



BENDIGO TELCO LIMITED

A.B.N. 88 089 782 203

2019 FINANCIAL REPORT

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS AND REVIEW OF OPERATIONS

About Bendigo Telco

Bendigo Telco is a provider of a broad range of telecommunications services to both business and consumer customers. The company was formed to address areas of Telco 'market failure' in our regions. Our regions were disadvantaged in terms of price, priority, competition, and access to infrastructure placing our customers and communities at a significant disadvantage. Over the years Bendigo Telco has played a major role in addressing these shortcomings as well as prompting a more competitive and responsive telco market in our communities.

The telco environment has continued to evolve over the past year which has resulted in reduced margins in many of the traditional telco products provided to our customers. The rollout of the National Broadband Network and the introduction of new telco technologies have been the predominant factors which have led to the shift in the revenues for all Telecommunications providers. In order to address these changed market conditions, Bendigo Telco has prioritised our efforts into activities that are more aligned to our strategic strengths. This has prompted a reshaping of our Statement of Financial Position, organisational structure and operating model over the course of the last year to position the business for the future.

Forward Strategy

The changing telco environment has compelled Bendigo Telco to review our strategy, target markets, organisational context and cost base resulting in a reinvigorated forward strategy.

The four key elements to our forward strategy are:

- **Community Enablement**
Foster sustainability, growth and partnerships in each regional community in order to build a better strategic future for the markets we serve.
- **Bendigo & Adelaide Bank Partnership**
Further develop our existing business with the Bank in the areas of Networks, Voice, Cloud, Security and Data Centre capabilities.
- **Grow Mid-Tier Business Market Segment**
Continue to create stronger connections with our larger customers in the mid-tier market and expand this base by enhancing our ability to enable them to achieve their individual business goals.
- **Protect Consumer and Small Business Market Segment**
The advent of the NBN and introduction of new technologies has changed the economics of the Consumer and Small Business telco marketplace. We will maintain a quality level of service to our customer base and continue a focus on automation to serve our customers at a lower cost.

In order to give effect to our forward strategy, Bendigo Telco has implemented a simplified, flattened organisational structure, allowing the company to become more agile, better respond to the needs of our business customers and deliver on our strategic priorities. Layers of management and overheads that are not in line with our strategic priorities have also been removed or reduced. The reshaping positions our business well to capitalise on our strengths, amplify our competitive advantage and achieve long term success in our chosen markets.

Financial and Operating Results

Summary financial results	FY19 \$'000	FY18 \$'000	Change (%)
Revenue	36,625	35,364	3.57%
Gross margin	16,785	16,575	1.27%
EBITDA	1,279	3,863	(66.89%)
Net profit/(loss) after tax	(1,331)	1,215	(209.55%)
Underlying net profit/(loss) after tax*	1,228	1,215	1.07%
Earnings per share (cents)	(17.16)	15.69	

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

Total Group revenue increased by 3.57% from the prior year delivering a total turnover of \$36,624,771 (FY18: \$35,363,998).

The NPAT result for the year, on a reported basis, was a loss of \$1,330,993 (FY18: \$1,215,276). The loss was due to significant one-off adjustments including a non-cash impairment charge of \$2,352,967 against goodwill and other non-current assets and restructuring costs of \$284,486.

The net assets of the Group decreased by \$2,103,575 from the prior year to \$8,050,801 (FY18: \$10,154,376) due to the non-cash impairment charges made to goodwill and other non-current assets. The Group was able to maintain a creditable equity ratio of 46.95% (FY18: 51.40%).

The Group continued to generate strong cash flows from operating activities and maintained sound working capital with current assets exceeding current liabilities by \$848,358.

The Directors resolved to pay a fully franked final dividend of 7.0 cents per share which will be paid to shareholders on 30 September 2019. The total dividend for FY19 is 11.0 cents fully franked. This represents a 69% payout ratio on FY19 underlying earnings (NPAT excluding net one-off non-cash impairments to goodwill and other non-current assets and restructuring costs).

Year Ahead

During FY20, Bendigo Telco we will focus on executing its forward strategy and key priorities including:

- Product development in the strategic areas of Cloud, Security and Networking.
- Increasing our focus and participation in the communities we serve.
- Lead additional strategic conversations with our partners to deliver strong outcomes for our regions.
- Continue the reinvigoration of our processes and internal business systems to address the needs of our customers and to deliver a great customer experience.
- Continue to deliver improvements in business productivity and efficiency.

One of our key focus areas has always been the 'mid-tier' marketplace – business customers with between 50 to 500 employees. In this market segment we have a rich set of existing relationships and have continued to add depth in this area over the last financial year. We have a strong technical capability around Telephony, Cloud, Security and Networking and this enables us to deliver additional value to this customer segment. During the FY19 period, we have made a significant investment into the technology platforms that serve this buying base, these platforms are class leading. We are now focused on leveraging this technology investment to deliver innovative and relevant product capabilities to the market.

The Board of Directors are confident that Bendigo Telco has the right assets, strategy, priorities and partnerships as well as a highly competent team in place to execute on our refreshed strategy and to continue our objective of creating shareholder value.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Since the end of the financial year a fully franked final dividend in the amount of 7.0 cents per share was declared by the Board of Directors on 28 August 2019 which will be distributed to shareholders on 30 September 2019.

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 Executive General Manager in the Concise Annual Report.

ENVIRONMENTAL ISSUES

The group is not subject to any significant environmental regulation.

CORPORATE GOVERNANCE STATEMENT

Bendigo Telco Limited is committed to high standards of Corporate Governance. This commitment applies to the conduct of its business dealings with its customers and its dealings with its shareholders, employees, suppliers and the Community.

The Board of Bendigo Telco Limited have adopted the following principles of Corporate Governance. The policies may be viewed on the group website www.bendigotelco.com.au.

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit and Risk Committee Charter and the appointment of the Audit and Risk Committee as a sub-committee of the Board. The members of the Audit and Risk Committee were Directors Rob Hunt, Graham Bastian, Rod Payne, Don Erskine and Greg Gillett.
3. A Share Trading policy which outlines directors and employees obligations in trading in its securities. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Group's security price.
4. A Remuneration policy which sets out the terms and conditions for the Executive General Manager and other senior managers. The members of the Remuneration Committee were Directors Rob Hunt and Don Erskine.
5. A Continuous Disclosure policy which complies with the obligations imposed by National Stock Exchange (NSX) Listing Rules and the *Corporations Act 2001*. This policy requires immediate notification to the NSX of any information concerning the group, of which it is aware or becomes aware, which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the group shares.

BOARD COMPOSITION

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred herein as the Group) consisting of Bendigo Telco Limited and its controlled entities for the financial year ended 30 June 2019. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2019 and is to be read in conjunction with the following information:

GENERAL INFORMATION

DIRECTORS

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

Mr R Hunt (Chairman)	Mr R Payne
Mr G Bastian	Mr K Dole
Ms M O'Sullivan	Mr G Gillett
Mr D Erskine	Ms N Rooke (Appointed 27 March 2019)
Mr J Selkirk	

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

DIVIDENDS PAID OR RECOMMENDED

Ordinary Dividends Paid:

	Cents	\$
Final – October 2018	8.0	620,623
Interim – March 2019	4.0	310,311
	12.0	930,934

Ordinary Dividends Declared:

Final - September 2019	7.0	543,045
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INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

PROCEEDINGS ON BEHALF OF GROUP

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

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

NON-AUDIT SERVICES

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

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

- all non-audit services are reviewed and approved by the Audit and Risk committee prior to the commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or are payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2019:

	\$
Taxation services	10,478
Share registry services	19,764
	<u>30,242</u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 16 of the financial report.

