



**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

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Bendigo Victoria 3550

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Bendigo Victoria 3550

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Bendigo Victoria 3550

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[bendigo.communitytelco.com.au](http://bendigo.communitytelco.com.au)

Shareholder inquiries

Bendigo Community Telco Share Registry  
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PO Box 454  
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## Chairman's Report 2013

We are pleased to announce another successful trading year and subsequent solid profit result. Our business exists as part of a very dynamic telecommunications industry and we are continually challenged to make the correct investments on behalf of all of our stakeholders. Many new spheres of endeavour are opening up that provide the company with additional opportunities such as the advent of 'Mobility', Bring Your Own Device and Cloud.

Our after tax profit result of \$1,134,627 is a 30% improvement over the previous year. Directors have declared a fully-franked final dividend of 9.5 cents, making the full-year dividend payment of 15.0 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 3 years has been 10.67% fully franked.

Bendigo Community Telco was created to deliver world class leading telecommunications solutions to businesses in our local area. As technologies have developed we have kept pace enabling us to provide competitive advantage to our customers no matter where they are located. Our commitment is to see that the most up-to-date data technology solutions are available in our region at the same time as in the capital cities.

Bendigo Community Telco works with many partners in our industry to enable us to deliver best in class services to our customers. These partners include NBN Co., NextGen, Cisco and IBM.

One of the key challenges in our operating environment is the introduction of new forms of telecommunication regulations such as the 'Telecommunications Consumer Protection Code' – known throughout the industry simply as TCP. The TCP code was introduced during 2012 and is backed by an enforcement capability from the ACMA. The TCP code provides useful extension to the protection of consumer rights but leads to increased business costs and complexity for companies such as ours.

The National Broadband Network (NBN) continues to roll out across Australia, and also poses both risks and opportunities for our business. There will be new opportunities created by the deployment of this high speed wholesale only network. We will be able to offer our customers new capabilities such as distance learning and tele-health facilities and the quality of the underlying communications system will be greatly increased. However, the NBN will also make it easier for our competitors to deliver similar services to our customers, which means we will need to be very focused on the quality of the services that we deliver.

As technological advances such as the NBN are made, we will have increased opportunity to deliver our value added services to our customers. These include our traditional capabilities, developed over the last few years such as Virtual Private Networks and Virtual Servers, but now also extend to new capabilities such as Virtual Desktops and 'Mobility'.

During this year, we have made significant advances in delivering our high end product set through our wholesale channel program. We have added quite a few customers of significant scale, right across Australia. In these networks, Bendigo Community Telco is typically providing the entire connectivity for the business including all voice and data communications.

Following the successful deployment of Bendigo and Adelaide Bank's Wide Area Network last year, which connects approximately 500 bank branches Australia wide, the company completed during this year the implementation of a network for Bendigo Bank's ATM Network. This important new contract for BCT extends for five years and is another demonstration of the faith placed in us by our largest customer.

Our ability to participate in the financial services industry as a provider of networking services is underpinned by our compliance to the Payment Card Industry Data Security Standard. This PCI compliance is a valuable asset for BCT enabling us to provide assurance to our clients as to the security and integrity of their data.

Our continued commitment to our 8 Star Customer Service Promise provides our customers with a real guarantee that we will put their interests first and work hard to deliver on our commitments to them. Bendigo Community Telco is interested in the long term success of our customers and we believe that this commitment to quality will continue to serve the interests of our clients well into the future.

Our commitment to our community has been highlighted this year through our participation in the Bendigo Bank Fun Run. We teamed up with our partners, Community Telco Australia and entered a corporate team of 73 participants into the event and took out the Corporate Cup title for the largest team entered. This not only demonstrated our commitment to Bendigo Health, but also to Bendigo Bank as major sponsors of the event. The second major community initiative for the year was the Bendigo for Homeless Youth project. Again, we teamed up with Bendigo Bank as major sponsors, and worked closely with Community Solutions and Partnering and Lead On Australia to help raise in excess of \$100,000 for the project. In addition to this, a philanthropic donor pledged an additional \$400,000. All funds raised were donated to Haven and have gone directly towards providing a long-term solution to the challenge of youth homelessness in our community. The project received an exceptional level of exposure within Bendigo and the wider community, and we were very proud to contribute and be a part of such a worthwhile cause.

Bendigo Community Telco's end-of-year result demonstrates that we have been able to effectively execute on our strategy of empowering local communities by delivering them world class communication technologies. The dedication of the management team and staff has ensured that we have invested in the people, processes and tools required for us to make this possible.

