382	2,135,438
Tax expense		<u>(474,732)</u>	<u>(543,308)</u>
Net profit for the year		1,126,650	1,592,130
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,126,650</u>	<u>1,592,130</u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited		<u>1,126,650</u>	<u>1,592,130</u>
Earnings per share			
Basic earnings per share (cents)		19.62	27.85
Diluted earnings per share (cents)		19.62	27.85

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2015**

	Notes	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents		947,316	3,157,294
Trade and other receivables		1,526,766	1,010,188
Prepayments		1,374,610	681,057
Inventories		131,516	108,736
Total Current Assets		3,980,208	4,957,275
Non Current Assets			
Property, plant and equipment		2,368,031	1,997,665
Intangible assets		1,506,320	1,525,508
Deferred tax asset		231,738	186,881
Total Non Current Assets		4,106,089	3,710,054
TOTAL ASSETS		8,086,297	8,667,329
Current Liabilities			
Trade and other payables		1,392,058	1,959,481
Provisions		642,928	512,096
Taxation		84,413	223,207
Total Current Liabilities		2,119,399	2,694,784
Non Current Liabilities			
Provisions		115,312	146,474
Total Non Current Liabilities		115,312	146,474
TOTAL LIABILITIES		2,234,711	2,841,258
NET ASSETS		5,851,586	5,826,071
EQUITY			
Issued capital		3,532,435	3,484,505
Retained earnings		2,319,151	2,341,566
TOTAL EQUITY		5,851,586	5,826,071

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR YEAR ENDED 30 JUNE 2015**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2013		3,484,505	1,692,592	5,177,097
Comprehensive Income				
Profit for the year		-	1,592,130	1,592,130
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,592,130	1,592,130
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	3	-	(943,156)	(943,156)
Shares issued during the year		-	-	-
Total transactions with owners and other transfers		-	(943,156)	(943,156)
Balance at 30 June 2014		3,484,505	2,341,566	5,826,071
Balance at 1 July 2014		3,484,505	2,341,566	5,826,071
Comprehensive Income				
Profit for the year		-	1,126,650	1,126,650
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,126,650	1,126,650
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	3	-	(1,149,065)	(1,149,065)
Shares issued during the year		47,930	-	47,930
Total transactions with owners and other transfers		47,930	(1,149,065)	(1,101,135)
Balance at 30 June 2015		3,532,435	2,319,151	5,851,586

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		23,025,110	25,065,149
Interest paid		-	(1,565)
Payments to suppliers and employees		(21,592,569)	(21,867,732)
Income tax paid		(658,383)	(406,050)
Interest received		106,255	59,078
Net cash provided by operating activities		880,413	2,848,880
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of BCT Shepparton		(596,609)	-
Purchase of intangible assets		(282,936)	(320,181)
Purchase of property, plant and equipment		(1,120,419)	(731,391)
Proceeds from sale of property, plant and equipment		58,637	19,091
Net cash used in investing activities		(1,941,327)	(1,032,481)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease		-	(87,679)
Dividends paid		(1,149,065)	(943,156)
Net cash used in financing activities		(1,149,065)	(1,030,835)
Net increase / (decrease) in cash held		(2,209,979)	785,564
Cash and cash equivalents at beginning of financial year		3,157,294	2,371,730
Cash and cash equivalents at end of the financial year		947,315	3,157,294

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 2015. 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 and Controlled Entities. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investment activities of Bendigo Community Telco Limited and Controlled Entities as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

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

2. REVENUE AND OTHER INCOME

	2015 \$	2014 \$
Revenue:		
Sales revenue	22,114,833	22,030,776
Other revenue	-	664
Total revenue	<u>22,114,833</u>	<u>22,031,440</u>
Other income:		
Interest received	28,414	59,078
Profit on sale of assets	39,239	-
Discount on acquisition	77,841	-
Total other income	<u>145,494</u>	<u>59,078</u>
Total revenue and other income	<u><u>22,260,327</u></u>	<u><u>22,090,518</u></u>

3. DIVIDENDS PAID AND PROPOSED

	2015 \$	2014 \$
Distributions paid:		
2014 Final fully franked ordinary dividend of 13.0 (2013: 9.5) cents per share franked at the rate of 30% (2013: 30%)	746,892	543,029
2015 Interim fully franked ordinary dividend of 7.0 (2014: 7.0) cents per share franked at the rate of 30% (2014: 30%)	<u>402,173</u>	<u>400,127</u>
	<u><u>1,149,065</u></u>	<u><u>943,156</u></u>
Distributions proposed:		
2015 Proposed Final fully franked ordinary dividend of 10.0 (2014: 13.0) cents per share franked at the rate of 30% (2014: 30%)	574,532	746,892

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2015 but will be brought to account in the 2016 financial year.