OPTIONS

The Group has not issued any share options.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

Robert Hunt – AM, FAICD - Chairman

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

Donald Erskine – Director

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

Graham Bastian – Director

Occupation	Consultant
Qualifications	Dip Engineering - Civil (Swinburne), Dip Ed (Hawthorn State College)
Experience	<p>Graham worked as a civil engineer with a private firm of surveyors and engineers until entering teaching. Following a period as an educational consultant focused on assisting schools in the effective use of computers, Graham became the Principal of Charlton College.</p> <p>He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and Principal of Bendigo Senior Secondary College. Since this career change, Graham has been providing consultancy services to the Department of Education Central Office as well as many schools across the state. In addition, Graham serves as an independent member of the Audit Committee of the City of Greater Bendigo.</p>
Interest in shares	Direct – 0 Shares Indirect – Jeanette Bastian 2,000 Shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Nil

Michelle O’Sullivan – Director

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

Kevin Dole – Director

Occupation	Head of Technology Solutions and Services , Bendigo and Adelaide Bank
Qualifications	Associate Diploma in Information Processing (Latrobe)
Experience	<p>Kevin has worked for Bendigo and Adelaide Bank for 32 years.</p> <p>During that time his career has been in the Information Technology Division.</p> <p>Throughout his career he has held a number of senior technical and leadership roles. He has considerable experience in large program delivery inclusive of mergers as well as designing and integrating technology based solutions.</p>
Interest in shares	Direct – Nil
Special Responsibilities	Nil
Other Directorships	Nil

Rodney Payne – Director

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

Jonathon Selkirk – Director

Occupation	Chief Financial Officer, Country Club Living Pty Ltd.
Qualifications	Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
Experience	Jock has held executive roles across several industries including financial services, manufacturing, building and property development. Jock started his career in chartered accounting, then moved into banking & financial services in both Melbourne & London and was CFO at Selkirk Brick for 11 years prior to his current role. He has experience in driving business growth, governance, risk management, and people and culture development. He has also held several director roles in both the private and public sector. Jock is a mentor for the Leadership Ballarat & Western Region Program run by the Committee for Ballarat and is also actively involved in other community programs.
Interest in shares	Nil
Special Responsibilities	Nil
Other Directorships	Board member Ballarat and Clarendon College, Ballarat.

Gregory Gillett – Director

Occupation	Consultant
Qualifications	Senior Fellow of the Financial Services Institute of Australia.
Experience	Greg is a retired Bank Executive with 37 years of experience in the banking industry (20 years at NAB and 17 years at Bendigo Bank). The last 10 years of his working life being in Executive roles and the Bendigo Bank. Greg has held Executive roles covering Retail Banking, Marketing, Human Resources, Strategic Planning and Community Development. Greg has been a company Director of both private and publicly listed companies.
Interest in shares	Direct - 24,108 shares
Special Responsibilities	Chairman of Audit and Risk Committee
Other Directorships	Nil

Nicole Rooke – Director

Occupation	Head of Investor Relations and Corporate Strategy, Bendigo and Adelaide Bank Ltd
Qualifications	CPA, B Commerce
Experience	Nicole has over 12 years’ experience in Financial Services and is currently the Head of Investor Relations and Corporate Strategy for Bendigo and Adelaide Bank. Prior to working for the bank, Nicole was based in London and held financial and management accounting roles for Sempra Energy and Intelligent Engineering. Prior to this, Nicole worked as a public accountant and tax specialist for Pitcher Partners and was based in Melbourne. Nicole’s prior Directorship was with VRCLP from 2016 to 2018, a not-for-profit organisation focused on effective leadership for a vibrant and sustainable regional Victoria.
Interest in shares	Nil
Special	
Responsibilities	Nil
Other Directorships	Nil

COMPANY SECRETARY

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

Mr Ken Belfrage FCA, GAICD, Dip. Bus.

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

MEETINGS OF DIRECTORS

During the financial year, 16 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
Robert Hunt	11	10	4	2	1	1
Graham Bastian	11	10	4	3	-	-
Donald Erskine	11	10	4	4	1	1
Michelle O’Sullivan	11	10	-	-	-	-
Kevin Dole	11	7	-	-	-	-
Jonathon Selkirk	11	5	-	-	-	-
Rodney Payne	11	10	4	4	-	-
Gregory Gillett	11	11	4	4	-	-
Nicole Rooke	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 27 to the Financial Statements.

REMUNERATION REPORT

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

This report details the nature and amount of remuneration for each key management person of Bendigo Telco Limited, and for the executives receiving the highest remuneration.

Principles used to determine the nature and amount of remuneration

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

The Board's policy for determining the nature and amount of remuneration for KMP of the group is as follows:

- The remuneration policy, setting the terms and conditions for the KMP, was developed by the Remuneration Committee and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.
- The Remuneration Committee reviews key management personnel packages annually. This review is subject to the remuneration policy set by the Board.
- The Remuneration Committee, at their discretion, can refer their business to the full Board for consideration.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

KMP receive, at minimum a superannuation guarantee contribution required by the government, which is currently 9.5% of the individuals average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the group and expensed. KMP are also entitled and encouraged to participate in the employee share plan to align directors' interests with shareholder interests. Shares given to KMP are expensed at the market price as listed on the National Stock Exchange at the date of granting of any shares under the employee share plan.

Performance-based remuneration

As part of each of the KMP's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with KMP to ensure buy-in.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

Directors

From the inception of Bendigo Telco Limited, all Directors who have served have done so free of charge. It was put to the Annual General Meeting in October 2007, and approved, that a payment of \$15,000 per director be made for each full year of service from 1 July 2007 onwards.

Key Management Personnel

(i) Directors

Robert Hunt	Chairman
Donald Erskine	Director
Graham Bastian	Director
Michelle O'Sullivan	Director
Kevin Dole	Director
Jonathon Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director
Nicole Rooke	Director (appointed 27 March 2019)

(ii) Executives

Jeffery Jordan	Chief Executive Officer (1 July 2018 to 20 May 2019)
Jim Nielsen	Chief Operating Officer (1 July 2018 to 31 May 2019)
Adam Murdoch	Chief Technology Officer (1 July 2018 to 5 March 2019)
Jason Sim	Executive General Manager Consumer and Small Business (1 July 2018 to 27 November 2018)
Steven Wright	Chief Financial Officer
Jarrod Draper	Executive General Manager

Group performance, shareholder wealth and director and executive remuneration

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

Analysis of the actual figures show consistent profits each year, with the exception of 2017 which dropped as a result of additional operational and acquisition costs associated with the implementation and consolidation of a business merger. 2019 net profits were impacted due to the non-cash impairment of goodwill and other intangibles as disclosed further in this report. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 8.49% fully franked. The Board is satisfied with the group's progress which can be attributed in part to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2015	2016	2017	2018	2019
Revenue	\$22.1M	\$22.8M	\$31.9M	\$35.4M	\$36.6M
EBITDA	\$2.61M	\$3.06M	\$3.08M	\$3.86M	\$1.28M
Net profit/(loss)	\$1.13M	\$1.29M	\$0.91M	\$1.22M	(\$1.33M)
Share price at year end	\$1.95	\$2.04	\$2.10	\$1.95	\$1.40
Dividends paid	20.0 cents	17.0 cents	13.0 cents	12.0 cents	12.0 cents

Details of remuneration for year ended 30 June 2019

(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	2019	13,699		1,301	15,000	-
	2018	13,699		1,301	15,000	-
Graham Bastian	2019	15,000		-	15,000	-
	2018	15,000		-	15,000	-
Donald Erskine	2019	-		15,000	15,000	-
	2018	-		15,000	15,000	-
Michelle O'Sullivan	2019	13,699		1,301	15,000	-
	2018	13,699		1,301	15,000	-
Andrew Watts	2019	-		-	-	-
	2018	13,699		1,301	15,000	-
Kevin Dole	2019	13,699		1,301	15,000	-
	2018	13,699		1,301	15,000	-
Jonathon Selkirk	2019	13,699		1,301	15,000	-
	2018	13,699		1,301	15,000	-
Rodney Payne	2019	15,000		-	15,000	-
	2018	15,000		-	15,000	-
Gregory Gillett	2019	13,699		1,301	15,000	-
	2018	11,415		1,085	12,500	-
Nicole Rooke	2019	3,425		325	3,750	-
	2018	-		-	-	-
Total	2019	101,920		21,830	123,750	-
	2018	109,910		22,590	132,500	-

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

		Short-term benefits		Post employment benefits	Share-based payment	Termination Benefits \$	Total \$	Proportion of remuneration that is performance based %
		Salaries \$	Non-Cash Benefits \$	Super-annuation \$	Shares \$			
Jim Nielsen	2019	130,074	13,726	17,949	-	29,252	191,001	10
	2018	108,004	15,000	24,797	-	-	147,801	7
Adam Murdoch	2019	124,872	10,151	12,934	-	67,034	214,991	10
	2018	152,382	15,000	14,572	-	-	181,954	5
Jeffery Jordan	2019	183,480	13,274	17,503	-	105,311	319,568	-
	2018	240,282	15,000	20,049	25,000	-	300,331	7
Jason Sim	2019	101,216	-	7,908	-	43,588	152,712	13
	2018	203,044	-	17,450	-	-	220,494	21
Steven Wright	2019	182,026	-	16,006	-	-	198,032	13
	2018	152,480	-	13,328	-	-	165,808	6
Stephen Culpitt	2019	-	-	-	-	-	-	-
	2018	115,974	8,671	7,685	-	74,791	207,121	3
Jarrod Draper	2019	235,989	-	17,829	-	-	253,818	30
	2018	142,879	-	13,045	-	-	155,924	1
Total	2019	957,657	37,151	90,129	-	245,185	1,330,122	
	2018	1,115,045	53,671	110,926	25,000	74,791	1,379,433	

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 28 August 2019.