There are always challenges and uncertainties in the telecommunications environment; however we feel sure that by making the correct investments, listening to our customers and engaging with our communities, we will continue to be successful well into the future.

The directors, all staff and the broader Bendigo Community Telco family were deeply saddened by the unexpected passing of our CEO Philip Lazenby on 8 April 2013.

Phil was passionate about the Bendigo community, our local Telco and its mission. Phil consistently demonstrated leadership across our marketplace and was generous in giving his time as a mentor, friend and confidante to many in our community. The directors and staff of Bendigo Community Telco appreciate and thank the many customers and friends for their expressions of support and sense of loss with the passing of our CEO. Our deepest condolences and thoughts are with Phil's family and all those privileged to call him a friend.

We would like to thank our Directors for their ongoing support during this extremely busy year, and the Board sincerely thanks all of our shareholders for your ongoing support and contribution to the success of our business.



**Don Erskine**  
**Chairman**

## **New capabilities, initiatives and investments**

### **Bendigo and Adelaide Bank ATM3 Network**

Following last year's success in winning a 5 year contract to provide connectivity to all of Bendigo and Adelaide Bank's ATM fleet, we have now migrated all of the banks ATM's onto our national network under a separate 5 year contract. Bendigo Community Telco now also manages the ATM's via our Network Operations Centre.

### **Bendigo Safe Transport Space (Wi-Fi)**

Bendigo Community Telco teamed up with the City of Greater Bendigo to co-fund a Wi-Fi service at the Safe Transport Space (STS) in Howard Place, which was the first of its kind in a public area in Bendigo. The purpose of the service is to enable residents and visitors to Bendigo to have access to the internet from typical communications platforms such as Facebook and Twitter, with the aim being to enhance the safety of the space by ensuring users can remain connected with others.

Bendigo Community Telco has deployed significant telecommunications assets to deliver this capability to the area of the Safe Transport Space and is hopeful that there will be additional interest to drive further investment in Wi-Fi throughout the CBD.

### **National Broadband Network (NBN)**

The National Broadband Network will provide connection to fibre, fixed wireless or satellite services for every household and business in Australia. With this in mind, Bendigo Community Telco has completed the NBN technical on-boarding procedure which will ensure our readiness for connecting early adopter customers to the NBN. With our own connection to Bendigo's NBN Point of Interconnect (POI), we are well positioned to connect our customers to both the fibre and fixed wireless infrastructure that is already being rolled out by NBN Co. in the Bendigo region.

The NBN will deliver a new class of applications such as distance learning and tele-health and has the potential to revolutionise the practices of many businesses. We are excited about the opportunities that we can help deliver to our region by ensuring that our customers have access to this facility.

### **National Marketing Initiatives**

With our capabilities in the areas of Virtual Servers, Virtual Private Networks and Virtual Desktops, Bendigo Community Telco has broadened its ability to deliver services nationally, and therefore have embraced some national marketing initiatives. Earlier this year saw our presence at the Cards and Payments tradeshow at the Melbourne Convention and Exhibition Centre, and more recently we executed a National Customer Campaign whereby a targeted mailing piece was directed to 3400 businesses with an employee base between 100 and 400 in Victoria, New South Wales and the ACT.

Investment in our national marketing has resulted in new business leads and significantly increased brand awareness, and we will continue to evolve this area of our marketing over the coming 12 months.

### **Community involvement**

Our support for the community continues as an essential part of our brand and culture. Bendigo Community Telco proudly supported the following community initiatives during the year.

Rotary Club of Bendigo Community Carols, Bendigo Bank Fun Run, Bendigo for Homeless Youth, 7 Community Enterprise groups, SOAR Adventures, Rotary Club of Bendigo Easter Art Show, Scots Day Out, Turn a Life Around (campaign for autism awareness), Bendigo Spirit and Continuing Education Learner of the Year Award.

### **Personal service**

Our staff continue to remain committed to the 8 Star Customer Service Promise which is now engrained as an integral part of Bendigo Community Telco's culture. We continue to promote the Customer Service Promise in the local and national marketplace as a key differentiator within our industry, which also runs alongside our tagline "Where Personal Service Matters".

## 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 22 August 2013.

## 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 and Andrew Cairns.
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.

## Directors' report

Your directors present their report on the Company for the financial year ended 30 June 2013.