4. INTEREST IN SUBSIDIARY

a. Information about Principal Subsidiary

The subsidiary 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 subsidiary principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2015	2014	2015	2014
		%	%	%	%
BCT Shepparton Pty Ltd	Shepparton, Australia	100	-	-	-

Subsidiary 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

On 1 October 2014, the Group acquired 100% of the shares of BCT Shepparton Pty Ltd, an internet service provider, for a purchase price of \$596,608.

Through acquiring 100% of the shares of BCT Shepparton, the Group has obtained control of the Company.

Purchase consideration:	\$
Cash	596,608
Less:	
Intangible assets (i)	(34,928)
Receivables (ii)	(81,233)
Prepayments (iii)	(584,114)
Tax adjustments	(14,621)
Add:	
Employee entitlements	26,529
Professional services	13,918
Loss / (Gain) on acquisition	<u><u>(77,841)</u></u>

- (i) The intangible assets purchased are IP Address Blocks.
- (ii) The receivables included provision for impairment of \$19,707.
- (iii) Prepayments included advertising of up to \$550,000 prior to 30 September 2019 .

Revenue of BCT Shepparton Pty Ltd included in the consolidated revenue of the Group since the acquisition date of 1 October 2014 amounted to \$701,695. Profit of BCT Shepparton Pty Ltd included in consolidated profit of the Group since the acquisition date amounted to \$23,881.

5. SEGMENT REPORTING

(a) Information about reportable segments

Aggregated Communications Departments

	2015	2014
	\$	\$
External segment revenues	22,114,833	22,031,440
Segment expenses	(18,886,236)	(18,724,504)
Net segment profit	<u>3,228,597</u>	<u>3,306,936</u>

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

Aggregated Communications Departments

	2015	2014
	\$	\$
Revenues		
Total revenue for reportable segments (aggregated)	22,114,833	22,031,440
Other revenue	145,494	59,078
Consolidated revenue	<u>22,260,327</u>	<u>22,090,518</u>
Profit or Loss		
Total profit for reportable segments (aggregated)	3,228,597	3,306,936
Other profit	145,494	59,078
Unallocated amounts:		
Finance expense	(696,826)	(328,256)
Depreciation & amortisation	(1,032,779)	(880,366)
Debtor Impairment	(43,104)	(21,954)
Consolidated profit before income tax	<u>1,601,382</u>	<u>2,135,438</u>

Assets & Liabilities

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

6. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 10.0 cents per share was declared by the Board of Directors on 26 August 2015 which will be distributed to shareholders on 29 September 2015.

The Group has entered into finance lease agreements with the Bendigo and Adelaide Bank for Cloud and Network Infrastructure as outlined in Note 22 of the Full Financial Statements.

No 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Community Telco Limited, the directors of the company declare that the concise financial report of Bendigo Community Telco Limited and Controlled Entities for the financial year ended 30 June 2015:

- 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 2015 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



Don Erskine

Director



Graham Bastian

Director

Dated this 26 August 2015.



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 consolidated statement of financial position as at 30 June 2015, 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, and related notes, derived from the audited financial report of Bendigo Community Telco Limited for the year ended 30 June 2015, 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 2015. 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 2015, complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is written over a light blue rectangular background.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Victoria
Dated this 26th day of August 2015

A handwritten signature in black ink, appearing to read 'Adrian Downing', is written in a stylized cursive script.

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 27 July 2015.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	129
1,001 - 5,000	218
5,001 - 10,000	56
10,001 - 100,000	44
100,001 and over	5
	452
	452

The number of shareholdings held in less than marketable parcels is 9.

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	1,112,146	19.3
Erskine Investments Pty Ltd	939,326	16.3
Hunters Ridge Pty Ltd	451,048	7.8
Ron Poyser Administrators Pty Ltd	438,400	7.6
EGP Fund No 1 Pty Ltd	128,711	2.2
MGR Property Pty Ltd	90,000	1.6
Latrobe University	84,000	1.5
Community Telco Syndicate	78,000	1.4
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	3,505,631	60.8
	3,505,631	60.8



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