Robert Hunt

Chairman



Donald Erskine

Director



Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bendigo Telco Ltd

As lead auditor for the audit of Bendigo Telco Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 28th day of August 2019

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

Adrian Downing
Lead Auditor

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Revenue	3	36,624,771	35,363,998
Cost of products sold		(19,839,571)	(18,789,018)
Other income	3	23,658	87,091
Salaries and employee benefit costs		(8,431,776)	(8,357,326)
Occupancy and associated costs		(860,077)	(824,314)
General administration costs		(1,761,659)	(1,714,255)
Depreciation and amortisation costs	4	(2,013,610)	(1,882,712)
Advertising and promotion costs		(245,354)	(329,392)
Systems costs		(1,651,554)	(1,211,057)
Borrowing costs	4	(392,568)	(534,555)
Other expenses	4	<u>(2,352,967)</u>	-
Profit before income tax		(900,707)	1,808,460
Tax expense	5	<u>(430,286)</u>	<u>(593,184)</u>
Net profit/(loss) for the year		(1,330,993)	1,215,276
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>(1,330,993)</u></u>	<u><u>1,215,276</u></u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u><u>(1,330,993)</u></u>	<u><u>1,215,276</u></u>
Earnings per share			
Basic earnings per share (cents)	9	(17.16)	15.69
Diluted earnings per share (cents)	9	(17.16)	15.69

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2019**

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	10	1,868,943	1,945,454
Trade and other receivables	11	1,737,997	1,797,808
Prepayments		1,550,727	2,045,832
Inventories	12	190,581	197,519
Taxation	19(a)	418,816	222,002
Total Current Assets		5,767,064	6,208,615
Non Current Assets			
Property, plant and equipment	14	4,122,185	3,570,543
Intangible assets	15	6,374,784	8,909,666
Deferred tax asset	19(b)	883,068	1,065,463
Total Non Current Assets		11,380,037	13,545,672
TOTAL ASSETS		17,147,101	19,754,287
Current Liabilities			
Trade and other payables	16	2,200,866	2,615,198
Provisions	18	871,468	847,082
Borrowings	17	1,846,372	1,932,541
Total Current Liabilities		4,918,706	5,394,821
Non Current Liabilities			
Provisions	18	93,209	152,853
Borrowings	17	4,084,385	4,052,237
Total Non Current Liabilities		4,177,594	4,205,090
TOTAL LIABILITIES		9,096,300	9,599,911
NET ASSETS		8,050,801	10,154,376
EQUITY			
Issued capital	20	7,069,308	7,104,001
Retained earnings		981,493	3,050,375
TOTAL EQUITY		8,050,801	10,154,376

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2017		7,112,955	2,764,531	9,877,486
Comprehensive Income				
Profit for the year		-	1,215,276	1,215,276
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,215,276	1,215,276
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(929,432)	(929,432)
Shares issued during the year		25,000	-	25,000
Cost of equity raised		(33,954)	-	(33,954)
Total transactions with owners and other transfers		(8,954)	(929,432)	(938,386)
Balance at 30 June 2018		7,104,001	3,050,375	10,154,376
Balance at 1 July 2018		7,104,001	3,050,375	10,154,376
Cumulative adjustment upon change in accounting policies (AASB15 and AASB9)	1(v)	-	193,045	193,045
Balance at 1 July 2018 (restated)		7,104,001	3,243,420	10,347,421
Comprehensive Income				
Profit for the year		-	(1,330,993)	(1,330,993)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(1,330,993)	(1,330,993)
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(930,934)	(930,934)
Shares issued during the year		-	-	-
Cost of equity raised		(34,693)	-	(34,693)
Total transactions with owners and other transfers		(34,693)	(930,934)	(965,627)
Balance at 30 June 2019		7,069,308	981,493	8,050,801

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		40,827,569	39,098,652
Interest paid		(166,317)	(172,185)
Payments to suppliers and employees		(36,744,492)	(34,438,951)
Income tax paid		(444,705)	(758,189)
Interest received		12,509	12,515
Net cash provided by operating activities	24	3,484,564	3,741,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(126,545)	(1,110,959)
Purchase of property, plant and equipment		(511,255)	(723,786)
Proceeds from sale of property, plant and equipment		29,848	103,455
Net cash used in investing activities		(607,952)	(1,731,290)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	900,000
Cost of shares issued		(34,693)	(33,954)
Repayment of finance lease		(824,735)	(754,500)
Repayment of bank loans		(1,162,761)	(443,938)
Dividends paid		(930,934)	(929,432)
Net cash used in financing activities		(2,953,123)	(1,261,824)
Net increase / (decrease) in cash held		(76,511)	748,728
Cash and cash equivalents at beginning of financial year		1,945,454	1,196,726
Cash and cash equivalents at end of the financial year	10	1,868,943	1,945,454

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

(a) Principles of Consolidation

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

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

Business Combinations

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

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

(b) Income Tax

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

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

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

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

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

(c) Cash and Cash Equivalents

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

(d) Trade receivables

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: Revenue from Contracts with Customers. As trade receivables are managed solely to collect contractual cash flows and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal outstanding on specified dates, trade receivables are subsequently measured at amortised cost. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

A provision for impairment of trade receivables is established in accordance with AASB 9 Financial Instruments using the simplified method. In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

(e) Inventories

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

(f) Property, Plant and Equipment

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

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Impairment of Assets

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

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

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

(h) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Retirement benefit obligations

Defined contribution superannuation benefits.

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

Termination benefits

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

Equity-settled compensation

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

(i) Revenue

The Group has adopted AASB 15: Revenue from Contracts with Customers retrospectively using the cumulative effective transition method (i.e. modified approach) and therefore the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 111: Construction Contracts. Additionally the disclosure requirements in AASB 15 have not been applied to comparative information.

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

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

The details of the prior year accounting policies under AASB 118 and AASB 111 and the new accounting policies under AASB 15 are disclosed as follows:

Revenue from recurring Voice, Data Networks, Broadband, IT Services, Hardware and Installations, Data Centre and Cloud continues to be recognised at the time that the good or service is provided, with the exception of those items set out below. Revenue from the customer is recognised at a point in time when control of the good or service passes to the customer.

Mobile Repayment Option (MRO)

- Customer acquisition of mobile handset which is repaid by the customer over a 24 month contract.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the mobile handset is passed to the customer.

Modem provided with DSL/NBN plan

- Customer provided with a compatible modem when signing to a DSL/NBN 24 month plan.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the modem is passed to the customer.

Router provided with a VPN solution

- Customer provided with a compatible router when signing a 12, 24 or 36 month contract.
- As customer does not take ownership of the router, the related service revenue continues to be recognised over the term of the contract.

Sales commissions

- Sales commissions are provided as incentives for sales. These commissions vary depending on the product sold.
- Under the prior standard, sales commissions were expensed in the month of sale. AASB 15 changes now see sales commissions capitalised and the expense recognised equally over the term of the contract.

(j) Leases

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

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

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

(k) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approach to impairment, as applicable under AASB 9: Financial Instruments:

Simplified approach

This approach is applicable to trade receivable or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.

(l) Intangibles

Goodwill

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

Research and development

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

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

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

(m) Goods and Services Tax (GST)

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

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

(n) Provisions

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

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

(o) Issued Capital

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

(p) Comparative Information

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

(q) Critical Accounting Estimates and Judgments

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

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of Goodwill - Bendigo Communications purchase

Bendigo Communications was purchased October 2006. As at 31 December 2018, the carrying value of our assets in the Bendigo Communications CGU was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the income statement a \$916,491 impairment charge, writing down the remaining goodwill to zero. The impairment was recorded in "Other expenses" within the income statement. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

Impairment of Goodwill - Vic West Community Telco purchase

Vicwest Community Telco was purchased September 2016. As at 31 December 2018, the carrying value of our assets in the Vicwest Community Telco CGUs was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the income statement a \$944,004 impairment charge, writing down the remaining goodwill to \$3,483,786. The impairment was recorded in "Other expenses" within the income statement. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

Key Judgments – Provision for impairment of receivables

Included in the accounts receivable at 30 June 2019 are amounts that equate to approximately \$63,182 which are currently progressing through our debt collection process and are therefore classified as impaired. A provision has been made in the Statement of Financial Position at 30 June 2019.