### DIRECTORS

The names of the directors in office at any time during, or since the end of, the year are:

Mr R Hunt  
Mr A Cairns  
Mr G Bastian

Mr D Erskine (Chairman)  
Mr G Michell  
Ms M O'Sullivan

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

## INFORMATION ON DIRECTORS

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 840,000 Shares
<b>Special Responsibilities</b>	Don Erskine is a Member of the Remuneration 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> 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, Community Telco Australia, 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

**Special Responsibilities** Nil

**Other Directorships & Appointments** Chairman, Treasury Corporation of Victoria since 2010;  
Consultant (Community Engagement Programs & Strategic Enterprises) for Bendigo and Adelaide Bank Limited since 2009;  
Chairman, Community Telco Australia since 2001;  
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 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 Andrew Cairns - Director**

<b>Occupation</b>	Head of Customer Led Connections Bendigo & Adelaide Bank
<b>Qualifications</b>	Bachelor of Engineering – Electrical (Footscray Institute of Technology) Member of Australian Institute of Company Directors
<b>Experience</b>	Andrew Cairns has extensive experience in a variety of industries including manufacturing, pay television and telecommunications. He has worked both nationally and internationally. In the past few years he has applied that experience to steering start-up organisations to success, including Bendigo Community Telco as its initial Chief Executive. The success of Bendigo Community Telco has now resulted in the Community Telco project being rolled out to regional communities across Australia by Community Telco Australia. Andrew is now the Head of Customer Led Connections at the Bendigo & Adelaide Bank. He remains a director of Bendigo Community Telco.
<b>Interest in Shares</b>	Nil
<b>Special Responsibilities</b>	Andrew Cairns is a Member of the Audit and Risk Committee
<b>Other Directorships</b>	Coliban Region Water Authority Community Solutions Australia Pty Limited Community Telco Australia Pty Ltd Loddon Mallee Housing Services Limited The Bendigo Affordable Housing Company Ltd Strategic Payment Services Pty Ltd VicWest Community Telco Limited

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**Mr Geoffrey Ralph Michell - Director**

<b>Occupation</b>	Director
<b>Qualifications</b>	Diploma of Civil Engineering, Masters of Business Administration (Deakin)
<b>Experience</b>	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.
<b>Interest in Shares</b>	Direct – 20,002 Shares
<b>Special Responsibilities</b>	Chairman of the Audit and Risk Committee and the Remuneration Committee
<b>Other Directorships</b>	Bendigo Health Bendigo Tourism Board Wimmera Catchment Management Authority

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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 recently a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc. Michelle is the newest Director and Board member of Bendigo Community Telco.
<b>Interest in Shares</b>	Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Nil

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## **COMPANY SECRETARY**

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

Mr Ken Belfrage FCA, MAICD, 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.

## **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 2013. The financial statements and disclosures in the concise report have been derived from the 2013 financial report of Bendigo Community Telco 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.

The profit of the company amounted to \$1,134,627 after providing for income tax representing a 30% increase on the result achieved in the previous the year. The significant improvement was largely influenced by an increase in gross margins of \$852,323 on products sold.

The result reflects the benefits from key initiatives which were introduced two years ago with new business capability and infrastructure products allowing the company to become a provider of value added services.

As with many telco providers, the company has experienced a 5% drop in sales revenues from fixed voice and data network product lines. Sales revenues declined to \$22,601,411.

Significant investment has been made in BCTs own infrastructure in recent years which has enabled BCT to provide enhanced data services over its own network. With this move to the provision of data management and data storage services, the company has been able to cover the decline in revenue with products that provide a higher contribution to the gross margin.

The Bendigo Data Centre continued to provide our business customers with cloud hosting services and secure data back-up. With growing demand for hosted services this is expected to provide solid growth for BCT in future years.

The networks operations centre provided network management and monitoring services which is a valuable add on service to customers of our data networks products. Other major revenue for Bendigo Community Telco continued to come from services such as broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, videoconferencing equipment and data cabling.

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

The net assets of the Bendigo Community Telco have increased by \$472,437 to \$5,177,097 in 2013. This increase is largely due to the improved operating performance of the company.

Cash and cash equivalents increased to \$2,371,730 in 2013. A result of increased profitability of the company and improved collection of receivables.

Bendigo Community Telco maintains a strong working capital, being its current assets less current liabilities.

