



## Chairman & Chief Executive Officer's Report 2014

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

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

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

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

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

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

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

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

of Telecommunication Industry Ombudsman (TIO) complaints and that fact has helped us to reduce our compliance costs.

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

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

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

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

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

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

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

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

Don Erskine, Chairman