Key Judgments – Provision for impairment of internally generated software

Included in the intangibles at 30 June 2019 are amounts that equate to approximately \$263,952 which relate to internally generated software. This investment is required due to the customisation and complexity of the company's network and systems. The investment in this internally generated software is critical to the underlying platforms that allow the company to offer and support key products. Based on this assessment the internally generated software is not impaired.

Key Judgments – Provision for impairment of customer lists

Included in the intangibles at 30 June 2019 are amounts that equate to approximately \$2,298,304 which relate to customer lists acquired. Customer lists are amortised over a period of between 6 – 10 years. The useful life of the customer lists have been reviewed against churn rates and no adjustment to useful life is required.

(r) Segment Reporting

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

(s) Share Based Payments

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

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

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

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

(t) Trade payables

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

(u) Earnings per share

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

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

(v) New and Amended Accounting Policies Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 15: Revenue from Contracts with Customers.

The Company has adopted AASB 15: Revenue from Contracts with Customers retrospectively using the cumulative effective transition method (i.e. modified approach). Under this transition method, AASB 15 has only been applied retrospectively to contracts that are not completed contracts at 1 July 2018 and the company has recognised the cumulative effect of adjustments against the opening balance of equity at this date. The company has also applied the practical expedient for completed contracts on transition at 1 July 2018. The following summarises the impact of transition to AASB 15 on retained earnings at 1 July 2018.

Mobile Handsets	\$	27,080
Modems	\$	45,753
Sales Commissions	\$	125,693
Adjustment to Retained Earnings	\$	<u>198,526</u>

Bendigo Telco had identified a number of key transactions which may be impacted by AASB 15:

Mobile Repayment Option (MRO)

- Customer acquisition of mobile handset which is repaid by the customer over a 24 month contract.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the mobile handset is passed to the customer.

Modem provided with DSL/NBN plan

- Customer provided with a compatible modem when signing to a DSL/NBN 24 month plan.
- Under the prior standard, revenue was recognised equally over the term of the contract. AASB 15 changes will see revenue recognised when control of the modem is passed to the customer.

Sales Commissions

- Sales commissions are provided as incentives for sales. These commissions vary depending on the product sold.
- Under the prior standard, sales commissions were expensed in the month of sale. AASB 15 changes now see sales commissions capitalised and the expense recognised equally over the term of the contract.

AASB 9: Financial Instruments

The Group has adopted AASB 9: Financial Instruments with an initial application date of 1 July 2018. As the Group does not hold complex financial instruments, the change which has impacted Bendigo Telco is the way in which impairment is recognised for financial assets. The following summarises the impact of transition to AASB 9 on retained earnings at 1 July 2018.

Provision for impairment	(5,481)
Adjustment to Retained Earnings	(5,481)

Impairment

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument has not shown significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit loss is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

Ageing	Expected default rate	Gross carrying amount	Credit loss allowance
Current	0.57%	903,897	5,185
31 - 60 days past due	3.02%	57,119	1,725
61 - 90 days past due	17.96%	3,738	672
90+ days past due	80.00%	69,500	55,600
Total		1,034,254	63,182

Presentation and disclosure

The presentation and disclosure of revenue from contracts with customers is not consistent with the disclosure in the prior period as the Group has adopted the cumulative effect transition method under AASB 15 and the comparative balances have not been restated.

The presentation and disclosure of financial instruments is not consistent with the disclosure in the prior period as the Group has applied an expected credit loss model in accordance with AASB 9 and the comparative balances have not been restated.

The following summarises the impacts of adopting AASB 15 and AASB 9 on the Group's consolidated financial statements for the year ended 30 June 2019 (increase / (decrease)):

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	As reported	AASB 15 & AASB 9 Adjustments	Balances without adjustments
Revenue	36,648,429	9,984	36,658,413
Expenses	(37,549,136)	60,566	(37,488,570)
Profit (loss) before income tax	(900,707)	70,550	(830,157)
Tax expense	(430,286)	(19,401)	(449,687)
Net Profit (loss) for the year	(1,330,993)	51,149	(1,279,844)

Consolidated Statement of Financial Position

Trade and other receivables	1,737,997	(305,819)	1,432,178
Prepaid expenses	1,550,727	183,324	1,734,051
Taxation	418,816	(15,676)	403,140
Total Current Assets	5,767,064	(138,171)	5,628,893
Total Non-Current Assets	11,380,037	-	11,380,037
Total Current Liabilities	4,918,706	-	4,918,706
Total Non-Current Liabilities	4,177,594	-	4,177,594
Retained earnings	981,493	(138,171)	843,322
Total Equity	8,050,801	(138,171)	7,912,630

(w) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

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

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows:

A core change resulting from applying AASB 16 is that most leases will be recognised on the Statement of Financial Position by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

Basis of preparation

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to \$1,550,293 as at the reporting date. Of this \$1,550,293, approximately \$72,236 of low-value leases will be recognised as expense in profit or loss on a straight-line basis.

The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately \$1,358,414.

Following the adoption of this new Standard, the Group's profit before tax is expected to increase by approximately \$18,307 in 2020.

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately \$467,039.

2. PARENT INFORMATION

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

Statement of Financial Position

	2019	2018
	\$	\$
ASSETS		
Current assets	5,767,064	6,208,615
Non-current assets	11,380,037	13,545,672
TOTAL ASSETS	<u>17,147,101</u>	<u>19,754,287</u>
LIABILITIES		
Current liabilities	4,918,706	5,394,821
Non-current liabilities	4,177,594	4,205,090
TOTAL LIABILITIES	<u>9,096,300</u>	<u>9,599,911</u>
EQUITY		
Issued Capital	7,069,308	7,104,001
Retained Earnings	981,493	3,050,375
TOTAL EQUITY	<u>8,050,801</u>	<u>10,154,376</u>

Statement of Profit or Loss and Other Comprehensive Income

Total profit/(loss)	(1,330,993)	1,215,276
Total comprehensive income	<u>(1,330,993)</u>	<u>1,215,276</u>

Guarantees

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

Contingent liabilities

At 30 June 2019, no contingent liabilities exist in relation to the subsidiaries.

Contractual commitments

At 30 June 2019, no capital commitments exist in relation to the subsidiaries.

3. REVENUE AND OTHER INCOME

	2019	2018
	\$	\$
Revenue:		
Revenue from contracts with customers ^a	36,624,771	35,363,998
	36,624,771	35,363,998
Other income:		
Interest received	12,509	12,515
Profit on sale of assets	11,149	74,576
	23,658	87,091
Total revenue and other income	36,648,429	35,451,089

a. Revenue from contracts with customers:

	2019	2018
	\$	\$
Impacted by AASB 15 changes:		
Mobile repayment options	132,564	-
Modems provided with DSL / NBN plans	92,056	-
	224,620	-
No impact by AASB 15 changes:		
Other sales revenue from contracts with customers	36,400,151	35,363,998
	36,400,151	35,363,998

4. EXPENSES

	2019	2018
	\$	\$
Depreciation and amortisation costs:		
Office furniture & equipment	275,827	398,964
Motor vehicles	83,367	77,271
Leasehold	62,725	56,516
Telecommunications & infrastructure	865,247	716,132
Amortisation of intangibles	726,444	633,829
	2,013,610	1,882,712
Borrowing expenses:		
Interest paid	166,317	172,185
Other	5,139	7,368
Equipment lease expenses	221,112	355,002
	392,568	534,555
Bad debts	200,825	48,397
Impairment allowance	(96,091)	24,154
	104,734	72,551
Rental expense on operating leases:		
Buildings	471,940	484,337

Other expenses:

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of Goodwill - Bendigo Communications purchase

Bendigo Communications was purchased October 2006. As at 31 December 2018, the carrying value of our assets in the Bendigo Communications CGU was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$916,491 impairment charge, writing down the remaining goodwill to zero. The impairment was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

Impairment of Goodwill - Vic West Community Telco purchase

Vicwest Community Telco was purchased September 2016. As at 31 December 2018, the carrying value of our assets in the Vicwest Community Telco CGUs was assessed for impairment. The recoverable amount of these CGUs were determined using a 'value in use' calculation and it was lower than their carrying value. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$944,004 impairment charge, writing down the remaining goodwill to \$3,483,786. The impairment was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income. The impairment reflects a change in forward strategy for the business in relation to the consumer and small business market segment. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for this market segment from growth to protect. With the continued roll-out of the NBN it is anticipated that revenues and margins from this market segment will continue to diminish.