The company acknowledges the loss of Mr Philip Lazenby, the CEO, who tragically passed away earlier this year. Over the years Mr Lazenby made an outstanding contribution with his passionate approach to the company. The management team under, the guidance of Mr Erskine, are reviewing the company's operations before the board progresses towards the appointment of a replacement CEO.

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.

There have not been any significant changes in the state of affairs of the Company during the financial year. Since the end of the financial year a final dividend in the amount of 9.5 cents per share was declared by the Board of Directors on 22 August 2013 which will be distributed to shareholders on 27 September 2013.

## DIVIDENDS PAID OR RECOMMENDED

### Ordinary Dividends Paid:

	Cents	\$
Final – October 2012	7.0	397,137
Interim – March 2013	5.5	312,036
	<u>12.5</u>	<u>709,173</u>

### Ordinary Dividends Declared:

Final - September 2013	9.5	543,029
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## 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 REGULATION

The company is not subject to any significant environmental regulation.

## MEETINGS OF DIRECTORS

During the financial year, thirteen 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	8	7	-	-	-	-
Graham Bastian	8	8	4	4	-	-
Andrew Cairns	8	7	4	4	-	-
Don Erskine	8	6	-	-	1	1
Geoff Michell	8	5	4	4	1	1
Michelle O'Sullivan	8	7	-	-	-	-

## **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.

## **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 Financial Statements.

## **SHARE OPTIONS**

The Company has not issued any share options.

## **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 has considered the position, and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non audit services by the auditor, as set out in the notes, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

All non-audit services have been reviewed to ensure they do not impact on 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 \$8,403 were paid or payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2013.

## **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

## **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 Chief Executive Officer 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% (9.25% in the 2014 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
Geoffrey Michell	Director
Michelle O'Sullivan	Director

### (ii) Executives

Philip Lazenby	Chief Executive Officer (1 July 2012 to 8 April 2013)
Peter Bowman	General Manager Finance
Bryan Pedersen	General Manager Technology
Wayne Williams	General Manager Business Development (1 July 2012 to 2 October 2012)
Jim Nielsen	Manager Operations, Compliance and Security (1 July 2012 to 30 June 2013)

There was no change 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, since 2009. Dividends paid have been maintained at consistent levels apart from the 2010 year which followed the lower profit result in 2009. The share price increased to \$1.50 in 2013 which is a reflection of the continuous improvement in Bendigo Community Telco's performance over the 5 year period. The Board is satisfied with the company's progress which can be attributed in part to the previously described remuneration policy.

	2009	2010	2011	2012	2013
<b>Revenue</b>	\$25.7M	\$27.0M	\$26.3M	\$23.9M	\$22.6M
<b>EBITDA</b>	\$1.43M	\$1.90M	\$1.97M	\$2.12M	\$2.48M
<b>Net profit</b>	\$545K	\$737K	\$787K	\$870K	\$1,134k
<b>Share price at year end</b>	\$1.60	\$1.40	\$1.00	\$1.00	\$1.50
<b>Dividends paid</b>	12.0 cents	8.0 cents	11.0 cents	10.0 cents	12.5 cents

**Details of remuneration for year ended 30 June 2013**

(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	2013	13,761	1,239	15,000	-
	2012	13,761	1,239	15,000	-
Graham Bastian	2013	15,000	-	15,000	-
	2012	15,000	-	15,000	-
Andrew Cairns	2013	13,761	1,239	15,000	-
	2012	13,761	1,239	15,000	-
Donald Erskine	2013	-	15,000	15,000	-
	2012	-	15,000	15,000	-
Geoffrey Michell	2013	13,761	1,239	15,000	-
	2012	13,761	1,239	15,000	-
Michelle O'Sullivan	2013	13,761	1,239	15,000	-
	2012	13,761	1,239	15,000	-
Total	2013	70,044	19,956	90,000	-
	2012	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:

		Salaries	Non-Cash Benefits	Super-annuation	Shares	Termination Benefits	Total	Proportion of remuneration that is performance based %
		\$	\$	\$	\$	\$	\$	
Philip Lazenby	2013	135,397	11,548	21,492	-	11,580	180,017	14
	2012	148,801	15,000	42,182	1,000	-	206,983	12
Bryan Pedersen	2013	132,923	15,000	22,548	1,000	-	171,471	6
	2012	120,713	15,000	21,648	1,000	-	158,361	6
Wayne Williams	2013	26,818	3,822	3,361	-	68,056	102,057	10
	2012	118,924	15,000	10,540	1,000	-	145,464	7
Peter Bowman	2013	144,143	-	11,462	1,000	-	156,605	6
	2012	141,382	-	11,220	1,000	-	153,602	7
Jim Nielsen	2013	86,272	15,000	7,570	1,000	-	109,842	-
	2012	-	-	-	-	-	-	-
Total	2013	525,553	45,370	66,433	3,000	79,636	719,992	
	2012	529,820	45,000	85,590	4,000	-	664,410	

All KMP are under no fixed duration contracts with no specified termination benefits.