Impairment of prepaid advertising - McMedia purchase

McMedia was purchased October 2014. Included in the purchase was an amount of prepaid advertising which could be used in publications which were 100% owned by the vendor. Lower margins and higher cost-to-serve has resulted in the business changing its strategy for the consumer and small business market segment from growth to protect. As a result of this change in strategy, the prepaid advertising was assessed and deemed impaired. An impairment charge of \$417,985 was recorded in "Other expenses" within the Statement of Profit or Loss and Other Comprehensive Income which wrote the remaining prepaid advertising to zero.

Impairment of intangible asset - Wireless Broadband project

Bendigo Telco incurred \$74,487 in development costs relating to a Wireless Broadband initiative. After review, it was deemed that the Wireless Broadband project was unlikely to bring future economic value to the business and deemed impaired. As a result, we recognised in the Statement of Profit or Loss and Other Comprehensive Income a \$74,487 impairment charge which was recorded in "Other expenses".

	2019	2018
	\$	\$
Impairment of Goodwill - Bendigo Communications purchase	916,491	-
Impairment of Goodwill - Vic West Community Telco purchase	944,004	-
Impairment of prepaid advertising - McMedia purchase	417,985	-
Impairment of intangible asset - Wireless Broadband project	74,487	-
	2,352,967	-

5. TAX EXPENSE

	2019	2018
	\$	\$
a. The components of tax expense comprise:		
Current tax	282,584	506,458
Deferred tax	147,702	86,726
	430,286	593,184
b. The prima facie tax on profit/(loss) from activities before income tax is reconciled to the income tax expenses as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 27.5% (2018: 30%)	(247,694)	542,538
Add:		
Tax effect of:		
- Movement in provision for impairment	(24,918)	8,329
- Movement in provision for employee benefits	(9,696)	902
- Movement in deferred tax	147,702	86,726
- Capital allowances	2,095	14,483
- Non-deductible expenses	623,135	93,183
	738,318	203,623
Less:		
Tax effect of:		
- Capital raising costs	28,727	31,339
	28,727	31,339
Carried Forward Losses	60,326	121,638
2017 & 2018 tax adjustment on consolidation	(28,715)	-
	31,611	121,638
Income tax attributable to entity	430,286	593,184

6. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

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

	2019	2018
	\$	\$
Short-term employee benefits	1,096,728	1,278,626
Post-employment benefits	111,959	133,516
Other long-term benefits	-	-
Termination benefits	245,185	74,791
Share-based payments	-	25,000
	<u>1,453,872</u>	<u>1,511,933</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Share-based payments

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

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

KMP Shareholdings

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

30 June 2019	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	473,758	-	-	473,758
Graham Bastian	2,000	-	-	2,000
Donald Erskine	939,326	-	-	939,326
Michelle O'Sullivan	44,711	-	-	44,711
Andrew Watts	-	-	-	-
Kevin Dole	-	-	-	-
Jonathon Selkirk	-	-	-	-
Rodney Payne	7,089	-	-	7,089
Gregory Gillett	24,108	-	-	24,108
Nicole Rooke	-	-	-	-
Jim Nielsen	2,518	-	-	2,518
Adam Murdoch	3,418	-	-	3,418
Jeff Jordan	12,500	-	-	12,500
Jason Sim	-	-	-	-
Steven Wright	3,238	-	-	3,238
Stephen Culpitt	4,301	-	-	4,301
Jarrold Draper	-	-	-	-
	1,516,967	-	-	1,516,967

30 June 2018	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	473,758	-	-	473,758
Graham Bastian	2,000	-	-	2,000
Donald Erskine	939,326	-	-	939,326
Michelle O'Sullivan	44,711	-	-	44,711
Andrew Watts	-	-	-	-
Kevin Dole	-	-	-	-
Jonathon Selkirk	-	-	-	-
Rodney Payne	7,089	-	-	7,089
Gregory Gillett	-	-	24,108	24,108
Jim Nielsen	2,518	-	-	2,518
Adam Murdoch	3,418	-	-	3,418
Jeff Jordan	-	12,500	-	12,500
Jason Sim	-	-	-	-
Steven Wright	3,238	-	-	3,238
Stephen Culpitt	4,301	-	-	4,301
Jarrold Draper	-	-	-	-
	1,480,359	12,500	24,108	1,516,967

7. AUDITORS' REMUNERATION

	2019	2018
	\$	\$
Remuneration of the auditor for:		
Auditing the financial report	79,080	77,990
Taxation services	10,478	1,020
Share registry services	19,764	20,171
	109,322	99,181

8. DIVIDENDS PAID AND PROPOSED

	2019	2018
	\$	\$
Distributions paid:		
2018 Final fully franked ordinary dividend of 8.0 (2017: 8.0) cents per share franked at the rate of 27.5% (2017: 30%)	620,623	619,622
2019 Interim fully franked ordinary dividend of 4.0 (2018: 4.0) cents per share franked at the rate of 27.5% (2018: 30%)	310,311	309,810
	930,934	929,432
Total dividends (cents) per share for the period	12.00	12.00
a. Proposed Final 2019 fully franked ordinary dividend of 7.0 (2018: 8.0) cents per share franked at the rate of 27.5% (2018: 27.5%)	543,045	620,623

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2019 but will be brought to account in the 2020 financial year.

b. Balance of franking account at year-end adjusted for franking credits arising from:

- dividends recognised as receivables and franking debits arising from payment of proposed dividends	1,533,711	1,327,984
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(205,983)	(265,981)

9. EARNINGS PER SHARE

	2019	2018
	\$	\$
a. Reconciliation of earnings to profit or loss		
Profit/(loss) for the year	(1,330,993)	1,215,276
Earnings used in calculation of basic and diluted EPS	<u>(1,330,993)</u>	<u>1,215,276</u>
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	7,757,784	7,745,626

10. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash at bank and on hand	1,768,943	1,845,454
Short term bank deposits	<u>100,000</u>	<u>100,000</u>
	<u>1,868,943</u>	<u>1,945,454</u>

Cash on hand is non interest bearing.

Cash at bank earned interest rates between 0.20% and 0.70% (2018: 0.10% and 0.70%) depending on the level of funds from time to time. Cash at bank is subject to interest rate risk, as it earns interest at floating rates. In 2019 the average floating interest rates for the Group were 0.68% (2018: 0.72%).

The effective interest rate on short term bank deposits was 2.30% (2018: 2.35%); these deposits had an average maturity of 360 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the Statement of Financial Position as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	<u>1,868,943</u>	<u>1,945,454</u>

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade debtors	1,034,254	1,281,620
Other receivables	766,925	669,980
Provision for impairment	(63,182)	(153,792)
	<u>1,737,997</u>	<u>1,797,808</u>

Impairment of receivables

The average credit period on sale of goods and rendering of services is 17 days (2018: 19 days). No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Ageing of trade receivables is as follows:

a. Ageing of past due	2019	2018
	\$	\$
0 – 30 days	903,897	820,972
30 – 60 days	57,119	64,543
60 – 90 days	3,738	35,164
Over 91 days	69,500	360,941
	<u>1,034,254</u>	<u>1,281,620</u>

b. The following table shows the movement in lifetime expected credit loss that has been recognised for trade debtors in accordance with the simplified approach set out in AASB 9: Financial Instruments

Lifetime expected credit loss: credit impaired	2019	2018
	\$	\$
Opening balance under AASB 139	153,792	126,030
Adjustments for AASB 9	5,481	-
Net measurement of loss allowance	104,734	76,159
Amounts written off as uncollectable	(200,825)	(48,397)
Amounts recovered during the year	-	-
Balance at the end of the year	<u>63,182</u>	<u>153,792</u>

A provision for impairment of trade receivables is established in accordance with AASB 9 Financial Instruments using the simplified method. In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Ageing	Expected default rate	Gross carrying amount	Credit loss allowance
Current	0.57%	903,897	5,185
31 - 60 days past due	3.02%	57,119	1,725
61 - 90 days past due	17.96%	3,738	672
90+ days past due	80.00%	69,500	55,600
Total		<u>1,034,254</u>	<u>63,182</u>

12. INVENTORIES	2019	2018
	\$	\$
Inventory	190,581	197,519
	190,581	197,519

13. INTEREST IN SUBSIDIARIES

a. Information about Principal Subsidiaries

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

Name of Subsidiaries	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2019	2018	2019	2018
		%	%	%	%
BCT Shepparton Pty Ltd	Shepparton, Australia	100	100	-	-
Vicwest Community Telco Ltd	Geelong & Ballarat, Australia	100	100	-	-

Subsidiaries financial statements used in preparation of these 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.

14. PROPERTY PLANT AND EQUIPMENT

	2019	2018
	\$	\$
Office, Furniture & Equipment		
At Cost	2,225,783	2,212,013
Accumulated depreciation	(2,059,314)	(1,798,569)
	166,469	413,444
Motor Vehicles		
At Cost	494,159	585,450
Accumulated depreciation	(261,026)	(256,817)
	233,133	328,633
Leasehold		
At Cost	690,808	675,917
Accumulated depreciation	(514,390)	(451,666)
	176,418	224,251
Telecommunications & Infrastructure		
At Cost	8,317,866	6,510,669
Accumulated depreciation	(4,715,744)	(3,850,497)
Accumulated impairment losses	(55,957)	(55,957)
	3,546,165	2,604,215
Total Property, Plant & Equipment	4,122,185	3,570,543

a. Movement in carrying amounts

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

	Office, Furniture & Equipment	Motor Vehicles	Leasehold	Telecommunica tions & Infrastructure	TOTAL
Balance at 1 July 2017	728,980	165,753	201,074	2,876,560	3,972,367
Additions	83,428	255,893	79,693	443,787	862,801
Disposals	-	(15,742)	-	-	(15,742)
Depreciation	(398,964)	(77,271)	(56,516)	(716,132)	(1,248,883)
Impairment	-	-	-	-	-
Balance at 30 June 2018	413,444	328,633	224,251	2,604,215	3,570,543
Additions	35,418	-	14,892	1,807,197	1,857,507
Disposals	(6,566)	(12,133)	-	-	(18,699)
Depreciation	(275,827)	(83,367)	(62,725)	(865,247)	(1,287,166)
Impairment	-	-	-	-	-
Balance at 30 June 2019	166,469	233,133	176,418	3,546,165	4,122,185

15. INTANGIBLES

	2019	2018
	\$	\$
Goodwill		
Cost	5,344,282	5,344,282
Accumulated Impairment Losses	(1,860,496)	-
Net Carrying Value	3,483,786	5,344,282
Customer List		
Cost	3,160,559	3,160,559
Accumulated Amortisation	(862,255)	(485,229)
Net Carrying Value	2,298,304	2,675,330
Internally Generated Software		
Cost	1,849,869	1,768,804
Accumulated Amortisation	(1,585,917)	(1,358,852)
Net Carrying Value	263,952	409,952
Project Development		
Cost	889,140	860,731
Accumulated Amortisation	(485,911)	(380,629)
Accumulated Impairment Losses	(74,487)	-
Net Carrying Value	328,742	480,102
Total Intangibles	6,374,784	8,909,666

	Goodwill	Customer List	Internally Generated Software	Project Development	TOTAL
Year ended 30 June 2018					
Balance at beginning of year	5,334,102	2,165,625	427,695	505,114	8,432,536
Additions	10,180	798,059	211,150	91,570	1,110,959
Disposals	-	-	-	-	-
Amortisation charge	-	(288,354)	(228,893)	(116,582)	(633,829)
Impairment losses	-	-	-	-	-
	5,344,282	2,675,330	409,952	480,102	8,909,666
Year ended 30 June 2019					
Balance at beginning of year	5,344,282	2,675,330	409,952	480,102	8,909,666
Additions	-	-	81,065	45,480	126,545
Disposals	-	-	-	-	-
Amortisation	-	(377,026)	(227,065)	(122,353)	(726,444)
Impairment losses	(1,860,496)	-	-	(74,487)	(1,934,983)
	3,483,786	2,298,304	263,952	328,742	6,374,784

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income. Goodwill has an indefinite useful life.

Impairment Disclosures

Goodwill was allocated to cash-generating units (CGU's) acquired through business combinations in 2006 & 2016.

	2019	2018
	\$	\$
Acquired CGU Bendigo Communications (2006) ^a	-	916,491
Acquired CGU VicWest (2016) ^b	3,483,786	4,427,791
Total Goodwill	3,483,786	5,344,282

The recoverable amounts of the cash generating units above is determined based on value in use calculations. The value in use is calculated based on the present value of cash flow projections over an 8-year period with the period extending beyond 3 years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a 5-year weighted average cost of capital (WACC) at the beginning of the budget period.

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

	Discount Rate		Growth Rate	
	2019	2018	2019	2018
Bendigo Communications segment	10%	4%	(11%)	(11%)
Vicwest segment	6%	4%	(4%)	5%

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

a. Acquired CGU Bendigo Communications (2006):

Impairment of Goodwill - Bendigo Communications purchase

Bendigo Communications was purchased October 2006. After an extensive review of the value in use calculations, 100% of the \$916,491 goodwill has been recognised as impaired for the year ended 30 June 2019.

b. Acquired CGU VicWest (2016):

Impairment of Goodwill - Vic West Community Telco purchase

Vic West Community Telco was purchased 1 September 2016. After a review of the value in use calculations, 21% of the \$4,427,791 goodwill has been recognised as impaired for the year ended 30 June 2019.

16. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Unsecured liabilities:		
Trade payables	1,376,272	1,360,754
Sundry payables and accrued expenses	824,594	1,254,444
	2,200,866	2,615,198

17. BORROWINGS

	2019	2018
	\$	\$
Current		
Secured by fixed and floating registered mortgage debenture		
Bank loans	407,268	1,207,151
Lease liability	1,439,104	725,390
Total current borrowings	1,846,372	1,932,541
Non current		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	2,752,751	3,130,925
Lease liability	1,331,634	921,312
Total non-current borrowings	4,084,385	4,052,237

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

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

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

3. Business Loans, with the following conditions:

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

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

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

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

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

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

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

18. PROVISIONS

	2019	2018
	\$	\$
Current		
Employee Benefits		
Annual Leave	368,889	392,390
Long Service Leave	502,579	454,692
	<u>871,468</u>	<u>847,082</u>
Non Current		
Employee Benefits		
Long Service Leave	93,209	152,853
	<u>93,209</u>	<u>152,853</u>

Provision for Employee Benefits

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

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

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

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

19. TAX

	2019	2018
	\$	\$
a. Liabilities		
Current		
Provision for income tax	(418,816)	(222,002)
	<u>(418,816)</u>	<u>(222,002)</u>
Non Current		
Deferred Tax Liability	-	-
	<u>-</u>	<u>-</u>
b. Deferred Tax Assets		
Balance as at 30 June	883,068	1,065,463
	<u>883,068</u>	<u>1,065,463</u>
Represented by tax effect of:		
- Provision for impaired debts	17,375	46,138
- Provision for annual leave	101,444	127,717
- Provision for long service leave	163,842	182,264
- Capital allowances	33,261	33,997
- Capital raising costs deductible	36,881	71,573
- Carried forward losses	530,265	603,774
	<u>883,068</u>	<u>1,065,463</u>

20. ISSUED CAPITAL

	No. of Shares	2019 \$	2018 \$
Fully paid ordinary shares at beginning of period	7,745,284	7,816,558	7,816,558
Employee Share Issue	12,500	25,000	25,000
Less cost of equity raised - IPO	-	(284,199)	(284,199)
Less cost of equity raised - Scheme of arrangement	-	(488,051)	(453,358)
	<u>7,757,784</u>	<u>7,069,308</u>	<u>7,104,001</u>

21. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	2019 \$	2018 \$
Payable minimum lease payments:		
No later than 12 months	1,504,119	800,395
Between 12 months and 5 years	1,351,909	960,220
Minimum lease payments	<u>2,856,028</u>	<u>1,760,615</u>
Less future finance charges	(85,290)	(113,914)
Present value of minimum lease payments	<u>2,770,738</u>	<u>1,646,701</u>

Leasing arrangements

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

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2019	2018
	\$	\$

Payable minimum lease payments:

No later than 12 months	509,828	524,598
Between 12 months and 5 years	1,040,465	941,458
	1,550,293	1,466,056

Leasing arrangements

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

1. 23 McLaren Street, Bendigo - Lease term renegotiated to commence 1 July 2017 and ending on 30 June 2022, with rent payable monthly in advance. There is also an option for 3 further terms of five years each, and each of those options must be exercised at least 3 months in advance. Fixed reviews of 2.0% increases will take place on 1 July.
2. Business Continuity Centre, 121 Edwards Road, Flora Hill - the lease has been renewed for a further five years, lease term beginning 1 September 2018 and ending 31 August 2023. Rent is payable monthly in advance and an annual CPI review during the term on 1 September each year.
3. 113 Williamson Street, Bendigo – Lease term renegotiated to commence 1 July 2017 and ending 30 June 2022, with rent payable monthly in advance. There is an option for 3 further terms of five years each by giving notice at least 3 months in advance. Fixed reviews of 2.0% increases will take place on 1 July.