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 22 August 2013.



Rob Hunt

Director



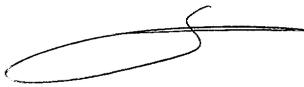
Don Erskine

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 2013 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.



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**Graeme Stewart**  
Auditor

**ANDREW FREWIN STEWART**  
61-65 Bull Street  
Bendigo, Victoria  
Dated this 22<sup>nd</sup> day of August 2013

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 \$	2012 \$
Revenue	2	22,601,411	23,909,362
Cost of products sold		(11,807,514)	(13,967,788)
Other income	2	102,782	74,240
Salaries and employee benefit costs		(4,711,838)	(4,276,133)
Occupancy and associated costs		(604,067)	(519,051)
General administration costs		(967,625)	(1,011,075)
Depreciation and amortisation costs		(946,891)	(969,449)
Advertising and promotion costs		(280,504)	(247,426)
Systems costs		(1,468,753)	(1,540,113)
Borrowing costs		<u>(277,245)</u>	<u>(234,732)</u>
Profit before income tax		1,639,756	1,217,835
Income tax expense		<u>(505,129)</u>	<u>(347,806)</u>
Net profit for the year		1,134,627	870,029
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,134,627</u>	<u>870,029</u>
Total comprehensive income attributable to members of Bendigo Community Telco Limited		<u>1,134,627</u>	<u>870,029</u>
 <b>Earnings per share</b>			
Basic earnings per share (cents)		19.99	15.45
Diluted earnings per share (cents)		19.99	15.45

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

**STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2013**

	Notes	2013 \$	2012 \$
<b>Current Assets</b>			
Cash and cash equivalents		2,371,730	768,001
Trade and other receivables		1,568,401	2,216,696
Prepayments		765,208	1,090,302
Inventories		130,147	135,746
<b>Total Current Assets</b>		<b>4,835,486</b>	<b>4,210,745</b>
<b>Non Current Assets</b>			
Property, plant and equipment		1,835,748	2,134,819
Intangible assets		1,535,509	1,672,956
Deferred tax asset		160,319	204,040
<b>Total Non Current Assets</b>		<b>3,531,576</b>	<b>4,011,815</b>
<b>TOTAL ASSETS</b>		<b>8,367,062</b>	<b>8,222,560</b>
<b>Current Liabilities</b>			
Trade and other payables		2,489,802	2,730,287
Borrowings		87,679	60,970
Provisions		452,441	505,339
Taxation		59,387	53,430
<b>Total Current Liabilities</b>		<b>3,089,309</b>	<b>3,350,026</b>
<b>Non Current Liabilities</b>			
Borrowings		-	77,965
Provisions		100,656	89,909
<b>Total Non Current Liabilities</b>		<b>100,656</b>	<b>167,874</b>
<b>TOTAL LIABILITIES</b>		<b>3,189,965</b>	<b>3,517,900</b>
<b>NET ASSETS</b>		<b>5,177,097</b>	<b>4,704,660</b>
<b>EQUITY</b>			
Issued capital		3,484,505	3,437,522
Retained earnings		1,692,592	1,267,138
<b>TOTAL EQUITY</b>		<b>5,177,097</b>	<b>4,704,660</b>

The accompanying notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2013

Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2011</b>	3,394,022	960,097	4,354,119
<b>Comprehensive Income</b>			
Profit for the year	-	870,029	870,029
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	-	870,029	870,029
<b>Transaction with owners, in their capacity as owners, and other transfers</b>			
Dividends recognised for the year	-	(562,988)	(562,988)
Shares issued during the year	43,500	-	43,500
<b>Total transactions with owners and other transfers</b>	43,500	(562,988)	(519,488)
<b>Balance at 30 June 2012</b>	<b>3,437,522</b>	<b>1,267,138</b>	<b>4,704,660</b>
<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	-	(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>