Operating leases for computer network/infrastructure equipment for customer use continued in this financial period with terms of either three or five years. Approximately 4% of the overall liability relates to these leases which will generate revenues in excess of the expenses noted below.

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

(c) Capital Expenditure Commitments

	2019	2018
Capital expenditure commitments contracted for:	\$	\$
Computer Network & Infrastructure	-	1,649,925
Cloud Infrastructure	309,000	368,641
	309,000	2,018,566
Payable:		
No later than 12 months	145,667	452,866
Between 12 months and 5 years	163,333	1,565,700
	309,000	2,018,566

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

23. OPERATING SEGMENTS

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

Bendigo Telco Limited operates under one segment, however, the breakdown of revenue has been disclosed by product set. Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 Operating Segments. On reallocation, no additional goodwill impairment was required.

Major customers

During the year ended 30 June 2019 approximately 32.8% (2018: 30.5%) of Bendigo Telco's external revenue was derived from sales to one customer (2018: one customer).

Revenue by product set

	2019	2018
	\$	\$
Voice	15,089,187	14,779,362
Data Networks	11,148,606	11,592,072
Broadband	4,523,194	3,322,328
IT Services	231,305	253,081
Hardware and Installations	835,779	935,657
Data Centre	3,076,030	2,921,758
Cloud	1,685,704	1,427,375
Other	34,966	132,365
	36,624,771	35,363,998

Assets & Liabilities

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

24. CASH FLOW INFORMATION

	2019	2018
	\$	\$
Reconciliation of net cash provided by operating activities with		
Profit/(loss) after income tax	(1,330,993)	1,215,276
Non-cash flows in profit:		
Depreciation and amortisation of non current assets	2,013,610	1,882,712
Loss / (Profit) on sale of assets	(11,149)	(74,576)
Impairment loss on goodwill and intangibles	2,352,967	-
Issued Capital	-	25,000
Change in assets and liabilities		
(Increase)/decrease in assets and Increase/(decrease) in liabilities		
Receivables	54,330	(90,888)
Prepayments	862,870	548,007
Inventories	6,938	84,449
Deferred tax asset	182,395	120,635
Accounts payable	(414,332)	313,862
Provisions	(35,258)	3,005
Taxation	(196,814)	(285,640)
Net cash flow from operating activities	3,484,564	3,741,842

25. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 7.0 cents per share was declared by the Board of Directors on 28 August 2019 which will be distributed to shareholders on 30 September 2019.

26. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2019	2018
	\$	\$
Amounts of a prescribed benefit given during the year by the Group or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office.	Nil	Nil

27. DIRECTORS RELATED PARTY DISCLOSURES

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

Robert Hunt	Kevin Dole
Don Erskine	Jonathon Selkirk
Graham Bastian	Rodney Payne
Michelle O'Sullivan	Gregory Gillett
Nicole Rooke	

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

	2019	2018
Directors Shareholdings	No.	No.
Robert Hunt	473,758	473,758
Graham Bastian	2,000	2,000
Donald Erskine	939,326	939,326
Michelle O'Sullivan	44,711	44,711
Andrew Watts	-	-
Kevin Dole	-	-
Jonathon Selkirk	-	-
Rodney Payne	7,089	7,089
Gregory Gillett	24,108	24,108
Nicole Rooke	-	-

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

28. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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

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

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

- (i) Market Risk – the group has no exposure to any transactions denominated in a currency other than Australian dollars.
- (ii) Price Risk – the group is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The group is not exposed to commodity price risk.
- (iii) Credit Risk – the group has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.
- (iv) Liquidity Risk – the group maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.
- (v) Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. The group has mitigated risk on long-term interest-bearing liabilities by negotiating fixed rate contracts.

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

Recognised	Accounting Policies	Terms and Conditions
<i>Financial assets</i>		
Notes, coin and cash at bank	Notes, coin and cash at bank are stated at cost and any interest is taken up as income on an accrual basis.	These items are cash or are readily convertible to cash.
Accounts Receivable – Debtors	As per AASB 9, an expected credit loss model is applied. To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.	Trade receivables are generally due for settlement within 14 days.
<i>Financial liabilities</i>		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods and services.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.

(b) Financial Instruments

Financial instrument composition and maturity analysis

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

	Fixed Interest Rate Maturing																																																																		
	Weighted Average Effective Interest		Floating Interest Rate																																																																
	2019 %	2018 %	2019 \$	2018 \$																																																															
Financial Assets																																																																			
Cash or Cash Equivalents	-	-	1,768,943	1,845,454																																																															
Short-term Deposits	2.30	2.35	100,000	100,000																																																															
Accounts Receivable - Debtors	-	-	-	-																																																															
Total Financial Assets	2.30	2.35	1,868,943	1,945,454																																																															
Financial Liabilities																																																																			
Creditors & Accruals	-	-	-	-																																																															
Bank Loans	1.93	2.15	-	-																																																															
Finance Leases	4.16	5.67	-	-																																																															
Total Financial Liabilities	6.09	7.82	-	-																																																															
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="2" style="text-align: center;">Within 1 Year</th> <th colspan="2" style="text-align: center;">1 to 5 years</th> </tr> <tr> <th style="text-align: center;">2019</th> <th style="text-align: center;">2018</th> <th style="text-align: center;">2019</th> <th style="text-align: center;">2018</th> </tr> <tr> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td colspan="5">Financial Assets</td> </tr> <tr> <td>Cash or Cash Equivalents</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Short-term Deposits</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Accounts Receivable - Debtors</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total Financial Assets</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td colspan="5">Financial Liabilities</td> </tr> <tr> <td>Creditors & Accruals</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Bank Loans</td> <td style="text-align: right;">407,268</td> <td style="text-align: right;">1,207,151</td> <td style="text-align: right;">1,250,902</td> <td style="text-align: right;">1,630,925</td> </tr> <tr> <td>Finance Leases</td> <td style="text-align: right;">1,504,119</td> <td style="text-align: right;">800,395</td> <td style="text-align: right;">1,351,909</td> <td style="text-align: right;">960,220</td> </tr> <tr> <td>Total Financial Liabilities</td> <td style="text-align: right;">1,911,387</td> <td style="text-align: right;">2,007,546</td> <td style="text-align: right;">2,602,811</td> <td style="text-align: right;">2,591,145</td> </tr> </tbody> </table>						Within 1 Year		1 to 5 years		2019	2018	2019	2018	\$	\$	\$	\$	Financial Assets					Cash or Cash Equivalents	-	-	-	-	Short-term Deposits	-	-	-	-	Accounts Receivable - Debtors	-	-	-	-	Total Financial Assets	-	-	-	-	Financial Liabilities					Creditors & Accruals	-	-	-	-	Bank Loans	407,268	1,207,151	1,250,902	1,630,925	Finance Leases	1,504,119	800,395	1,351,909	960,220	Total Financial Liabilities	1,911,387	2,007,546	2,602,811	2,591,145
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<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="2" style="text-align: center;">Over 5 years</th> <th colspan="2" style="text-align: center;">Non Interest Bearing</th> </tr> <tr> <th style="text-align: center;">2019</th> <th style="text-align: center;">2018</th> <th style="text-align: center;">2019</th> <th style="text-align: center;">2018</th> </tr> <tr> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td colspan="5">Financial Assets</td> </tr> <tr> <td>Cash or Cash Equivalents</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Short-term Deposits</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Accounts Receivable - Debtors</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: right;">1,737,997</td> <td style="text-align: right;">1,797,808</td> </tr> <tr> <td>Total Financial Assets</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: right;">1,737,997</td> <td style="text-align: right;">1,797,808</td> </tr> <tr> <td colspan="5">Financial Liabilities</td> </tr> <tr> <td>Creditors & Accruals</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: right;">2,200,866</td> <td style="text-align: right;">2,615,198</td> </tr> <tr> <td>Bank Loans</td> <td style="text-align: right;">1,501,849</td> <td style="text-align: right;">1,500,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Finance Leases</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total Financial Liabilities</td> <td style="text-align: right;">1,501,849</td> <td style="text-align: right;">1,500,000</td> <td style="text-align: right;">2,200,866</td> <td style="text-align: right;">2,615,198</td> </tr> </tbody> </table>						Over 5 years		Non Interest Bearing		2019	2018	2019	2018	\$	\$	\$	\$	Financial Assets					Cash or Cash Equivalents	-	-	-	-	Short-term Deposits	-	-	-	-	Accounts Receivable - Debtors	-	-	1,737,997	1,797,808	Total Financial Assets	-	-	1,737,997	1,797,808	Financial Liabilities					Creditors & Accruals	-	-	2,200,866	2,615,198	Bank Loans	1,501,849	1,500,000	-	-	Finance Leases	-	-	-	-	Total Financial Liabilities	1,501,849	1,500,000	2,200,866	2,615,198
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	Total	
	2019	2018
	\$	\$
Financial Assets		
Cash or Cash Equivalents	1,768,943	1,845,454
Short-term Deposits	100,000	100,000
Accounts Receivable - Debtors	1,737,997	1,797,808
Total Financial Assets	3,606,940	3,743,262
Financial Liabilities		
Creditors & Accruals	2,200,866	2,615,198
Bank Loans	3,160,019	4,338,076
Finance Leases	2,770,738	1,646,702
Total Financial Liabilities	8,131,623	8,599,976

Creditors and accruals are expected to be paid as follows:

	2019	2018
	\$	\$
Less than 6 months	2,200,866	2,615,198
6 months to 1 year	-	-
1 – 5 years	-	-
Over 5 years	-	-
	2,200,866	2,615,198

(c) Credit Risk

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

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

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

Exposure to Credit Risk

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

	Carrying Amount	
	2019	2018
	\$	\$
Cash or Cash Equivalents	1,868,943	1,945,454
Trade & Other Receivables	1,737,997	1,797,808
	3,606,940	3,743,262

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

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities for the Group:

	Carrying Amount \$	Contracted Cash Flows \$	1 year or less \$	1-5 years \$	Over 5 years \$
30 June 2019					
Financial Liabilities					
Trade and other payables	1,376,272	1,376,272	1,376,272	-	-
Bank loans	3,160,019	3,160,019	407,268	1,250,902	1,501,849
Lease liabilities	2,770,738	2,856,028	1,504,119	1,351,909	-
Total financial liabilities	7,307,029	7,392,319	3,287,659	2,602,811	1,501,849

Lease Liabilities have been entered into subsequent to balance date.

(e) Fair Values

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

	Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial Instruments				
Financial assets				
Cash or cash equivalents	1,768,943	1,845,454	1,768,943	1,845,454
Short-term bank deposits	100,000	100,000	100,000	100,000
Accounts receivable - debtors	1,737,997	1,797,808	1,737,997	1,797,808
Total financial assets	3,606,940	3,743,262	3,606,940	3,743,262
Financial liabilities				
Creditors and accruals	2,200,866	2,615,198	2,200,866	2,615,198
Bank loans	3,160,019	4,338,076	3,160,019	4,338,076
Finance leases	2,770,738	1,646,702	2,770,738	1,646,702
Total financial liabilities	8,131,623	8,599,976	8,131,623	8,599,976

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

Recognised Financial Instruments

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

(f) Sensitivity Analysis

Interest Rate Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2019, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2019	2018
	\$	\$
Change in profit		
Increase in interest rate by 2%	38,144	31,422
Decrease in interest rate by 2%	(38,144)	(31,422)
Change in equity		
Increase in interest rate by 2%	38,144	31,422
Decrease in interest rate by 2%	(38,144)	(31,422)

29. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office

23 McLaren Street, Bendigo, Victoria.

Principal Places of Business

Bendigo Telco Office – 23 McLaren Street, Bendigo, Victoria.

Bendigo Telco Business Advisory Centre – 113 Williamson Street, Bendigo, Victoria.

Data Centre - 121 Edwards Road, Bendigo, Victoria.

VicWest Ballarat Office - 39 Peel Street, Ballarat, Victoria.

VicWest Geelong Office - Unit 3, 2-6 Rutland Street, Newtown, Victoria.

Tastel Hobart Office - Lv 9, 39 Murray Street, Hobart, Tasmania.

Tastel Launceston Office - Suite 2, Level 1, 39 Paterson Street, Launceston, Tasmania

SEQ Telco Ipswich Office - Ground Floor, 114 Brisbane Street, Ipswich, Queensland.

33 Piper Street, Bendigo, Victoria.

DIRECTORS' DECLARATION

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

1. the financial statements and notes of the group are in accordance with the *Corporations Act 2001*, and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group;
2. in the director's opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable;
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Executive General Manager and Chief Financial Officer; and
4. the audited remuneration report set out in the Directors Report (as part of the remuneration report), for the year ended 30 June 2019, comply with section 300A of the *Corporations Act 2001* and the Corporations Regulation 2001.

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

On behalf of the directors



Robert Hunt
Chairman



Donald Erskine
Director

Signed on 28 August 2019



Chartered Accountants

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

Independent auditor's report to the members of Bendigo Telco Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Bendigo Telco Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

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

- Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the matter
<p>Impairment of goodwill and intangible assets</p> <p>Given the changing nature of the industry in which the Group operates, there is a risk that there could be a material impairment to goodwill and intangible asset balances.</p> <p>Determination as to whether or not impairment relating to an asset or Cash Generating Unit (CGU) is present involves significant judgement about the future cash flows and plans for these assets and CGUs.</p> <p>The Group's disclosures about goodwill will specifically explain that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.</p>	<p>We evaluated the impairment calculations including testing of the recoverable amount of the CGU. We assessed the reasonableness of the cash flow projection used in the impairment model as well as the Group's historical ability to achieve forecasts. We evaluated the reasonableness of key assumptions used in the impairment model including the discount rate, terminal growth rates and forecast growth assumptions. We performed sensitivity analysis around the key drivers of the cash flow projection. Having considered the change in assumptions (individually or collectively) that would be required for the CGU to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We evaluated the adequacy of impairments that had been recognised during the financial year. We evaluated the adequacy of disclosure included in Note 15.</p>
<p>Revenue recognition</p> <p>There are significant judgement areas relating to revenue recognition. These are:</p> <ul style="list-style-type: none"> ▪ Accounting for new products and plans including multiple element arrangements ▪ Accounting for large and complex service contracts. <p>The accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, the complexity of products and services, and the combination of products sold and price changes in the year. The complexity of the billing systems also requires some reliance on the Group's IT systems with automated processes and controls over the capturing, valuing and recording of transactions.</p>	<p>Our audit procedures to address the risk of material misstatement relating to revenue recognition included:</p> <ul style="list-style-type: none"> ▪ Evaluating the design and effectiveness of key controls over the capture and measurement of revenue transactions, including evaluating the general controls over the relevant IT systems. ▪ Detailed analysis of revenue based on expectations derived from our industry knowledge and following up variances from our expectations. ▪ Detailed substantive testing of significant revenue balances. <p>We evaluated the Group's accounting policies and disclosures about its revenue recognition included in Note 1 and Note 3 for compliance with the revenue recognition requirements of the AASB 15.</p>
<p>Capitalisation and asset lives</p> <p>There are a number of areas where judgement impacts the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortisation profiles. This is a key part of the audit due to the judgement involved in:</p> <ul style="list-style-type: none"> ▪ The decision to capitalise or expense costs. ▪ The annual asset life review. ▪ The timeliness of the transfer from assets in the course of construction. 	<p>We understood and assessed the Group's design and operating effectiveness of controls over the fixed asset cycle, evaluated the appropriateness of capitalisation policies, performed tests of a sample of costs capitalised during the year and assessed the timeliness of transfer of assets in the course of construction.</p> <p>We also performed testing on the application of the asset life review. This testing included assessing judgements made by the Group on:</p> <ul style="list-style-type: none"> ▪ The nature of underlying cost capitalised ▪ The appropriateness of assets lives applied in the calculation of depreciation and amortisation. <p>We evaluated the adequacy of disclosures included in Note 1.</p>

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Bendigo Telco Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 28th day of August 2019



Adrian Downing
Lead Auditor

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 18 July 2019.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	136
1,001 - 5,000	261
5,001 - 10,000	75
10,001 - 100,000	63
100,001 and over	6
	<u>541</u>

The number of shareholdings held in less than marketable parcels is 25.

Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	2,386,747	30.8
Erskine Investments Pty Ltd	939,326	12.1
Hunters Ridge Pty Ltd	473,758	6.1
Ron Poyser Administrators Pty Ltd	438,400	5.7
National Nominees Limited	160,000	2.1
MGR Property Pty Ltd	90,000	1.2
Latrobe University	84,000	1.1
Community Telco Syndicate	78,000	1.0
Indicrock Superannuation Pty Ltd	70,058	0.9
Kirkstow Nominees Pty Ltd	64,000	0.8
Total shares held by top 10 holders	<u>4,784,289</u>	<u>61.7</u>