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		26,108,737	26,809,229
Interest paid		(9,726)	(19,320)
Payments to suppliers and employees		(22,871,811)	(25,161,825)
Income tax paid		(455,451)	(593,365)
Interest received		32,360	38,550
<b>Net cash provided by operating activities</b>		<b>2,804,109</b>	<b>1,073,269</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(175,761)	(561,356)
Purchase of property, plant and equipment		(364,645)	(747,662)
Proceeds from sale of property, plant and equipment		100,455	78,152
<b>Net cash used in investing activities</b>		<b>(439,951)</b>	<b>(1,230,866)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease		(51,256)	(87,807)
Dividends paid		(709,173)	(562,988)
<b>Net cash used in financing activities</b>		<b>(760,429)</b>	<b>(650,795)</b>
<b>Net increase / (decrease) in cash held</b>		<b>1,603,729</b>	<b>(808,392)</b>
Cash and cash equivalents at beginning of financial year		768,001	1,576,393
<b>Cash and cash equivalents at end of the financial year</b>		<b>2,371,730</b>	<b>768,001</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 2013. 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

	2013	2012
	\$	\$
Revenue:		
Sales revenue	22,570,085	23,813,383
Other revenue	31,326	95,979
Total revenue	22,601,411	23,909,362
Other income:		
Interest received	32,360	38,550
Profit on sale of assets	70,422	35,690
Total other income	102,782	74,240
Total revenue and other income	22,704,193	23,983,602

### 3. DIVIDENDS PAID AND PROPOSED

	2013	2012
	\$	\$
Distributions paid:		
2012 Final fully franked ordinary dividend of 7.0 (2011: 5.0) cents per share franked at the rate of 30% (2011: 30%)	397,137	281,494
2013 Interim fully franked ordinary dividend of 5.5 (2012: 5.0) cents per share franked at the rate of 30% (2012: 30%)	312,036	281,494
	709,173	562,988
Distributions proposed:		
2013 Proposed 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

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2013 but will be brought to account in the 2014 financial year.

#### 4. SEGMENT REPORTING

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

###### Aggregated Communications Departments

	2013	2012
	\$	\$
External segment revenues	22,601,411	23,909,362
Segment expenses	(19,855,756)	(21,512,992)
Net segment profit	<u>2,745,655</u>	<u>2,396,370</u>

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

###### Aggregated Communications Departments

	2013	2012
	\$	\$
<b>Revenues</b>		
Total revenue for reportable segments (aggregated)	22,601,411	23,909,362
Other revenue	102,782	74,240
Consolidated revenue	<u>22,704,193</u>	<u>23,983,602</u>

###### Profit or Loss

Total profit for reportable segments (aggregated)	2,745,655	2,396,370
Other profit	102,782	74,240
Unallocated amounts:		
Finance expense	(277,245)	(234,732)
Depreciation & amortisation	(946,891)	(969,449)
Debtor Impairment	15,455	(48,594)
Consolidated profit before income tax	<u>1,639,756</u>	<u>1,217,835</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.

#### 5. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 9.5 cents per share was declared by the Board of Directors on 22 August 2013 which will be distributed to shareholders on 27 September 2013.

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 2013 as set out on pages 6 to 23:

- 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 2013 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



Rob Hunt

Director



Don Erskine

Director

Dated this 22 August 2013.

## 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 2013, 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 2013, 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 2013. We expressed an unmodified audit opinion on that financial report in our report dated 22 August 2013]. 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 2013, complies with *Accounting Standard AASB 1039: Concise Financial Reports*.



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**Graeme Stewart**  
Auditor

### ANDREW FREWIN STEWART

61-65 Bull Street

Bendigo, Victoria

Dated this 22<sup>nd</sup> day of August 2013

## SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 22 August 2013.

### Distribution of Shareholders

Category	Number of Holders
1 - 1,000	137
1,001 - 5,000	212
5,001 - 10,000	55
10,001 - 100,000	46
100,001 and over	4
	454

The number of shareholdings held in less than marketable parcels is 14.

### 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	840,000	14.7
Ron Poyser Administrators Pty Ltd	438,400	7.7
Hunters Ridge Pty Ltd	421,004	7.4
Bendigo Senior Secondary College	100,000	1.7
Community Telco Syndicate	98,000	1.7
MGR Property Pty Ltd	90,000	1.6
Bendigo Regional Institute of TAFE	86,000	1.5
Latrobe University	84,000	1.5
Kirkstow Nominees Pty Ltd	64,000	1.1
Total shares held by top 10 holders	3,333,550	58.3

